



Position of a forensic accountant in the Federation of Bosnia and Herzegovina finance sector

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Abstract

The paper aims to identify the possibility of positioning the profession of forensic accountant in the financial sector of the Federation of Bosnia and Herzegovina (hereinafter FBiH). To answer the question of how the profession of forensic accountant could be introduced into the financial sector, qualitative research was conducted using the method of interviews with respondents who have many years of experience in the financial sector of FBiH.

Keywords: *forensic accountant, finance sector, Federation of Bosnia and Herzegovina*

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The results of the research showed that the respondents were generally very little or not at all familiar with the profession of a forensic accountant and that they decided to position this profession in the financial sector within the existing organizational parts: Risk Management, Compliance, Internal Audit, Anti-Money Laundering (hereinafter AML). The author's suggestions regarding the possibilities of positioning the mentioned profession in the financial sector by the best practices in the region and the world were also presented.

1. Introduction

The profession of a forensic accountant is not treated by the Law on Accounting and Auditing (2004) at the level of Bosnia and Herzegovina (hereinafter BiH) nor is it uniformly resolved by laws at the entity level. In the FBiH, this profession is still not defined by the Law on Accounting and Auditing (2021), while in the Republic of Srpska, (hereinafter RS) the Law on Accounting and Auditing (2015) prescribes the acquisition of this title, but the method of reporting and the domain of work of a forensic accountant is not specified. According to Bašić, Veledar, Čolpa (2022), one of the important prerequisites for the advancement of this profession is a legally harmonized framework at the entity level and its recognition at the state level. The Law on Banks of the FBiH (2017) and the Law on Banks of the RS (2019) define numerous control activities and functions, which in some cases may overlap, while the position of forensic accountant within the organization is not foreseen.

In the research conducted by the international consulting company KPMG (2019) on the topic of fraud in banking, it is stated that banks around the world have responded to modern trends in the form of digitalization of banking services, which is why over 6,000 branches have closed in Europe in the last thirty years. In this sense, it was stated that risks such as cyber/online fraud; falsification of identity; data theft; and internal, commercial, and other financial frauds have increased and that more than half of the examined banks compensated less than 25% of fraud losses, which confirms the importance of prevention in fraud prevention. Banks are investing in new technologies and approaches to fraud prevention, including artificial intelligence and machine learning, biometrics (recognition of face, voice, and fingerprints), and behavioral biometrics (profiling of clients and their interactions with Internet banking and devices). Despite advances and investments in technology, more than half of the

banks surveyed reported a significant number of false positives stemming from their technology solutions, hampering the effectiveness of fraud detection.

According to Belak (2017), banks and other financial institutions are frequent targets of fraud because they deal with money. He cites several examples of fraudulent behavior on the part of the banks themselves as well as on the part of users of financial services, such as: giving fictitious (fake) credits and loans, falsification of business documents submitted to the financial institution, refinancing based on inability to repay, false postings, false guarantees, false mortgages, false addresses (email and physical), identity theft, pawning other people's property, issuing checks without cover, etc. He also points out that the work of detecting fraud and manipulation in the financial sector requires specially specialized forensic experts who have to produce evidence in a tangle of very complex transactions and money flows. Mitrić, Stanković, and Lakičević (2012) update the issue of the lack of academic education and professional development in the field of forensic accounting, while Budimir (2017) points out that forensic accountants must have high moral and professional qualities, but also technical conditions to be as efficient and fast as possible. could use their knowledge.

According to Isaković - Kaplan (2016), the forensic accountant's report on the conducted fraud investigation does not have a fixed shape, form, or explicitly determined content. In his report, the forensic accountant answers a series of questions from the domain of the committed fraud, who committed the fraud, what is the subject of the fraud, how the fraud was committed, when the fraud was committed, what effect the fraud has on the company's financial report, attaching all relevant evidence. Isaković-Kaplan (2016) also states that frauds in the field of financial reporting are mostly initiated by management and that the functions of internal control and internal audit in the company (given that they correspond to management) cannot effectively protect the interests of external persons directed to the company. Vranić (2023) examines the implementation of forensic accounting and auditing in corporate financial reporting of the banking sector and evaluates top management regarding the implementation of introduced controls in business. The author points out that accounting documents have the character of evidence and that the responsibility for them lies with the company's top management.

The ACFE (2022) research on the methods of reporting fraud in the last ten years shows that the biggest increase was in: reports through the so-called open lines, conducting fraud prevention trainings, as well as introducing fraud prevention policies and procedures. The report provides an overview of fraud schemes by high-risk departments, which indicates that

corruption is mostly present in the procurement, senior management, and sales sectors. As control mechanisms in the prevention of fraud, the following are most often present: code of conduct, external and internal audits, open lines, review of management operations, independent audit committees, etc.

According to Boyle and Vullierme (2019), during years of practice, a reliable and effective framework for examining reported frauds has been established, which consists of several key phases: (i) planning (defining the objectives of the conversation); (ii) preparation (psychologically prepare for the interview and positively approach the suspect, preparation of space, materials); (iii) introduction (explain to the suspect in a clear, comprehensible and open manner with respect, why he is being questioned); (iv) testimony (allow the suspect to give a detailed and unobstructed narrative account of events, with prompting and interest from the interrogator); (v) questions (ask questions that will lead to confessions and evidence in a way that starts with the least valuable in the evidentiary sense and to gradually move to what has the greatest evidential value); (vi) conclusion (if there is still something to add and then explain the direction of future investigations); (vii) evaluation (consider whether the goals, which are next steps, as shown by the examiner).

The paper aims to investigate how a forensic accountant, with all moral and ethical characteristics, as well as the specific knowledge he possesses, can and should fit into the rigidly regulated organizational structure of financial institutions, all to reduce the number of committed financial frauds and their negative effects. , and preserving the good image of financial institutions.

2. Methodology

To conduct the research, a qualitative method was used with the help of a standardized interview through a prepared questionnaire (Bajgorić and Somun-Kapetanović, 2012) with respondents who have many years of work experience in the financial sector and perform the tasks of management, risk managers, credit analysts, collection of problematic claims, prevention money laundering and terrorist activities, insurance claim processing, leasing, process control, and product management. The selected respondents were invited to interpret their knowledge about the role and possible positioning of the profession of forensic accountant in the financial sector, bearing in mind that through their many years of experience, they are familiar with the work processes, organization, and job description that are currently established in their organizations. As this is a new profession, which is in its infancy on our

market, and for the respondents to prepare for the subject of the final paper, when sending the application for participation in the project, a letter was submitted with questions to be answered along with a graphic list of knowledge and skills that a forensic accountant should have. The request was sent to about thirty addresses of financial institutions in FBiH, and the response was sent by ten people who agreed to participate in the research. The profile of the respondents is presented in Table 1.

After the interviews with each participant, the analysis of the collected data was immediately started. The goal of this analysis was to find out whether and how the profession of forensic accountant could be positioned in financial institutions and what the introduction of the position of forensic accountant in the financial sector in FBiH would mean. We will present the results of the analysis in the next chapter.

Table 1. Profile of respondents

Code and age	Sex	Organization Profile	Years of work experience in the profession
Dž.K., 47	Ž	Bank	23
Dž.K., 48	Ž	Microcredit Foundation	23
B.H., 50	Ž	Leasing	25
S.K., 46	M	Leasing	22
I.T., 49	Ž	Banking Agency of the FBiH	25
I.K., 40	Ž	Insurance	16
S.R., 42	M	Bank	18
R.P., 46	M	Investment fund management company	22
H.P., 50	M	Bank	23
I.F., 38	M	Bank	15

Source: Authors' analysis

3. Results

The results of the qualitative research are based on conducted interviews with ten respondents who have many years of work experience in the financial sector, as the main participants in this process. The average duration of one interview was 33 minutes, and their transcription was done immediately after conducting each interview. The questions that were asked to all interview subjects were designed in such a way as to reveal whether there is an understanding of the role of the forensic accountant within the financial sector and to identify how this profession could be incorporated into the organizational structure of financial institutions in FBiH. In this regard, the questions were defined in advance as follows:

1. Are you familiar with the job description of a forensic accountant?
2. How do you perceive the work that a forensic accountant would do in your organization?
3. Are there already functions or positions within your organization that include tasks similar to the profession of a forensic accountant?
4. Could the profession of forensic accountant be an independent function or a position within a department in your organization?
5. In which organizational part could this profession be positioned and why?

By looking at the narratives of the respondents who addressed the first two questions within the interview protocol, it can be concluded that the occupation of forensic accountants is quite unknown and that they mostly identify it with certain control functions that already exist in the organizations where they are employed. According to the answers to the question about previous knowledge and knowledge of the characteristics of the profession of forensic accountant, most of the respondents gave short answers, which gives the impression of uncertainty in their knowledge of the subject, while some clearly stated that they were not familiar with this profession until now or that they partially received information from the media or short seminars within the professional education that the employee attends based on the seminar offer. This is supported by the individual claims of the respondents presented below.

"I am partially familiar." (Dž. K., 47)

"I am familiar with the work of a forensic accountant through a couple of one-day seminars that I attended." (Dž. K., 48)

"I read something in the media but I don't have much information." (S.K., 46)

In this part, respondents based on their perceptions, knowledge, and many years of experience in the financial sector answered about the possible job description of a forensic accountant in the financial sector. Based on the analysis of respondents' answers, the description of the work and tasks of a forensic accountant in the financial sector should include activities to prevent irregularities in financial operations, and activities to determine and prove harmful events if they occur. The statements below are in support of the above.

*"These are experts who deal with detecting manipulations, frauds, and preventing bank losses."
(S.R., 42)*

"This is a person who would be engaged in detailed research and analysis of financial reports and documentation to detect potential fraud, falsification of reports and data, tax evasion, etc." (R.P., 46)

*"The work should include investigations and analyses to determine and prove harmful events, and in the event of such events, determine the resulting damage and offer possible mitigation solutions."
(B.H., 50)*

Analyzing the answers to the third question, we conclude that there is currently no professional forensic accountant in the financial sector, but that the job description and tasks of the profession itself can be recognized through the activities of employees currently working in positions or departments: Risk Management, Compliance, Internal Audit, Anti-Money Laundering. This is supported by the answers of the respondents presented below.

*"Related tasks that corresponded to the profession of forensic accountant are performed by employees of Internal Audit, Anti-Money Laundering and Financing of Terrorism, Risk Management Function."
(J.K., 47)*

"It does not exist as such, but it intertwines through several other occupations within the framework of internal controls." (H.P., 50)

"Within the organization, there are already these profiles of people, but I can't say that the position is called forensic accountant, but that the people who work in Compliance and ATM are experts in this

context of forensic investigations, so I would say that these are currently profiles of people and not workplaces" (I.F., 38)

In the analysis of the answers to the fourth question, we found out that the views of the respondents were divided in the context of positioning the profession of forensic accountant as an independent function or within one of the existing departments in the financial institutions. This is understandable since there is currently no regulatory framework that imposes the existence of an independent function of forensic accounting, as is the case with other functions in financial institutions. Imposing new standards and changing regulations would create conditions for changing the systematization of jobs and introducing this profession into financial institutions in the future. This is supported by the respondents' claims given below.

"I believe that it would be desirable in every insurance, bank, and similar institutions, either as an independent function or within a department." (I.K., 40)

"That would depend on the systematization of the positions of the Banking Agency of the FBiH since it is not currently foreseen." (IT, 49)

"Sometime in the future it could be as an independent profession by imposing new standards and regulations, but not at the moment." (S.K., 46)

The assumption for the last question is that there will be a change in regulations within the financial sector, which would impose the positioning of the profession of forensic accountant within one of the existing departments in financial institutions. Respondents gave different views on which departments these could be, from Internal Audit, Risk Management, and AML, to supervisory authorities, as evidenced by the statements below.

"Internal Audit, AML, Risk Management to act preventively - suspicions of the possibility of fraud that has not yet occurred, subsequently after suspicion that fraud has occurred or after the discovery of the fraud itself." (Dž.K., 47)

"I think that these jobs if they were to be defined in one job position, should be positioned next to the supervisory authorities." (Dž.K., 48)

"That profession, in my opinion, should be within the existing Compliance or AML departments, simply because they work preventively and on the detection of fraudulent actions. In the actual day-to-day work of accounting, I don't see it making sense." (I.F., 38)

According to the results of the conducted research, it can be concluded that the need for the profession of a forensic accountant in the financial sector is justified. Although it is not currently defined by the regulatory framework, judging by good practices from the region and the world, in the future, it should be formed either as an independent function at the supervisory bodies of financial institutions or as a position within a specially formed team whose reporting would be directly related to the supervisory bodies.

4. Conclusion

The work aimed to identify the possibilities of positioning the profession of forensic accountant in the financial sector of FBiH. The results of the conducted research indicated that respondents who have many years of work experience in the financial sector do not know the title of a forensic accountant. However, respondents recognized the activities of forensic accounting in certain functions that already exist within financial sector organizations (Risk Management, Compliance, Internal Audit, and AML). In contrast, the skills and knowledge that the holder of the title of forensic accountant should have are equally recognized such as positioning as an independent position or as a team member.

Bearing in mind the results of the conducted research, it can be considered that the need for forensic accountants in the financial sector is justified. Although it is not currently defined by regulatory regulations and legal provisions, in the future it should be formed either as an independent function at the supervisory authorities or within a specially formed team whose reporting would be directly to the supervisory authorities. Currently, until the tasks and responsibilities of forensic accountants in financial institutions are prescribed by law or other regulations, the primary role could be in the advisory function of senior management through educating staff who are in direct contact with clients, processing documentation, and making decisions, as well as forming special teams that will be in the role of preventive checks of internal controls of business activities and processes, in case of extraordinary circumstances, as well as when analyzing the application of new regulatory and legal regulations.

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Sažetak

Cilj rada je identifikacija mogućnosti pozicioniranja zanimanja forenzičnog računovođe u finansijskom sektoru Federacije Bosne i Hercegovine (u daljem tekstu FBiH). Kako bi se dao odgovor na pitanje na koji način bi se moglo uvesti zanimanje forenzičnog računovođe u finansijski sektor, provedeno je kvalitativno istraživanje metodom intervjua sa ispitanicima koji imaju dugogodišnje iskustvo u radu u finansijskom sektoru FBiH. Rezultati istraživanja su pokazali da su ispitanici uglavnom veoma malo ili nimalo upoznati sa zanimanjem forenzičnog računovođe, te da su se opredijelili za pozicioniranje ovog stručnog zanimanja u finansijskom sektoru unutar postojećih organizacijskih dijelova: upravljanje rizicima, usklađenost, interna revizija i sprječavanje pranja novca. Predstavljani su i prijedlozi autora vezano za mogućnosti pozicioniranja navedenog zanimanja u finansijskom sektoru u skladu sa najboljim praksama u regionu i u svijetu.

Ključne riječi: *forenzični računovođa, finansijski sektor, Federacija Bosne i Hercegovine.*