

## THE ROLE OF FORENSIC ACCOUNTING: A PARADIGM SHIFT IN PRIVATE SECTOR AUDITING

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### **Abstract**

As the literature argues just an auditor opinion about the true and fair view of financial statements do not fully cater to detect frauds that affect the survival of organizations. This paper explores whether auditors practice and integrate Forensic Accounting Skills (FAS) in performing their audits as a mean of reducing auditor expectation gap in the private sector in Sri Lanka. The study design was exploratory. The sample was 80 respondents selected randomly as 40 client accountants and 40 auditors from two audit firms in Matara District. Data was collected using questionnaires. The collected data was analyzed quantitatively using SPSS. The study found that very limited number of respondents (32.5 percent) attempts to practice Forensic Accounting Skills in performing their final audits although it is required by the auditing standards. However, usage of FAS is limited as the auditors are doing sample based audits in many cases. Moreover, limited time and lack of forensic accounting skills and knowledge are key barriers in integrating forensic accounting skills in final audits. Although there are some studies in this filed for Sri Lankan context, the usage of forensic accounting skills in performing final audits by collecting data from both accountants and auditors has scarcely been studied. Further, this study would help in bridging knowledge gap between auditing and forensic accounting. Findings of this study may assist the practitioners and policymakers to reassess and reformulate the function and the role of auditor in the current context in Sri Lanka and to develop policies, procedure and guidelines to perform the audit function in Sri Lanka appropriately.

**Keywords:** *Accountants, Auditors, Audit Expectation Gap, Final Audits, Forensic Accounting Skills*