



Forensic Accounting vs Fraud examination: Roles, Importance and Differences

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Abstract

Fraud has existed throughout history. Yet, it is estimated that today's occurrence has a huge impact on global revenues, highlighting the importance of fraud examination and forensic accounting. Although the roles of the two disciplines appear to be similar (e.g. litigation support), they differ significantly in their objectives, with the goal of fraud auditing being to determine whether fraud has occurred and, if so, who is responsible. Forensic accounting has the additional objective of assessing the financial consequences and determining whether the allegations have a factual basis by analyzing the financial evidence.

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Consequently, experts in both fields require unique skills and different formal and non-formal training and experience. The purpose of the paper is to examine both disciplines, assess their importance, describe their roles, and conclude with a comparison that highlights the differences in key aspects such as time, objective, methodology, presumption, and relationship. The paper states that all fraud investigations are forensic accounting investigations, but not all forensic accounting investigations are fraud investigations.

1. Introduction

The magnitude of the problem of global fraud is undoubtedly difficult to overestimate, for the money lost to fraud represents a shocking loss to the world economy, dashing hopes for future prosperity and economic efficiency. Estimating the global impact is difficult because occupational fraud often goes unnoticed and unreported, but according to the ACFE (2020) report, it is estimated that annual fraud spending worldwide is more than \$4.5 trillion. For comparison, that's more than the GDP of Germany in 2020 and about the same as the GDP of France and Italy combined. Typical fraud loss varies widely by region of origin, with the Middle East and North Africa, Latin America and the Caribbean, and Asia-Pacific among the regions where reported fraud loss is highest. Regardless of region, the most commonly reported type of fraud globally remains corruption (ACFE, 2020).

In addition, it is interesting to examine how companies are handling fraud investigations, as more and more companies are relying on civil litigation and internal penalties instead of assisting law enforcement agencies (ACFE, 2020). The new developments in the anti-fraud field are promising, and it looks like companies are becoming aware of an anti-fraud perspective. The hype could also be supported by the public's demand for more open communication and a higher level of transparency. Either way, it is important to emphasize the importance of the areas of fraud auditing and fraud accounting, as the active involvement of experts in the process of fraud prevention and detection is essential. Similarly, this paper is written with the aim of exploring the theoretical background of the two disciplines and deepening the understanding of the similarities, characteristics, and differences in order to further strengthen fraud prevention.

The paper is organized as follows: First, it reviews the relevant literature, focusing initially on fraud, its definitions (see section 2.1.), and the models that explain the motivations for fraud (see subsections 2.1.2. and 2.1.3.). The next two sections deal with fraud auditing (see section 2.2.)

and forensic accounting (see section 2.3.), each followed by a description of its role and importance. The main section concludes with a comparative overview of the differences between the disciplines (see Section 3.), focusing on time, purpose, presumption, methodology and relationship. Finally, the paper concludes, bringing together final thoughts and summarizing relevant details once again in a concise manner.

2. Literature Review: Forensic Accounting vs Fraud examination

Traditionally, academics have rationalized the fraud triangle (opportunity, incentive, rationalization) as the main concept justifying the fraudulent activity (Turner, Mock, & Srivastava, 2003) and defined such activity as deception by an organization or individual with the clear intent to gain personal advantage. Contemporary theories have shown that there are more dimensions (n - number) of fraud (Huber, 2017) with many reasons and motives such as misleading financial records, tax evasion, securing loans, and inflating stock price, all of which increase the complexity of investigating the fraudulent activity.

Until the late 1980s, there were no formal mechanisms for dealing with fraud, even though there had been fraud long before. However, since the end of the 20th century, there has been a tremendous increase in the number of fraud cases, which is why the need for fraud investigation experts has been recognized (Narayanarao, 2016). As reported by the Association of Certified Fraud Examiners (ACFE) (2020), more than \$1.5 million is the average amount lost by the victim organization or according to estimates by Certified Fraud Examiners (CFEs), more than 5% of revenue is lost by organizations worldwide. It is critical to detect the fraud as soon as possible because fraud cases that last longer usually cost more (Kranacher, Riley, & Wells, 2010). Typically, the average fraud in 2020 lasted about 14 months before it was discovered and caused an average shortfall of \$8,300 per month during that time. Therefore, the importance of forensic accounting and fraud auditing is increasing as preventive measures are often insufficient due to human acumen and intelligence (Atağan & Kavak, 2017).

2.1. *Fraud*

In defining fraud, it is very important to distinguish between fraud and fault, the main difference being intent. Fault is defined as "wrong, error, mistake committed involuntarily and unconsciously" (Oyedokun G. E., 2020), that is, there is no intention for wrongdoing. On the other

hand, fraud is a deliberate act with a clear intention to gain an advantage (Oyedokun G. E., 2020). Fraud is carried out by committing a voluntary act of misrepresentation or concealment of a material fact to intentionally reduce the value of an asset in order to gain an unlawful moral or material advantage (Oezkul & Pamukçu, 2012).

According to Skalak and others (2006), each act of fraud consists of the following four elements: “*a misrepresentation or concealment of a material fact*”; the person committing the fraud must be aware of the misrepresentation or concealment of a material fact; the victim has relied on the representation; and the victim has suffered a loss (financial or otherwise) as a result of relying on the representation.

2.1.1. Traditional Fraud Motivations

One of the most widely used theoretical frameworks for understanding fraud in the literature over the past six decades is the fraud triangle (originally described by Cressy in the 1960s), which recognizes three conditions for fraud to occur: incentive (pressure elements), opportunity (lack of and/or ineffective control and monitoring), and rationalization (explanation/justification of fraudulent actions) (Ozili, 2015).

At the beginning of the 21st century, the fraud triangle framework was extended to include a fourth condition - capabilities - and was therefore termed the "Fraud Diamond Model", which states that people who lack capabilities will not commit fraud even if all three conditions of the fraud triangle are met (Ozili, 2015). Kranacher and others (2010) see the necessary conditions for committing fraud in the "MICE" approach, where the motivation for fraud comes from “money, ideology, coercion, and ego/aspiration.” In this case, money, driven by greed, and ego/empowerment, stemming from power, are among the most common motivations. It is less common, but still possible, for a person to be involuntarily drawn into a fraud scheme (through coercion) or driven by ideology (e.g. terrorist funding).

2.1.2. Contemporary Fraud Motivations

Contemporary theories argue that the fraud triangle does not apply to fraud, but rather to embezzlement. Therefore, its misuse hinders the advancement of modern and comprehensive models and frameworks for fraud (Huber, 2017). Academics further argue that fraud, along with other financial misconduct, is too complex to be explained by one-dimensional frameworks, as it

involves social, cultural, legal, economic, and organizational aspects (Lokanan, 2015; Free, Macintosh, & Stein, 2007). Huber (2017) notes that the scale of fraud and other financial misconduct transcends the three-dimensional space and rather has n-dimensions that dynamically influence each other.

2.2. Fraud examination

Fraud examination is defined as a process of “*resolving allegations of fraud from inception to deposition*” (Kranacher, Riley, & Wells, 2010) and is considered to be the main objective of anti-fraud professionals (Carmichael, 2018). Fraud examination involves acquiring evidence, financial analysis, conducting interviews and taking statements from witnesses, producing reports as well as testifying. Fraud examiners and their work are also a crucial component of detecting and preventing fraud. It’s important to note that fraud examination is interrelated with auditing and forensic accounting, however, there are also important differences between the mentioned disciplines (Kranacher, Riley, & Wells, 2010). Differences will be further discussed in the last section of the paper - Differences between Forensic Accounting and Fraud examination (see section 3). Fraud investigation is defined as a process to “resolve allegations of fraud from inception to deposition” (Kranacher, Riley, & Wells, 2010) and is considered the primary goal of fraud investigators (Carmichael, 2018). Fraud investigation involves obtaining evidence, financial analysis, conducting interviews and taking witness statements, preparing reports, and testifying. Fraud examiners and their work are also a critical component in detecting and preventing fraud. It is important to note that fraud examination is related to auditing and forensic accounting, but there are also important differences between the aforementioned disciplines (Kranacher, Riley, & Wells, 2010). The differences are discussed in more detail in the final section of the paper - Differences Between Forensic Accounting and Fraud Examination (see Section 3).

Examination of fraudulent acts has two different approaches based on opposing perspectives: when proving that fraud has occurred, there must be proof that an attempt was made to prove the fraud hasn’t occurred; and on the other hand, when trying to prove fraud hasn’t occurred, proof must be presented that it was attempted to prove fraud has occurred. This ensures that both sides of fraud have been examined (Association of Certified Fraud Examiners, 2013). Independently of described approaches, the conduction of the investigation in the case of fraud examination starts after the indication that crime has happened (Rufus, Miller, & Hahn, 2015, p.

20). When investigating fraudulent acts, there are two different approaches based on opposing perspectives: If it is to be proven that fraud occurred, there must be evidence that an attempt was made to prove that fraud did not occur; and on the other hand, if an attempt is made to prove that fraud did not occur, there must be evidence that an attempt was made to prove that fraud did occur. This ensures that both sides of the fraud have been investigated (Association of Certified Fraud Examiners, 2013). Regardless of the approaches described, the conduct of the investigation in fraud examination begins after the indication that a crime has occurred (Rufus, Miller, & Hahn, 2015, p. 20).

Fraud investigations can be conducted by both accountants and non-accountants and only relate to fraud investigation. However, such investigations are conducted under the assumption that the case can and will end in litigation, which is why fraud investigations fall under forensic accounting (Association of Certified Fraud Examiners, 2013).

Since fraud investigations involve the intertwining of different disciplines, it is beneficial to involve experts from different fields in the investigation (Kranacher, Riley, & Wells, 2010). Typically, the fraud investigation team could consist of the following experts: Certified Fraud Examiners; Auditors (to assist with internal documentation and company procedures); Human Resources personnel (to ensure that employee rights are not violated); Management representatives (to assist with the investigation and provide assistance as needed); External consultants (to provide an independent view of the investigation); Legal counsel (to cover the legal aspect) (Association of Certified Fraud Examiners, 2013).

2.2.1. Roles of Fraud examiner

Fraud examiners conduct civil and criminal investigations to uncover fraud by tracking all events and investigating all signs in situations where fraud may have occurred (Oyedokun G. E., 2020). These experts usually start their work when there is a suspicion that a fraudulent act has taken place or is taking place. However, they also play an important role in fraud prevention, detection, and investigation and deterrence efforts (Kranacher, Riley, & Wells, 2010).

When there is probable cause for a fraud investigation, investigators follow certain logical steps to narrow the focus of the investigation from the general to the specific, which ultimately allows them to focus on the end result (Wells, 2014) while creating a hypothesis that explains how,

when, why, and by whom the fraud was committed (Rufus, Miller, & Hahn, 2015). Nonetheless, fraud examiners are not allowed to make comments stating innocence or guilt (Association of Certified Fraud Examiners, 2013).

The fraud examination process involves three essential tools that a fraud examiner uses to complete the fraud examination. The first tool is observation - examiners observe behaviour and look for signs of wealth. Second, examiners perform an analysis of documents and records. Therefore, examiners must have skills in reviewing financial statements, records, and supporting documents while applying knowledge of the legal implications of evidence. The third tool is interviewing, through which examiners obtain relevant information from individuals/parties who have that information (Association of Certified Fraud Examiners, 2013).

Fraud examiners should possess unique qualities that enable them to successfully conduct fraud investigations. In addition to technical knowledge, it is crucial that examiners have a good understanding of the company/organisation being examined and have experience in the industry in which the examination is taking place (Narayanarao, 2016). It is of great importance for such experts to be communicative, effective with people and can get facts from witnesses accurately and impartially. Fraud examiners should also avoid adopting a hostile attitude towards others as this could prevent them from getting answers from respondents (Association of Certified Fraud Examiners, 2013).

2.2.2. Importance of Fraud examination

Fraud investigation is becoming increasingly important today as public demand for transparency, honesty, and fairness in reporting increases (Oyedokun G. E., 2020). Its true essence and therefore its importance is hidden in its interdisciplinary nature as it combines knowledge from four related but distinct fields: accounting and auditing, investigative techniques, legal aspects, and criminology and ethics (Albrecht, Albrecht, Albrecht, & Zimbelman, 2015). The field follows a methodology that allows the process of examining all allegations of fraud to be legally secured in a reliable and systematic manner and completed in a timely manner (Kranacher, Riley, & Wells, 2010).

The main areas that fraud auditing deals with are embezzlement, check fraud, money laundering, and mismanagement and exploitation of corporate resources. Frauds in these areas cost

organizations and/or businesses billions of dollars annually (Narayanarao, 2016), which can be minimized through fraud investigations. Another reason for fraud examination is the fact that financial statement audits cannot detect all frauds that have occurred (Buckhoff, 1999).

2.3. Forensic Accounting

The term “forensic accounting” was first mentioned by Maurice E. Peloubet (Holley & Flesher, 2020), and is used to describe fraud investigation in a holistic manner - including both fraud prevention and analysis of anti-fraud controls (e.g., fraud audit) (Singleton & Singleton, 2010, p. 12). While Merriam-Webster’s Dictionary (n.d.) defines the word *forensic* as “*belonging to, used in, or suitable to courts of judicature or to public discussion and debate*” which proves its legal significance. The term forensic accounting can also be generalized to describe any financial investigation leading to legal repercussion (Singleton & Singleton, 2010, p. 17). Chattopadhyay (2014, p. 22) further highlights the applicational aspect of mirroring the accounting foundations, theories and discipline” to the legal framework while resolving a dispute (e.g. arbitration). Oyedokun (2020) sees it as a subfield of accountancy dedicated to investigation of fraud and theft with analysis of financial information in order for it to be applied in legal matters, for example being called to provide as an expert on the testimonial part of the court proceedings (Rufus, Miller, & Hahn, 2015, p. 17). The term "forensic accounting" was first mentioned by Maurice E. Peloubet (Holley & Flesher, 2020) and is used to describe fraud investigations in a holistic manner-including both fraud prevention and analysis of controls to combat fraud (e.g., fraud audit) (Singleton & Singleton, 2010, p. 12). Merriam-Webster's Dictionary (n.d.) defines the word forensic as "belonging to courts, used in courts, or suitable for public discussion and debate," which proves its legal meaning. The term forensic accounting can also be generalized to describe any financial investigation that leads to a legal aftermath (Singleton & Singleton, 2010, p. 17). Chattopadhyay (2014, p. 22) also highlights the application aspect, which is the application of “accounting principles, theories, and disciplines” to the legal setting when a dispute is resolved (e.g., arbitration). Oyedokun (2020) sees it as a subfield of accounting dedicated to investigating fraud and theft with the analysis of financial information so that it can be applied in legal matters, e.g., as expert witnesses in litigation (Rufus, Miller, & Hahn, 2015, p. 17).

Forensic accounting requires a broad multidisciplinary knowledge of accounting, finance, auditing, and taxation, as well as solid experience in quantitative research and an analytical

mindset. The fact that the field covers commercial transactions requires a procedural understanding and legal experience (Crumbley, 2019, p. 19). The American Institute of Certified Public Accountants (2004) reports that the application of accounting in litigation requires extensive accounting expertise and auditing knowledge due to the broad expertise required to perform forensic accounting.

The main difference with traditional accounting is that forensic accounting involves the system based on the detection, discovery, and investigation of accounting fraud (Atağan & Kavak, 2017, p. 195). In addition, forensic accounting is usually used on a case-by-case basis, so it is one-off and is primarily used to deal with a particular suspicion on behalf of the party initiating the collaboration (Hossain, Alam, & Mazumder, 2020, p. 6).

Business arrangements often lead to the engagement of a forensic accountant due to the belief that a fraudulent activity or event has occurred (Hossain, Alam, & Mazumder, 2020) or due to specific or foreseen disputes or legal proceedings (Oezkul & Pamukçu, 2012, p. 29). To meet legal requirements, post-investigation evidence should be presented in a clear manner and to a standard that is court-proof (Hopwood, Leiner, & Young, 2012, p. 3).

2.3.1. Roles of Forensic Accountant

Forensic accountants are usually involved in various analyzes of financial accounts to first draw attention to irregularities (e.g., white-collar crime). Often, the results need to be elaborated to highlight anomalies in the evaluation of financial data when illegal activities (e.g. fraud, money laundering, illegal transactions, and embezzlement) are suspected (Oyedokun G. E., 2020, p. 7). However, a forensic accountant does not necessarily conduct the entire investigation; the expert may only be involved with a specific part of the investigation (Rufus, Miller, & Hahn, 2015).

Typical financial data examined during forensic accounting examinations include various bank accounts and records related to various transactions. Therefore, extensive legal and accounting expertise is required to cope with the complexity of the investigations, which are usually conducted in collaboration with law enforcement agencies, private investigators, or attorneys (Oyedokun G. E., 2020, p. 7).

Consequently, forensic accountants usually play an important role in court proceedings as they are called upon to collect, analyze, and clarify the complex financial and other evidence

(Brennan, 2014, p. 85). As forensic accountants, they are called upon to provide testimony as important expert witnesses in order to facilitate their findings to the members of the court (Sarker, 2020, pp. 140-141).

The roles of expert accountant, legal expert, and fraud examiner would be represented in a forensic accounting case (Ozili, 2015, pp. 64-65). Furthermore, Rufus and others (2015, p. 27) argue that in addition to experience, certain core competencies, essential skills that are fundamental to being a forensic investigator, and specific forensic skills are required. While it is important for the forensic accountant to have extensive knowledge of core accounting skills (e.g., accounting, finance, economics, statistics, business law, and communications), these must be complemented by forensic skills. The basic distinction in forensic skills can again be based on core forensic accounting skills, such as obvious forensic accounting, legal framework, psychology, research, and writing skills, and specialized forensic skills, which include business valuation, family law, fraud examination, and economic impact analysis, bankruptcy, and forensic digital analysis (Rufus, Miller, & Hahn, 2015, p. 27). Due to the complex nature of the work, planning skills are critical to the prudent oversight of professional investigations in addition to the aforementioned skills (Singleton & Singleton, 2010, p. 19).

The roles of professionals who perform forensic accounting generally require the skills previously described, which are typically not part of formal training, therefore a particular combination of training and experience is essential (Singleton & Singleton, 2010, p. 34).

2.3.2. Importance of Forensic Accounting

It is crucial to emphasize the importance of forensic accounting at the various levels of litigation, which usually begin with assistance in the initial stages of discovery, where it is important for the expert to apply the business specific knowledge (Singleton & Singleton, 2010, p. 28). It happens that the opinion of the accountant with expertise in forensics is expressed orally and is an invaluable piece of evidence during litigation (Ozili, 2015, p. 65). Throughout the process, neutrality and independence are key, as it is important that the expert remains unbiased, intellectually honest, and lacks subjectivity that could interfere with the performance of the accountant's work. Therefore, all potential conflicts of interest should be identified and resolved (by consent) prior to engagement (Rufus, Miller, & Hahn, 2015, p. 64).

Legal proceedings include, but are not limited to, criminal investigations, shareholder/shareholder disputes, personal injury claims, insurance claims, corporate or employee fraud investigations, matrimonial disputes, business-related economic losses, professional negligence cases, and when mediation or arbitration is required (Oyedokun G. E., 2020, p. 7). In addition to independence, this also means an understanding of the requirements for evidence gathering in terms of common law and constitutional jurisprudence due to the courts' strict criteria for admissibility (Brennan, 2014, p. 68).

Oyedokun (2020) and Hamdan (2018, p. 5) also emphasize the value of forensic accounting in reducing and preventing fraud activities, for example, to ensure compliance with anti-money laundering programs, surveys, and background checks. This is due to the meaningful, dependent, and practical data needed in organizations for forensic audits, compliance, due diligence, and risk assessments (Oyedokun G. E., 2020), as well as detecting manipulation and/or misinterpretation of financial statements (Oyedokun, Enyi, & Dada, 2018).

3. Differences between Forensic Accounting and Fraud examination

To date, many academics have explored the disciplines of forensic accounting and fraud examination, and it is common knowledge that both professions require many years of specialization to successfully conduct investigations. Therefore, certification in either field is required to prove that one possesses the skills and knowledge to assume a role as a forensic accountant (e.g., Certified Forensic Accountant (CRFAC) (American Board of Forensic Accounting, n.d.)) or a fraud investigator (e.g., Certified Fraud Examiner CFE (Association of Certified Fraud Examiners, n.d.)). Although forensic accounting and fraud examination seem to be very different fields, they are somewhat pertinent and can be seen as interrelated, as the end goal in most cases is to collaborate on litigation (Rufus, Miller, & Hahn, 2015).

Forensic accounting is used in a methodical approach in the breakthrough, analysis, and resolution of suspected fraud cases. On the other hand, fraud investigation is generally a response to evidence of a crime and can be viewed as transformative and evolving as new evidence is discovered. Consequently, the goal of the fraud investigation is to investigate the specific allegation or suspicion of fraud, focusing on identifying and answering the who, how, when, how much, who else, and why questions in order to resolve the fraudulent activity (Rufus, Miller, & Hahn, 2015, p. 20). It is important to note that all fraud investigations are a forensic accounting

investigation, but not all forensic accounting investigations are a fraud investigation (Oyedokun G. E., 2020) because they differ in some ways in the presumption of the investigation. Both disciplines have a similar focus. While both seek to support or refute the allegations based on evidence, the forensic accountant is also there to assess the possible damages involved (Kranacher, Riley, & Wells, 2010).

In addition, various aspects of the respective professions can be considered from different perspectives, including time, objectivity, methodology, presumption, and relationship, all of which are discussed below.

3.1. *Timing*

From a time perspective, both disciplines are unique, while the hiring of a forensic accountant usually occurs after an allegation of wrongdoing (Rufus, Miller, & Hahn, 2015, p. 23), as opposed to a fraud investigation, which usually can only be conducted if there is sufficient predication (Kranacher, Riley, & Wells, 2010).

3.2. *Objective*

Once the mandate is given, the two disciplines have a different goal, as the goal of forensic accounting is to determine whether the allegations have a factual basis through the analysis of financial evidence and any resulting financial implications (Singleton & Singleton, 2010, p. 25). The goal of fraud auditing, on the other hand, is to determine that the fraud occurred and, if so, who is responsible for it, without an admission of guilt (Albrecht, Albrecht, Albrecht, & Zimbelman, 2015, pp. 309-310).

3.3. *Presumption*

While forensic accounting addresses the presumption of the investigation, it will attempt to gather enough evidence to “*support or refute the allegation and the damages associated with it*” (Kranacher, Riley, & Wells, 2010), while fraud investigation attempts to find resolution by gathering enough evidence “*to support or refute an allegation of fraud*” (Kranacher, Riley, & Wells, 2010).

3.4. Methodology

In investigations, it is common for non-financial data to be collected to supplement the information in the financial documents and help the expert understand it fully (Özkul & Pamukçu, 2012, p. 31). Tools that support the investigation, whether it is a forensic accounting or fraud audit, include document review (e.g., financial statements, books, records, and supporting documents) (Kranacher, Riley, & Wells, 2010), interviews to obtain relevant information (Albrecht, Albrecht, Albrecht, & Zimbelman, 2015, p. 276), and observations that could reveal specific crimes (Rufus, Miller, & Hahn, 2015, p. 70). Fraud examination techniques typically begin with the development of a hypothesis, which is then revised and developed as evidence becomes available (Albrecht, Albrecht, Albrecht, & Zimbelman, 2015, p. 82). Gathering evidence follows the principle from the general to the particular in order to assign guilt. In contrast, forensic accounting examines allegations independently and aims to determine their financial impact (Kranacher, Riley, & Wells, 2010).

3.5. Relationship

However, the disciplines differ significantly in their relationship to the investigation because of the methodological approach used and the skills of the experts. The forensic accounting expert estimates the financial consequences that result from formulaic theories, which illustrates his independent relationship (Singleton & Singleton, 2010, p. 18). On the other hand, the fraud examination expert has a more adversarial role in the investigation because the nature of his work involves efforts to establish accountability (Kranacher, Riley, & Wells, 2010).

4. Conclusion

Forensic accounting and fraud examination are academic areas that are gaining momentum, but not only that, they also have commercial value as the areas, along with services that complement forensic accounting and fraud examination, such as litigation support and damage assessment, are leading revenue generators. While demand for fraud examination is stable, litigation support services and expert witness services are expected to increase in the future (Gunathilake & Ajward, 2017).

The motives for fraudulent acts, i.e., concealment/misrepresentation of facts with the aim of gaining (personal) advantage (Özkul & Pamukçu, 2012), are categorized differently by academics, but the common denominator is human intelligence and acumen behind it (Atağan & Kavak, 2017).

To see the allegations in the investigation, through obtaining evidence, financial analysis, conducting interviews and taking witness statements, preparing reports, to taking depositions (Kranacher, Riley, & Wells, 2010), fraud investigators are at the heart of the fraud examination process (Carmichael, 2018). Fraud examinations can be conducted by both accountants and non-accountants (Association of Certified Fraud Examiners, 2013), and the questions of who, how, when, how much, who else, and why must be addressed to prevent potential fraudulent activity (Rufus, Miller, & Hahn, 2015, p. 20). Consequently, fraud examiners can perform their role in civil and criminal investigations (Oyedokun G. E., 2020), the latter being on the rise (ACFE, 2020), which means that they need to combine specific personal qualities along with high ethical awareness and moral standards. In today's digitized and global world, the need for transparency is entering the public debate, therefore the importance of successful fraud detection can hardly be overemphasized.

On the other hand, the term forensic accounting is somewhat broader as it describes fraud investigation in a more holistic manner along with fraud prevention and anti-fraud control analysis (Singleton & Singleton, 2010, p. 12) and can be generalized to any financial investigation that has a legal aftermath (Singleton & Singleton, 2010, p. 17) and therefore often results in expert testimony (by forensic accountants) (Rufus, Miller, & Hahn, 2015, p. 17). The waiver of services rendered (Hossain, Alam, & Mazumder, 2020, p. 6) may also illustrate the broad multidisciplinary knowledge needed to conduct the forensic accounting investigation (Crumbley, 2019, p. 19). In addition to having strong mental skills to remain unbiased throughout the process, specific legal knowledge (and experience) and an understanding of accounting and auditing (AICPA, 2004), specific training and experience are required to complement formal training (Singleton & Singleton, 2010, p. 34). Forensic accountants may be hired to assist with a specific part of an investigation (Rufus, Miller, & Hahn, 2015) or to conduct an entire investigation of financial data valuation anomalies (e.g., fraud, money laundering, illegal transactions, and embezzlement) (Oyedokun G. E., 2020, p. 7). In addition, the importance of forensic accountants in various

litigation (Singleton & Singleton, 2010, p. 28), as expert witnesses (Ozili, 2015, p. 65), or simply to reduce or prevent fraud activities (e.g., background checks) (Oyedokun G. E., 2020) can be shown to be an essential component of fraud prevention.

Although fraud examination and forensic accounting are similar in nature, they have some important differences. One of the differences is that every fraud examination falls under a forensic accounting investigation, but not every forensic accounting investigation is also a fraud examination (Oyedokun G. E., 2020), as they are both unique and seek to support or refute the allegations based on evidence, the forensic accountant is also there to assess the potential damages (Kranacher, Riley, & Wells, 2010) associated with it (usually financial implications (Singleton & Singleton, 2010, p. 25)). Furthermore, it could be argued that the nature of the act that triggers the investigation could be fundamentally different, with fraud investigation requiring sufficient foresight (Kranacher, Riley, & Wells, 2010) and forensic accounting usually being conducted following an allegation of wrongdoing (Rufus, Miller, & Hahn, 2015, p. 23).

Consequently, the skills required to perform the two activities differ somewhat, with the methodological specification for forensic accountants aiming to ensure that allegations have an accurate basis in financial evidence and identify potential financial consequences (Singleton & Singleton, 2010, p. 25), while fraud examiners seek to verify the fraud and consequently find out who is responsible without pleading guilty (Albrecht, Albrecht, Albrecht, & Zimbelman, 2015, pp. 309-310).

With fraud costing the global economy billions of dollars annually and the number of fraudulent acts increasing (Narayanarao, 2016), fraud examination and forensic accounting are becoming more important than ever to prevent and detect fraudulent activities. Although companies are becoming more aware of the problem as anti-fraud controls are expanded (ACFE, 2020), much remains to be done in this area. This paper is an attempt to highlight the importance of both areas and raise awareness of fraud prevention and investigation.

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Sažetak

Prevara je postojala kroz istoriju. Ipak, procjenjuje se da današnja pojava prevare ima ogroman uticaj na globalne prihode, s tim naglašavajući važnost područja rada vezanog na istraživanja prevara i forenzičkog računovodstva. Iako se čini da su ove dvije discipline slične (npr. podrška u sudskim sporovima), one se značajno razlikuju po svojim ciljevima, s ciljem revizije da se utvrdi da li je do prijave došlo i, ako jeste, ko je odgovoran. Forenzičko računovodstvo ima dodatni cilj, a to je procjena finansijskih posljedica i analizom finansijskih dokaza utvrditi da li sumnja na postojanje prevare ima činjeničnu osnovu. Shodno tome, obje oblasti zahtijevaju jedinstvene vještine i različitu formalnu i neformalnu obuku i iskustvo. Svrha ovoga članka je analizirati obje discipline, ocijeniti njihov značaj, opisati njihove uloge i uporediti razlike u ključnim aspektima kao što su vrijeme, cilj, metodologija, pretpostavka i odnos. U članku navodimo da su sve istrage prevara forenzičko računovodstvene istrage, ali nisu sve forenzičko računovodstvene istrage istrage prevara.

Keywords: analiza prevare, forenzičko računovodstvo, prevara, istraživanje prevara