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from Mauritius**



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Forensic Accounting in Small Island Developing States: Insights from Mauritius

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Abstract

Purpose: Forensic accounting (FA) has emerged as a crucial tool to combat financial crimes in Small Island Developing States (SIDS), where economies are highly vulnerable to fraud and corruption. This study therefore examines the development of FA in Mauritius, exploring its current status, regulatory and institutional framework, and critical success factors.

Methodology: Employing a mixed-methods approach, the research combines document analysis, interviews, and surveys to assess the current status of FA, its challenges and opportunities for its development in SIDS, taking the case of Mauritius.

Findings: Findings reveal that Mauritius has implemented foundational legal and institutional structures to support the development of FA but lacks expertise and capacity specifically in FA due to the lack of recognition of FA certifications and qualifications and availability of very limited courses at university level.

Unique contribution to theory, practice and policy (recommendations): The study proposes a developmental framework for advancing FA practices in Mauritius and similar jurisdictions, emphasizing capacity building, regulatory reinforcement, and recognition of the profession.

Keywords: Forensic Accounting Development, Critical Success Factors, Capacity Building, Certifications, Legal and Regulatory Framework, Compliance, Small Island Developing States

1.0 Introduction

Forensic accounting (FA) is a specialized discipline focused on the collection and presentation of financial information in a legally admissible manner, serving as evidence in court proceedings against financial crimes and aiding in the recovery of illicit funds (Manning, 2005). The corporate collapse of Enron in the United States underscored the limitations of statutory audits in detecting and preventing fraud, leading to the emergence and growing significance of FA at both national and corporate levels for investigating financial misconduct (Abdullahi & Mansor, 2018; Marquart & Thompson, 2024).

Small Island Developing States (SIDS), as officially recognized by the United Nations, are low-lying coastal nations that share common challenges related to sustainable development. These states are characterized by small populations, limited access to resources, vulnerability to external shocks, and a high dependence on international trade. The United Nations identifies 51 countries as SIDS, each exhibiting varying levels of economic development and diversification. Due to their structural economic vulnerabilities, including exposure to financial crimes such as fraud and money laundering, SIDS face significant threats to economic stability and investor confidence.

Mauritius, a prominent financial hub in the Indian Ocean, has experienced notable fraud scandals within its financial services and banking sectors, with estimated losses exceeding 20 billion Mauritian Rupees (ESAAMLG, 2019). These incidents underscore the critical need for robust FA frameworks to enhance transparency and accountability. This study aims to assess the evolution of FA in Mauritius, identify key challenges, and propose strategic solutions for its advancement, including policy recommendations to strengthen regulatory and enforcement mechanisms.

2.0 Literature Review

Forensic accounting bridges auditing, investigation, and litigation, addressing fraud detection and financial crime resolution (Crumbley, Fenton and Smith, 2019). Developed nations and emerging economies provide a wealth of insights into the development and professionalization of FA. This section presents a comparative analysis of FA in key jurisdictions: the United States, Australia, India, South Africa, Singapore, and Bahrain which are used as a comparative analysis for this study in assessing the developmental stage of FA for Mauritius and the way forward into its further development.

United States

The United States is a pioneer in the development and institutionalization of forensic accounting (Huber, 2014). Major corporate scandals, including Enron and WorldCom, acted as catalysts for the evolution of FA as a distinct profession given that statutory auditing did not provide a reliable mechanism against fraud. The Sarbanes-Oxley Act (SOX) of 2002 introduced stringent regulations for corporate governance and financial reporting, significantly increasing the demand for forensic accountants (Hopwood, Leiner and Young, 2011). Xu and Wang (2008) and Huber (2013) emphasized that due to the distinct skill set required of forensic

accountants—combining legal knowledge with expertise in investigative accounting—and the differing objectives compared to traditional accounting, forensic accounting must evolve as a separate discipline in the future.

Professional organizations such as the Association of Certified Fraud Examiners (ACFE) and the American Institute of Certified Public Accountants (AICPA) have been instrumental in shaping FA standards and certifications. The Certified Fraud Examiner (CFE) and Certified in Financial Forensics (CFF) credentials are highly regarded globally. Additionally, universities across the U.S. offer specialized degree programs in forensic accounting, fostering a steady supply of qualified professionals (Seda and Peterson-Kramer, 2014). Key roles of forensic accountants in the U.S. include fraud detection, litigation support, and regulatory compliance (IBISWorld, 2024). Goelzer (2021) emphasize that the U.S. serves as a model for other countries seeking to develop robust FA frameworks especially with the availability of segregate industry data for forensic accounting and a plethora of articles on FA research.

Australia

According to Akkeren and Tarr (2014), Australia has a well-established FA framework supported by professional bodies such as Chartered Accountants Australia and New Zealand (CAANZ). FA has gained prominence due to corporate scandals, prompting the introduction of specialized educational programs and certifications. Nine universities offer undergraduate and postgraduate courses in FA, though studies like McKenzie et al. (2013) emphasize gaps between academic curricula and market needs. The Australian Securities and Investments Commission (ASIC) plays a critical role in fraud investigations, relying on FA expertise for enforcement actions. Moreover, the integration of FA into regulatory frameworks has enhanced its status as a distinct profession.

India

India's FA landscape has evolved in response to high-profile fraud cases such as Satyam. The Institute of Chartered Accountants of India (ICAI) introduced a Certificate Course on Forensic Accounting and Fraud Detection to address the growing demand for expertise (Malusare, 2013). However, as Supriya (2019) notes, the uptake of these programs remains limited due to a lack of awareness and institutional support. The Reserve Bank of India (RBI) and the Central Bureau of Investigation (CBI) frequently employ forensic accountants in financial crime investigations. Moreover, the RBI has made forensic audits compulsory for commercial banks licensed under it. Despite these advancements, challenges persist in bridging the gap between academic training and practical application.

South Africa

South Africa's FA ecosystem is supported by institutions like the Institute of Commercial Forensic Practitioners (ICFP) and the Association of Certified Fraud Examiners (ACFE). McIntyre et al. (2014) highlight the country's robust certification pathways, which include professional designations for forensic accountants and fraud examiners. Universities such as North-West University offer specialized degrees in forensic accountancy, and partnerships with

enforcement agencies enhance practical training. However, resource constraints and limited public awareness of FA's role in combating economic crimes pose significant challenges.

Singapore

Singapore, as a SIDS, exemplifies the integration of FA into its financial and regulatory systems. The Institute of Singapore Chartered Accountants (ISCA) offers the Financial Forensic Professional (FFP) credential, which combines academic rigor with practical training. Mehta et al. (2022) attribute Singapore's success to strong institutional frameworks and a culture of compliance. The Monetary Authority of Singapore (MAS) collaborates closely with forensic accountants to address complex financial crimes, including money laundering and fraud. Educational institutions, such as Nanyang Technological University, offer advanced degrees in accounting analytics and digital forensics, ensuring a steady supply of qualified professionals.

Bahrain

Bahrain's FA development, as a SIDS, is driven by partnerships between academia and professional bodies. Ahlia University offers a Master's program in Forensic Accounting, tailored to industry needs. Ramadhan (2021) notes that Bahrain's reliance on expatriate expertise highlights gaps in local capacity building. The Bahrain Association of Banks and other industry groups emphasize the importance of FA in maintaining the country's reputation as a financial hub. However, the absence of standardized certifications and limited public awareness of FA's benefits remain barriers to its growth.

3.0 Comparative Insights

The cross-country analysis reveals common themes in the development of FA:

1. **Integration into Education:** Countries such as the United States, Australia, and Singapore emphasize the importance of incorporating forensic accounting (FA) into university curricula and providing specialized certification programs to enhance expertise in the field (Seda & Peterson-Kramer, 2014; McKenzie et al., 2013; Mehta et al., 2022).
2. **Regulatory Support:** Strong legal frameworks, as exemplified by the United States and South Africa, play a crucial role in establishing and advancing forensic accounting as a recognized profession (McIntyre et al., 2014; Hopwood, Leiner & Young, 2011).
3. **Capacity Building:** Collaborative partnerships between academia and industry, as observed in Bahrain and South Africa, strengthen practical training and help bridge skill gaps in forensic accounting (Ramadhan, 2021; McIntyre et al., 2014).
4. **Professional Recognition:** Certifications such as CFE, CFF, ISCA's FFP, and ICFP's designations highlight the importance of formal recognition in establishing forensic accounting as a distinct and credible profession (Huber, 2014; Seda & Peterson-Kramer, 2014; McIntyre et al., 2014; Mehta et al., 2022).

Mauritius can draw lessons from these jurisdictions by prioritizing education, regulatory reinforcement, and institutional collaboration.

4.0 Methodology

This study employs a mixed-methods approach to comprehensively examine the development of forensic accounting (FA) in Mauritius. The combination of qualitative and quantitative methods ensures a robust analysis of the current state, institutional frameworks, and critical success factors for FA.

The research was conducted in three phases:

1. Document Analysis

- A systematic review of legislative texts, institutional reports, and relevant academic literature provided foundational insights into Mauritius's regulatory environment and FA practices.

2. Qualitative Interviews

- Semi-structured interviews were conducted with key stakeholders, including policymakers, regulators, and accounting professionals. The interviews explored challenges, opportunities, and institutional readiness for FA development.
- Participants were purposively selected from key organizations dealing with the forensic accounting practice including regulatory and enforcement agencies, the professional body for accountancy and audit and accounting firms.

3. Quantitative Surveys

- A structured questionnaire was administered to professionals in accounting, auditing, and regulatory roles.
- The survey captured perceptions of FA practices, the adequacy of regulations, and the importance of factors influencing FA development.

Thematic Analysis was used to analyse interview transcripts, identifying recurring themes such as institutional gaps, legislative needs, and capacity-building priorities. Descriptive and Inferential Statistics were applied to survey data, including bivariate correlations and factor analysis, to uncover relationships and validate critical success factors for FA advancement.

Triangulation across multiple data sources enhanced the credibility and depth of findings. A pilot test of the survey ensured clarity, consistency, and relevance of the questions. Standardized protocols for data collection minimized potential biases and ensured reliability.

Participants provided informed consent, and data were collected anonymously to maintain confidentiality. However, access to sensitive case-specific data was restricted due to confidentiality concerns, limiting analysis in certain areas and the study's focus on Mauritius may affect the generalizability of findings to other SIDS.

This structured approach ensures comprehensive and actionable insights into the development of FA in Mauritius, offering a valuable framework for policymakers, practitioners, and researchers in similar contexts.

5.0 Analysis, Findings and Interpretations

5.1 Exploring Forensic Accounting: A Niche or a Distinct Profession

Survey and interview results reveal that 75% of respondents view FA as a distinct profession requiring specialized expertise. However, 25% still consider it a niche subset of auditing, indicating the need for greater awareness and professional recognition. The findings align closely with the arguments presented by Xu and Wang (2008) and Huber (2013), who contended that due to its unique skill set and objectives, FA should not be considered a subset of traditional accounting, as this could hinder its future development and the structuring of the profession.

5.2 The Role of Auditors in Fraud Prevention and Detection

Auditors in Mauritius play a key role in identifying red flags during financial audits. Yet, 62% of respondents believe that auditors lack the training required for detailed fraud investigations, underscoring the importance of integrating FA training into audit practices. This finding aligns with the arguments of Hopwood, Leiner, and Young (2011), who asserted that statutory audits are not a dependable tool for detecting and preventing fraud.

5.3 Proposals for Amending Laws for Fraud Detection

Interviewees highlighted the need for stronger whistleblower protections and enhanced regulatory frameworks. Proposed amendments include the inclusion of mandatory forensic audits for large corporations and public entities. This argument is consistent with Supriya (2019), who highlighted that in response to rising fraud cases in India, mandating forensic audits for banks has contributed to a reduction in non-performing loans.

5.4 Provision of FA Services

Currently, FA services are largely provided by international firms. Only 18% of local accounting firms offer dedicated FA services. This reliance on foreign expertise underscores the need for capacity building. As indicated in previous studies (McIntyre et al., 2014; McKenzie et al., 2013; Huber, 2014; Mehta et al., 2022), the extent of forensic accounting services is influenced by economic diversification and the complexity of the financial system, expanding in response to emerging fraud mechanisms. Therefore, this finding is consistent with earlier research.

5.5 The Developmental Stage of FA in Mauritius

The current status of FA in Mauritius is characterized by limited local expertise, over-reliance on foreign specialists, and an evolving institutional framework. While agencies like the Independent Commission Against Corruption (ICAC) and the Financial Intelligence Unit (FIU) play critical roles in combating financial crimes, their capacity to integrate FA into

investigations remains constrained. Survey data indicate that only 30% of respondents feel confident in the effectiveness of existing FA practices, with a significant gap in the availability of qualified professionals.

Interviews revealed that stakeholders perceive FA in Mauritius as a developing field with high potential. The absence of standardized certifications and training programs has hindered the growth of the profession, as has the lack of collaboration between academic institutions and regulatory bodies. Respondents highlighted the need for tailored solutions to address the unique challenges faced by Small Island Developing States (SIDS), including vulnerability to international financial crimes and limited resources for enforcement.

FA in Mauritius is in its nascent stage, characterized by limited local expertise and infrastructure. Stakeholders highlighted education, certification, and legislative reform as crucial areas for development, consistent with the findings of the aforementioned studies.

5.6 The Institutional and Legal Structure in Mauritius

The institutional structure for FA in Mauritius includes regulatory and enforcement agencies such as ICAC, FIU, and the Financial Services Commission (FSC). These bodies are tasked with investigating and mitigating financial crimes, but challenges in inter-agency coordination and resource allocation persist. Survey results indicate that 45% of respondents believe that the legal framework is outdated and does not adequately address modern financial crimes such as cyber fraud and money laundering. Interviewees stressed the importance of legislative changes, such as robust whistleblower protections and mandatory forensic audits for high-risk sectors, in alignment with Huber's (2014) argument to establish a standardized legal and institutional framework akin to that of the United States.

5.7 Economic Sectors identified for FA Development

High-risk sectors identified include banking, insurance, and real estate. Survey respondents ranked banking as the most vulnerable sector, with 68% citing frequent instances of fraud. This is also consistent with the findings of the aforementioned studies.

5.8 Key Activities for Advancing FA Development

Key activities identified by respondents include establishing academic programs in FA, creating public-private partnerships to foster skills development, and hosting workshops and conferences to build awareness. The establishment of an umbrella organisation to combat financial crimes has also been positively welcomed as a key activity in the development of FA in Mauritius. These results are also consistent with the findings of the aforementioned studies.

5.9 Critical Success Factors for FA Development

Critical success factors for the development of FA in Mauritius include:

1. Education and Professional Training

- Survey respondents overwhelmingly agreed (81%) that education and training are the most critical factors for the advancement of FA. Universities and

professional bodies must collaborate to design curricula that address the theoretical and practical aspects of FA. Short-term workshops and certifications can complement formal education to upskill existing practitioners.

2. Regulatory Reforms

- Strengthening the legal framework is essential for fostering trust and accountability. Respondents highlighted the need for enhanced laws focusing on cybercrime, whistleblower protection, and cross-border financial crime investigation. Lessons from jurisdictions like Singapore and the United States can inform the development of robust regulations tailored to Mauritius's context.

3. Institutional Support

- An umbrella organization for forensic accountants can oversee accreditation, set standards, and facilitate knowledge sharing. Stakeholders suggested the establishment of a Mauritius Institute of Forensic Accountants to ensure professional accountability and promote the adoption of international best practices.

4. Technology Integration

- Incorporating advanced technologies such as artificial intelligence (AI) and data analytics into FA practices can enhance fraud detection and investigation capabilities. Survey data revealed that 62% of respondents consider technology a key enabler for FA development, emphasizing the need for investment in digital tools and training.

5. Public Awareness and Advocacy

- Raising awareness about the importance of FA can garner support from policymakers, businesses, and the general public. Advocacy campaigns can highlight the role of FA in promoting transparency and deterring financial crimes.

These critical success factors are consistent with the findings of the aforementioned studies (McIntyre et al., 2014; McKenzie et al., 2013; Huber, 2014; Mehta et al., 2022) and provide a roadmap for addressing existing gaps and positioning Mauritius as a leader in forensic accounting within the SIDS context.

6.0: Conclusions, Recommendations and Policy Implications

6.1 Current Status of Forensic Accounting

The study indicates that FA in Mauritius is still developing, with early efforts to establish a framework for financial crime prevention and detection. However, significant gaps remain, particularly in local capacity, as evidenced by the country's reliance on foreign expertise for complex investigations. Survey results show that 62% of respondents view the FA expertise in

Mauritius as inadequate, and 30% question the effectiveness of current FA practices. To address these issues, the study recommends establishing local certification programs, improving coordination among regulatory bodies like ICAC and FIU, and incorporating FA training into higher education to develop a skilled workforce.

6.2 The Institutional and Legal Structure in Place

Mauritius has introduced several legislative measures, such as the Financial Intelligence and Anti-Money Laundering Act (FIAMLA), to combat financial crimes, with institutions like ICAC and the Financial Services Commission (FSC) playing key roles in fraud detection and prevention. However, the study highlights challenges, including poor inter-agency coordination and outdated legal provisions. Respondents and interviewees unanimously called for legislative amendments, focusing on strengthening whistleblower protection laws, introducing mandatory forensic audits for high-risk sectors like banking, insurance, and real estate, and updating regulations to address emerging threats such as cyber fraud and blockchain-enabled scams.

6.3 The Critical Success Factors

The research identified five critical success factors pivotal to advancing FA in Mauritius:

1. **Education and Training:** Survey results indicated that 81% of respondents viewed education as the cornerstone of FA development. Universities and professional bodies should collaborate to offer both theoretical and practical training.
2. **Regulatory Reforms:** Respondents highlighted the need for laws that support modern FA practices, including provisions for expert witness testimony and cross-border fraud investigations.
3. **Technology Integration:** Advanced technologies like artificial intelligence and data analytics were identified as game-changers for FA. A majority (67%) of respondents emphasized the need for investment in digital tools.
4. **Institutional Support:** Establishing a dedicated body, such as the Mauritius Institute of Forensic Accountants, was seen as essential to standardize practices and promote accountability.
5. **Public Awareness:** Raising awareness about FA's role in combating fraud can enhance public trust and encourage the adoption of best practices.

6.4 A Proposed Developmental Framework

The study proposes a five-pronged framework for advancing FA in Mauritius:

- **Capacity Building:** Establish training centers and certification programs in collaboration with international FA bodies.
- **Enhanced Legislation:** Update laws to address contemporary financial crimes and streamline enforcement mechanisms.

- **Technological Modernization:** Invest in cutting-edge tools to facilitate advanced fraud detection and analysis.
- **Institutional Collaboration:** Foster partnerships between academia, regulatory bodies, and industry stakeholders to ensure alignment of goals.
- **Public Engagement:** Launch campaigns to educate citizens and businesses on the importance of FA.

This study contributes to the academic and practical understanding of FA development in SIDS, particularly Mauritius. Key contributions include providing a comprehensive analysis of the current state of FA in Mauritius, identifying unique challenges faced by SIDS in combating financial crimes and proposing actionable recommendations for stakeholders, including policymakers, educators, and practitioners. However, while the study offers valuable insights, it is not without limitations. The study focuses on Mauritius, limiting the generalizability of findings to other SIDS. Time and resource constraints prevented a deeper exploration of certain emerging trends, such as the impact of blockchain on FA practices. Future studies can build on this research by conducting longitudinal analyses to track the evolution of FA practices in Mauritius over time, exploring the integration of blockchain technology and AI in FA investigations and/or examining the socio-cultural factors influencing the adoption of FA in developing nations.

As a concluding note, forensic accounting holds immense potential to address financial crimes and foster economic stability in Mauritius. By investing in education, technology, and regulatory reforms, stakeholders can transform FA into a robust profession that safeguards the integrity of financial systems. The findings and recommendations of this study provide a roadmap for realizing this vision, not only for Mauritius but for other SIDS seeking to enhance their financial governance frameworks.

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