

Following the money

Forensic accountants help businesses mitigate the risks of fraud and financial crime and, if the worst happens, assist in tracking down the culprits.

While the term 'forensic' is more usually applied to the work of crime scene investigators rather than accountants, the two have much in common. Police forensic experts comb the physical world for evidence of criminality, and forensic accountants take the same approach to financial records. Evidence of fraud or misappropriation is often deeply embedded in spreadsheets, transaction records or data lakes. It can take the work of skilled and dedicated professionals to dig it out.

Investigating potential criminality is one area of a forensic accountant's work, but not the only one. An accounting expert might be called in to analyse the reasons behind an insolvency, provide corporate intelligence on a potential investment or support litigation.

The work is widely used, and growing to keep pace with the digital era which has introduced new avenues for fraud. Cybercrime is a fact of corporate life. Regulations around anti-money laundering (AML) and Know Your Client (KYC) processes are only getting stricter. In these circumstances, it is no wonder that the forensic accounting market is expected to grow from USD 5.81 billion in 2024 to USD 8.76 billion in 2029 at a compound annual growth rate (CAGR) of 8.6%.

Fraud on the rise

The demand for forensic accountancy is rising in line with increased online and offline financial crime and tougher regulatory standards. According to Barclays 57% of fraud is committed by company insiders or a combination of insiders and external parties. Against this backdrop, many UHY

member firms around the world now offer forensic accounting as part of a wide range of value-added services. Some have been doing so for years.



With the increasing use of AI, where deception has become easier and detection harder, there will definitely be greater need for forensic accounting.

"I've performed and supervised forensic accounting projects, including fraud investigations, for the last 20 plus years at UHY," says Chris Peterson, a forensic accounting principal at UHY Advisors, Inc., Michigan, US. "Years ago, people seemed surprised to hear the terms forensic and accountant in the same breath. Over time public perception has improved so that today people generally understand that 'forensic' relates to a professional standard of care for accountants that would meet the legal requirements of a court or other trier of fact."

In other words, forensic accountants provide evidence of financial wrongdoing that can be used in a court of law or in investigations by regulatory authorities. Adil Buhariwalla, a senior partner at UHY James Advisory LLC in Dubai, UAE says his firm has also been providing forensic accounting services for some time, and that demand for them is growing.

"With every new technology, crime adapts, taking on new forms and

exploiting the very innovations meant to make life safer and easier," he says. "With the increasing use of AI, where deception has become easier and simpler and detection harder, there will definitely be greater need for forensic accounting."

The nuts and bolts

What does forensic accounting actually involve? Much of the time, it starts with a suspicion of fraud, misappropriation or malpractice. Specialist accountants are brought in by clients to sift documents, analyse data and if necessary, conduct interviews. They might be tasked with ensuring professional standards have been adhered to or identifying reasons behind rogue transactions that have not been appropriately recorded or reconciled. Much of the time, they follow the money.

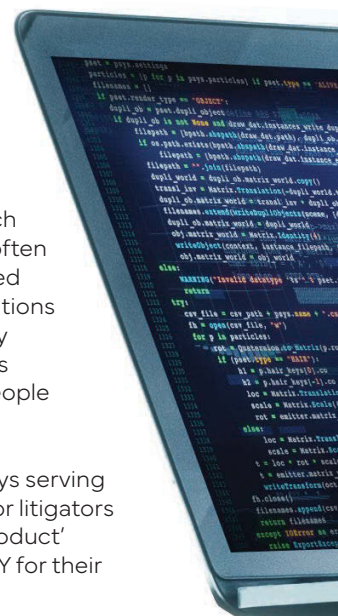
"Often, it involves rigorous data analysis, verification of relevant documents and information, interviews, and connecting the dots to identify potential red flags for fraud or malpractice," says Adil. "Whatever we find, it then means reporting to appropriate levels of management in the organisation and, if necessary, providing support to the in-house HR and legal teams as they take appropriate action, as well as supporting the public prosecutor (where requested) in cases where the organisation files a police complaint."

Chris agrees that, while forensic accountants do more than help catch financial criminals, often their expertise is used to investigate allegations of 'bad behaviour' by employees, business partners or other people of interest.

"In addition, attorneys serving as general counsel or litigators often need 'work product' assistance from UHY for their clients," he says.

A wider remit

Financial crime may be its bread and butter, but the forensic accountancy remit goes beyond suspected fraud. "Forensic accounting investigations help clients navigate through



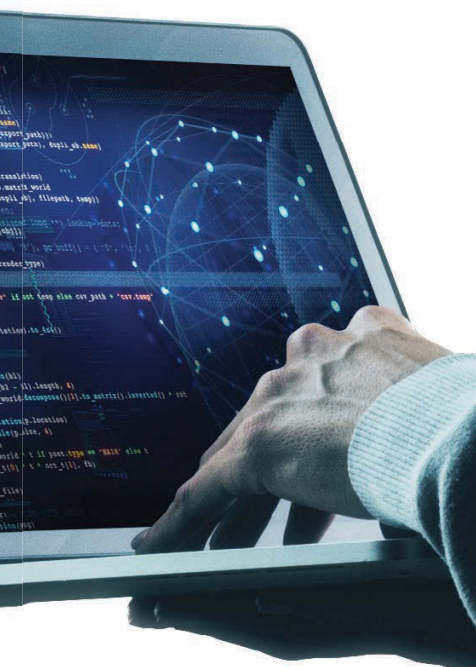
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complex issues involving accounting, financial reporting, employment, civil and criminal law, and income tax implications that are beyond the experience of their existing in-house resources," adds Chris.

UHY Crossleys LLC, UHY's member firm on the Isle of Man, also offers a wide-ranging forensic accountancy service. As well as potential fraud, it covers cybercrime mitigation and investigation, brand protection and crisis management. "We offer specialised brand protection services to help businesses fight against counterfeiting, intellectual property theft and reputational risks," says director Andrew Pennington. "Through advanced investigations, monitoring and enforcement strategies, we ensure that brands remain secure, and business reputations intact."

A large part of the role is providing corporate intelligence. That might mean evaluating a potential investment or assessing an internal risk. Whatever it is, says Andrew, "our team delivers actionable intelligence to help clients make informed decisions and mitigate threats."

When it comes to internal risk analysis or pre-investment intelligence gathering, forensic accountants might conduct background checks, lifestyle >>>



audits and governance investigations. An important point is that the work of forensic accountants can be proactive as well as reactive, mitigating risk through monitoring and intelligence as well as investigating incidents after they have occurred.

A mature service

Three decades ago, forensic accounting was something of a niche service area. Today, it is a mature service line and one increasingly utilised by businesses and financial authorities. "Fraud and litigation are facts of life for today's business management and owners," says Chris, adding that the demand for forensic accounting skills make them recession-proof as a result.

Certainly, the avenues for fraud appear to be growing all the time. Insider fraud, which is fraud committed by an employee or business partner, comes in multiple forms. Asset theft is the most common, but payment fraud – when employees create fake vendors or manipulate invoices – is a growing problem. Internal fraud can also involve employees conspiring with suppliers to fake or change orders and even creating fake employees to pocket unearned wages. All these crimes are made easier to achieve and harder to detect with criminal use of sophisticated AI.

In mitigation, forensic accounting works not only by rooting out bad actors, but also by creating a deterrent against future malpractice. It tells anyone considering financial crime that your organisation will not be an easy target.

"Whenever there is present any one of three elements – pressure, opportunity and rationalisation – there is always the potential for internal or external fraud," says Adil. "Forensic accounting helps clients get confirmation of their suspicions, take suitable remedial measures, file legal suits if that is what they decide to do, and send a message to team members that the client does not tolerate any compromise of company ethics, that it will involve legal authorities if necessary and will take effective measures to recover lost funds."

The future of forensics

The need for forensic accounting is only likely to increase as AI embeds itself ever more deeply in business operations, and internal company resources are stretched to the limit.



Our team delivers actionable intelligence to help clients make informed decisions and mitigate threats.

Professional services networks like UHY have a huge role to play in countering threats from financial crime, cybercrime and intellectual property theft. From analysing financial records and supporting legal teams to improving internal controls and monitoring transactions, forensic accountants are in a unique position to help

UHY forensic accountants in action

An investigation was initiated by public and private donors to a not-for-profit (NFP) organisation which had reason to suspect criminal behaviour in relation to services provided by the NFP. UHY specialists examined several years of documents and data and completed an analysis in just eight weeks, concluding that a rogue director appeared to have acted independently of the NFP's knowledge or influence and for their own personal enrichment. The UHY team was able to reassure donors that the criminal activity was confined to a single individual.

clients operate compliantly and with confidence.

"There are clear opportunities for accountancy firms to take a lead on preventing financial crime," says Andrew. "This includes proactive monitoring and intelligence gathering to stop fraud, cybercrime, counterfeiting, intellectual property theft and other issues from undermining organisations in the first place. Firms that offer these services have an opportunity to acquire new business, especially from organisations seeking to restore credibility and prevent future issues after a forensic incident is detected."

Little wonder that more members of UHY's global network are offering forensic accounting as part of a complete accounting and business advisory offer. Unlike police equivalents, forensic investigators in the accounting world may not have their own TV show, but they have become an essential tool in the fight against crime around the world. ■

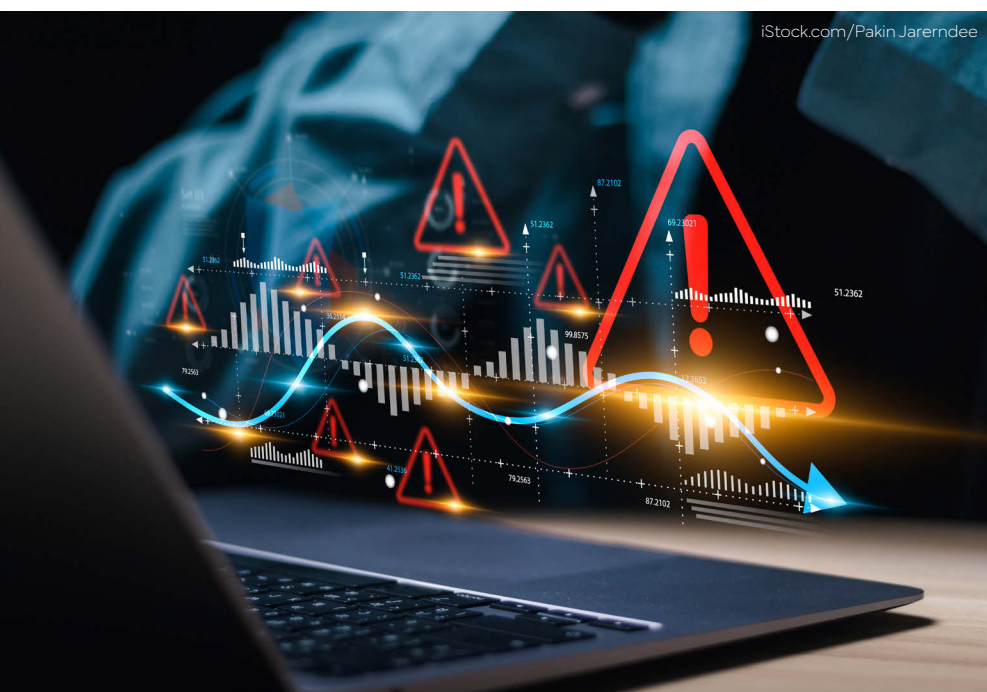
Sources:

¹ The Business Research Company, Forensic Accounting Global Market Report 2025, pub. January 2025

² Barclays Corporate Insights: Internal Fraud webpage

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