

THE ROLE OF FORENSIC ACCOUNTING IN FRAUD CASES



The lengthiest
fraud case to
date spent 320
days in trial.

Fraud takes on many forms - from petty theft to deep rooted corruption within global organizations. Legal cases involving financial crime are often complex and time consuming, with numerous pieces of evidence to collect and analyze.

It is becoming more and more common for attorneys to enlist the assistance of an experienced forensic accountant to provide litigation support and expert testimony. Forensic accountants can prove to be a crucial asset during an investigation and court proceeding, helping to expedite a more thorough process and ensuring that the true value of the fraudulent activity is accurately quantified. As the detectives of the accounting field, these professionals can add value to the team in cases of fraud, leading to better potential outcomes.

A Quick Case Study

In the longest criminal trials in UK legal history, a couple in Scotland was found guilty in a case of large-scale property fraud. Edwin and Lorraine McLaren duped unsuspecting homeowners facing financial difficulty out of 1.7 million pounds (over \$2 million dollars) over a six year period. A team of various specialists, including financial investigators, tracked down and analyzed thousands of pieces of evidence. The trial began in September 2015 and lasted a whopping 320 days!

As the case of the McLarens shows, the amount of evidence to be handled in cases of fraud can result in a long and daunting process. Additionally, problems such as falsified, missing or destroyed documents are commonly encountered over the course of an investigation. Using in-depth investigative and analytic skills, forensic accountants piece together elaborate financial histories and uncover the true story backed by data. Although they scrutinize the small details, forensic accountants are also trained to look beyond the numbers and see the big picture of how all of the pieces fit together.

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Gathering Evidence

While every case is unique, forensic accountants employ a number of techniques to collect vital evidence, including but not limited to:

- **Computer assisted audit techniques** – scans of large volumes of data which can in turn display irregular patterns
- **Substantive techniques** – documentation review and reconciliation
- **Testing and assessing internal controls**
- **Analytic procedures** – comparing financial trends over a period of time
- **Conducting interviews with relevant parties**

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Aid for Legal Counsel

In terms of legal aid, a forensic accountant can show a more clear point of view for the solicitors that are prosecuting or defending a client. Legal specialists may lack the expertise or not have the appropriate bandwidth to conduct in-depth and time intensive research of financial documentation to piece together a complex fraudulent trail.

However, with a background in financial forensics, a forensic accountant not only possesses a more specialized approach to the investigation, but they can also provide a more thorough interpretation of the data compared to a traditional accountant. In addition, they may provide insight to legal counsel in situations such as reviewing the opposing expert's report, formulating questions for cross examination, and reaching optimal settlement negotiations.

Expert Witness Opinion

Forensic accountants have gone through rigorous training and education prior to obtaining certification. It comes as no surprise, that they are often asked to explain evidence, report their findings, and offer an opinion in court by testifying as an expert witness. Their understanding of business and financial systems ensures that they can unravel and interpret long and varied paper trails.

Serving as an expert witness requires excellent communication skills. As a true test of their abilities, forensic accountants must effectively explain their expert knowledge to non-professionals. They must decipher intricate financial information and effectively communicate their findings in layman's terms for members of a courtroom with zero accounting background to understand with ease.

In Summary

Fraud cases can be lengthy, complicated and take time away from daily life and activities. Using a specialist such as forensic accountant can allow more efficient use of time and money, losses and damages to be accurately quantified, and for the parties involved to achieve a resolution faster. Surely, the only thing worse than being victimized by fraud would be to not receive proper justice for the crime.

With the alarming frequency of fraudulent activity, it is no wonder that this sub-specialty continues to grow and that forensic accountants are being retained more often, not only by attorneys, but insurers, corporations, and creditors as well. Forensic accounting services are helping to streamline the legal process in cases of financial crime. If you are looking to add a forensic professional to your team, we invite you to connect with us!

References

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