

Forensic accountants: the CSIs of finance

⇒ *The integration of accounting, auditing and investigative skills, yields a specific speciality known as 'forensic accounting', providing an accounting analysis that is suitable to the court and which forms the basis for discussion, debate and – ultimately – dispute resolution. In that way, forensic accounting encompasses both litigation support and investigative accounting. In this analysis, DEREK WILLIAMSON of Goddards Accountants explains the skills involved in forensic accountancy and some of the areas of litigation involved.*



What does a forensic accountant do?

As forensic accountants we deploy accounting, auditing and investigative skills when conducting an investigation. Equally critical is our ability to respond immediately and to communicate financial information clearly and concisely in a courtroom setting. Forensic accountants are trained to look beyond the numbers and deal with the business reality of the situation.

A forensic accountant is often retained to analyse, interpret, summarise and present complex financial and business related issues in a manner which is both understandable and properly supported.

Forensic accountants can be engaged in public practice or employed by insurance companies, banks, police forces, government agencies and many other organisations.

They can be involved in:

- Investigation and analysis of financial evidence
- Development of computerised applications to assist in the analysis and presentation of financial evidence
- Communication of their findings in the form of reports, exhibits and collections of documents
- Assisting in legal proceedings – including testifying in court as an expert witness and preparing visual aids to support trial evidence.

In order to perform those services a forensic accountant must be familiar with legal concepts and procedures. In addition, the forensic accountant must be able to identify substance over form when dealing with an issue.

What should a legal professional consider when retaining a forensic accountant?

The issues to be considered include the experience and qualifications of the forensic accountant. They should also be retained as early as possible in order to obtain the maximum benefit. The assistance a forensic accountant can provide early in the process can be significant in reducing the overall cost and maximizing the benefit. If retained early, they can assist with the 'examination for discovery', identifying additional areas of damages, assisting with settlement negotiations and providing a preliminary assessment of the quantum of damages.

If the forensic accountant is being engaged as an expert witness, then they should be given access to all of the relevant documentation. If restrictions are imposed upon the scope of the investigation, there may be an impact upon the acceptance of the findings.

In situations where counsel is involved, the forensic accountant should be retained by counsel, so the privilege that exists between client and counsel will be extended to the work produced by the forensic accountant.

What are the main areas of litigation involving the work of the forensic accountant?

Criminal investigations and fraud: A forensic accountant may be retained by local police forces, or by organisations such as the Law

Society, in relation to criminal investigations. Their report is prepared with the objective of presenting evidence in a professional and concise manner.

Connected to that area are investigations into business or employee fraud. Business investigations can involve funds tracing, asset identification and recovery, forensic intelligence gathering and due diligence reviews.

Employee fraud investigation often involves procedures to determine the existence, nature and extent of fraud and may concern the identification of a perpetrator. These investigations often entail interviews with personnel who had access to the funds and a detailed review of the documentary evidence.

Employee dishonesty or infidelity can also figure in the investigation of insurance claims, which may also cover business interruption and property losses.

Insurance claims and business losses: Insurance policies differ significantly regarding their policy conditions, so these assignments involve a detailed review of the policy, to investigate cover and the method of calculating the loss. A forensic accountant can be asked to assist from either an insured or insurer's perspective in the settlement of the case.

Other examples of assignments involving business losses include contract disputes, construction claims, expropriations, product liability claims, trademark and patent infringements and losses stemming from breach of non-competition agreements.

They may also arise from shareholder or partnership disputes. These assignments often involve a detailed analysis of numerous years' accounting records to quantify the issues in dispute. For example, a common issue that arises is the compensation and benefits to be received by each of the disputing shareholders or partners.

Where claims of professional negligence are involved, the investigations are often approached from two different but complementary perspectives. These are the technical investigation – has a breach of generally accepted accounting practice or auditing standards or other standards of practice occurred – followed by the quantification of loss.

If the professional in question is an accountant, then we are often involved with both perspectives. If the matter involves some other professional the forensic accountant will normally be retained to perform only a loss quantification.

Personal injury and matrimonial claims: A forensic accountant is often asked to quantify the economic losses arising from a motor vehicle accident. They therefore need to be familiar with the legislation in place pertaining to motor vehicle accidents. Cases of medical malpractice and wrongful dismissal also involve similar issues in the calculation of the resulting economic damages.

Matrimonial disputes from a forensic accounting point of view often involve the tracing, locating and evaluation of assets. The assets to be evaluated and valued may be businesses, property or other assets. □

GODDARDS

A C C O U N T A N T S

- Forensic Accountants
- Loss of Profits
- Loss of Earnings
- Commercial Fraud
- VAT Investigations
- DWP Fraud
- Matrimonial Disputes
- Many more services

Contact us today for more
information and a free quote

Tel: 020 8941 2187

Fax: 020 8783 0554

info@gandco.co.uk www.forensic.org.uk