

Forensic Accounting

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Forensic Accounting: What do you think it is?

- What do you think a forensic accountant does?
- What kind of work do they get involved in?
- What kind of skills do you think they need?

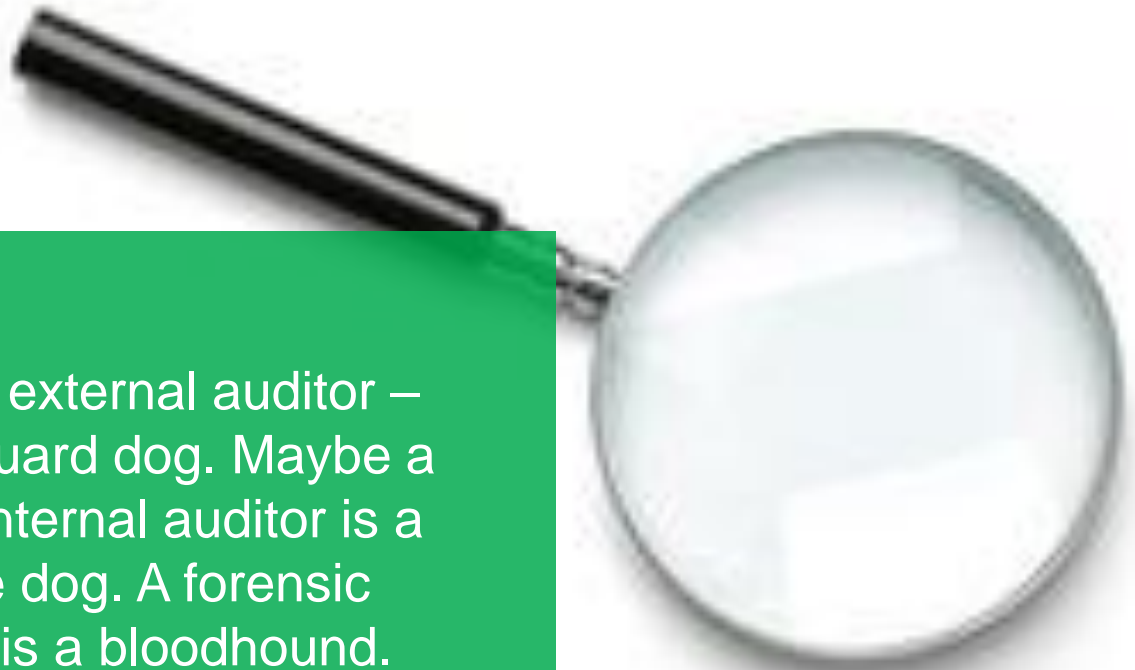
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You have an external auditor – that's like a guard dog. Maybe a bulldog. An internal auditor is a seeing eye dog. A forensic accountant is a bloodhound.

Dr. Larry Crumbly

Editor, *"Journal of Forensic Accounting"*

”





Forensic Accountancy

"Forensic"

- Application of scientific methods to the investigation of crime
- Of or relating to Courts of Law

"Accountant"

- A person who keeps or inspects financial accounts



What role do we perform?

- Expert witness
 - Reporting on matters of liability or quantum
 - Overriding duty is to the Court rather than our client
 - Normally prepare expert's report
 - May be required to give the evidence in court and be cross examined
- Expert Advisor
- Expert Determiner



What role do we perform?

- Mediator/Arbitrator
- Investigation
 - Variety of purposes (e.g. fraud & other wrongdoing, insolvency, verification)
 - Prepare report that may or may not be used for legal purposes
 - Some investigations are only loosely accountancy related



Types of work

Civil cases

- Contractual disputes
- Shareholder and partnership disputes
- Warranty claims
- Professional negligence claims/ mis-selling claims
- Business interruption
- Compulsory Purchase Orders
- Matrimonial disputes
- Personal injury claims



Types of work

Criminal cases

- Fraud and other investigations
- Private criminal prosecutions
- Criminal defence and confiscation

Case examples

"Disgraced tycoon Asil Nadir returns to a hero's welcome in his native Cyprus after his release from UK prison for cheating investors out of millions"

Daily Mail, 27 April 2016

"King Con" fraudster ordered to pay back record £38m to victim and taxpayers"

Evening Standard, 12 January 2016

"Government in £9 million payout after single letter blunder causes business to collapse"

The Telegraph, 27 January 2015

"Evicted London businesses are still waiting for Games compensation"

Evening Standard, 19 September 2011

"Mayor Boris Johnson wins London riot compensation case"

BBC News, 20 April 2016

Where does forensic accounting work come from?

- All work one off - no recurring fees
- Most expert witness work via solicitors and barristers
- Investigations for corporate clients, public sector bodies, etc.
- Reputation and recommendation very important
- Much work from repeat instructors
- Marketing and networking essential



How do we approach cases?

Every case is different – no last year's file to follow

1. Providing fee proposal, information etc and quoting for the job
2. Receiving papers and planning job
3. Detailed review of paperwork to identify key documents
4. Research publicly available information (Companies House, databases, Google, etc.)
5. Possible site visits to clients' premises
6. Preparing detailed schedules supporting our findings



How do we approach cases?

Every case is different – no last year's file to follow

7. Analysis of key results and data to identify patterns and unusual figures
8. Meeting with legal team and/or client
9. Drafting report and appendices
10. Possible meeting with opposing expert and preparing joint statement
11. Possible attendance at Court



Beware risks in forensic accounting

Expert Witness Role:

- Governed by Part 33 of Civil Procedure Rules/ Part 25 of Family Rules/ Part 19 of Criminal Procedure Rules
- Duty always to the Court and not to instructing party
- Always stick within areas of expertise

Failure to do the above may result, in worst case, in public criticism

Forensic Investigation Role:

- Ensure preservation of data and maintain accurate record of work undertaken

What skills does a forensic accountant need?

- Communication skills essential (written and verbal)
- Investigative mind/ thorough
- Analytical – handling large amounts of information
- Report writing
- Works well under pressure
- Technical accounting skills important but less essential



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Computer Forensics

“

Computer forensics – the discipline that combines elements of law and computer science to collect and analyse data from computer systems, networks, wireless communications, and storage devices in a way that is admissible as evidence in a court of law.

”

US-CERT





What does computer forensics entail?

- Forensically acquire electronic-based evidence
- Analysis of data
- Court experience/Expert evidence



Examination

Large number of other forensic tools can be used to recover:

- Email, Facebook, IM, Hotmail, etc.
- File sharing
- Internet history
- Keyword searches
- Virtual machines
- Deleted files/backups



Exercise

Think of a recent case in the media which you think might have needed or may need forensic accountants to be invoiced:

- What is the relevant issue that would need forensic accounting assistance?
- What information would be required to undertake the forensic accounting exercise?
- What work would need to be done and what would be the final product?



Sarah Rodin: My training route

- Joined HSNO in 2012 following a year out after university
- Looking for something new and exciting
- Opportunity to achieve a professional qualification
- Benefits of joining a boutique firm
- Qualified as an ICAEW Chartered Accountant in 2015



Sarah Rodin: My forensics experience

- BIG variety of cases
- Investigating the collapse of Iceland's largest bank
 - Instructed by the Icelandic Special Prosecutor's Office
 - Assisting the SP with its investigation of accounting and auditing issues
- Quantifying losses arising from CPOs
 - Range of businesses
 - Loss of profits and extinguishment claims
- Claims relating to the mis-selling of IRHP
 - Calculating consequential losses
 - Critically appraising claims on behalf of Claimants and banks
- Criminal defence
 - Nature of work varies (fraud, theft, tax avoidance, confiscation proceedings)

Why forensics?

Challenging

Develop a wider range of skills

Constantly learning

Variety – no two cases are the same

Exposure to high profile/large value matters



Typical routes into forensics

- Generally either graduates training as ACA/ACCA in forensics or as a newly qualified accountant
- AAT students can also train in Forensic Accounting
- Once AAT qualified, then begin ACA or ACCA qualification
- Typically takes 3 years to complete ACA/ACCA and includes elements of technical work experience and exams
- Accounting skills acquired during AAT training in accounts department can be useful for forensic accounting



Any Questions?



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Thank you

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