



Dear Members,  
Good day!

## Chairman Message

It is my pleasure to address you through the Monthly Newsletter - 5th edition, Sep2021. Muscat ICAI Chapter extends best wishes and appreciation to HE Munu Mahawar ji for the support during his tenure of 3 years. At the sametime, congratulate and welcome HE Amit Narang ji for his appointment as Ambassador of India to Oman.

Muscat ICAI Chapter thanks our Sponsor - College of Banking and Financial Studies (CBFS) for their uninterrupted and excellent support extended to us. We also thank our annual Sponsor M/s Tally, Gold Sponsor M/s Deloitte, Silver Sponsor Bank Muscat, Support Sponsor BDO, Oman Cement Company SAOG, MMJS (Morison Muscat), STS and Other Corporate Members for trusting us.

This month, your committee has taken various initiatives, some of which I would like to share:-

We inaugurated our Job Portal page with facility for members to post any job opportunity and Registered Paid Members can apply for the post using our website. Hope this small initiative from your chapter will be beneficial to all members.

We are **coming back to normal** and we are in constant touch with our key sponsor and are hopeful to organize physical CPE Events. During the month we had 3 CPE events on Synoptic Overview of IFRS 17, Using RPA to Modernize and transform CA profession and Virtual CFO Meet on Current Economic Scenario and Future and have earned 6 CPE Credit for the members.

In coming Month, we are in process of organizing joint event with Indian School Board to provide scholarship to Toppers in Commerce Stream, along with other upcoming events - Decentralise Finance, Omani Women Day Celebration, Tally 2.0 and Data Analytics. We urge all for their active participation.

With this, I thank you all and look forward for support and co-operation.

Regards

CA Ravi Deora

Chairman

ICAI Muscat Chapter

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## Sub-committee

- CA Nalini Subramanian
- CA Deepak Gupta - Sohar
- CA Gibu Chacko – Salalah

## Event held and CPE earned

- 4<sup>th</sup> Sep – CPE Event on IFRS 17
- 18<sup>th</sup> Sep – Robotics Process Automation
- 25<sup>th</sup> Sep – Virtual CFO Meet – a panel discussion on Current Economic Scenario and Future

## Upcoming CPE events:-

- 9<sup>th</sup> Oct – CPE Event on Decentralise Finance
- 9<sup>th</sup> Oct – Indian School Award function
- 17<sup>th</sup> Oct – Omani Women Day
- 23<sup>rd</sup> Oct – Event on Tally 2.0
- 30<sup>th</sup> Oct – Big Data and Data privacy
- 13<sup>th</sup> Nov – International Conference on theme CA – Success through Synergy.**



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### From the Leaders



CA Avadh Kishore  
Past Chairman  
ICAI Muscat Chapter

Dear Members

**“We cannot change the cards we are dealt, just how we play the hand.” ---Randy Pausch**

The first phase of the pandemic saw the Muscat Chapter at its best - establishing connectivity with all its members, holding high quality sessions on the virtual platform, inviting learned speakers and ensuring that no one is deprived of continuing professional education. It is admirable that we adapted when the change was required.

The profession will face many unforeseen challenges in the immediate future. The Muscat Chapter, with the expertise it possesses, is fully capable to drive the change required to meet these challenges. The community of our members in Oman has demonstrated time and again that the Muscat Chapter is a professional body that follows high standards. It is our duty to ensure that these standards are maintained and our goodwill in Oman is not affected under any circumstances. This is the strength of the Muscat Chapter, not just the number of members.

I am happy to address you at a time when the pandemic is in a state of total control in Oman. We are all heading into the festive season and I extend my best wishes to you and your families. At the same time it is important for the Chapter to reach out to those members and their families who have been affected by the pandemic and to extend a helping hand to take them out of hardship. We are aware that there has been loss of life and livelihood, disruption in children's education, postponement of critical medical treatment - to state a few of the sufferings the pandemic caused. I will gladly support the Chapter in this cause to my utmost ability and am sure the managing committee will sincerely pursue this.

Let posterity recall the Muscat Chapter with gratitude.



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# Criminology in Accounts and Finance

by CA Unmesh Bhome ,  
CA, CISA



## Introduction:

"Criminology" is the scientific study of crime and criminal behavior. As the classical criminal theory highlights, it will be human tendency use (or rather abuse) authority at hand for unethical behavior. In the recent past, criminology in accounting is gaining attention in the eyes of the law maker as newer ways of committing crime in accounting are unearthed each day. We all have seen from a typical teaming & lading fraud by a cashier in small business to misrepresentation of financial statements in large corporate like "Satyam" or "Enron" along with big public accounting firms like "Arthur Anderson". Gigantic frauds like this have forced the governments to change the entire game for big corporate players by imposing stricter reporting and evaluation mechanism like "Sarbanes-Oxley Act" popularly known as "SOX".

Increase in "White Collar Frauds" is a matter of concern for the small/medium sized employers, large corporate organizations and law makers on how to deter/prevent, detect & minimize the losses and penalize to avoid repetition. The peculiarity of these large scale frauds is that they tend to affect individuals and associated small/medium supply chains as the impact of these crimes is immense.

This topic is being widely studied and many universities offer it as a separate subject for students who want to pursue career in Forensic Accounting. In this article I will try take you through fundamental points once needs to consider when we study Criminology in Accounts and Finance or the factors affecting accounting/financial frauds. The purpose of this article is not to motivate the criminal mind of the reader but is to enlighten the sound mind to develop ethical thinking to reduce accounting frauds.

## Why it happens?

"There will always be certain number of people motivated by greed, lust and other forces who incline towards law breaking" - Classical criminology theory.

There has to be a motive behind every crime and the motive has to be supported by the environment in terms of authority to execute things, less likelihood of detection and no/ less penal implications. White Collar Frauds are generally committed by intelligent people who apply it to have personal gains (or revenge in some cases) from unethical ways by abusing the authority they have been entrusted with

Following three important elements are commonly considered as factors that influence any crime:

1. Availability of suitable targets, such as companies and individuals
2. Absence of capable guardians, such as auditors to security personnel.
3. The presence of motivated offenders, such as unhappy or financially challenged employees.

The typical fraud triangle explains reasons behind every fraud - first is the perceived opportunity, second is pressure and the third is rationalization. I would simply put in single line *"More the concentration of authority in the reporting structure with single or limited number of individuals higher will be the chances for accounting fraud"*. It does not matter whether the single or limited number of individuals are stakeholders or not. As even the stakeholder have criminal motive in reporting or not reporting right set of accounts. Generally, the collusion between two or more individuals results into high scale accounting frauds as its rarely possible for a single individual to cook the books.

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Most of the frauds are committed by insiders such as employees or stakeholders. According to a survey conducted by Dr Steve Albrecht (& team) research which includes comprehensive data source to analyze pressure, opportunity and integrity variables which highlight the top 10 personal characteristics which are driving factors for the crime:

1. Living beyond their means
2. An overwhelming desire for personal gain
3. High debt person
4. A close association with customers
5. Feeling pay was not commensurate with responsibility
6. A wheeler-dealer attitude
7. Strong challenge to beat the system
8. Excessive gambling habits
9. Undue family or peer pressure
10. No recognition for job performance

If you go through aforesaid pointers, most of these are applicable criteria for any financial fraudster and need not be linked to only frauds by employees. As explained earlier behind every crime there is a driving motive and all these pointer are very potential pre-requisite for the criminal mind to start exploiting vulnerable situation to commit any fraud.

One study also suggest that the working environment of some organization itself is criminogenic (that is, prone to committing crime) though not necessarily criminal. The main reason is the organization promotes "Loyalty".

Another study suggest that when there are multiple rules and regulations framed and routed through chain of commands, the ground is fertile for the criminal psychology to flourish on the absence of appropriate deterrent mechanism.

**IT Security** - Currently technological dependency in almost all the types and financial and non-financial transactions which is crippled with unsecured tools/ techniques used to transact are among the growing concerns to ensure accounting frauds. Once the fraudster gains access to your credentials it will be very unlikely to detect the wrong-doing in the early stages. As per the studies conducted, when any system is compromised it takes on an average 70 days to detect that the system was compromised and takes another 20 days (on an average) to detect what data was compromised. This study is alarming and one can imagine how vulnerable we are to any financial crime which can be committed during these days and needless to mention the time frame explained here (70-90 days on an average) gives the intruder ENOUGH time to commit the crime, benefit from the crime and disappear without any trace. Knowingly or unknowingly we all are exposed this risk when we use Gmail/ Yahoo/ Hotmail etc. email accounts for communication and fall prey to easy phishing mails to share out details inadvertently.

#### **How it happens and how it can be controlled?**

*Criminal behaviors will be more attractive if the gains are estimated to be greater than the losses - Classical criminology theory.*

In spite of many reporting mechanisms, internal/ external review mechanism and stringent legal actions we can see frauds are happening in almost all sectors and irrespective of size of the organization. During the study of various financial frauds committed it was noticed that the fraud is not the result of weak design internal controls or reporting mechanism, the heart to prevent the fraud lies in implementation of internal control & reporting mechanism. As explained earlier financial frauds are committed by intelligent people who can understand the limitations of the systems and also know "how to simply fool the recipient of the accounting information". Most of the time the perception about the controls and if the users are complacent with the control environment – I believe there are more chances for any fraud to happen.

### **Job Opportunities**

Job Title	Company Name	Location
INTERNAL AUDIT MANAGER	Al Hajiry Trading Co LLC	MUSCAT
Audit Manager	Grant Thornton Abu Timam, Oman	Muscat
Finance Manager	The National Detergent Co. saog	Muscat

For details of the posting, please visit ICAI Muscat Chapter Website, Job opportunity page.

Many theories and mechanism have been discussed and studied, however there is no readymade solution available as one needs to tailor the solutions based on the organization needs. Let us have a look at the basic things one may resort to:

**Early detection** – Early detection of signs on criminology is key to prevent any accounting fraud. Many a time early detection is not followed by corrective actions which boosts the appetite of the wrong doer who in turn goes for a bigger bet which affects the organization badly. It is said that *“a stitch in time saves nine”*.

**Complacent with controls** - If the users get complacent with controls and in the absence of regular review mechanism of the controls the wrong doers tempted to test the system. Frequent review / updation of the controls criminological behavior.

**Fraud prevention programs** – Fraud prevention program help people understand what can go wrong around them who can act a vigilant officers and report incident before it happens or likely to happen.

**Whistle Blower Policies** – Many organizations have whistle blower policy to encourage reduction in such incidents. However, unfortunately, the expected impact of the whistle blower policy has not yet been visible let it be in the corporate level or Government supported whistle blowing immunity. *(Whistleblowers were most likely to report fraud to their direct supervisors (28% of cases) or other (15%) as per ACFE 2020 Fraud Study)*

**Background checks** – Background checks whenever we are dealing with any corporate entity or any individual may help us identify the potential threat for any financial fraud.

**Stringent action** – Stringent actions in terms of criminal procedure code and/or monetary penalties to help reduce the possibility of happening of any incident. However, one needs to refer to another outcome of study on criminology – *“The more certain, severe, and swift the reaction to crime, the more likely it is that the penalties will control the behavior.”* In my personal opinion also monetary penalties are not sufficient to act as deterrent.

**Social responsibility** – We as a society need to look at the upbringing of our next generation wherein strong ethical values are imbibed and nurtured which I believe will be the best solution to fight criminology of any kind. The organizations also needs to sow the seeds to ethical values into the employees which will benefit the organization as well the employee. I remember when I was in KPMG India, in all the training sessions/ internal discussions the “7 KPMG core values” were reiterated to ensure all the staff inculcate these habits as a part of their personality which in turn supports the organizational goal.

These are just some of the key action points one can resort to reduce the accounting crime rate.

### **Concluding remarks:**

As the *“Risk can be reduced but cannot be eliminated”* – we all need to prepare ourselves to encounter this challenge of Criminology in Accounts and Finance.

One needs to keep in mind that criminology is dependent upon the psychology of the individual who commits crime which is linked to so many personal/ social/ economic factors. It is highly unlikely that the current global economic and social situation are in any way conducive to offer environment which will work positively to reduce these white collar crimes. This is a very alarming condition and requires all of us to be proactive to reduce the likelihood of such crime or the impact of such crime, if it happens.

*Always remember that one needs to be vigilant as the **“Books are Cooking.....”***

### **Some interesting findings from ACFE (Association of Certified Fraud Examiners) Report To The Nations: On Occupational Fraud And Abuse - 2020 Global Fraud Study:**

CFE estimate that organizations lose 5% of revenue to the fraud each year

86% cases were for the asset appropriation and 10% cases were for financial statement fraud schemes

43% of fraud were detected by Tip – that came from trained employees

Lack of Internal controls contributed to 1/3<sup>rd</sup> of the frauds

Men committed 72% of all occupational fraud, and also caused larger losses than women

Owners/executives committed only 20% of occupational frauds, but they caused the largest losses  
MORE THAN HALF of all occupational frauds came from these four departments:

Operations 15%

Accounting 14%

Executive 12%

Sales 11%

42% of occupational fraudsters were living beyond their means and 26% of occupational fraudsters were experiencing financial difficulties

Certain fraud risks were more likely in small businesses than in large organizations by 200% or 400%

Surprisingly, 46% of victim organizations declined to refer cases to law enforcement because internal discipline was sufficient



## Photo Gallery

### IFRS 17 and Teachers Day Celebration



On 4<sup>th</sup> September 2021 we celebrated Teachers Day. We were honored to have the presence of two renowned teachers CA S. B. Zaware sir and Dr. Zahran al Zalti, Dean CBFS.

We also inaugurated our Job Portal on ICAI Muscat Chapter to benefit our members. Speaker for the day were Dr. Alok Agarwal and CA James Ravi.







## Photo Gallery

## Robotic Process Automation



On 18<sup>th</sup> Sept, organized CPE Event on Robotics Process Automation. The Chief Guest for the event was Mr. Yasser Al Kalbani, Finance Director, MIT. Event was graced with presence of CA Uttam Prakash Agarwal (Past President ICAI.) The Key note speaker for the day was CA Saurabh Goenka.

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- Payoff is greatest where there is the most uncertainty
- A COVID Break: Market Overview
- Valuing the Market: COVID effect
- Valuing individual Stocks: A Post-Corona Version
- Value of Company in Unstable environment

#### Day 3

- Risk: The Cost of Capital - Global
- A Crisis Hits: Damage assessment on March 20, 2020
- A Come back or False Security?
- A Flight to Safety? Treasuries
- Divergent Stories: Oil and Copper
- Crisis Asset: Gold and Bitcoin
- The price of risk: Determinants
- Bond Market Default Spreads: The COVID crisis
- An Equity Market Price of Risk

#### Day 2

- The Discounted Cash Flow Model
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- The Big Picture of DCF Valuation
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- Risk premiums and Betas
- Cash, Cross holdings and other assets
- The Value of Control, Synergy and Transparency
- The Liquidity Discount
- Employee Stock Options Challenges in Valuation
- Valuing young, growth companies
- Valuing mature companies in transition

#### Day 4

- The Bermuda Triangle of Valuation
- Investment Regrets and Disagreement
- Estimating Cash Flows, Growth Rates and Growth Patterns
- The Terminal Value
- The 2008 Crisis
- The Price of Risk: Equities
- Equities: Most & least damaged industries
- Valuing declining and distressed companies
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- Deconstructing multiples



**ASWATH DAMODARAN**  
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Photo Gallery

Felicitation of Managing Committee Members for year 2020-2021







## Photo Gallery

### CFO MEET – A Panel Discussion on Current Economic Scenario and Future



### Felicitation of HE Munu Mahawar, Ambassador of India to Sultanate of Oman



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