

Research Article

Forensic Accounting and Detecting Frauds in the Public Organizations: Bangladesh Perspective

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Abstract

A rise in fraud and financial crimes in the public sector continues despite attempts by the Bangladeshi government to reduce corruption through measures such as the establishment and strengthening of accountability mechanisms as well as encouraging worldwide best corporate practices. The qualitative data for this study was gathered through interviews. For the interview, 100 accounting professionals were chosen from 10 public organizations in Bangladesh. There is an assessment of the fraud risk of a forensic accountant and auditor in the Bangladeshi public sector, as well as the requirements for capability and competency. When it comes to fraud prevention, detection, and response, forensic accountants scored far higher than auditors. The implications of this study could lead to a reduction in fraud and fraudulent activities in the Bangladeshi public sector, as well as the promotion of institutional, regulatory, and legal frameworks, and the creation of awareness within accounting and audit.

Keywords: forensic accounting skills, fraud risk assessment, public sector, qualitative data, interview method, creative accounting

1.0 Introduction

Preventing fraud and exposing misleading accounting practices are in high demand as both private and public sector enterprises face increased scrutiny of their financial activities by shareholders and tax payers, respectively (Bhide, 2012; Čudan & Cvetković, 2019). The forensic accountant is required by the public sector organization to have a distinct skill set and ethical beliefs than the traditional accountant. Forensic accountants play a vital role in government, looking for evidence of suspect financial behaviour and fraudulent behaviour. Forensic accounting techniques and services should be used more often in public sector firms in order to discover financial reporting frauds and corruption practices. Accountants that specialize in forensic accounting have a critical role to play in government, where they need to look for indicators of fraudulent financial conduct by individuals and organizations. In other words, forensic accountants are obliged to go beyond financial data in order to notice what others cannot (Moid, 2016; Soleimany Amiri & Babaei, 2020).

As a result of the fraud in the public sector, Bangladesh's infrastructure, facilities, and utilities have been severely impacted. The management of every ministry, department, and agency is responsible for promoting public trust by instituting proper methods of control to reinforce their actions in order to

achieve the finest corporate governance practices (Herbert et al., 2017). Studies reveal that no country is immune to deception (Al-Sharairi, 2018). As a result, any organization's leadership must devise procedures for identifying and responding to fraud that make it impossible for fraud perpetrators to operate effectively. When auditors failed to address fraud issues in the public eye, Moid (2016) noted that the legislation responded by making significant changes to corporate governance, auditor independence, financial disclosure, and criminal liability for companies. The Due Process and Debt Recovery Institutions have been formed in Bangladesh. As well as, the Fiscal Responsibility Act of 2007 and the Public Procurement Act of 2007 were introduced to reduce fraudulent practices, misuse of funds and other occupational fraud (Moid, 2016; Soleimany Amiri & Babaei, 2020).

Bangladesh's Auditor General, the highest management of government enterprises should be responsible for fraud prevention, detection, and investigation. Accounting professionals, in particular, must be on the lookout for fraudulent practices and misbehaviour. In order to fulfil this role, public officers must have some understanding of fraud indications or symptoms that will enable them to analyse accounting frauds/errors and materially misstated financial statements (Joseph et al., 2016; Soleimany Amiri & Babaei, 2020). As a result, the main objective of this study is to investigate how accounting experts in the relevant business and those who use forensic accounting services perceive the forensic accounting skills of public sector forensic accountants. Accountant General's Department of Bangladesh will benefit from this study on the important forensic accounting skills of public sector forensic accountants, as well as educators (universities) for the development of academic curriculum of forensic accounting program and the effective implementation of forensic accounting practices. In Bangladesh, very few researches have been conducted on the fundamental features and relevant skills of forensic accountants.

As a result, a main objective of this research was on the perceptions of three significant stakeholders - professionals, academicians, and users of forensic accounting skills in the public sector in Bangladesh. Forensic accounting services will benefit greatly from the findings of this study, which will help the Accountant General's Department of Bangladesh and academics (universities) design training programs and curricula for forensic accountants in the public sector.

2.0 Literature Review

2.1 The importance of Forensic Accounting

Financial skills and an investigative mentality are applied to unresolved issues within the context of the rules of evidence in forensic accounting. A forensic accountant should have a variety of skills and expertise in accounting, auditing, law and investigation procedures (Domino, 2017). Strong ethical ideals and soft skills should accompany them. When it comes to investigative expertise, forensic accounting involves everything from interrogative skills to understanding of legislation and rules of evidence. If you think about forensic accounting as the bloodhound of bookkeeping, he can sniff out fraud, hunt for concrete evidence and figure out the misstatement (Mishra & Singh, 2017). Forensic accountants should have analytical capabilities, communication skills, technological know-how, and understanding of accounting and business, as well as knowledge of law and human behaviour (Alaoubi & Almomani, 2021). Accounting and auditing standards and procedures, evidence collection and investigation tactics, as well as litigation processes and procedures are all used by forensic accountants in the course of their job (Kumshe et al., 2018; Alshurafat et al., 2020). To be a forensic specialist, you must have precision, attention to detail, objectivity and problem-solving ability, as well as good spoken communication abilities and written communication skills (Domino, 2017).

2.2 Public Sector

While profit maximization may not be the primary goal, the phrase "public sector" is often used to refer to the provision of important services, facilities, and infrastructure. It is therefore possible to define the public sector as a non-privately-owned organization that was created, managed and supported by government agencies on behalf of the people (Claire & Jude, 2016; Abdulrahman, 2019).

2.3 Forensic Accountant and Auditor

Forensic accounting requires specialized expertise in seven areas (Soleimany Amiri & Babaei, 2020). Forensic computer analysis is one of the areas covered. Other categories include financial statement falsification, economic damages estimate and bankruptcy insolvency and restructuring (Claire & Jude, 2016). To oppose the failure of the accounting and auditing systems management, this study examines fraud detection, prevention, and response. An accountant with training in communication, law, criminology, information technology, and investigation are well-suited to take on fraud and fraud-related projects (Othman et al., 2015). Forensic accounting services will continue to be in high demand in the future due to an increase in fraudsters' activities (Joseph et al., 2016) as a result of trade globalisation, new and sophisticated legislation, and advances in technology use and sophistication.

A wealth of research has shown that individuals who are skilled in the use of technology, law, investigative work and criminology will do better than auditing professionals when it comes to gathering and analysing financial statement evidence, interviewing, and serving as an expert witness (Khersiat, 2018). An international education standard (Paul & Yunusa, 2018) specifies historical financial information audit as being at a higher level as well as financial accounting and reporting at a higher quality as being part of auditors' knowledge competency. As a result, the authors of this article concur with earlier findings that no one can offer what he does not have. The current knowledge base of auditors may not be sufficient to combat fraudsters' use of advanced technologies. As a result, requiring the auditors to detect, prevent, and respond to fraud that may arise from the financial statement audit would be a futile effort. In the same way, the auditor's knowledge in practice is limited to the specific organisational setting and scope of the audit assignment (Abdulrahman, 2019). To avoid litigation-related liability for auditors, the statement by auditing standard setters that requires auditors to be aware of the probability of fraud in a financial statement audit (Paul & Yunusa, 2018). For the financial statement stakeholders, the announcement is essentially a slap on the back and a reminder that fraud is real and has no return on investment.

Specialized abilities are needed by public accountants to examine evidence from diverse perspectives and comprehend the consequences of various logical interpretations of the data and the subject at hand. There has been a movement in the spectrum of worries about what a forensic accountant should be like since the 1990s (Tahir et al., 2020). In the field of knowledge and ability, skills can be defined as traits that relate to competencies (Ala'a Zuhair Mansour & Popoola, 2020). To discover evidence of fraud, forensic accountants use a unique set of abilities and techniques created specifically for this purpose (Dada & Jimoh, 2020). In compliance with Nigerian Standards on Auditing (NSAs) and International Auditing Standards (IASs), the auditor SR offers reasonable assurance that the audited financial statements taken as a whole are specified fairly, in all material respects, and are, therefore, free of material misstatement (Suleiman & Othman, 2021). Professional accountants (auditors) must also meet the requirements of the International Education Standard No. 3, which includes intellectual talents, technical and functional skills, interpersonal communication abilities as well as business management abilities (Tahir et al., 2020). Deductive analysis, critical thinking, investigative flexibility, specific legal

knowledge, composure, and communication are among the forensic accountant's required qualities, according to previous studies (Okoye & Jonathan, 2019).

2.4 Creative Accounting Practices as a pre step for Forensic Accounting

Creative accounting is referred to also as income smoothing, earnings management, earnings smoothing, financial engineering and cosmetic accounting. The preferred term in the USA, and consequently in most of the literature on the subject is „earnings management“, but in Europe the preferred term is „creative accounting“ and so this is the term that will be used in this paper. It should be recognized that some accounting manipulation involves primarily balance sheet rather than earnings management. (Karim et al. 2011) The technique may be used to increase or decrease income in order to show higher or lower profit, to turn expenses into assets so as to increase profitability or to manoeuvre the net worth of the business. (Karim et al., 2016).

3.0 Methodology of the Study

The researchers used the interview approach to obtain data for this study. The study was done in May 2021 in Dhaka, Bangladesh, among accounting professionals from 10 public organizations. The first six questions are used to measure the indicated control variables, namely gender, age, education, marital status, profession, and monthly income. 100 accounting professionals were selected for this study. There were 65% men and 35% women among the respondents. After then, 79% of them were between the ages between (21 years-30 years). At that time, 49 per cent of them had a degree holder, 59 per cent of respondents were single. Furthermore, the researchers also used four themes to analyse qualitative data. They are theme 1 (How forensic accounting factors contribute to retaining the customers?), theme 2 (How you could evaluate the loyalty level of the professionals?), and theme 3 (How forensic accounting is successfully able to retain the existing customers?), theme 4 (How forensic accounting impact on customer retention and provide you suggestion for public organizations?).

4.0 Analysis and Discussion

From public accounting professionals, qualitative data was collected and categorized into four major themes:

Analysis of Theme – 01

It was determined that certain forensic accounting factors had an impact on the organization's ability to develop customer satisfaction levels, and that knowledge, skills, service quality, and promotional strategy had a very strong impact on developing customer loyalty levels. As a result of theme 1, public organizations need to improve their accounting services and service quality in order to remain competitive in the market.

Analysis of Theme – 02

Accounting professionals disagree on how to improve their clients' repeat purchases of services. Managers 1 to 3 disagree, claiming the repeated purchases of services do not reveal the client's loyalty level because it may be achieved by any significant fraud. Therefore, it is essential that clients' psychological sensations are improved in order to keep them interested for a longer period of time. Moreover, it is necessary for the organization to have the clients emotionally invested in the company's products and services. In other words, simply getting clients to buy from you again and again through a promotional offer does not demonstrate a high level of client loyalty. Instead, a corporation needs to attract clients to buy from you again and again through boosting their emotional feelings.

Analysis of Theme – 03

It's obvious that the first step in customer retention is to keep them happy so they don't switch to another firm. When customers are satisfied, they are less likely to migrate to another company. Additionally, there are a number of methods for developing an organization's switching barrier, and forensic accounting has noted that the switching barrier for the company to be successful, it is also vital to build a communication plan that will satisfy customers and create a This means that in order for a corporation to establish organizational switching barriers, it must first satisfy clients' needs. It's also crucial to improve the company's ability to communicate with its clients for public enterprises, it's also necessary to raise the switching barrier of the company by strengthening communication strategy and making the customers exceptionally happy.

Analysis of Theme – 04

It's also crucial to improve the company's ability to communicate with its clients. For public enterprises, it's also necessary to raise the switching barrier of the company by strengthening communication strategy and making the customers exceptionally happy.

Analysis of question 1

In order to evaluate the forensic accounting factors of the organization, researchers asked these questions and discovered that only a small number of specialists said that organizational forensic accounting skills are extremely good at influencing customers to buy. The corporate brand image of an accounting firm has a significant impact on customers' purchase decisions In order to keep clients, it is vital to encourage them to become involved with the firm and purchase services on a regular basis, and the corporate image plays a crucial role in this. Over half of clients believe that public organizations are able to meet all of the company's basic needs. It is beneficial for public entities to increase client loyalty.

As part of their research, researchers analysed accounting professionals' behavioural loyalty and discovered that half of them admit that they have a tendency to provide repeat services to clients. Professional's behaviour loyalty can be determined by evaluating their recurrent purchase activity. Despite the fact that public organizations are able to entice substantial portions of customers to return for more services, this is not the ultimate. Identifying the accounting professionals' interest is crucial since it is crucial to get them excited about a word of mouth promotional offer. Based on the obtained data, it was discovered that the number of dissatisfied customers Therefore, public organizations must devise an efficient approach to increase professionals' interest in doing word-of-mouth promotion. When professionals become loyal, they want others to become loyal as well.

Articulation with research objective:

To examine the needs of forensic accounting skills at the public organizations in Bangladesh

In order to achieve this objective, the researchers collected qualitative data. A study of public accounting services in Bangladesh found that customers were satisfied with the accounting services provided by public organizations and that they were able to meet the needs and demands of their customers by providing all types of accounting services that customers require to maintain their business operations Accounting services for companies in Bangladesh are satisfactory, however there are still insufficiently skilled people working for public organizations in Bangladesh. So public organizations must design an organizational accounting strategy and apply monetary as well as non-monetary

advertising strategies to different customers who seek different types of promotional offers. Because customers were dissatisfied, public organizations must develop. Last but not least, the level of service provided by public entities was not sufficient, and as a result, it needs to be improved. To remain competitive in the market it was determined that accounting professionals agreed that public organizations needed to enhance both their accounting services and service quality. As a result of this purpose, it is determined that forensic accounting variables must be developed in order to increase customer.

When measuring the dimensions of forensic accounting, it was found that clients were interested in acquiring accounting services again, but they were not loyal to the required level because their interest in word-of-mouth promotion was low. Clients' attitudes must be shaped so that they will want to urge others to use the company's accounting services, which is crucial for business success. Very vital is getting them emotionally involved, however while evaluating forensic accounting, it was revealed that their emotional feelings for public organizations were also poor. Instead, the corporation must entice customers to make repeated purchases through boosting their emotional feelings. There are many clients that have little emotion for the company and do not have much faith in the company, which needs to increase in order to develop their accounting forensics.

However, clients are likely to transfer to a competitor if they receive superior service from a public institution. As a result, it is crucial for public organizations to create barriers for their clients in order to preserve their switching event during times of organizational short. Primarily, the company's communication strategy requires improvement because it has a significant impact on client awareness and engagement. As a result of qualitative data, it was determined that achieving customer happiness is the company's primary goal, and that it is also necessary to. While enhancing communication strategy and increasing customer satisfaction is crucial for public organizations, it is equally necessary for private firms to improve switching barriers of the company by improving communication strategy. In order to reduce the switching barrier in public enterprises, efficient loyalty programs must be implemented as well as a better understanding of client needs.

Forensic accounting has a considerable impact on organizational customer retention, according to this purpose. It's necessary that public organizations build contact with their clients, because the company's communication is also crucial. The Loyalty Program is both a communication tool and a barrier to prevent customers from leaving the organization. Hence Tesco must employ measures that would increase customer brand loyalty. If you're interested in learning more about organizational forensic accounting, check out. According to the collected data, customers believe that public organizations have a good brand image in the market, thus promotional offers and service quality need to be improved to match. The consumer's emotional state must also be improved by constant communication with the customer.

5.0 Recommendations

The implications of this study could lead to a reduction in fraud and fraudulent activities in the Bangladeshi public sector, as well as the promotion of institutional, regulatory, and legal frameworks, and the creation of awareness within accounting and audit.

Firstly, better regulatory observation to be adhered to monitor the reporting entities.

Secondly, introduction of Forensic Audit is mandatory as like external audit under the provision of Co. Act 1994 in Bangladesh. Through amendment of the Co. Act 1994, a provision of Forensic Audit to be

introduced which will be rather a monitoring wing and they will be under strict surveillance from other regulatory bodies.

Finally, the accountability of the accountants must be enhanced for their deeds and if they are found involved in committing or assisting in performing financial crime than strict disciplinary measure can be suggested.

6.0 Conclusions and Limitations

Forensic accountants are expected to possess certain core skills, traits and characteristics that are required for a wide range of investigative matters for which they are hired. This study sought to gain a better understanding of these As a result of this study; forensic accountants are expected to have strong analytical skills. A forensic accountant's effectiveness is partly determined by his or her ability to communicate effectively, simplify difficult issues, and express opinions in a legal situation. An expert in this field should also be able to step back and see things from a broader perspective. This study sheds light on the fact that forensic accountants must exhibit particular features and characteristics, as well as core and augmented skills, depending on the sort of project they are working on. It was revealed in the survey that, in addition to a rising need for forensic accounting services, the market requires forensic accountants to possess specific traits and fundamental skills, along with relevant degrees or certification.

Professional societies and associations, as well as academic institutions, can expand their forensic accounting training programs or instructional classes to include all aspects of forensic accounting, enabling the forensic accountant to meet or exceed market expectations as a result of this increased understanding of the ideal DNA for Beyond topic direction, these outcomes can lead the selection of instructional resources and delivery methods for the successful development as a forensic accounting team member. CPAs and other professionals who claim to be forensic accountants are becoming more common as a result of the increased demand for them. This suggests that more effort should be put into educating and training people on the required characteristics, core competencies and enhanced competencies needed to qualify for certification.

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