



EPISODE 1: FORENSIC AND INVESTIGATIVE ACCOUNTING TRANSCRIPT DOCUMENT

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AG: Hi and welcome to the very first episode of the Acuity Podcast - I'm your host Aly Garrett - Founder and Principal of All in Advisory.

Thanks to my dad, accountancy runs in my blood - and I'm proud to be a fellow chartered accountant, with more than 25 years of experience with all types of firms.

Just like the magazine, in the Acuity podcast you'll discover a range of topics and hear from a diverse group of thought leaders from the CA ANZ community - including President Peter Rupp, who speaks with some fantastic chartered accountants about their careers, and Andrew Van De Beek who shares some great work hacks to save you time and money...

Now I want you to imagine for a moment that you're in a foreign country, doing some investigative work on a large business, when you and your team stumble upon some business dealings that aren't quite right. And then all of a sudden, you're in a

motorcade of black cars speeding to the airport with a bloke called Donny, carrying not one but two guns and he's in charge of protecting you. That's just one of the stories my guest Matthew Ashby has for you as we take a deep dive into the world of forensic accounting.

Doesn't it seem like there's an ever-changing list of policies and taxes to keep your head around at the moment? Along with that, there's an ever increasing necessity for CAs to support their clients, employers, and the courts - dealing with everything from investigations through to disputes, and other forensic matters.

Matthew Ashby is the forensic accounting committee chair of CA ANZ and a partner at McGrath Nicholl.

Matthew Ashby, welcome to the Acuity podcast!

[01:47] MA: Hi Aly, thanks for having me.

AG: We'll hear about your calculated escape shortly, but first, many listeners may have seen the movie starring Ben Affleck 'The Accountant', but others may not know what a forensic accountant does. I understand it's quite a diverse field. Can you share some of the pieces of work that you cover?

MA: Sure, Aly. Forensic accounting is where accounting has a connection with the courts, or a similar decision making forum. It could be investigating financial crimes that will end up in court, or it could be providing expert opinions on financial matters that are the subject of civil disputes in litigation, arbitration, expert determination, or some other form of dispute resolution. These days, the typical forensic accounting matters have really diversified into other areas like data analytics, counter foreign interference and so on.

A recent piece of work involved a commercial dispute about the charter of a vessel in an oil and gas industry dispute. The amount at stake was in the vicinity of \$200 million, so the stakes were particularly high and both sides in the dispute had experts coming up with different views as to how much the plaintiff had lost. In that matter, there was an exchange of expert reports and then ultimately it went to trial which

required me to appear in court in Western Australia and be cross examined by a silk from Sydney.

[03:12] AG: Are you expecting the incidents of fraud and business disputes to rise?

MA: I am, the conditions as a result of covid are really ripe for demand to increase. The drivers of demand for forensic accountants are generally people doing the wrong thing or fighting about money and both of those things would seem to have the scope to happen right now. In terms of people doing the wrong thing, the financial pressures that come with the impacts economically from covid 19 may create motivations and opportunities for people to commit fraud or other financial crime, and similarly they may drive a wedge between commercial parties where money's at stake, creating an increased number of disputes. While some of those matters may not yet have come to fruition or to people's attention, I think the behaviour will be happening right now to cause an increase in demand for the services of forensic accountants.

[04:07] AG: Is there a timeframe that these incidents normally come out? You're saying that they might be occurring now. When would you usually see them come to you?

MA: It depends on a couple of things. Ideally, when wrongdoing occurs it's detected very quickly, but whether in fact that can occur depends on how well organizations are prepared to manage these risks. What systems do they have in place to detect fraud, do they have whistleblowing hotlines or other means by which employees and others who may be the first to see these things to report those matters so they can be dealt with. On the dispute side of things, often a cause of action will be created when someone breaches a contract for example. But then the other party has a choice about whether to commence proceedings and generally will have up to six years within which they can commence proceedings by filing a statement of claim, so the lag between an event happening and forensic accountants getting involved could be an hour or up to six years.

AG: Wow, six years. How do you make sure the same people are working on the job?

[05:14] MA: Well you can't actually and that's one of the risks that parties need to weigh up when deciding whether to commence proceedings or not. There can be

a loss of corporate memory if appropriate records aren't kept in relation to the circumstances of a dispute, so it's better to go early but at the same time pursuing litigation is an expensive exercise and sometimes that capital needs to be put to other uses or conserved during times of economic pressure like we're seeing now.

AG: It certainly sounds like a really interesting form of accounting and very different to what a majority of accountants get to look in their lifetime. I'm really excited for this question, OK, it's time for your calculated escape, what happened?

MA: Well it was some years ago now but it's one of those stories that really sticks with you through your career. It's not every day you find yourself 3 or 4 weeks into a due diligence assignment in a Southeast Asian country. It was to do with an overseas automotive manufacturer who was looking to acquire a local truck and bus company. And in particular, the acquirer needed to check for any corruption risks in order to comply with US Foreign Corrupt Practices Act requirements. And when our work uncovered indications of inappropriate payments to police to facilitate the movement of vehicles around the country, we needed to have a chat with our security advisors. And without wanting to cause alarm, the security advisors suggested that we move hotels firstly, so we were in apparently what was a government aligned hotel and they put us in a more west aligned hotel. However as it turned out that hotel was one that was bombed both before and after our short visit there within the space of one or two years either side, so in hindsight I'm not actually sure we were in the safest hotel in the particular city that we found ourselves in. We also had some armed guards assigned to our floor in that hotel and when the client decided that we'd found enough for their purposes, we were told that we would fly out that night and as you mentioned in the intro, we were bundled into some black four wheel drives with tinted glass and shot off to the airport and we were out of the country in a matter of hours.

AG: How fast was your heart beating at that stage?

MA: To be honest I was pretty calm, it felt more like an adventure because I didn't actually see anyone pointing a gun at me or threatening to arrest me, so we'll never know how close we came to any of those things happening and I suppose I would still have a slight moment of hesitation before returning to that country, just in case I'm on a list.

AG: Of course! Those are the things that you don't think about. What happened to the case afterwards?

[07:57] MA: It's a little bit controversial actually. So I believe the transaction proceeded – I don't know what remedial steps were taken to address the risks that we identified. But the company concerned on the acquirer side had some other similar issues in the years after that, I guess on that side of things they perhaps didn't err on the side of caution and paid a price.

AG: Absolutely. Do you know I believe if there is ever going to be a show on TV for accountants, forensic accountants would be the stars. This year has been an extremely busy but also incredibly stressful time for chartered accountants. How have you seen workflow changing in the forensic accounting field?

MA: Well it certainly has caused disruptions, obviously to our ability to move around. To meet with clients and to attend business sites. But, with the assistance of technology there's been a lot that forensic accountants have been able to continue doing for their clients and to assist the courts. On the investigations side of things, a lot of information can be collected and analyzed electronically and on the dispute side of things, courts have made adjustments to enable expert witnesses to give their evidence over video link for example.

[09:10] AG: Has it made it more difficult for investigations and forensic accounting?

MA: It has a little bit. One thing that commonly that occurs at the start of an investigation, is that we'll seek to get hold of laptops, phones, and even desktop computers of persons of interest in relation to the allegations and we will take what's known as a forensic image of those devices so that preserves the evidence and it enables us to then analyze those devices without compromising the integrity of the evidence. In the past you'd need to have physical possession of those devices to perform that imaging task, but now if they're connected to a network there is software that enables images to be taken of those devices remotely. So that's a real godsend to enable investigations to continue while we're separated due to travel restrictions from Covid. In terms of interviews, obviously interviewing persons of interest and witnesses in an investigation is preferably done face to face. With travel restrictions across state borders, we would be looking to our interstate colleagues to conduct those interviews if possible, otherwise as a last resort they can be done by

video link, but of course it's very easy for the person at the other end of the video link to terminate the interview just by switching off their computer. It's not perfect but certainly investigations have continued during this covid period.

[10:35] AG: So do you think with the advancement in technology that we've had to have, that it's put it on warp speed in some ways where you may have not needed it, you do now, you're forced to do things that maybe you shouldn't have but there's great opportunity there?

MA: I think that's right, certainly some commentators - legal commentators – have been pleasantly surprised by courts willingness and ability to make changes and introduce technology to allow proceedings to continue during covid and have arguably made ten years' worth of advancement in the space of a month or two. So that's a really positive development I think and some of the practices that have been introduced may continue if we come out the other side of this covid adventure.

[11:17] AG: You mentioned before that it's easier for someone to stop the recording. Can you tell me about doing those face to face interviews, how do you enforce the interview?

MA: No one's forced to attend or stay in an interview. People are free to leave, we mustn't deprive them of their liberty. So we can't force it, and the investigation can only deal with the information that it's able to obtain - if that doesn't include someone's viewpoints in an interview, well that's a matter for them.

AG: In your opinion, when you're interviewing is it often that the person being interviewed answers with a fraudulent piece of information?

MA: I wouldn't say the majority of answers are fraudulent. Certainly some interviewees don't tell the truth, the whole truth and nothing but the truth. And I guess there's a calculation of risk there as to whether they think the investigation will be done thoroughly enough to uncover the truth and what are the consequences for them if they were to make an admission of some sort. But the key really to any interview, particularly of a suspect is preparation. Often the suspect or person of interest will be the last person interviewed in an investigation, so by that stage you seek to be as informed as possible and you'll have relevant evidence from devices such as laptops and phones, any business records that are relevant to transactions

of concern and you'll be in a position to put those pieces of information to the interviewee and sometimes the case really is so compelling it's irrefutable and at that point you may be more likely to get an admission as people realize cooperation may be the best path. Of course you have other interviewees who will just not admit anything and will fight tooth and nail and then of course you put to proof in terms of demonstrating the case against them if that's the way it points.

[13:06] AG: How do you go about sorting through the information?

MA: We always have an investigation plan. The length of time that it then takes to carry out the investigation depends on how numerous the allegations are, how complex they are, and what variety of information sources and interviewees we'd need to address. It can be tedious. I would say forensic accounting is one of the sexier areas of accounting if there is such a thing, but realistically there are parts of the job where you just have to get your hands dirty and that can include sifting through old documents in archive boxes, but if you find the important evidence in doing that task, it's still immensely satisfying.

AG: I remember that H&R Block ad where the lady was balancing the books and she gave herself a fist pump, I can imagine you doing that at the end of finding something very interesting to get somebody across the line on that fraud case. Is that similar to how it is?

[13:57] MA: I'll say yes and it's not always the case, in fact it's rarely the case that you just get that smoking gun that proves the case is all in one document basically. It's normally a case of piecing together multiple artefacts or pieces of evidence to make out a case, and I suppose it's when you get to the end you've completed the investigation, it either proves or doesn't prove the allegations but you're able to tie a bow in it and hand it to a decision maker, whether that be an employer, the courts, the police and they're able to act decisively and confidently on the basis of your investigation findings.

AG: Can you tell us what it's like giving expert advice or evidence?

MA: I actually find it a little bit thrilling and I'm not sure if there's something wrong with my psychological makeup reflecting that, but speaking to other expert witnesses, there's an acknowledgement that it is stressful but there's nothing like being cross-examined to really focus your mind on a particular issue or topic. Some

say the witness box is the loneliest place on earth – I don't know about that. But certainly it's you and only you who has to answer the questions being put to you, you can't turn to your assistant, you can't really ask for assistance except perhaps to have a document put to you or to refer to your report if you can't remember the answer to a particular question. But I think it's really rewarding as well particularly when the courts truly assisted by your evidence. In commercial disputes, which is where I'm typically involved, the expert evidence can make a difference of tens, hundreds millions of dollars in difference to the outcome, so there can be a lot that turns on your opinion and so you really try to do the best job you can - both when preparing your report and when being cross-examined in court.

AG: In your career you must've seen some great developments that have occurred. What has been the most exciting development in your field throughout your career?

[15:55] MA: One would be the recognition of forensic accounting as its own discipline. And to that end, in 2018, Chartered Accountants Australia and New Zealand in collaboration with Macquarie Uni, launched a forensic accounting specialization. So chartered accountants can build on that professional qualification by obtaining an accreditation as a forensic accounting specialist if they meet certain experience and education requirements. The second thing would be the advancements in technology. The amount of data that we have to deal with on matters is really vast and that brings with it challenges but really the technology side of things has kept up to enable us to deal with those things more comprehensively and faster and so the types of things we've been discussing Aly, around even using video conferencing but also data analytics, AI and machine learning in connection with E discovery tools and software on litigation, the technology used to remotely image devices – all of these things are relevant day to day for forensic accountants and it's hard to imagine going back to the old way of doing the job without these tools at our disposal.

AG: How are you going about educating people around what you do so that more people want to come into the profession?

[17:10] MA: Yeh that's a good question. It reminds me of the medical field where of course there are general practitioners whoever we'll go and see on a regular basis but when there's a requirement for specialist services or complex surgery, the GP will refer you on to the relevant specialist. So really there's an analogy to be drawn in

accounting, where if you're an accountant providing general business services to a vast array of clients, if they come to you with a specialized issue that falls within the domain of a forensic accountant, you would want to be in a position to be able to make the right referral so that your client is looked after. If you don't have forensic accountants already in your network, obviously events run by Chartered Accountants would enable you to connect with forensic accountants. But also on the website there's an ability to search for forensic accounting specialists – people who've done the specialization and obtained that accreditation and you can search geographically, so someone who will be located in a convenient centre for your client.

AG: That's great advice and I don't have one, but I think I do now because I know you (both laugh). What's your one piece of advice for potential accountants looking to enter your field?

[18:21] MA: I think there's a range of ways in which people can get involved and increase their understanding of the field before even deciding whether it is actually something that they want to do and would be good at. Obviously if you would want to undertake study, studying in relevant fields can assist. Whilst people in forensic accounting actually have quite diverse backgrounds, I studied commerce and law and so I think of forensic accounting as dealing with contentious situations at the intersection of business and the law and then obviously becoming a chartered accountant – finishing the CA program – and just the way of thinking and solving business problems, I think that's really been helpful as well. So there's the education piece, Chartered Accountants obviously we have the forensic accounting committee and in each state we run forensic accounting seminars and other events where you can come along and listen to people in the field or people that we deal with in the field, hear some of the war stories, gain some technical knowledge and speak to people in the field who may be able to offer you a job, if that's a career transition that you're looking to make. So it's really about seizing the opportunities and setting yourself up to take advantage of them when they present.

[19:35] AG: That's such great advice. Thank you so much Matthew for joining us today on the podcast. I've really appreciated your time and advice and I've loved your stories and I bet there's a bunch of people listening that will be keen to get into forensic accounting now, thank you so much.

MA: Thanks Aly, it's been a pleasure.

AG: Here's our Acuity podcast hack guru Andrew Van De Beek, director of Illuminate, who will be with you each and every episode to show you a world of tips and tricks to make your work life sing.

AV: You ever sit down with a client and you just know within your guts you really want to help them. There's just so much opportunity for them to grow or they need support specifically, but you're just not sure where to start. How do you figure out what kind of advice you should be delivering? Well I've got three really simple questions that we use that I think are fantastic and I recommend them highly.

First question is, what will this year be defined by? Question number two, based on what you are willing to give your business, what do you want to get out of it? What do you want to be given back? And that can be in time, in money, and in warm fuzzies. The time could be the amount of hours you are willing to work in your business. Hey, I want to move from working 40 hours to 35 hours a week this year. Or it could be money, hey I would like to get \$100,000 profit out of this business this year. Or the warm fuzzies could be things like, there's an award I'd really love us to win. Or I'd really like the opportunity to be able to deliver some pro bono work for some of our clients. So that's question number two you need to ask them.

And then question number three, what has to change. Because where you are right now and where you want to be based on the definition of the year and what you get out of your business are two different places. Now we should be able to identify a handful of different things that need to change and once we start to identify them that's where we can start to bring in accountability. You are now in a position of understanding what they are trying to achieve and to some extent, you're now helping them to achieve that as well. So ask those three questions and then see what you can come up with in terms of how you can work with them and how you can journey alongside them. And also why don't you ask them of yourself? I reckon they are three great questions when you run a business to understand why am I actually doing this and what do I need to do to make it happen? Alright guys, catch you later.

[22:07] AG: Thanks Andrew. Now it's time for Gen CA you'll hear from Lisa Mead, who was inspired to create her own accountancy start up after the imprisonment of her son's father. Here's CA ANZ president, Peter Rupp.

PR: I'm here with Lisa Mead and her story is truly inspirational. Ten years ago, after becoming an accountant, she took a sudden deviation, resigned from her role with KPMG to create her own practice. She had no clients, no finance and no business plan but she had a powerful idea to create a purpose-driven practice. Lisa, welcome to the program.

LM: Thank you, thanks for having me.

PR: So tell us about the day you resigned and what it was that inspired you to go from a secure job to create your own practice?

LM: It was definitely a very scary thing to quit my job, without a job to go to. I had one of the partners at the firm I was working at, he started laughing in the meeting that I was having when I was saying that I'm doing this – and that was because he was nervous for me and he said you know Lisa most people have a job to go to when they quit their job and I said well I'm not most people. It goes back to 2017 actually when I was completing my final CA papers, as if I wasn't busy enough with working full time and doing that as well, I found myself in a situation where my son's father was imprisoned that year for 12 months. I researched what helps children become successful when they're older regardless of risk factors when they're growing up and things like that. I sent a proposal to the minister of corrections here in New Zealand, I asked them for a video calling to be in place for every child who has a parent in prison and by the end of that year I finished my study –for one – and also got a letter back that said, basically look this is not our priority. And I thought, well if it's not your priority it's mine and over that Christmas period I read a book called the Growth Mindset by Professor Carol Dweck, which basically talks about your potential and how you can learn and grow and basics no matter what really. And that Christmas my son's father got out of prison and saw him on Christmas day for about an hour, my son said to me, mum look I don't think that my dad really cares me and that just broke my heart and I thought that's it, I've got to do something about this, I don't want him to think like that. So I found some growth mindset resources and by the end of that half an hour he turned around and he said to me, mum I don't have to be like my dad when I'm older. I saw how much potential there is, just in being

able to inspire young children and just give them a different way of thinking about things, giving them a positive mindset towards their situation and helping them to think that their future is not limited by whatever is going on around their home, how they're being brought up, and so those were the driving forces behind me leaving my five/six figure salary, full time job, everything that you kind of work a long time to get, in the position to be in and I saw something beyond that, that I wanted to strive for and I had a big dream to create something that actually could create sustainable social change for kids who have risk factors.

[25:24] PR: You talked about that light bulb moment. What made you realise that you could not only make this succeed but had the backing of other people, with similar issues?

LM: So one thing I did was create a launch video, because at that point it was just an idea. And it said, you know I want to support these kids, this is a little bit of my story, and this is what I would like to do. So it was really a basic do you want to come on this journey and be a part of it and that first day that I launched it, it went crazy. And I swear I was on my couch, most of the day, replying to messages, replying to potential clients, it had over 40 thousand views in about a week it went really big, really quickly. My vision and mission with social currency is to change inter-generational statistics around crime, poverty, and low educational attainment and at risk Kiwi kids and how we do that is by donating 10% of revenue – so ten cents in every dollar that we earn – to organisations that are breaking that cycle and they break that cycle by providing a mentor or positive role model to a younger person who needs one.

[26:31] PR: That's fantastic. And I mean it's still a relatively young organisation, you've got a very simple purpose to have a better future as I understand it and what are you doing to get that growth so quickly, are you partnering, have you got charity sponsors or how does that work?

LM: So I've got four key charity partners, so two of those I've got in MOU's with – memorandum of understandings, so documents behind these partnerships as well, they're not just hand shake agreements. They are strategic partnerships with organisations that are established and three of the organisations we support are dealing with the front line – so either in school or around in the community mentoring. I can tell someone it costs \$1500 a year to have a mentor and that's to

support that relationship and for a mentor to be supporting a child it takes one hour a week to really change a child's life. The research behind it is really important – not just picking a charity and donating to it.

[27:30] PR: And as you're growing, I see you've got a small team with you and I imagine that will grow as you grow, but how do you see your team growing with you in that vision and that shared alignment?

LM: So I've got just about 400 clients – yeh we just hit 22 months at the end of June. Obviously with that growth comes the need to grow your team and the people that are around you, the supports and things. I'm a zero firm – totally paperless, all of my systems are really nice. Outside of that, I just run with contractors, probably about 80% of the clients that are coming to me are saying we love what you do, and we want to do something like that in our business as well. Which is amazing because that's the flow on effect that you can see when you're inspiring people or doing something that is really stretching that comfort zone but actually has that meaningful purpose behind it. People go, well actually I care about this over here, I'd like to support that, how do I do that? You're doing it that way, maybe I can do it another way but I want to achieve the same sort of goal.

[28:30] PR: That's really interesting. It comes to my next question – corporate social responsibility is the buzz word and a lot of organisations – particularly large ones – have these policies but your organisation, even in the name – social currency – has a certain authenticity about it. What do you think are the tips for companies in having a CSR that really has that mutual benefit to both the organisation and the community?

LM: A lot of – probably your medium to larger firms – they do tend to have a CSR policy, so corporate social responsibility which usually involves some pro bono time, some volunteer days for their staff, some general vision and mission statements and things like that, that are kind of flowing through the organisation. But they don't necessarily have a key purpose, behind why they exist for a start, why does that organisation even exist, is it just for profit? If it's just for profit, do they want to tap into the opportunities that lie in that purpose space, what is it that we care about and what are we doing to change that social issue and really impact that.

PR: The thing that really strikes me is that the innovation of having a company – which is entirely driven by social purpose – do you think this is the way of the future?

[29:46] LM: Oh, 100% even if you just want to look at my personal revenue growth, client base growth, all of the data stacks up – it is the way to go as far as I'm concerned. If you want to be ahead of the game, if you want to be really leading for the next generation, if you want to be seen as the organisation to work with, to work for, if you want to be one of those, if you want to step out and do something that is actually going to create some positive change, you have to be willing to adapt to change what you do and pick something that is really from the heart and not just from the head.

PR: Going back to the start of your career, when you joined KPMG, what did you think you were going to be doing now, probably that this is not what you originally planned to do?

LM: I really was just thinking about having a job – very simple, but I think the impact that a global firm like that had on me, on my mindset, I was in their CSR team, I was head of communities for their Christchurch office, it got me thinking about, what are those possibilities? Could business operate differently? I would never have thought that I would be doing this, 10, 11 years later. Absolutely would not that I would be, even a CA now, even running a business that was purpose driven, that meant that getting up in the morning every day was so much easier because you know what you stand for, you know what you're working towards, and the people around you are on that level too and they just want to help you achieve that as well, so it becomes, yeh pretty cool. Pretty exciting.

[31:23] PR: Excellent, that certainly comes through. So what advice would you give to others who want to follow in your footsteps?

LM: The CA platform for me has been really critical. When I decided to quit my job I thought, you know, I'm in the position to do something about this issue that I really care about. I'm in this position because I'm a CA, because I can use my skills to do good, that's the slogan behind what I do it's: te whakamahi moni mo te pai, which means using money for good. So I'm in the position to be able to create my firm that gives 10% of revenue to supporting at risk kids. It is a lot of study, it's a commitment, but what it means on the other side, is that you have the opportunity to create some

serious positive change and whatever area you care about, if you continue and you choose that path and you know even if there's not a driving force for you right now, if you want to apply your skills and get that experience, then there may come in a time in the future where you think, you know what, I actually really care about this. I'd like to do something about that. What are my skills, what can I do, what can I leverage. The possibilities are endless.

PR: Lisa Mead, thanks for joining Gen CA conversations.

LM: Yeah, thanks so much for having me.

AG: Thanks for listening to this episode of the Acuity podcast. I'm Aly Garrett from All In Advisory.

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See you next time!