

Fortifying Financial Integrity: Insights into Fraud Detection and Prevention Strategies Across Various Financial Companies in Sri Lanka from the Perspectives of Accountants and Internal Auditors in an Analytical Review

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ABSTRACT

Fraudulent activities in organizations pose a serious threat to financial integrity, sustainability, and trust. This research study examines in detail fraud detection and prevention strategies in financial institutions in Sri Lanka, as perceived by auditors and internal auditors. Using existing literature and empirical evidence, the study highlights the increasing complexity of fraud and the importance of proactive countermeasures to effectively combat it. Key findings highlight the critical role of good corporate governance practices, the use of IT tools and fostering a culture of integrity in reducing fraud risks. Collaboration between auditors, fraud analysts and internal audit teams emerges as an important element in identifying and addressing fraudulent activity. The study highlights the need for a comprehensive approach that includes knowledge, collaboration, governance migration effectiveness, ethical culture, ICT, and transparency combine to effectively prevent fraud to strengthen financial integrity.

Keywords: Fraud, Fraud risk, financial integrity & Sri Lanka

INTRODUCTION

Fraud risk is an increasing threat to all types of organizations nowadays. Organizations' ultimate target is to attain profitability and retain the competitive market, in that set of phenomena increasing their benefit hits the peak and generalizes ideology among the set of people who are working together. Anyhow organizations are keeping an open vision in acting as precautionary agents to avoid the circumstances that lead to the dilemma which are enforceable by them. Fraud has been ongoing for many centuries, and over the last two decades, various remarkable financial scandals have arisen worldwide, including the Enron, WorldCom, and Satyam scandals (1). In Sri Lanka, there are multiple numbers of demonstrations available, unfortunately, some cases only come to light, most of them still under the concealed zone. There should be a sought of technologies and mechanisms separately compulsory keep up by every firm to reduce the occurrences related to fraud. Sri Lanka already facing the issue related to middle-income source countries, even though some prominent cases regarding fraud are Golden Key, Pramuka Bank, Ceylinco Group, and Edirisinghe Trust Investments Finance Limited issue were most famous and notable cases evolved in the history of Sri

Lanka. However, the Association of Certified Fraud Examiners 2016, illustrated statement that there is an increasing trend in the number of frauds and affected enterprises yearly.

Over the past decade, financial fraud has gradually increased actively across the global wise, this assertion is validated by numerous instances of corporate accounting scandals and notable cases of corporate fraud that have transpired worldwide over the past few decades. Instances such as the Enron scandal, WorldCom scam, and Sathyam Computers fraud are indicative of this trend. The prevalence of these corporate scams and deceptive activities has played a pivotal role in fostering the growth of forensic auditing into the thriving industry it has become today (2). Therefore, the increasing activities of financial fraud need the high-rise involvement of forensic accounting to carry out the successful investigation as well as the demonstration of the individuals associated with the criminal activities. It is expected that forensic accounting is used to reduce or prevent the weakness of traditional accounting and audit systems contributing to financial fraud.

As per the Association of Certified Fraud Examiners (ACFE), recognized as the globe's foremost anti-fraud organization and leading provider of training and education in anti-fraud measures, occupational fraud stands out as a primary classification within the realm of fraud (3).

Numerous enterprises anticipate increased yields from their workforce to maximise their prosperity. This contributes to encouraging an environment where employees may justify their actions, even if those actions are unethical, unlawful, or involve fraud, ultimately resulting in fraudulent activities within organizations (4). The survey conducted by the Association of Certified Fraud Examiners (2020) found that the organization loses 5% of its income each year as an outcome of fraud. The essence of fraud lies in its organic ability to obscure a significant portion of its costs. Given that secrecy is a fundamental element in most fraudulent schemes, certain frauds remain undiscovered, and even among those identified, a considerable number go unquantified or unreported. Furthermore, many frauds presuppose considerable indirect expenses, encompassing slackening off productivity, harm to reputation & goodwill leading to business losses, and the costs associated with investigating and addressing the underlying issues. This creates an imaginative financial glacier, where some direct losses are apparent, but there exists a substantial concealed impact that eludes our perception (5).

The cumulative financial impact resulting from the instances examined outstrips USD 7 billion. The median loss across all cases studied stood at USD 130,000, with 22% of cases leading to losses valued at USD 1 million or higher. Predominantly, asset misappropriation become evident as the most prevalent form of occupational fraud, evident in over 89% of cases, yet causing the smallest median loss of USD 114,000. Conversely, financial statement fraud, occurring in less than 10% of cases, generated a higher median loss of USD 800,000. Corruption cases fell in between, constituting 38% of cases with a median loss of USD 250,000 (6). Moreover, the data found that whistle-blowers' hints play a more significant role in revealing fraudulent activities than pre-established internal control systems. Notably, 39.1% of fraudulent activities are brought to light through employee suggestions, as reported by the Association of Certified Fraud Examiners in 2018. These findings emphasise the widespread asset misappropriation, the varying impact of different fraud types, and the crucial role of informers in fraud detection.

The downfall of the Golden Key Credit Card Company not only remarked the inherent collapse of several major finance companies and banks but also had the potential to trigger the spill-out of the global financial crisis in Sri Lanka in 2008. This was attributed to fraudulent activities and violations of the provisions outlined in the Finance Act No.78 of 1988. These financial scandals identify the necessity for effective tools in identifying possible financial statement fraud within firms.

Additionally, findings from the (7) stated that in Sri Lanka, 83% of respondents acknowledged an increase in fraudulent activities. Among them, 62% volunteered that fraud within their respective industries had risen

during the same period. Interestingly, only 51% acknowledged an increase in fraud within their organizations. The survey further revealed that 70% of respondents acknowledged the presence of fraud within their organizations, with 64% in the private sector and 89% in the government sector.

KPMG's Fraud Survey 2003 stated that many companies have been experimenting with different cutting-edge methods to fight fraud (8). But a lot of these methods aren't really in use right now, and a few have grown outdated because of technological improvements. Due to the constraints of the red flag technique, which is a tool for identifying fraudulent activity, corporations are continually searching for different ways to combat fraud. Although red flags are associated with fraud, this correlation is not perfect, and since they only pay attention to signals, they may prevent both internal and external auditors from seeing other possible sources of fraud (9).

The extensiveness of fraud is on the leap up, attributed to an increase in potential gains and rewards for committing fraudulent acts, coupled with a decrease in the perceived risk of getting caught and facing punishment. Despite the growing benefits for culprits, many organizations either fail to charge fraud offenders or if they do, the criminal justice system often implements tolerant opinions and punishments (10). The surge in both the frequency of fraud cases and the substantial amounts involved has prompted accounting and auditing regulatory bodies, governments, and other stakeholders to actively pursue additional and enhanced methods for fraud prevention and detection.

Preventing fraud is generally the most economically efficient approach to minimizing losses caused by fraudulent activities. Perpetrators face losses involving not only humiliation and embarrassment but also legal repercussions, especially if they are first-time offenders with a previously clean employment history. They are obligated to make payments for taxes and compensations, and additional penalties may apply. Victims also experience losses as they not only lose the stolen assets but also incur legal expenses, lose time, face negative publicity, and suffer other adverse consequences.

Moreover, if organizations do not take stringent action against offenders, it sends a signal that perpetrators face minimal consequences, potentially increasing the feasibility of others engaging in fraudulent activities (11).

Auditors and accountants take control of extensive knowledge of authority mechanisms crucial for aiding in the prevention of fraud. However, the challenge shifts from prevention to detection when internal controls are absent, not implemented, or disregarded within the organization. Detecting fraud might seem straightforward due to advancements in auditing training, a perceived absence of intricate concealment, and a surge in reported fraud cases. However, identifying fraud remains challenging even in instances involving undisguised and significant misstatements in accounting records. This difficulty is exacerbated when wrongdoers enlist seemingly independent auditors into their schemes, offering substantial rewards and further complicating the detection process. Notably, many fraud cases are initially uncovered through hints, as highlighted by (3). Contrary to expectations, (12) stated that auditors, during their responsibilities, contribute only 20% to the detection of fraud. On the flip side, engaging in fraud investigation can incur significant costs.

Preventing fraud involves implementing proper measures to preclude its occurrence. Subsequently, if these preventive measures prove unsuccessful, the focus shifts to fraud detection, which entails swiftly identifying instances of fraud once they have transpired (13). Fraud detection, by its intrinsic nature, demands continuous and ongoing efforts, given the evolving nature of fraudulent activities.

Traditional methods, such as auditing, have proven insufficient in effectively detecting and preventing fraud (14), often leading to delayed identification of fraudulent transactions, if identified at all. In some instances, the resulting substantial losses can expose to risk of the sustainability of the organization, potentially

resulting in business collapse. This delayed recognition necessitates reactive measures, emphasizing the importance of adopting a proactive approach. Therefore, gaining insights into the root causes of fraud or economic crimes becomes imperative, as it serves as a crucial foundation for identifying the most effective mechanisms to detect and prevent fraud (14).

In day today's routine increasing number of frauds has been increasing to a peak level with high monetary value involved in that, to find out these issues. Basic accounting knowledge might not be enough to detect these fraudulent acts. When it comes to accounting, forensics is quite important for identifying fraudulent schemes that occur all over the world (14). In contrast to its widespread deployment, there is still some doubt in Sri Lanka about the use of forensic accounting techniques in preventing fraud (11) & (15). As of right now, very few research has explored this topic in the context of the area. Therefore, the purpose of this research is to investigate the following objectives: To identify prevention fraud techniques for the financial institution through a comprehensive analysis & help to examine the usage of technology to detect and prevent fraud based on accountants' and internal auditors' perceptions.

Given that forensic accounting is an emerging career path and a relatively new academic discipline, students stand to benefit significantly by choosing this subject area, fostering both their education and career development. Furthermore, practising Forensic Accountants also help to mitigate the fraud risk from financial companies. Even though all the surveys and findings are difficult to provide a complete output, it can elaborate the useful indicators to the how much problem is extended. Findings will be different and can't actualize a real problem occurred but anyhow all surveys will only indicate the fraud is a serious and high-cost one.

Moreover, Over the previous ten years, several examples of fraud in the workplace in Sri Lanka have been documented. On the other hand, information about how regulators and accountable parties detect and stop these kinds of scams is not readily available. Scholars have noted that many Sri Lankan finance companies do not have enough systems in place to keep an eye on and stop fraudulent activity at work. However, there is additionally an abundance of discussion regarding putting in place efficient systems for identifying and avoiding fraud at different levels in finance companies.

There are several studies done and published on fraud detection and prevention in Sri Lanka, despite the country's rising interest in this area. As a result, there is a knowledge gap on how accounting professionals in Sri Lanka perceive the techniques and tools used for occupational fraud prevention and detection.

This research provides particular significance as it concentrates on the realm of detection of fraud and prevention mechanisms in requisite skills for professionals in this field. The aim is to furnish information that can prove valuable to financial institutions to examine the inclusion of fraud prevention strategies. This consideration aligns with the recent shifts in the business environment and the accounting profession within the Sri Lankan context.

LITERATURE REVIEW

Deception, whether wrongful or criminal, aimed at gaining personal or financial advantage, constitutes fraud (16). It's a legal concept encompassing deceitful actions intending to unlawfully strip others of their rights, possessions, or money. Unlike robbery, which involves force or stealth to take valuables, fraud relies on deliberate misrepresentation to achieve its aims. Fraud presents a significant obstacle for businesses, impacting organizations of all scales and sectors (17) & (18). Typically, every company faces the risk of internal fraud from both its managerial and non-managerial staff (19), (20) & (21).

Fraud has profound and multifaceted consequences for an economy, including significant financial losses, social instability, erosion of trust in economic systems, and compromised institutions (22). Traditionally,

companies did not prioritize fraud prevention as a distinct objective within their internal control systems, viewing it instead as an implicit component of broader compliance objectives (23). However, high-profile fraud cases in the early 21st century shifted this perspective, prompting organizations to recognize fraud as a critical risk closely linked to market, credit, legal, and reputational risks (24). Investors have become increasingly concerned about fraud risk due to the substantial collateral losses it can incur, such as reputational damage and loss of trust in organizational leadership (24). Consequently, investors are now advocating for robust anti-fraud mechanisms focused on prevention and timely detection, with greater emphasis on internal control and audit functions. The term “fraud” is often encompassed within the broader concept of “irregularities,” which includes any deviation from legal, regulatory, or procedural norms (22).

One study (25) proposes that the primary drivers behind the uptick in deceitful activities include globalization, economic downturns, fierce competition, and technological progress. Law (2011) states that monitoring and alleviating these behaviours not only incur high costs but also carry adverse effects on reputation, workforce, competitive edge, and even risk pushing a company into insolvency. However, entities dealing extensively in cash (e.g., banks, and financial institutions) emerge as prime targets for fraud. Hence, they must devise effective preventive measures to combat this menace. In a broader context, fraudulent behaviors not only jeopardize a nation’s financial standing but also inflict losses on businesses, investors, and resources. In a broader context, fraudulent practices not only undermine countries’ financial stability but also cause harm to businesses, investors, and social goods (26).

According to (27), a rogue trader is a trader in a high position who invests substantial funds on behalf of the bank. They make risky investments using the bank’s money, and when one investment goes bad, they engage in further market speculation in hopes of quick profit to hide or cover losses. Currency dealers often commit some of the largest bank frauds (28). Fraudulent loans are one way to remove money from a bank, with complicit bankers willing to encourage them, knowing that the money will be repaid with interest (27). The borrower may even be non-existent, and the loan merely a ploy to conceal a theft of large sums of money from the bank (29). Wire fraud, according to (27), utilizes wire transfer networks such as SWIFT, Real Time Gross Settlement (RTGS), and interbank fund transfer systems. Despite some banks implementing checks and balances, there is a real risk that insiders may attempt to use fraudulently or forged documents to request a depositor’s money to be wired to another bank, often an offshore account in a distant foreign country.

Discounting fraud is a confidence trick where fraudsters use a company under their control to gain the bank’s confidence by appearing to be a genuine, profitable customer (30). Once the bank is satisfied with the ‘company,’ the company may request that the bank settle its balance before billing the ‘customer.’ Levi argues that only when the outstanding balance between the bank and the company is sufficiently large, the ‘company’ take the payment from the bank, and both the company and its customer disappear, leaving no one to pay the bill issued by the bank. A forged check fraud occurs when an employee issues a check without proper authorization (27).

The technique of altering information may involve the use of chemical alterations such as acetone, brake fluid, and bleach to remove or modify handwriting. Instead of tampering with a real check, some fraudsters will attempt to forge a depositor’s signature on an unused check or print their own check drawn on an account owned by others, non-existent accounts, or even alleged accounts owned by non-existent depositors. The check will then be deposited into another bank, and money withdrawn before the check can be returned as invalid or for insufficient funds (29). Stolen chequebooks may be used by fraudsters who merely sign as if they were depositors (27). Skalah et al (27). stated that a booster check is a fraudulent or bad check used to make a payment to a credit card account to ‘boost out or raise’ the amount of available credit on otherwise legitimate credit cards. A stolen payment card can be used in fraud involving stealing the card itself and charging several high-ticket items to it in the first few minutes or hours before it is reported stolen

(29).

The Association of Certified Fraud Examiners (31) reported that fraudulent incidents in the USA incurred an estimated aggregate cost of nearly \$15 billion over the past decade. Consequently, regulatory bodies in the US, such as the New York Stock Exchange, the Securities Exchange Commission, and the National Association of Securities Dealers Automated Quotations, advocate for enhanced efficiency, quality, and proactive governance in public entities.

According to Cressey (1953) and his fraud triangle theory, three factors contribute to someone engaging in fraudulent behaviour: pressure, rationalization, and opportunity. Pressure, stemming from personal or workplace challenges like financial difficulties or family problems, serves as a motivation for fraud. Additionally, the presence of opportunity is crucial, as individuals believe they can commit fraud without detection, often facilitated by breaching trust and possessing the necessary skills (Cressey, 1953). Certain circumstances, like weak internal controls or ineffective management tone, can increase these opportunities. The final element, rationalization, is key to the commission of fraud, as individuals justify their actions. This rationalization may involve perceiving unfair treatment, believing others are also engaging in fraudulent behaviour, or feeling there are no other options available.

One of the studies found that the effect of accounting standards on the prevention of record falsification, the deterrence of fund misappropriation in the banking sector, the relationship between thorough documentation and the prevention of fund misappropriation in the banking sector, and the analysis of the impact of thorough documentation on avoiding record counterfeiting. The study employed a questionnaire as the research instrument, and the results showed a strong positive link between the application of anti-fraud measures in Nigerian banks and accounting standards. Accounting standards also showed a strong favourable impact on the accuracy of preventing record fabrication and the prevention of theft in Nigerian banks. After evaluating hypotheses three and four, it was determined that there is a significant positive link between accurate record-keeping practices and the avoidance of misappropriation and record falsification (32).

The Statements on Auditing Standards (SAS) 99, which addressed Integrity Assessment in a Financial Statement Audit and were released in October 2002, encountered criticism for heavily relying on the red flag technique (33). Furthermore, a lot of companies have tried out methods for identifying fraud that ended up being unworkable but anyhow Since it is frequently difficult to recoup damages from fraud once it is discovered, avoiding fraud is sometimes viewed as a more practical course of action (34).

Another study identified the opinions of accounting specialists about the fundamental skills needed to train forensic accountants, Data was gathered from a sample of thirty professional accountants, ten from the commercial sector and twenty from public practice, using a standardized survey instrument. Utilizing descriptive statistical techniques, the gathered data was examined. The study showed that experts in the field of forensic accounting stressed the value of having a broad skill set for efficient work. The survey also showed that professionals had an average perception of the distinctions between the tasks of forensic accountants and auditors (35).

Moreover, one of the findings revealed how accounting professionals in Sri Lanka view the methods and instruments used to avoid and detect occupational fraud. A representative group of one hundred Sri Lankan accounting experts participated in the study. The results showed that bank reconciliations, password protection, external audits, and internal control reviews are among the frequently used techniques. Furthermore, cash inspections, bank reconciliation, and password protection are often used methods for identifying professional fraud. On the other hand, less often used strategies include forensic accounting, fraud hotlines, and forensic auditing. In addition, firewalls, virus protection programs, and filtering software are often used fraud prevention and detection tools in Sri Lanka. Using efficient techniques and technologies

to stop and identify corporate fraud in Sri Lanka is highly advised (11).

According to (36), critical skills required by forensic accountants include intellectual ability, proficient communication skills, technological know-how, and extensive understanding of accounting, business, law, and behavioural sciences. A wide range of products and services, including accounting, audit investigations, damages claim evaluation, analytical evaluations, valuation, and general consulting, are provided by forensic accountants. Furthermore, via the analysis of financial data, they are essential in several fields, including building projects, insurance claims, claims for personal injuries, fraud investigations, divorce procedures, audits of publishing rights, and anti-terrorism efforts (37).

Additionally, one study found the relationship between financial fraud and corporate governance in firms that are listed on the Colombo Stock Exchange. It employed the Beneish model to quantify fraud to assess how corporate governance practices affect the incidence of financial fraud. The research focuses on 129 businesses that were chosen among Sri Lanka's 290 listed firms overall, representing 20 distinct industries. Panel evaluation techniques and EViews software were used for the analysis. The study clarifies the relationship between financial fraud and corporate governance, providing academics with insightful information. It aims to expand knowledge of efficient control methods in corporate contexts and to enhance awareness of how corporate governance practices support fraud detection and prevention (38).

When examining the Sri Lankan environment, (15) researched strategies for preventing and identifying fraud within commercial banks in Sri Lanka. Additionally, (39) explored real-time detection of credit card fraud through the application of machine learning techniques. Moreover, (40) investigated the viewpoints of expert accountants regarding forensic accounting practices in Sri Lanka.

Another study revealed that there was a relationship between fraud prevention and accounting standard. Data were gathered via a questionnaire, and they were analysed using the Statistical Package for Social Sciences (SPSS). The findings showed that, in Nigerian banks, fraud prevention strategies and accounting standards had a highly substantial positive association. The first and second hypotheses showed how accounting rules significantly improved the accuracy of avoiding record fabrication and prevented embezzlement in Nigerian banks (32).

Other findings suggested that strong corporate governance (CG) measures and information technology (IT) methodologies substantially contribute to identifying and mitigating fraudulent behaviours by diminishing the chances, justifications, pressures, and abilities of prospective staff to engage in fraud. Effective internal controls also have a noteworthy impact on decreasing fraud occurrences. Interestingly, the effectiveness of ethical officers and ethical training in thwarting and detecting fraud was not widely acknowledged, fostering a perception of widespread fraudulent behaviours, and heightening the risk of future fraudulent activities (41).

Another study was conducted on the efficacy of forensic auditing in uncovering, probing, and preventing bank fraud sheds light on the challenges faced by forensic auditors in developing countries, specifically Zimbabwe. Through a comprehensive review of existing literature, the research aims to understand the capabilities of forensic auditors in fulfilling their responsibilities within the banking sector and to identify obstacles hindering their effectiveness. The data collection process involved the use of questionnaires, interviews, and document analysis, targeting a sample of thirty forensic auditors from various financial institutions in Zimbabwe. The study highlighted several challenges encountered by forensic auditing departments, including resource constraints, lack of technical expertise, managerial interference, and insufficient recognition of the profession. Moreover, the research identified different types of bank fraud and explored internationally recognized audit procedures for detecting and investigating such fraudulent activities. By analyzing these findings, the study concluded that enhancing the effectiveness of forensic auditors requires improved material and technical support. Additionally, it recommends the establishment of

a regulatory body to govern the activities of forensic auditors, like other established professions, thus ensuring better oversight and standardization within the field (42).

Frauds prevention strategies

A well-implemented code of conduct is an important tool for communicating acceptable values to employees and demonstrating management's commitment to maintaining organizational integrity. This includes establishing a clear organizational structure, providing dispute resolution policies, and maintaining internal audit departments. An effective communications training program also increases employees' understanding of their fraud prevention and detection responsibilities. For example, regular conversations about business ethics and the use of fraud reporting hotlines can reinforce awareness and accountability.

Another important aspect of fraud prevention is the early detection of signs of potential fraud. Management should monitor for changes in employee attitudes, lifestyles, or behaviours such as discrepancies in substance abuse or leave records. Establishing private support systems, including counselling services for employees and their families, can address the underlying issues that lead to fraudulent behaviour(23).

An important part of fraud prevention efforts is the establishment of a robust inspection system designed specifically for this purpose. This process must adhere to principles such as separation of duties, ensuring that no single employee gains control over the entire transaction cycle. In addition, careful analysis of employee requirements, analysis of performance and background, and comparison of accounting data with physical assets are important components of effective internal controls (23). Prompt data analysis techniques, such as database searches for transactions between individuals or background checks on employees for errors or past financial transactions, can help uncover potential fraud that might otherwise go unnoticed -Enables resource allocation and development of targeted strategies to effectively mitigate risks (23).

Another important factor in fraud prevention is the perception of the organization towards the perpetrators of fraudulent activities. Maintaining a zero-tolerance culture for fraud requires consistent action when financial misconduct is discovered. Organizations can prevent potential criminals by consistently reinforcing the consequences of fraud involvement and demonstrating accurate investigations using effective control systems and risk management and implementation. It is important to emphasize among employees that all individuals in the company will be treated equally for wrongdoing regardless of their position. Furthermore, fraud detection is of utmost importance for the company to respond to. Openly exposing fraud and professional misconduct shows transparency and accountability. Once identified, the organization should take steps to improve the situation, such as voluntarily disclosing the results of the investigation to regulators, remediating any damage, root cause analysis to mitigate future fraud risks and engaging in dialogue with relevant stakeholders and staff to implement preventive measures and responses.

Additionally, open communication with employees about management practices and reactions to fraud is critical. Establishing a disciplinary process that outlines accountability policies reinforces the organization's commitment to preventing fraud and employee misconduct and assures employees that risk management is a top priority

One of the studies highlighted that (43) the unique challenges of fraud detection due to fraud committed due to offender characteristics, requires a reassessment of auditors' expertise. The proposed model extends the existing framework to include specific determinants of fraud detection, providing valuable insights for future research. Various strategies were identified, including practical ways to enhance fraud prevention efforts. Despite the suggested sample size limitations, the study presented two approaches to fraud investigators and reliable physicians were used to ensure the robustness and accuracy of the findings to

effectively prevent fraud, organizations can use several measures:

Enhance auditors' skills:

Invest in training programs and resources that specifically focus on fraud detection methods and techniques. By equipping auditors with the necessary knowledge and skills, organizations can strengthen their ability to detect and prevent fraudulent activity.

Encourage collaboration:

Encourage collaboration between auditors, fraud investigators and internal audit. By working together and sharing insights and knowledge, teams can use shared knowledge to better detect and prevent fraud.

Implement an effective control system: Implement a robust monitoring system that includes planned prevention and detection measures to eliminate potential fraud risks. Regular monitoring and evaluation of these controls is essential to ensure their effectiveness in detecting and preventing fraudulent activities.

Cultivate a culture of integrity:

Promote a culture of integrity and ethics throughout the organization. Promote transparency, accountability and adherence to ethical standards at all levels, to create an environment where deceptive practices will not be tolerated.

Be vigilant:

Be vigilant and proactive in watching for possible signs of fraud. Encourage employees to anonymously report suspicious activity and ensure that reported concerns are promptly investigated and addressed.

Information Technology:

Research underscores the critical role of information technology (IT) in enhancing business efficiency and effectiveness (Rothwell, 2012). Notably, the banking sector exemplifies the significant utilization of IT, especially in detecting fraud, given its high-risk nature (Bose, 2006). Advanced technology incorporated into banking systems allows for essential controls to be integrated into machine functions, enabling autonomous identification and rectification of errors before completing transactions, thereby reducing reliance on human intervention. Through the implementation of artificial intelligence, these systems continuously monitor transactions and promptly halt any suspicious activities, triggering alarm systems for timely intervention (44); (45) & (46).

By combining a comprehensive approach with knowledge, collaboration, effective governance, an ethical culture, information technology and transparency, organizations can significantly reduce their weakness to fraud and increase overall integrity and trust.

One key finding revealed that robust corporate governance (CG) practices and effective utilization of information technology (IT) tools are crucial in detecting and preventing fraud within organizations. Research suggests that implementing strong CG mechanisms, such as clear accountability structures and transparent reporting practices, can help minimize opportunities for fraudulent activities. Similarly, leveraging IT techniques, such as data analytics and fraud detection software, can enhance fraud detection capabilities by identifying suspicious patterns and anomalies in financial transactions. Additionally, internal controls are recognized as essential components in reducing instances of fraud by establishing checks and balances within organizational processes. However, the effectiveness of ethical officers and ethical training in preventing and detecting fraud appears to be limited, raising concerns about the prevalence of fraudulent

practices and the need for more proactive measures to mitigate future risks of fraud (41).

Every institution should proactively implement measures to uncover and prevent deceit. Studies indicate that embracing strong measures to prevent deceit empowers administration to detect and address deceit promptly. According to the ACFE Report (2014) (47), numerous instances of deceit were spotted up to 18 months prior to their occurrence, and adopting robust deceit prevention strategies can assist institutions in maximizing earnings while minimizing deceit-related losses. Developing reactive guidelines is essential for reducing losses stemming from fraudulent activities (Halbouni, et al., 2016). To efficiently manage systemic deceit, institutions should deploy procedures and technologies that systematically flag suspicious behaviours (ACFE, 2012) (48). Many dishonesties are revealed through employees' hints, highlighting the importance of providing pre-emptive deceit education at various organizational tiers. Deceit presents an escalating intricacy, rendering every institution equally susceptible to such hazards (45) (46) (26).

RECOMMENDATIONS

Distinguish your employees

Actions observing: Observe employee actions and attitudes, as changes can indicate potential fraud risk. Managers need to communicate regularly with employees to understand their concerns and motivations. For example, an employee who shows signs of dissatisfaction or financial stress may be more likely to commit fraud.

Proactive communication: Staying in touch with employees can help identify potential fraud risks and address internal issues, creating a better and more efficient work environment.

Establish well-organized internal controls

Separation of duties: Ensure that no single employee has control over all aspects of each critical transaction to reduce the risk of fraud. For example, there are separate responsibilities for handling funds, repairing deposits, and reconciling bank statements between different employees.

Proper documentation: Keep detailed records of transactions and conduct regular reviews to identify inconsistencies. Use serial numbers for checks, orders, invoices, and important transactions that require multiple signatures.

Continuous innovation: Continue to update internal control systems to adapt to new hazards and technologies. Consider hiring experts to develop and implement effective fraud prevention strategies.

Interaction with trusted experts

Qualified Professionals: Hire reputable professionals, such as Certified Fraud Examiners (CFE) and Certified Public Accountants (CPA), to help develop anti-fraud strategies and hold them accountable. Make sure these experts have a proven track record and a reliable reputation for protecting sensitive company data.

Promote a culture of honesty and transparency

Establishing and maintaining a core culture of honesty and transparency is essential to effective fraud prevention. This includes incorporating core principles from a foundational framework that emphasizes ethics, integrity and responsibility throughout the organisation. Through their actions and decisions, leaders must demonstrate these values, set a positive example, and foster an environment in which ethical behaviour

is expected and celebrated.

Key factors in promoting a culture of integrity include Clear articulation of organizational values and expectations, regular training and education on ethical standards, and fraud awareness, a supportive and inclusive work environment that encourages open communication and collaboration & Recognising and rewards ethical behaviour and contributions to fraud prevention initiatives.

Promote and ensure accountability

Encouraging accountability and providing secure mechanisms for reporting suspected fraud are important components of a comprehensive fraud prevention strategy. Employees must have the confidence to report potentially fraudulent activities without fear of retaliation, thereby fostering a culture of accountability and openness.

Key measures to promote accountability and protect whistleblowers include:

Developing clear procedures and procedures for reporting suspected fraudulent or unethical conduct.

Encourage the reporting of genuine concerns and promise to protect the privacy of whistleblowers.

A thorough investigation of reported incidents and imposition of appropriate disciplinary measures on offenders.

Inform employees of their rights and duties regarding fraud reporting and whistleblower protection.

CONCLUSION

The study “Fortifying Financial Integrity: Insights into Fraud Detection and Prevention Strategies Across Various Financial Companies in Sri Lanka from the Perspectives of Accountants and Internal Auditors in an Analytical Review” highlights the critical importance of doing so with emphasis on proactive measures in combating fraud in financial institutions. As highlighted throughout the study, fraud poses a serious threat to the sustainability and integrity of institutions, often resulting in significant financial loss, loss of trust and regulatory scrutiny. Factors such as globalization, economic downturn, fierce competition and technological advances contribute to the rise of fraudulent activities, making it necessary to develop effective prevention strategies, especially in organizations that spend a lot of money. Investors are advocating for robust anti-fraud strategies, prevention, and detection over time, with more internal controls and audit functions The fraud triangle theory provides insight into these logics and functions, providing inspiration, understanding and opportunity to establish as contributing factors to fraud.

Studies have examined fraud prevention and detection strategies, including the relationship between accounting standards and fraud prevention, the role of corporate governance and information technology, and the effectiveness of forensic audits in exposing and constructing fraud verbally To implement management systems, in organizations They also emphasize the importance of implementing strong measures to develop a culture of integrity. Despite challenges such as lack of infrastructure, lack of technical expertise and managerial involvement, increasing the quality of forensic auditors requires adequate support and a regulatory framework to monitor their activities. Overall, fraud management requires a comprehensive approach that integrates knowledge, collaboration, effective governance, ethical culture, ICT, and transparency. By using these resources.

Among literary critics, the economic perspective is influenced by factors such as input that controls things

as much as input to eliminate fraudulent activities, for the recipient of Increasing emphasis is being placed on active governance, internal audit, and audit functions. The study's key findings suggest that a combination of factors such as strong corporate governance practices, effective use of IT tools, strong internal controls and a culture of integrity are essential to visibility and prevent fraud. The study highlights the importance of fostering collaboration between auditors, fraud analysts and internal audit teams using shared knowledge and insights in identifying and mitigating fraud risk.

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