Roundtable Discussion Series-2026
Keynote Paper of Roundtable Discussion of BIBM
Volume No. 11 , Issue No. 2
2025

Institutionalizing Forensic Audit in Banks in Bangladesh

Md. Shahid Ullah, Ph.D.
Associate Professor, BIBM

Tofayel Ahmed
Assistant Professor, BIBM

Rahat Banu
Assistant Professor, BIBM

Imran Ahmed, FCA
Deputy Managing Director, National Bank PLC.

Published by

Bangladesh Institute of Bank Management (BIBM)
Section No. 2, Mirpur, Dhaka-1216

Roundtable Discussion Series-2026
Keynote Paper of Roundtable Discussion of BIBM
Volume No. 11, Issue No. 2

Institutionalizing Forensic Audit in Banks in Bangladesh

Md. Shahid Ullah, Ph.D.
Associate Professor, BIBM
Tofayel Ahmed
Assistant Professor, BIBM
Rahat Banu
Assistant Professor, BIBM
Imran Ahmed, FCA
Deputy Managing Director, National Bank PLC.

Bangladesh Institute of Bank Management (BIBM)
Mirpur, Dhaka-1216, Bangladesh

Institutionalizing Forensic Audit in Banks in Bangladesh

Research Team **Md. Shahid Ullah, Ph.D.**
Associate Professor, BIBM
Tofayel Ahmed
Assistant Professor, BIBM
Rahat Banu
Assistant Professor, BIBM
Imran Ahmed, FCA
Deputy Managing Director, National Bank PLC.

Editorial Advisor **Md. Mahbubul Haque**
Director General (In-charge), BIBM

Editor **Shah Md. Ahsan Habib, Ph.D.**
Professor (Selection Grade) and Director (Research, Development and Consultancy) (In-charge), BIBM

Support Team ***Research, Development and Consultancy Wing***
Papon Tabassum, *Assistant Senior Officer, BIBM*
Sk. Md. Azizur Rahman, *Officer, BIBM*

Publications-cum-Public Relations Section
Md. Al-Mamun Khan, *Senior Officer (PPR), BIBM*
Md. Morshadur Rahman, *Officer (PPR), BIBM*

Design & Illustration **Sk. Md. Azizur Rahman,** *Officer, BIBM*

Published in December, 2025

Published by Bangladesh Institute of Bank Management (BIBM)
Plot No.-4, Main Road-1 (South), Section-2
Mirpur, Dhaka-1216, Bangladesh.
E-mail: bibmresearch@bibm.org.bd
Website: www.bibm.org.bd

Copyright © BIBM 2025, All Rights Reserved

The views in this publication are of authors only and do not necessarily reflect the views of the institutions involved in this publication.

Foreword

As part of BIBM's continued commitment to generating and disseminating knowledge that strengthens Bangladesh's financial sector, the present research paper brings together the key insights and findings from the roundtable discussion titled "Institutionalizing Forensic Audit in Banks in Bangladesh." The study was undertaken, and its preliminary findings were presented in a roundtable discussion held in 2025. The motivation for this research arises from the persistent financial irregularities and governance challenges facing the banking industry—issues that demand more advanced, investigative, and technology-enabled audit practices.

Forensic auditing has emerged globally as an indispensable tool for detecting and preventing fraud, strengthening internal controls, and restoring stakeholder confidence. In Bangladesh, where the banking sector continues to confront recurring financial scams, non-performing loans, and governance vulnerabilities, the need for institutionalizing forensic audit practices has become both urgent and unavoidable. This study explores the scope, challenges, and potential pathways for integrating forensic auditing within the banking system, drawing on global evidence, domestic regulatory frameworks, focus group discussions, and comprehensive survey responses.

It gives me great pleasure to publish and circulate this research output among bankers, regulators, policymakers, academics, and interested readers. I am confident that this paper will serve as a valuable resource for Bangladesh's banking community, particularly those involved in risk management, internal control, compliance, and audit functions. By articulating the need for structured forensic audit practices, this research contributes to the broader national agenda of enhancing financial transparency, accountability, and resilience.

I hope that the insights and recommendations presented in this paper will support practitioners and policymakers in strengthening governance mechanisms and fostering a culture of integrity within the banking sector of Bangladesh.

Md. Mahbubul Haque
Director General (In-charge), BIBM

Acknowledgement

We would like to extend our sincere gratitude to Mr. Md. Mahbubul Haque, honorable Director General (In-charge) of BIBM, for his invaluable guidance, encouragement, and insightful suggestions that enabled us to complete this study in a comprehensive and meaningful manner.

The research team is deeply grateful to Dr. Shah Md. Ahsan Habib, Professor (Selection Grade) & Director (Research, Development & Consultancy) (In-charge) and Mr. Md. Shihab Uddin Khan, Professor & Director (Research, Development & Consultancy), BIBM, for their continuous guidance, thoughtful review, and meticulous editing of this report. Their constructive feedback significantly strengthened the quality and depth of the study.

We would like to express our sincere thanks to all the participants of the Focus Group Discussion (FGD) and the respondents of our questionnaire, whose practical insights and professional experiences greatly enriched our analysis. We are also thankful to the learned discussants of the Roundtable Discussion at BIBM for their valuable comments, observations, and contributions toward the finalization of the report.

Our heartfelt appreciation goes to our colleagues at BIBM for their cooperation and support throughout the study. We are thankful Ms. Papon Tabassum, Assistant Senior Officer, BIBM; Mr. Sk. Md. Azizur Rahman, Officer, BIBM; Mr. Md. Awalad Hossain, Officer, BIBM, and Ms. Sumaia Islam Shemonty, Field/ Research Assistant for their assistance in collecting essential information and coordinating with stakeholders across the country.

Finally, we would like to thank all those who, directly or indirectly, extended their cooperation in completing this research work successfully.

Md. Shahid Ullah, *Ph.D.*
Tofayel Ahmed
Rahat Banu
Imran Ahmed, *FCA*

Contents

		Page No
Foreword		iii
Acknowledgement		iv
Executive Summary		ix
1.0	**Introduction**	1
1.1	Background	1
1.2	Scope of the Study	3
1.3	Objectives of the Study	3
1.4	Data and Methodology	4
1.4.1	Data: Primary and Secondary Sources	4
1.4.2	Reliability and Validity Test	4
1.4.3	Analysis and Interpretation of Data	4
1.5	Organization of the Report	5
2	**Theoretical Underpinning and Literature Review**	5
2.1	Conceptual Aspects of Fraud	5
2.2	Conceptual Aspects of Forensic Auditing	6
2.3	Evolution and Development of Forensic Audit	8
2.4	The Role of Forensic Audit in Combating Financial Irregularities in Banks	9
3.0	**Policy and Regulatory Environment for Forensic Audit in Selected Countries**	11
3.1	United States of America	12
3.2	European Union	12
3.3	United Kingdom	13
3.4	Australia	14
3.5	Singapore	14
3.6	India	15
3.7	Malaysia	16
4.0	**Policy and Regulatory Environment of Forensic Audit for Banks in Bangladesh**	18
4.1	Core Legal Powers and Statutes	18
4.2	Bank Resolution Ordinance and Bank Resolution Department	20
4.3	Most Relevant Departments and Regulations of Bangladesh Bank on Inspection and Audit	22

		Page No
4.4	Role of BFIU and Relevant Stakeholders in facilitating Forensic Audit for Banks	23
4.4.1	Reporting Organizations of BFIU	24
4.4.2	Dissemination of Intelligence	25
4.5	Roles and Responsibilities of the Audit Committee	27
5.0	**Survey Findings and Some Cases**	27
A.	**Awareness and Current Status of Forensic Audit in Banks in Bangladesh**	27
5.1	Familiarity of respondents with the concept of Forensic Audit	27
5.2	Implementation of forensic audit in banks	28
5.3	Major actual purposes of the forensic audit conducted	29
5.4	Originator/Initiator of Forensic Audit Conducted	30
5.5	By whom forensic audits were conducted in your banks	31
5.6	Department that originated Forensic Audit in banks	31
5.7	Perceived Purposes of Forensic Audit	32
5.8	Name of Audit conducted to detect financial irregularities for internal disciplinary action	32
B.	**Independent Forensic Audit Team in Banks, Challenges Involved and Role of Stakeholders**	33
5.9	Perception about the Use of Forensic Audit in Bangladeshi banks	33
5.10	Need of Independent Forensic Audit Teams/Panels in banks	33
5.11	Need for a separate Internal Team for supporting forensic auditors	33
5.12	Perceived Reduction in Loan Defaults and Financial Irregularities with an In-house Forensic Audit Unit	34
5.13	Challenges Associated with Internal Forensic Audit in Banks	35
5.14	Perceived Role of Bangladesh Bank in catalyzing Forensic Audit in Banks	36
5.15	Perceived Role of ICAB in catalyzing Forensic Audit in Banks	37
5.16	Perceived Role of government in catalyzing Forensic Audit in Banks	38
C.	**Implementation, Capacity, Perceptions and Suggestions**	39
5.17	Perceived Role of BIBM in catalyzing Forensic Audit in Banks	39
5.18	Availability of Trained Forensic Auditors in Organizations	39
5.19	Effectiveness of Forensic Audits in reducing Financial Irregularities in banks	40

		Page No
D.	**Whistleblower Protection Act, 2011**	41
5.20	Awareness of Whistleblower Protection Act, 2011	41
5.21	Training on Whistleblower protection Act 2011	41
5.22	Awareness of the types of irregularities to be reported under the Whistleblower Act, 2011	42
5.23	Formal system for whistleblowing	43
5.24	Preferred channel to report irregularities	43
5.25	Maintaining Confidentiality of the Whistleblower	44
5.26	Perceived Protection Against Retaliation under the Whistleblower Act, 2011	45
5.27	Likelihood of Retaliation from Colleagues or Management	45
5.28	Policies aligned with the Act to protect whistleblowers	46
5.29	Actual Status of Reporting Irregularities under Whistleblower Act	47
5.30	Perceived Effectiveness of the whistleblowing in detecting fraud or irregularities	47
5.31	Top Barriers to reporting misconduct or irregularities	48
5.32	Suggested Measures for Enforcing Whistleblower Protection Act 2011 Effectively	49
5.33	Application of Forensic Audits to Manage Willful Default	50
5.34	Measures that can be taken within the bank to facilitate forensic audit	51
5.35	Suggested Measures for strengthening Forensic Audits in Banks	52
5.36	Case Studies	54
6.0	**Major Observations and Policy Suggestions**	56
6.1	Establishing a dedicated Forensic Audit Unit within banks	56
6.2	Scope of Forensic Audit for Internal Units	57
6.3	Forensic Audit Guidelines by Bangladesh Bank	57
6.4	External Forensic Auditor Panel	58
6.5	Whistleblower Protection and Enforcement	58
6.6	Role of ICAB and FRC in Strengthening Forensic Audit	59
6.7	Strengthening Internal Control and Compliance (ICC)	60
References		61
Appendix		66

List of Tables

		Page No
3.1	Comparative Policy and Regulatory Environment for Forensic Audit in Banks	17
5.1	Suggested Measures for Enforcing Whistleblower Protection Act 2011 Effectively	49
5.2	How the Forensic Audits can help in Managing Willful Default	50
5.3	Measures that can be taken within the bank to facilitate forensic audit	52
5.4	Suggested Measures for strengthening Forensic Audits in Banks	53

List of Boxes

2.1	Timeline of the Evolution and Development of Forensic Audit	8
4.1	Provisions of Digital Forensic	20
4.2	Major Functions of Bank Resolution Department of Bangladesh Bank	21
4.3	Role of ACC, BSEC and ICAB in Facilitating Forensic Audit	26

List of Figures

4.1	Core Legal Framework for Inspection and Audit	19
4.2	Brief Workflow of BFIU	25
5.1	Familiarity of respondents with the concept of Forensic Audit	28
5.2	Implementation of forensic audit in banks	29
5.3	Major actual purposes of the forensic audit conducted	30
5.4	Originator/Initiator of Forensic Audit Conducted	30
5.5	By whom forensic audits were conducted in your banks	31
5.6	Department that originated Forensic Audit in banks	31
5.7	Perceived Purposes of Forensic Audit	32
5.8	Name of Audit conducted to detect financial irregularities for internal disciplinary action	33
5.9	Need of Independent Forensic Audit Teams/Panels in banks	34

		Page No
5.10	Need for a separate Internal Team for supporting forensic auditors	35
5.11	Perceived Reduction in Loan Defaults and Financial Irregularities with an In-house Forensic Audit Unit	35
5.12	Challenges Associated with Internal Forensic Audit in Banks	36
5.13	Perceived Role of Bangladesh Bank in catalyzing Forensic Audit in Banks	37
5.14	Perceived Role of ICAB in catalyzing Forensic Audit in Banks	38
5.15	Perceived Role of government in catalyzing Forensic Audit in Banks	39
5.16	Perceived Role of BIBM in catalyzing Forensic Audit in Banks	39
5,17	Availability of Trained Forensic Auditors in Organizations	40
5.18	Effectiveness of Forensic Audits in reducing Financial Irregularities in banks	40
5.19	Awareness of Whistleblower Protection Act, 2011	41
5.20	Training on Whistleblower protection Act 2011	42
5.21	Awareness of the types of irregularities to be reported under the Whistleblower Act, 2011	42
5.22	Formal system for whistleblowing	43
5.23	Preferred channel to report irregularities	44
5.24	Maintaining Confidentiality of the Whistleblower	44
5.25	Perceived Protection Against Retaliation under the Whistleblower Act, 2011	45
5.26	Likelihood of Retaliation from Colleagues or Management	46
5.27	Policies aligned with the Act to protect whistleblowers	46
5.28	Actual Status of Reporting Irregularities under Whistleblower Act	47
5.29	Perceived Effectiveness of the whistleblowing in detecting fraud or irregularities	48
5.30	Top Barriers to reporting misconduct or irregularities	48

Executive Summary

Institutionalizing forensic audit in Bangladesh's banking sector is a strategic imperative to address persistent financial irregularities, strengthen governance, and safeguard economic stability. Forensic audits adopt an investigative approach - integrating legal expertise, accounting techniques, and advanced analytics - to detect and prevent fraud, embezzlement, money laundering, and governance failures. Evidence from developing economies such as Nigeria and India demonstrates that institutionalized forensic auditing enhances financial performance, reduces fraud, and restores stakeholder confidence, providing a model for Bangladesh.

Despite the need, adoption remains limited due to insufficient regulatory guidance, lack of dedicated forensic units, inadequate staffing, and weak integration with internal control systems. This study uses a mixed-methods approach, combining 49 participants' FGDs, responses from 31 banks via semi-structured questionnaires, and secondary data from regulatory and academic sources, ensuring robust triangulation of evidence for policy recommendations.

Key findings indicate that centralized, board-mandated Forensic Audit Units with multidisciplinary teams, clear delineation of responsibilities, standardized Bangladesh Bank guidelines, accredited external auditors for high-risk cases, and a robust whistleblower protection framework are critical for operational independence, accountability, and ethical compliance. Capacity building of personnel, technology-driven monitoring, and coordinated regulatory engagement further enhance a resilient, fraud-resistant banking framework.

Policy recommendations emphasize institutionalizing forensic auditing as a core component of banking governance through formal regulatory guidelines, dedicated forensic units, capacity building, technology integration, whistleblower protections, and multi-stakeholder collaboration. Effective implementation will strengthen fraud detection, reinforce transparency and accountability, and support long-term stability of Bangladesh's banking sector.

Acronyms

ACC	Anti-Corruption Commission
ACFE	Association of Certified Fraud Examiners
ACRA	Accounting and Corporate Regulatory Authority (Singapore)
ADB	Asian Development Bank
ADs	Authorized Dealers
AICPA	American Institute of Certified Public Accountants
AML	Anti-Money Laundering
AMLA	European Anti-Money Laundering Authority
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
APRA	Australian Prudential Regulation Authority
AQR	Asset Quality Review/s
ASIC	Australian Securities and Investments Commission
BB	Bangladesh Bank
BFIU	Bangladesh Financial Intelligence Unit
BIBM	Bangladesh Institute of Bank Management
BoD/SMT	Board of Directors / Senior Management Team
BRPD	Banking Regulation & Policy Department
BSEC	Bangladesh Securities and Exchange Commission
BSR-TF	Banking Sector Reform Task Force
CBS	Core Banking System
CFT	Countering the Financing of Terrorism
DBI	Departments of Banking Inspection
DNC	Department of Narcotics Control
DORA	Digital Operational Resilience Act
DOS	Department of Off-Site Supervision

EBA	European Banking Authority
EWS	Early Warning Systems
FAIS	Forensic Accounting and Investigation Standards
FATF	Financial Action Task Force
FCA	Financial Conduct Authority (UK)
FDIC	Federal Deposit Insurance Corporation (US)
FGDs	Focus Group Discussions
FICSD/CIPC	Financial Integrity & Customer Services Dept./Customer Interest Protection Cell
FRA	Financial Reporting Act
FRC	Financial Reporting Council
FSMA	Financial Services and Markets Act (UK)
ICAB	Institute of Chartered Accountants of Bangladesh
ICAA	Institute of Chartered Accountants Australia
ICC	Internal Control and Compliance
ICT	Information and Communication Technology
ICAEW	Institute of Chartered Accountants in England and Wales
IESBA	International Ethics Standards Board for Accountants
ISCA	Institute of Singapore Chartered Accountants
ISA	International Standard on Auditing
KII	Key Informant Interviews
LEAs	Law Enforcement Agencies
MACC	Malaysian Anti-Corruption Commission
MAS	Monetary Authority of Singapore
MIA	Malaysian Institute of Accountants
MIS	Management Information System
MLPA	Money Laundering Prevention Act
ML/TF	Money Laundering/Terrorist Financing
NBR	National Board of Revenue

NBFCs	Non-banking Financial Companies
OCC	Office of the Comptroller of the Currency (US)
PCAOB	Public Company Accounting Oversight Board (US)
PIEs	Public Interest Entities
PRA	Prudential Regulation Authority (UK)
RBI	Reserve Bank of India
RFA	Red Flagged Accounts
ROs	Reporting Organisations
SEBI	Securities and Exchange Board of India (India)
SFIO	Serious Fraud Investigation Office (India)
SOX	Sarbanes–Oxley Act (US)
STRs/CTRs	Suspicious Transaction Reports/Cash Transaction Reports
WPA	Whistleblower Protection Authority

Institutionalizing Forensic Audit in Banks in Bangladesh

1.0 Introduction

1.1 Background

The banking sector in Bangladesh plays a pivotal role in sustaining the country's economic growth, yet it continues to grapple with persistent financial irregularities. Issues such as fraud, embezzlement, and mismanagement undermine the stability of financial institutions, erode public trust, and threaten the broader economic fabric (Khanam, 2024; Vukadinović et al., 2015). These irregularities are not merely operational lapses but systemic challenges deeply rooted in inadequate governance, limited transparency, and weak accountability structures (Olukowade & Balogun, 2015). Against this backdrop, forensic auditing has gained prominence as a specialized approach to combating financial misconduct, offering tools and techniques that extend far beyond the remit of conventional auditing.

Unlike traditional audits, which primarily focus on verifying the accuracy of financial statements, forensic audits are inherently investigative. They aim to identify, document, and provide evidence of financial irregularities that may be admissible in legal proceedings (Vukadinović et al., 2015; Jenkins et al., 2018). Forensic auditing combines legal knowledge, investigative skills, and advanced accounting expertise, thus equipping professionals to detect fraud in highly complex financial environments such as banking (Murtanto & B. M., 2023). By institutionalizing forensic auditing practices, banks in Bangladesh can strengthen governance structures, cultivate compliance, and mitigate risks associated with corruption and mismanagement (Ocansey, 2017).

The importance of forensic audits has been amplified by lessons from the global financial crisis of 2008, which highlighted the detrimental impact of weak internal governance on banking stability (Marie & Ouman, 2021). In Bangladesh, these vulnerabilities are particularly acute due to recurring

scandals involving non-performing loans, insider abuses, and willful defaults. Forensic audits serve as an essential mechanism to address these issues by ensuring a rigorous review of financial records, uncovering concealed irregularities, and reinforcing governance frameworks. Empirical evidence from other developing economies, such as Nigeria and India, demonstrates that forensic audits have been effective in enhancing financial performance, reducing fraud, and restoring stakeholder confidence (Gangwani, 2020; Ezekiel, 2022; T.A. et al., 2023). These outcomes underscore the potential for similar interventions in the Bangladeshi context.

A defining feature of forensic auditing is its reliance on advanced analytical tools. Techniques such as Benford's Law enable auditors to identify statistical anomalies that may indicate fraudulent manipulation of financial data (Dutta et al., 2023). Moreover, the advent of technology-driven forensic auditing—incorporating big data analytics, artificial intelligence, and digital forensics—has significantly enhanced the ability to detect fraud in real time (Tang & Karim, 2019; Osanyinbola, 2024). Such innovations are particularly relevant for Bangladesh, where the increasing scale and complexity of banking transactions make it difficult for traditional audits to identify irregularities. By embracing technology-enabled forensic auditing, banks can proactively identify risks, thereby preventing minor discrepancies from escalating into systemic crises (Ozili, 2024; Eguando, 2023).

Beyond detection, forensic auditing also plays a preventive role. By embedding forensic principles into operational practices, banks can foster a culture of ethics and accountability. Educational initiatives and capacity-building programs are necessary to ensure that banking professionals acquire the required expertise to implement these practices effectively (Anwar, 2022; Ogunode & Dada, 2022). Furthermore, forensic auditing contributes to the maturity of corporate governance frameworks by reinforcing transparency, strengthening internal controls, and addressing stakeholder concerns over financial integrity (Rehman & Hashim, 2018).

The Bangladeshi banking sector's ongoing challenges exposed by the mishappening like Hallmark Scam, Cresent Group Scam, Loan Scams in

BASIC Bank, Alam Groups Scams, and Heist in Bangladesh Banks highlight the urgency of adopting forensic auditing as a mainstream mechanism for combating financial crimes. As public trust continues to erode due to recurrent scandals, forensic audits can provide both deterrence and remedy. By bridging gaps in accountability and equipping institutions with advanced fraud detection capabilities, forensic auditing emerges as a cornerstone for safeguarding the stability of banks and, by extension, the national economy.

The growing complexities of financial operations and the rising incidence of financial irregularities in Bangladesh necessitate a paradigm shift in audit practices. Forensic auditing not only strengthens the ability to detect and deter fraud but also reinforces governance, transparency, and accountability within banks. Its effective integration into the financial system is, therefore, critical for ensuring long-term stability, resilience, and public confidence in Bangladesh's banking sector.

1.2 Scope of the Study

This study examines the role of forensic audit in addressing financial irregularities in Bangladeshi banks. The analysis draws on existing academic literature, responses from FGDs and questionnaires, and relevant cross-country evidence, providing a basis for dialogue on strengthening forensic audit practices within the banking sector.

1.3 Objectives of the Study

The overarching objective of this study is to explore the potential for institutionalizing forensic audits in the banking sector of Bangladesh. The specific objectives are:

a) To review the global and Bangladesh policy and regulatory environment of forensic audit.
b) To assess the current status of forensic audits in Bangladeshi banks.
c) To identify the challenges in institutionalizing forensic audit in banks, and recommend effective ways out.

1.4 Data and Methodology

The study adopts a **mixed-methods approach**, drawing on both primary and secondary sources, and incorporating qualitative as well as quantitative data to ensure methodological rigor and triangulation.

1.4.1 Data: Primary and Secondary Sources

For primary data collection, the study initially conducted a Focus Group Discussion (FGD) involving 49 participants representing various banks, primarily from Internal Audit and Credit Recovery departments. The FGD facilitated in-depth deliberations on the conceptual framework of forensic auditing, the status of its application in the banking sector, challenges faced by internal auditors, and potential future directions. Subsequently, a semi-structured questionnaire was distributed to all banks. To enhance the credibility and validity of responses, the participants of the FGD were kept in the CC (carbon copy) loop, thereby encouraging informed and prudent replies from respondents with substantive knowledge of forensic auditing practices. A total of 31 completed questionnaires (Please see Appendix Table 1) were received and systematically processed for analysis. Secondary data were collected from regulatory circulars, policy documents, academic and professional publications, newspapers, and relevant online sources, thereby ensuring a comprehensive evidence base to supplement and contextualize the primary data.

1.4.2 Reliability and Validity Test

Following the collection of data from primary and secondary sources, as well as from focus group discussions and key informant interviews (KII), rigorous data cleaning procedures were undertaken to ensure reliability and validity. These measures were applied to minimize bias, eliminate inconsistencies, and enhance the overall credibility of the dataset.

1.4.3 Analysis and Interpretation of Data

A range of descriptive statistical tools has been employed to analyze the collected information. Both tabular and graphical techniques were applied

to ensure comprehensive data presentation and interpretation. The report has been finalized by incorporating insights and critical reflections generated during the Roundtable Discussion, particularly those contributed by the designated discussants and other distinguished participants.

1.5 Organization of the Report

The remainder of this paper is structured to provide a comprehensive analysis of the role of forensic auditing in addressing financial irregularities in Bangladeshi banks. **Section 2** presents the conceptual framework and a critical review of the existing literature on forensic auditing, financial misconduct, and fraud detection mechanisms. **Section 3** examines the regulatory environment of forensic auditing from an international perspective. **Section 4** focuses on the policy and regulatory environment of forensic audit in banks in Bangladesh, detailing the institutional frameworks, statutory provisions, and challenges specific to the domestic banking sector. **Section 5** presents the findings from the survey and some case studies. Finally, **Section 6** identifies key issues for discussion in the roundtable, emphasizing practical implications, policy recommendations, and strategic measures to strengthen forensic audit practices in banks in Bangladesh.

2.0 Theoretical Underpinning and Literature Review

2.1 Conceptual Aspects of Fraud

Fraud is the intentional act of deception for personal or financial gain, breaching trust and ethical standards. Researchers highlight it as a human endeavor, involving purposeful intent, risk of detection, and rationalization of deceit (Yu, 2013). It includes financial and corporate misconduct, where individuals exploit their positions to manipulate resources for personal benefit (Everhart, 2023). As financial systems evolve, fraud methods also adapt, reflecting the interaction between deceptive practices and regulatory controls (Bolton & Hand, 2002). Fraud and financial crimes have existed for a long time. Over the centuries, they have become more complex and harder to investigate, often causing serious harm to businesses and a country's economy. Detecting fraud is a complex task that requires a deep

understanding of its nature, why it is committed (motives behind it), and the methods used to conceal it (ACFE, Report to the Nations, 2016). The Fraud Triangle, developed by Cressey (1953), remains a seminal model explaining occupational fraud through three elements: perceived unshareable financial need[1], perceived opportunity, and rationalization (Cressey, 1973). His theory clarified why trust violators commit fraud and has been widely adopted by regulators, professionals, and academics.

Organizational expectations of higher returns from employees may intensify rationalization, enabling individuals to justify unethical or illegal behavior, ultimately fostering occupational fraud (Kassem & Higson, 2012). According to ACFE, fraud consumes about 5% of business revenue, typically persisting for a median of 18 months before detection, with estimated losses of $6.3 billion and average case losses of $2.7 million. Notably, whistleblower tips account for 39.1% of detections, surpassing traditional internal control mechanisms (ACFE, 2016). Fraud's costs extend beyond direct financial losses. Because concealment is an intrinsic component of most fraud schemes, some are never uncovered; moreover, among those detected, many are neither measured nor reported. In addition, most frauds impose substantial indirect costs, such as lost productivity, reputational damage and related business losses, along with the expenses of investigation and remediation of the underlying issues. Thus, fraud resembles a financial iceberg: visible losses represent only a fraction of the substantial hidden damage (ACFE, 2014).

2.2 Conceptual Aspects of Forensic Auditing

Forensic auditing, integral to the financial landscape, serves as a specialized area of audit focused on fraud detection and prevention. It combines accounting, investigation, and legal knowledge to uncover financial irregularities and provide evidence suitable for legal action (Vukadinović et al., 2015).

[1]For example, an employee is in heavy debt due to gambling. They feel ashamed and cannot ask family or colleagues for help. This *perceived unshareable financial need* might push them to commit fraud at work.

Forensic auditing represents a sophisticated blend of accounting principles, legal frameworks, and investigative methodologies aimed at uncovering fraudulent activities within financial operations. The process of forensic auditing commences with meticulous evidence collection and verification to ascertain the occurrence of fraud, its timing, and its implications under relevant legal statutes. This integrative approach combines traditional auditing techniques with advanced forensic methodologies, enabling forensic auditors to identify discrepancies that might elude standard audits (Oyerogba, 2021; Osanyinbola, 2024; , Eguando, 2023).

The auditor's proficiency in understanding economic damages and the legal framework surrounding fraud is indispensable. Studies highlight that specialized expertise in forensic auditing is significantly associated with effective fraud detection (Sudarmadi, 2022; Murtanto et al., 2023). Furthermore, forensic auditors must be adept in utilizing investigative methodologies to analyze financial data, summarize their findings, and potentially provide testimonies during legal proceedings. This demonstrates the critical role that forensic auditors play not only in fraud detection but also in the broader context of financial accountability and regulatory compliance (Esther et al., 2023; Mvunabandi, 2023).

With the rapid advancements in technology, the integration of digital forensics into forensic auditing processes has become increasingly paramount. Forensic auditors are now equipped with the tools to trace electronic transactions and analyze extensive datasets for irregularities in spending patterns or other financial discrepancies (Hidayah & Ratmono, 2025; Wahyudi et al., 2024). The application of data analytics in forensic auditing enhances the ability to identify fraud and material misstatements that might otherwise go unnoticed, thereby improving the overall quality of audit reports (Leo et al., 2022; T.A. et al., 2023).

The practice of forensic auditing is pivotal in fostering accountability and transparency in financial operations. It serves not only as a mechanism for fraud detection but also as a preventive measure against financial crimes, thereby addressing the dynamic landscape of financial management (Mvunabandi, 2023; Ikpe & Uwah, 2023; Appah & C.E., 2023).

2.3 Evolution and Development of Forensic Audit

Forensic auditing has emerged as a specialized field within accounting, shaped by the growing complexity of financial crimes and the limitations of conventional audits. Although investigative accounting practices can be traced back to the early 20th century, forensic accounting gained prominence in the 1930s when accountants were engaged in bankruptcy investigations, fraud detection, and litigation support (Crumbley et al., 2019). Unlike traditional audits, forensic audits are designed to uncover deliberate misrepresentation, fraud, and corruption, with findings that can withstand legal scrutiny (Bhasin, 2016). The mid-20th century marked a shift toward recognizing forensic auditing as a distinct discipline, and corporate scandals in the 1980s and 1990s—including Enron and WorldCom—highlighted the inability of statutory audits to detect fraud, further accelerating its development (Rezaee, 2002). With globalization and the rise of sophisticated crimes such as money laundering and cyber fraud, forensic auditing expanded its scope by integrating tools from law, criminology, and information technology (Owojori & Asaolu, 2009). Professional organizations such as the Association of Certified Fraud Examiners (ACFE) and the American Institute of Certified Public Accountants (AICPA) formalized training and standards, institutionalizing forensic auditing worldwide. In recent years, digital forensics, data analytics, and artificial intelligence have enhanced forensic audits, enabling auditors to detect anomalies in complex financial systems (Houck et al., 2006). Today, forensic auditing plays a vital role in fraud prevention, corporate governance, and regulatory compliance, making it indispensable in both developed and emerging economies.

Box 2.1: Timeline of the Evolution and Development of Forensic Audit

- **Early 20th Century (Pre-1930s)**
  - Investigative accounting practices began to emerge in response to financial disputes and fraud cases.
  - Forensic techniques were informally applied in bankruptcy cases and litigation support.
- **1930s – Formal Beginnings**
  - Forensic accounting started gaining recognition in the United States.

- Accountants were increasingly engaged in bankruptcy investigations, fraud detection, and tax-related disputes (Crumbley et al., 2019).

- **Mid-20th Century (1950s–1970s)**
- The term "forensic accounting" became more widely used.
- Forensic audit differentiated itself from statutory audits by focusing on fraud, corruption, and evidence suitable for court proceedings (Bhasin, 2016).

- **1980s–1990s – Corporate Scandals**
- High-profile cases such as Enron, WorldCom, and Parmalat revealed the limitations of traditional audits.
- These events emphasized the need for forensic audit as a specialized discipline (Rezaee, 2002).

- **2000s – Globalization and Sophisticated Crimes**
- Expansion of financial crimes, including money laundering, cyber fraud, and terrorist financing.
- Forensic audit began integrating multidisciplinary tools from law, criminology, and IT (Owojori & Asaolu, 2009).

- **Recent Developments (2010s–Present)**
- Growth of digital forensics, big data analytics, and artificial intelligence in fraud detection.
- Professional bodies like ACFE and AICPA formalized training and certifications.
- Forensic auditing became vital in corporate governance, regulatory compliance, and public accountability (Houck et al., 2006).

- **Future** – AI, machine learning, and blockchain expected to dominate forensic auditing methodologies (Fırat, 2025; Yin et al., 2025).

2.4 The Role of Forensic Audit in Combating Financial Irregularities in Banks

A key distinction in forensic auditing lies in whether audits are conducted internally or externally. Internal auditors primarily emphasize compliance and operational efficiency within organizations, whereas forensic auditors—whether independent consultants or in-house specialists—apply investigative and accounting techniques to detect and investigate fraud (Vukadinović et al., 2015). The choice between internal and external auditors often depends on organizational size, governance arrangements, and the complexity of the fraud suspected. In cases involving sophisticated

schemes, institutions increasingly prefer external forensic auditors because they bring specialized expertise and objectivity (Murtanto et al., 2023).

The value of forensic auditing for the banking sector is evident in multiple dimensions. Benefits include greater financial integrity, higher detection rates of fraud, and enhanced stakeholder confidence (Olukowade & Balogun, 2015; Gangwani, 2020). Importantly, forensic audits can also generate significant cost savings by reducing losses associated with fraudulent activity. However, challenges persist: limited availability of trained forensic specialists, the high costs of conducting comprehensive audits, and the regulatory burdens faced by banks in different jurisdictions (Olukowade & Balogun, 2015; T. A. et al., 2023).

Institutional responses to these challenges increasingly emphasize the establishment of dedicated forensic audit units within banks. Such units provide a proactive approach to fraud detection, foster knowledge sharing, and strengthen organizational resilience against fraud risks (Gangwani, 2020). Complementary measures—such as continuous staff training and the development of awareness programs on fraud prevention—further enhance banks' forensic capacity (Ezekiel, 2022). These strategies highlight the importance of institutionalizing forensic practices rather than relying on ad hoc responses.

International evidence supports the effectiveness of forensic auditing in addressing financial irregularities. For instance, Wahyuandari (2025) shows that integrating investigative techniques with accounting expertise significantly improves fraud detection and prevention, thereby enhancing governance and accountability. Similarly, Hossain (2024) demonstrates that forensic accounting reduces fraudulent activity in firms by reinforcing internal controls, improving transparency, and bolstering the credibility of financial reporting. These findings underscore the global relevance of forensic audits as a mechanism to safeguard financial systems.

The Bangladeshi banking sector illustrates the growing importance of forensic auditing in emerging economies. Faced with recurring cases of financial misconduct, Bangladesh Bank has engaged leading global audit

firms such as Ernst & Young and KPMG to conduct forensic reviews. These audits have uncovered concealed non-performing loans and fraudulent transactions, thereby facilitating critical institutional reforms and restoring elements of transparency and accountability. Evidence from such cases suggests that forensic auditing has a significant positive effect on fraud detection and prevention in Bangladesh, aligning with international experiences and reinforcing the need for sustained institutionalization of forensic audit practices.

3.0 Policy and Regulatory Environment for Forensic Audit in Selected Countries

The policy and regulatory environment for forensic audits varies across countries due to differences in legal frameworks, supervisory authorities, and professional standards. Forensic audits, particularly in banks, play a vital role in detecting financial fraud, willful default, money laundering, and governance failures. The International Standard on Auditing (ISA) 240 guides auditors in addressing fraud risks in financial statement audits[2]. Examining international practices can help Bangladesh strengthen institutionalization of forensic audits in its banking sector. Effective frameworks typically combine statutory mandates, regulatory oversight, professional standards, and governance mechanisms to ensure accountability and market integrity (AICPA, 2024; ICAEW, 2023).

[2] **Responsibility for Fraud:** Management and those charged with governance are primarily responsible for preventing and detecting fraud by fostering a culture of ethics and oversight, including monitoring for control overrides. **Auditor Responsibilities:** Auditors seek reasonable assurance that financial statements are free from material misstatement due to fraud or error. Some fraud may remain undetected, especially if sophisticated or collusive. Management fraud is higher risk, requiring professional skepticism and targeted procedures (ISA 240).

3.1 United States of America

In the United States, the conduct of forensic audits in the banking sector is regulated through a combination of federal legislation, professional standards, and oversight agencies to ensure transparency and accountability. The Sarbanes–Oxley Act of 2002 (SOX) established stringent requirements for corporate governance and financial reporting, including mandates for internal controls and auditor independence, which are crucial for forensic audits in publicly traded companies (U.S. Securities and Exchange Commission, 2024). The Public Company Accounting Oversight Board (PCAOB**)**, created under SOX, oversees audits of public companies to ensure compliance with established standards and to protect investors (Public Company Accounting Oversight Board, 2024). In the banking sector, forensic audits are increasingly used to detect and prevent financial fraud, money laundering, embezzlement, and regulatory violations. The Federal Reserve**,** Office of the Comptroller of the Currency (OCC)**,** and Federal Deposit Insurance Corporation (FDIC) provide guidance and regulatory oversight, often requiring banks to conduct forensic reviews of suspicious transactions or high-risk loans. Forensic audits in banks help identify internal control weaknesses, trace misappropriation of funds, and provide evidence for enforcement actions or legal proceedings (U.S. Government Accountability Office, 2018). Additionally, the American Institute of Certified Public Accountants (AICPA) provides guidance through its Statement on Standards for Forensic Services (SSFS)**,** offering enforceable standards for forensic accounting engagements across all sectors, including banking (AICPA, 2024). Collectively, these frameworks establish a comprehensive policy and regulatory environment where forensic audits serve as essential tools for detecting financial misconduct, strengthening accountability, and safeguarding the integrity of both corporate and banking systems.

3.2 European Union

Across the European Union, forensic audits in banks are shaped by a set of harmonized regulations and supervisory mechanisms designed to uphold financial stability and prevent misconduct. The European Banking

Authority (EBA) plays a pivotal role in promoting sound accounting and auditing standards, advocating for high-quality corporate reporting and effective auditor practices across EU member states (European Banking Authority, n.d.). The Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulations**,** particularly Regulation (EU) 2024/1624, impose stringent obligations on financial institutions, including banks, to prevent the misuse of the financial system for illicit activities. These regulations necessitate comprehensive forensic audits to identify and address potential risks (European Commission, 2024a). Additionally, the Digital Operational Resilience Act (DORA) mandates that financial entities enhance their digital operational resilience, including the implementation of effective forensic audit mechanisms to detect and mitigate cyber threats and operational disruptions (European Commission, 2022). The establishment of the European Anti-Money Laundering Authority (AMLA) further strengthens the EU's efforts by providing centralized supervision and enforcement powers, ensuring consistent application of AML/CFT rules across member states (European Commission, 2024b). Collectively, these regulations create a robust policy and regulatory environment where forensic audits serve as critical tools for safeguarding the integrity of the banking sector and ensuring compliance with legal and ethical standards.

3.3 United Kingdom

In the United Kingdom, the regulatory landscape for forensic audits in banks is shaped by a combination of statutory laws, professional standards, and financial supervision. The Financial Services and Markets Act 2000 (FSMA) provides the legal framework for the regulation of financial services, including banking, and grants the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) the authority to supervise and enforce compliance with financial regulations. These bodies oversee the implementation of effective internal controls and the conduct of forensic audits to detect and prevent financial misconduct within banks. The Anti-Money Laundering (AML) regulations**,** particularly the Proceeds of Crime Act 2002 and the Terrorism Act 2000, impose obligations on financial institutions to establish robust systems and controls to detect and report suspicious activities. Forensic audits are instrumental in identifying

and investigating potential money laundering activities, ensuring compliance with these legal requirements. Additionally, the Institute of Chartered Accountants in England and Wales (ICAEW) provides guidance and standards for forensic accounting practices, ensuring that forensic auditors adhere to ethical and professional standards in their engagements (Financial Conduct Authority, 2023; ICAEW, 2023).

3.4 Australia

In Australia, the framework for forensic audits in banks is established through legislative requirements, regulatory supervision, and professional standards to ensure accountability and financial integrity. The Australian Securities and Investments Commission (ASIC) is the primary regulatory body overseeing financial services and markets, including the banking sector. ASIC enforces compliance with the Corporations Act 2001, which sets out the legal framework for corporate governance, financial reporting, and auditing standards. Forensic audits are conducted to investigate potential breaches of the Act, including financial misreporting and misconduct within banks. The Australian Prudential Regulation Authority (APRA) oversees the safety and soundness of financial institutions, including banks, and requires them to maintain effective risk management frameworks. Forensic audits are integral in assessing and ensuring the adequacy of these frameworks, particularly in detecting and preventing financial crimes. The Institute of Chartered Accountants Australia (ICAA) and the CPA Australia provide professional standards and ethical guidelines for forensic accounting practices, ensuring that forensic auditors conduct their engagements with integrity and professionalism (ASIC, 2023; APRA, 2023). Collectively, these regulatory bodies and standards establish a robust environment for forensic audits in the Australian banking sector, aiming to uphold financial integrity and protect stakeholders.

3.5 Singapore

In Singapore, the regulation of forensic audits in banks is anchored by statutory laws, professional standards, and supervisory oversight to maintain the integrity of the financial system. The Monetary Authority of

Singapore (MAS) is the central bank and integrated financial regulator, overseeing the stability and integrity of the financial system, including banks. MAS enforces compliance with the Financial Advisers Act and the Securities and Futures Act**,** which set out the legal framework for financial services and markets. Forensic audits are conducted to investigate potential violations of these Acts, including fraudulent activities and financial misconduct within banks. The Accounting and Corporate Regulatory Authority (ACRA) oversees the public accounting profession and enforces compliance with the Accounting and Corporate Regulatory Authority (Public Accountants) Rules**,** ensuring that forensic auditors adhere to professional standards and ethical guidelines. The Institute of Singapore Chartered Accountants (ISCA) provides additional professional standards and guidance for forensic accounting practices. Collectively, these regulatory frameworks and professional standards ensure that forensic audits in Singapore's banking sector are conducted effectively to detect and prevent financial crimes, thereby maintaining the integrity and stability of the financial system (MAS, 2023; ISCA, 2023).

3.6 India

In India, forensic audits are governed by a robust legal and regulatory framework encompassing various statutes and regulatory bodies. The Reserve Bank of India (RBI) mandates forensic audits for loan frauds exceeding ₹50 crore, non-performing asset manipulation, or wilful default and fund diversion. The RBI's Master Directions on Fraud Risk Management, revised in July 2024, emphasize early detection, reporting, and governance for banks, cooperative banks, and non-banking financial companies (NBFCs), including the integration of Early Warning Systems (EWS) and Red Flagged Accounts (RFA) reporting. The Companies Act, 2013 provides the legislative foundation for corporate governance and financial reporting in India. Section 212 of the Act empowers the Serious Fraud Investigation Office (SFIO) to investigate corporate frauds, often involving forensic audits to detect and prosecute financial misconduct.

The Securities and Exchange Board of India (SEBI) oversees the securities market and has established a panel of forensic auditors to investigate fraud

or irregularities in the financial statements of listed companies. In April 2025, SEBI streamlined its panel to nine firms, including Deloitte, BDO, and Chokshi & Chokshi, focusing on firms with proven experience and quality work in past assignments**.** The Institute of Chartered Accountants of India **(**ICAI) has issued the **C**ompendium of Forensic Accounting and Investigation Standards (FAIS) through its Digital Accounting and Assurance Board (DAAB), a set of 20 standards designed to guide forensic auditors in conducting investigations related to financial frauds. These standards are instrumental in standardizing forensic audit practices and ensuring consistency and reliability in forensic investigations. Collectively, these frameworks establish a comprehensive policy and regulatory environment in India, where forensic audits serve as critical tools for detecting financial misconduct, enhancing corporate accountability, and maintaining market integrity.

3.7 Malaysia

In Malaysia, the regulatory environment for forensic audit is guided by professional, corporate, and anti-corruption frameworks rather than a standalone statute. Professional accountants engaged in forensic assignments must comply with the Malaysian Institute of Accountants (MIA) By-Laws, which adopt the International Ethics Standards Board for Accountants (IESBA) Code, ensuring independence and integrity (Malaysian Institute of Accountants, 2020). Forensic reviews are often initiated under the Companies Act 2016, which empowers the Companies Commission of Malaysia (SSM**)** to inspect company records and investigate corporate irregularities (Companies Commission of Malaysia, 2016). From a governance perspective, Bursa Malaysia's Listing Requirements mandate that listed issuers maintain an effective internal audit function, which can escalate to forensic audits when anomalies are detected (Securities Commission Malaysia, 2021). Furthermore, the Malaysian Anti-Corruption Commission (MACC) Act 2009, particularly Section 17A, introduces corporate liability for bribery, requiring companies to demonstrate "adequate procedures" aligned with the T.R.U.S.T. principles, often tested through forensic audits (Government of Malaysia, 2009). Collectively,

these measures establish a comprehensive policy and regulatory environment where forensic audits function as vital mechanisms for detecting misconduct, strengthening accountability, and enhancing market integrity.

Table 3.1: Comparative Policy and Regulatory Environment for Forensic Audit in Banks

Country/ Region	Key Legislation / Regulations	Supervisory / Regulatory Bodies	Role of Forensic Audit in Banks	Professional Standards / Guidance
United States	Sarbanes–Oxley Act 2002 (SOX); Banking oversight laws	SEC, PCAOB, Federal Reserve, OCC, FDIC	Detect fraud, money laundering, embezzlement, regulatory violations; assess internal controls	AICPA SSFS, PCAOB standards
European Union	AML/CFT Directives (e.g., Regulation (EU) 2024/1624); Digital Operational Resilience Act (DORA)	European Banking Authority (EBA), European Central Bank (ECB), AMLA	Identify AML risks, enforce compliance, investigate misconduct, ensure digital resilience	EU accounting/ auditing directives
United Kingdom	Financial Services and Markets Act 2000 (FSMA); Proceeds of Crime Act 2002; Terrorism Act 2000	Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA)	Forensic audits for AML, fraud detection, and governance oversight in banks	ICAEW forensic standards, FCA guidelines
Australia	Corporations Act 2001; Banking regulations	Australian Securities and Investments Commission (ASIC), Australian Prudential Regulation Authority (APRA)	Forensic audits to detect fraud, financial misreporting, and assess risk management in banks	ICAA, CPA Australia forensic standards

Country/ Region	Key Legislation / Regulations	Supervisory / Regulatory Bodies	Role of Forensic Audit in Banks	Professional Standards / Guidance
Singapore	Financial Advisers Act; Securities and Futures Act	Monetary Authority of Singapore (MAS), Accounting and Corporate Regulatory Authority (ACRA)	Forensic audits in banks for fraud detection, AML, and compliance with financial laws	ISCA forensic guidelines
India	Companies Act 2013; RBI Master Directions on Fraud Risk Management (2024); SEBI regulations	Reserve Bank of India (RBI), Serious Fraud Investigation Office (SFIO), SEBI	Mandatory forensic audits for loan frauds >₹50 crore, NPAs, wilful defaults, corporate frauds	ICAI Compendium of Forensic Accounting and Investigation Standards (FAIS)

4.0 Policy and Regulatory Environment of Forensic Audit for Banks in Bangladesh

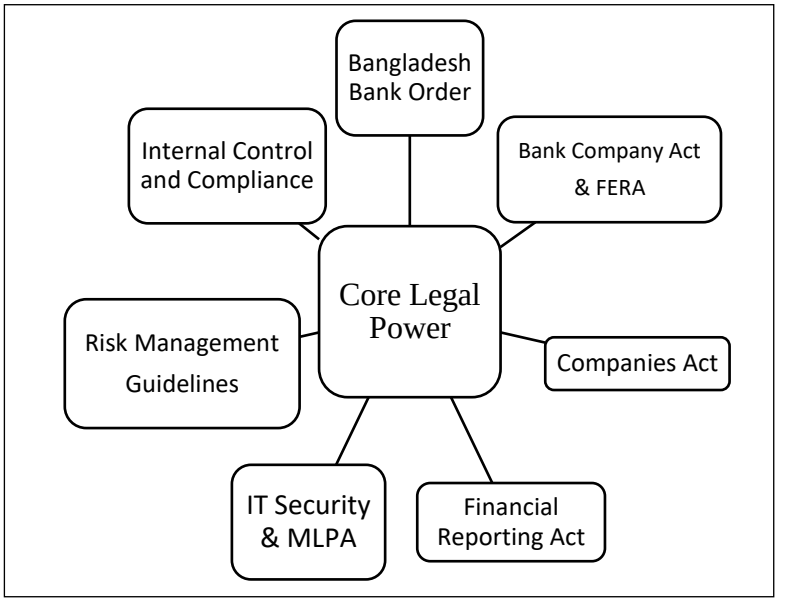
This section explores the current policy and regulatory environment of audits for the banks in the country.

4.1 Core Legal Powers and Statutes

For inspecting and auditing, Bangladesh Bank and banks follow some core legal powers as vested by different orders, acts, guidelines and circulars. Bangladesh Bank Order, 1972: The Order establishes BB's supervisory authority (basis for inspections/special reviews). Bangladesh Bank regulates and supervises the banking companies and financial institutions of the country vide Article 7A (f) of Bangladesh Bank Order, 1972. Bank Companies Act, 1991 **(**as amended**):** The act gives BB power to inspect banks and issue directions**;** used to compel special audits/forensic reviews. Bangladesh Bank regulates and supervises the banking companies and financial institutions of the country vide Section 44 of the Bank Companies Act, 1991. Section 19 of FERA allows Bangladesh Bank to inspect banks and authorized dealers dealing in foreign exchange. Companies Act, 1994**:**

The act requires statutory audit requirements for companies (baseline for audit/reporting that forensics build on). It ensures financial transparency; forensic audits may be ordered for fraud-related misrepresentation. Financial Reporting Act, 2015 (FRA) & Financial Reporting Council (FRC)**:** The act creates the FRC, mandates use of FRC-listed auditors for PIEs (banks) and ties bank financial statements to FRC standards.

Figure 4.1: Core Legal Framework for Inspection and Audit



Money Laundering Prevention Act, 2012 (and amendments): The act enables investigative/forensic work on ML/TF; banks must report STRs/CTRs feeding forensic inquiries.

Bangladesh Bank AML/CFT Guidelines: Operational rules that often trigger forensic reviews when red flags emerge. Under BB's AML directives, forensic audits must trace suspicious transactions under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (Amended 2013). Core Risk Management Guidelines**:** The guidelines establish preventive controls in credit, foreign exchange, and ICT risks—where forensic audits are triggered in case of fraud. Circulars on Internal Control & Compliance (ICC): The circulars mandate independent compliance units, which may recommend forensic reviews. Guideline on

ICT Security for Banks and FIs 2023**:** The guideline requires banks to establish forensic investigation capabilities for digital crimes (pp *40-41).* Section 6.7 of the act refers to digital forensics. The key points of the section are given below:

Box 4.1: Provisions of Digital Forensic
• The Organization will have to arrange for digital forensic setup in order to perform post incident forensic. • The Organization will have to train a team to aid professional forensic investigator. • The Organization will have to maintain isolation for the affected system during forensic. • The Organization will have to have proper and adequate setup/tools for forensic operation. • The Forensic Team will have to report the investigation to the management and if needed submit report and face the jury in the court

4.2 Bank Resolution Ordinance and Bank Resolution Department

Amid rising Non-Performing Loans (NPLs), tightening liquidity conditions, and governance challenges impacting public confidence in the banking system, the necessity for comprehensive reforms in the sector became increasingly apparent. Responding to this context, the Honorable Governor of Bangladesh Bank initiated the formation of a dedicated task force comprised of sector specialists formally announced on 11 September 2024 as the Banking Sector Reform Task Force (BSR-TF). With the bank background, Bank Resolution Department is created at the Head Office of Bangladesh Bank. The Bank Resolution Ordinance, 2025 is a landmark regulatory framework designed to ensure financial stability in Bangladesh by providing a structured mechanism for resolving distressed banks. BB can sell or merge distressed banks with healthier institutions. Under the Bank Resolution Ordinance 2025, the government and Bangladesh Bank can temporarily take control of scheduled banks in crisis through share transfers to government entities. BB can appoint administrators, form bridge banks, and raise capital to stabilize weak banks.

A new department & resolution fund will support these actions, separating resolution duties from regular supervision. Under the new ordinance, the Bangladesh Bank can forcibly transfer ownership of a failing bank to a state entity. It also allows immediate intervention by triggering formal resolution proceedings in cases of fraud or gross mismanagement, such as when owners of banks divert funds for personal gain. The ordinance also introduces "bridge banks", a powerful regulatory tool. These are temporary, state-owned institutions set up to take control of a failing bank's viable operations, ensuring that banking services continue uninterrupted while a long-term solution, such as a sale, merger, or liquidation, is arranged. The law mandates that a bridge bank must not operate beyond two years from the date of the final asset transfer. At the end of this period, Bangladesh Bank may dissolve the bridge bank, merge it with another institution, or sell its assets and legal rights to a third party. The key functions of Bank Resolution Department are given below:

Box 4.2: Major Functions of Bank Resolution Department of Bangladesh Bank

- Implementing the Bank Resolution Ordinance, 2025
- Creating standardized resolution procedures
- Establishing contingency measures for banking sector crises
- Establishment of the Bank Resolution Fund
- Supervision of ongoing and upcoming AQR activities
- Implementing corrective measures for banks under PCA stages 1-4
- Capacity building and develop expertise in bank restructuring and resolution.

Source: Bank Resolution Department, Bangladesh Bank

Moreover, Bangladesh Bank is engaged with Forensic Asset Quality Reviews (AQRs) by external firms such as Deloitte, EY, and KPMG to deep-dive problem banks and determine merger/dissolution options. In the first phase, an Asset Quality Review (AQR) funded by the Asian Development Bank (ADB) covered six banks, including IBBL, SIBL, FSIBL, Union Bank, Global Islami Bank, and Standard Bank. Earlier audits by EY and KPMG had revealed loan defaults four times higher than reported, shaking public confidence and prompting the regulator to expand the review. The Bangladesh Bank (BB) has now planned a second phase

covering 11 more banks with World Bank support to reduce systemic risks, ensure transparency, and prepare merger plans involving substantial fresh capital. As part of this, Deloitte Malaysia is conducting a forensic AQR on IFIC Bank, National Bank, and AB Bank to decide whether these banks survive, merge, or dissolve3.

4.3 Most Relevant Departments and Regulations of Bangladesh Bank on Inspection and Audit

Though almost all the departments of Bangladesh Bank have regulatory oversight on the banks in ensuring baking sector stability, however, some dedicated departments are set up for inspection and audit in the banking system. For example, Departments of Banking Inspection (DBI) conduct inspections; issues letters on audit firm eligibility; often coordinate forensic/special audits. Department of Off-Site Supervision (DOS) takes analytics from regulatory returns; flags cases for deep dives/forensics. Banking Regulation & Policy Department (BRPD) issues master circulars (classification, PCA, governance) that frame when/how forensics are used. Financial Integrity & Customer Services Dept. (FICSD/CIPC) analyzes complaint intake that can trigger probes leading to forensic reviews. The Department of Bank Inspection-3 (DBI-3) is responsible for a variety of key activities, including on-site inspections and acting as a secretariat for other departments on policy matters. Its on-site inspections are categorized into three types: comprehensive**,** core risk**,** and special inspections. Comprehensive inspections evaluate assets, capital, loan operations, liquidity, and compliance with regulations from various authorities. Core risk inspections focus on key risk areas like credit management, internal controls, and IT. Special inspections are conducted as needed, often at the request of other departments or higher authorities. In addition to inspections, DBI-3 handles the enlistment and delisting of Chartered Accountant firms for auditing banks and non-bank financial institutions and manages other policy-related activities. DFIM Circular No.04 30 April 2015 sets the provisions of appointments of external auditors in financial

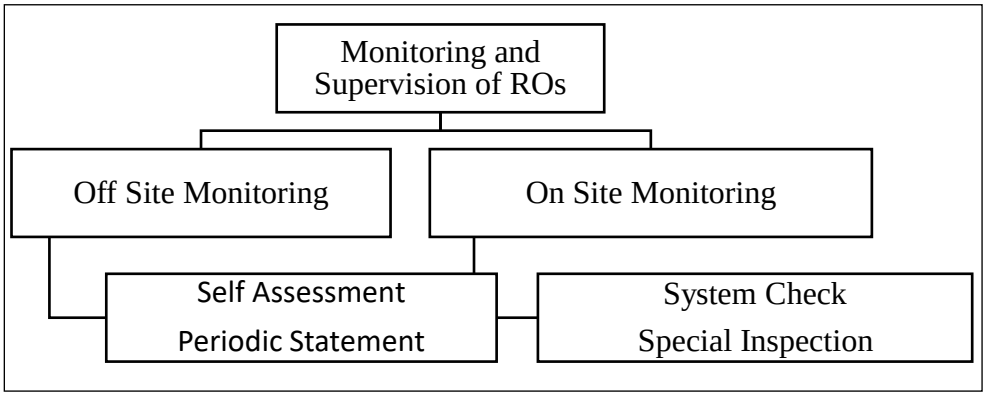
[3]ttps://www.observerbd.com/news/540390#:~:text=Bangladesh%20Bank%20(BB)%20has%20ordered,survive%2C%20merge%20or%20face%20dissolution.

institutions. Moreover, Foreign Exchange Inspection Department also conducts anomalies and irregularities in foreign dealing by ADs.

4.4 Role of BFIU and Relevant Stakeholders in facilitating Forensic Audit for Banks

Bangladesh Financial Intelligence Unit (BFIU**)** analyzes STR/SARs; issues AML/CFT circulars; provides intelligence that often initiates forensic investigations. Under the empowerment of Section 24 of the Money Laundering Prevention Act (MLPA) 2012, Bangladesh Financial Intelligence Unit (BFIU) is established as a central agency to prevent money laundering. Moreover, the section 23 of the said act has empowered BFIU to receive, analyse and disseminate the cases relating to money laundering to LEAs and other agencies. The section 23 of the act has also empowered BFIU to impose financial and non-financial penalties on the Reporting Organisations (ROs) for the failure of providing information or providing misinformation. In case of failure of providing information, BFIU can impose penalties on ROs from BDT10 thousands to BDT 5 lacs per day, and for providing misinformation, the range is from BDT20 thousands to BDT 5 lacs. Moreover, BFIU has the right to freeze or suspend any account of customers of ROs for 30 days per order (it can extend up to 210 days). Additionally, BFIU can suspend licenses of branches, booth of ROs if any RO is fined more than 3 times in a financial year. BFIU can also direct ROs for taking administrative actions against directors or officials involved in any financial crime. The said section 23 of MLPA has also empowered BFIU to issue an order to any RO to suspend or to freeze transactions of any account for a period of not exceeding 30 days, the period can also extend for six months by 30 days. Furthermore, as per the section 4 of MLPA, any person who commits offences of money laundering is subject to the imprisonment of four years to 12 years along with a fine equivalent to twice of the value of the property involved in the offence or BDT 10 lacs, whichever is higher. The following figure shows the monitoring and supervision system of BFIU.

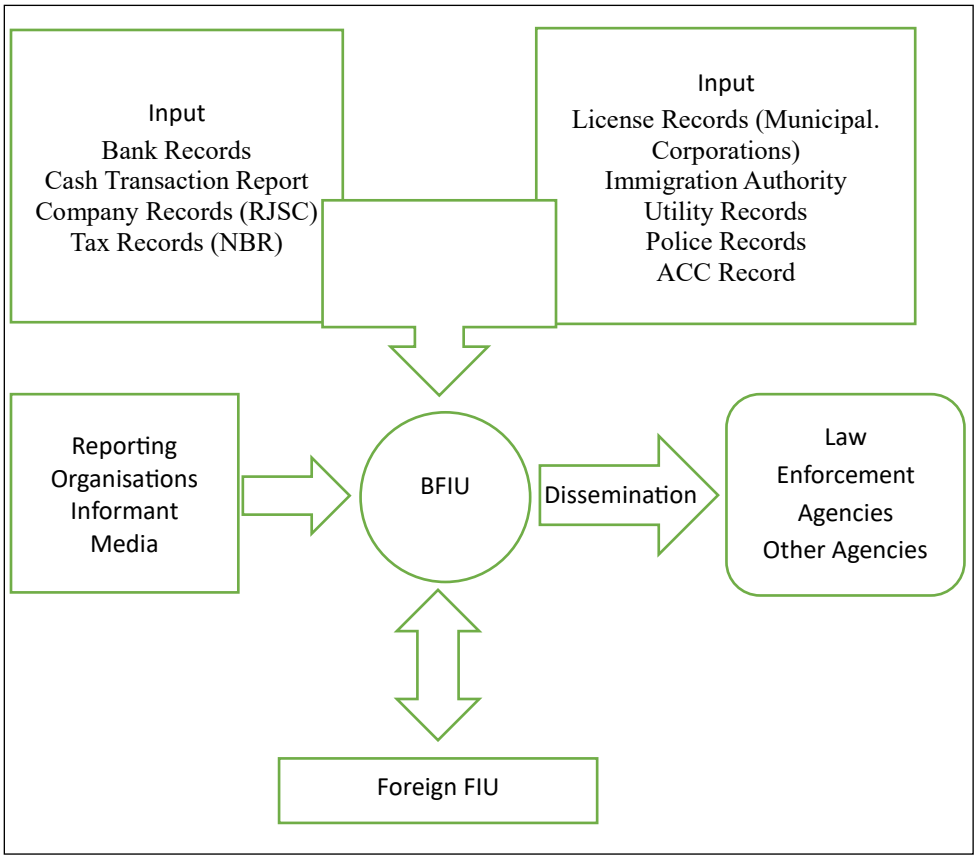
Figure 4.2: Monitoring and Supervision System BFIU



Source: Adopted from BFIU Annual Report 2023-2024

4.4.1 Reporting Organizations of BFIU: Reporting organizations of BFOU are changing in course of time to widen the coverage of preventing financial crimes. In 2002, only banks and finance companies, are ROs, however, Insurers, Money changers, any company or institution which remits or transfers money or money value, are any other institution carrying its business with the approval of Bangladesh Bank are added as ROs in 2008. Stock dealers and stockbrokers, portfolio managers and merchant bankers, securities custodians, asset managers, Non-Profit Organizations and Non-Government Organization (NGOs) are covered as ROs of BFIU in 2010. Finally, cooperative societies, real estate developers, dealers in precious metals or stones, Trust and Company Service Providers, Lawyers, Notaries, and other legal and professionals and accountants. The following figure shows the analysis and dissemination techniques of BFIU.

Figure 4.3: Brief Workflow of BFIU



Source: Based on the discussions of BFIU officials.

4.4.2 Dissemination of Intelligence: After analysing inputs of different sources, BFIU disseminates the cases, if the case is related to ML, to ACC, CID, NBR, DNC, BSEC and the Department of Environment for investigation. Moreover, if the case seems or appeared to be related to Terrorism, TF or PF then the case is disseminated to Bangladesh Police. To understand emerging threats and typologies, BFIU tries to engage with international standard setter-FATF by providing inputs in its Risks, Trends, and Methods Group (RTMG), Policy and Development Group (PDG) and other expert groups/ committees of FATF and APG. BFIU also actively participates in APG, FATF, Egmont Group, UNCTAD and UNODC initiatives on AML, CFT & CPF.

Box 4.3: Role of ACC, BSEC and ICAB in Facilitating Forensic Audit

Anti-Corruption Commission (ACC): The ACC plays a central role in combating financial crimes and systemic corruption in the banking sector. It not only investigates large-scale fraud and embezzlement but also relies heavily on forensic audit reports as admissible evidence in prosecuting willful defaulters, money laundering cases, and complex financial irregularities. By collaborating with Bangladesh Bank and law enforcement agencies, the ACC ensures that forensic findings are translated into actionable legal measures. Section 3 of Anti-Corruption Commission Act, 2004 empowers government to establish Anti-Corruption Commission for the purpose of prevention of corruption and other corrupt practices in the country and for conducting inquiry and investigation of corruption and other specific offences. Moreover, section 17 of the act has empowered the ACC for the detailed functions of the commission, more specifically section 18 has given the right to ACC to issue and examine witness, to detect and produce any documents or evidence, and to call for public records. Section 21 of the act empowers ACC, with approval of the court, may arrest a person has acquired or is in possession, in his own name or in the name of any other person, any movable or immovable property disproportionate to his declared sources of income. As per section 26 of the act, if any person submitting false or baseless book, accounts, record, declaration of illegal income or assets is subject to imprisonment for a term which may extend to 3 (three) years, or with fine, or with both. ACC also money laundering wing to settle enquiries related to money laundering. In 2024, out of 195 ongoing enquiries, The Commission could finish 16 enquiries. Of then13 complaints turned into litigation, 4 were disposed of as there were no substantive findings and 5 disposal of through other lawful processes[4].

Bangladesh Securities and Exchange Commission (BSEC): The BSEC acts as the regulatory watchdog for the capital market, with specific authority to order forensic audits when cases of insider trading, financial statement manipulation, or capital market abuses involving banks and financial institutions are suspected. Such audits help the Commission uncover hidden linkages, identify beneficiary ownership, and restore investor confidence.

[4] (https://acc.org.bd/site/page/13b232be-c99c-4375-bea1-bb7192a7ecc6, accessed 25 June 2025).

In addition, BSEC often aligns forensic recommendations with corporate governance reforms to prevent recurring malpractice.

ICAB Standards: Institute of Chartered Accountants of Bangladesh (ICAB) aligns with International Standards on Auditing (ISA), allowing forensic techniques in fraud detection.

4.5 Roles and Responsibilities of the Audit Committee

The audit committee plays a critical role in ensuring robust internal control and financial integrity within an organization. One of its primary responsibilities is to evaluate the implementation of internal control strategies recommended by both internal and external auditors, ensuring that management acts promptly on these directives. The committee reviews reports pertaining to fraud, forgery, deficiencies in internal controls, or similar issues identified by auditors and regulatory inspectors, and subsequently presents these findings to the board, highlighting whether appropriate corrective measures have been undertaken by management. In addition, the committee assesses the efficiency and effectiveness of the internal audit function, verifying that management duly considers the observations and recommendations made by internal auditors. Similarly, it ensures that external auditors' findings are thoroughly reviewed and acted upon by management. To maintain transparency and accountability, the audit committee submits a quarterly compliance report to the board, detailing the resolution of any identified omissions, irregularities, or financial misconduct. Through these responsibilities, the audit committee functions as a critical oversight mechanism, fostering accountability, mitigating risk, and strengthening governance within the organization.

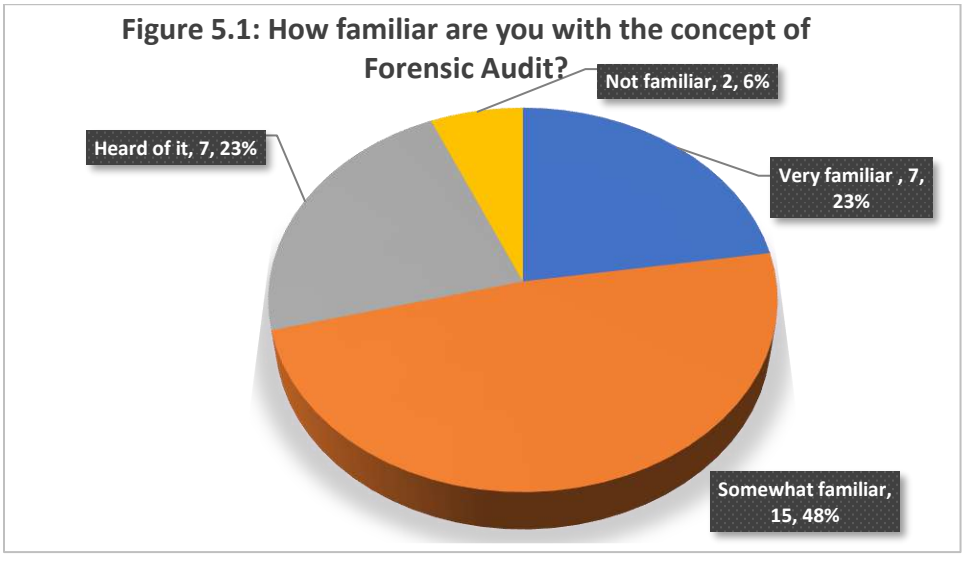
5.0 Survey Findings and Some Cases

A. Awareness and Current Status of Forensic Audit in Banks in Bangladesh

5.1 Familiarity of respondents with the concept of Forensic Audit

Figure 5.1 illustrates respondents' familiarity with the concept of forensic audit. The majority, (15 respondents) 48%, reported being somewhat

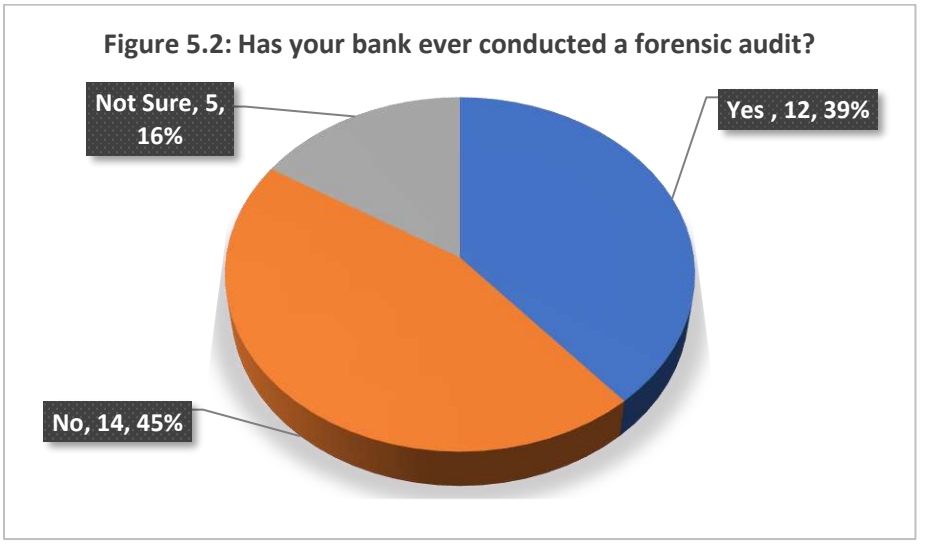
familiar with the concept, while (7 respondents) 23% each indicated being very familiar or having only heard of it. A small proportion, (2 respondents) 6%, stated they were not familiar with forensic audit at all. Overall, the findings suggest that only a limited number of respondents are fully familiar with forensic audit.



Source: Questionnaire Survey

5.2 Implementation of forensic audit in banks

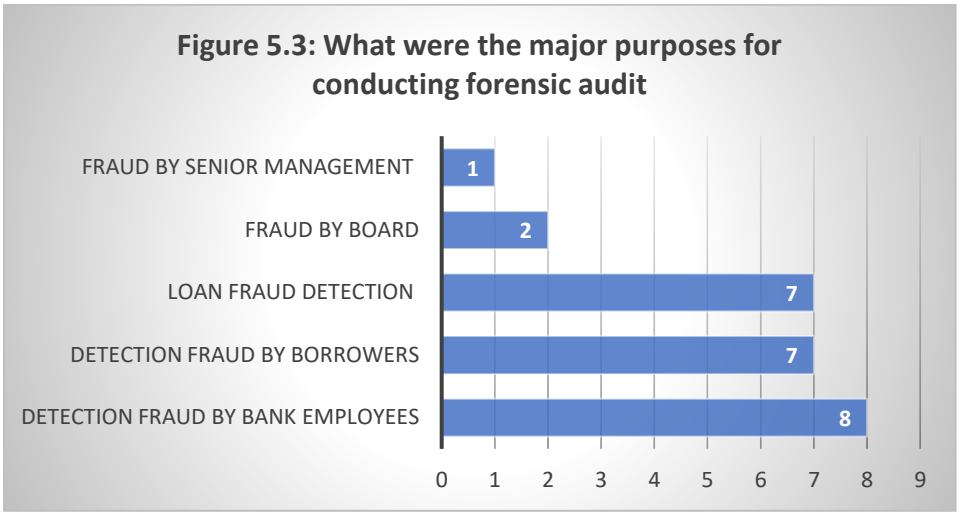
Figure 5.2 presents respondents' views on whether their banks have ever conducted a forensic audit. The largest proportion, 45%, indicated that their banks have not undertaken such an audit, while 39% confirmed that a forensic audit has been conducted and 16% were uncertain. These findings suggest that forensic audits are not yet a common practice across banks, with a considerable share of respondents either lacking awareness or reporting no such activity.



Source: Questionnaire Survey

5.3 Major actual purposes of the forensic audit conducted

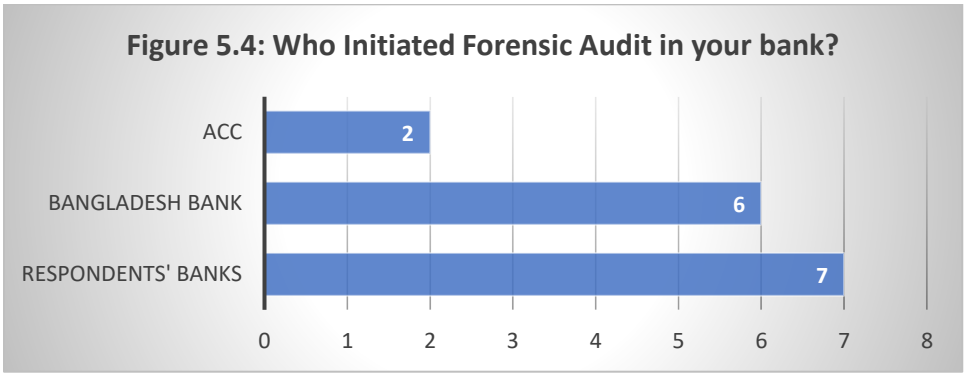
Among the respondents whose banks had conducted forensic audits (Yes: 12 respondents, 39%, as shown in Figure 5.2), follow-up questions explored the underlying purposes for initiating such audits. Figure 5.3 presents the frequency of these purposes. The findings reveal that detection of fraud by bank employees was the most frequently cited reason (8 instances), followed by loan fraud detection and fraud by borrowers (7 instances each). In contrast, fraud by senior management (1 instance) and by the board (2 instances) were the least common. Overall, the results indicate that forensic audits are primarily conducted to investigate fraudulent activities by internal staff and borrowers directly engaged in banking operations, rather than to address higher-level corporate governance irregularities.



Source: Questionnaire Survey

5.4 Originator/Initiator of Forensic Audit Conducted

Among the respondents whose banks had conducted forensic audits (Yes: 12, 39% in Figure 5.2), a follow-up question was posed to identify the initiating authority. As illustrated in Figure 5.4, the majority of forensic audits were initiated either by the respondents' own banks (7) or by Bangladesh Bank (6). The Anti-Corruption Commission (2) was identified to a lesser extent, while neither the courts nor the BFIU were reported as initiators. These findings underscore that the initiation of forensic audits is predominantly driven internally by banks and the central bank, with limited involvement from other regulatory or judicial institutions.



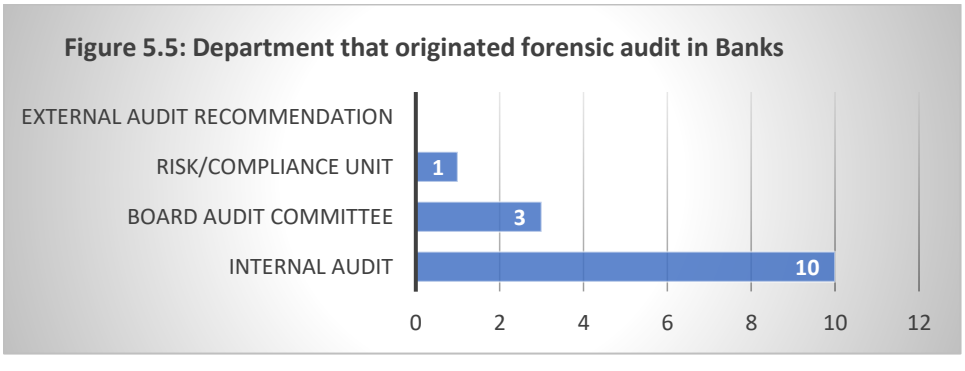
Source: Questionnaire Survey

5.5 By whom forensic audits were conducted in your banks

Our data show that forensic audits in the respondent banks[5] were conducted by a combination of internal and external entities, reflecting a multi-layered approach to fraud detection and financial oversight. Internally, audits were carried out by the bank's ICC Division Audit Team, the Internal Audit Team, the Internal Audit and Inspection Division, the Investigation Unit under the Compliance Department, and several lead auditors. Externally, prominent international consulting firms such as KPMG, including its Bangladesh and Sri Lanka offices, as well as the Head Office Audit Team in Sri Lanka, were engaged to provide independent forensic assessments, ensuring objectivity and specialized expertise.

5.6 Department that originated Forensic Audit in banks

Figure 5.5 illustrates the origin of forensic audits within banking institutions. The data clearly shows that the Internal Audit department is the primary originator of these audits, accounting for 10 instances, while the Board Audit Committee and Risk/Compliance Unit initiated 3 and 1 audit, respectively, and there were no instances of an External Audit Recommendation leading to one. The findings suggest that forensic audits are predominantly a proactive, internal mechanism for fraud detection and investigation driven by a bank's internal controls and governance structures rather than an external or top-down directive.

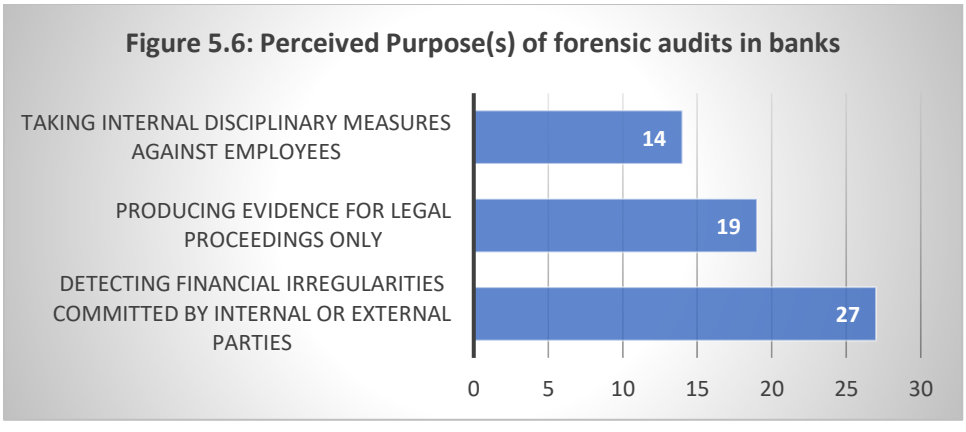


Source: Questionnaire Survey

[5] Mercantile Bank PLC, FISB, Commercial of Ceylon, EBL, Prime Bank PLC, Union Bank PLC, Global Islami Bank PLC, Padma Bank PLC, Al Arafa Islami Bank PLC, Brac Bank PLC, and IFIC Bank PLC.

5.7 Perceived Purposes of Forensic Audit

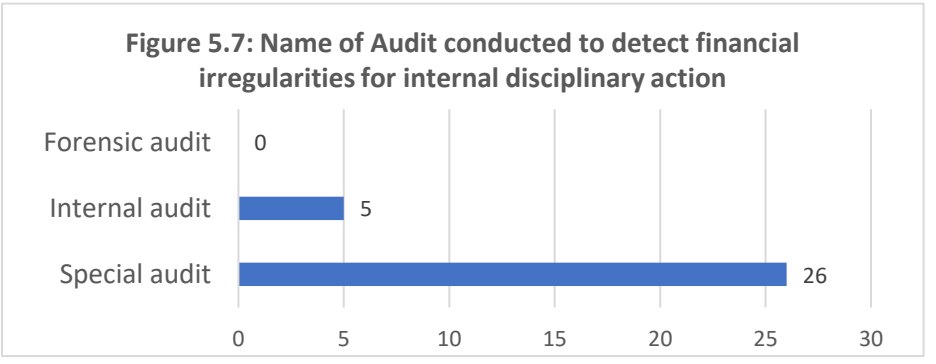
Figure 5.6 depicts the perceived purposes of forensic audit. It shows that, the most common perceived purpose of forensic audits in banks is to detect financial irregularities, as indicated by the highest count of 27. The figure highlights that while all three purposes are considered, there's a clear distinction in their perceived importance, with detecting irregularities being the primary focus, followed by producing evidence for legal proceedings (19), and lastly, taking disciplinary measures against employees (14). This suggests that forensic audits are mainly viewed as a tool to identify financial misconduct, with their use in legal and internal disciplinary actions considered secondary but significant.



Source: Questionnaire Survey

5.8 Name of Audit conducted to detect financial irregularities for internal disciplinary action

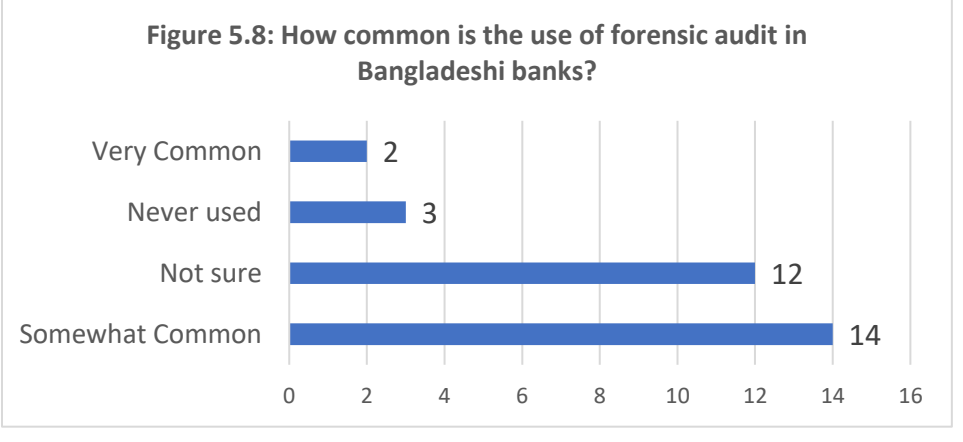
Figure 5.7 shows that the most common type of audit conducted to detect financial irregularities for internal disciplinary action is a special audit, with a frequency of 26. While internal audits are used to a lesser extent (5), forensic audits are not utilized at all for this specific purpose, as indicated by a frequency of zero. This suggests that for internal disciplinary matters, organizations prefer using specialized, ad-hoc investigations rather than formal forensic or routine internal audit procedures.



Source: Questionnaire Survey

5.9 Perception about the Use of Forensic Audit in Bangladeshi banks

Figure 5.8 shows that forensic audits in Bangladeshi banks are mostly seen as "Somewhat Common" (14 respondents), with many uncertain ("Not sure," 12) and few reporting "Very Common" (2) or "Never used" (3). This suggests moderate perceived usage, accompanied by significant uncertainty about their actual prevalence.



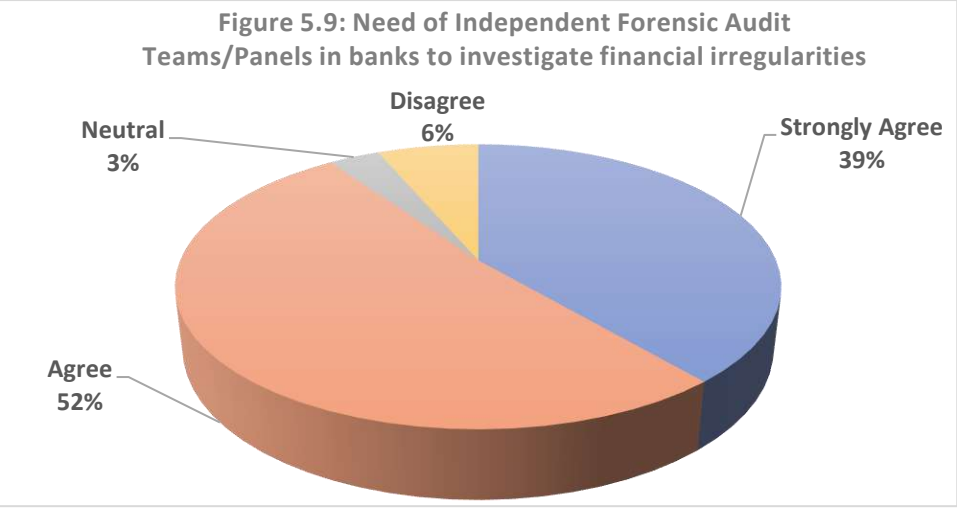
Source: Questionnaire Survey

B. Independent Forensic Audit Team in Banks, Challenges Involved and Role of Stakeholders

5.10 Need of Independent Forensic Audit Teams/Panels in banks

Figure 5.9 shows that most respondents agree or strongly agree on the need for independent forensic audit teams in banks, collectively representing

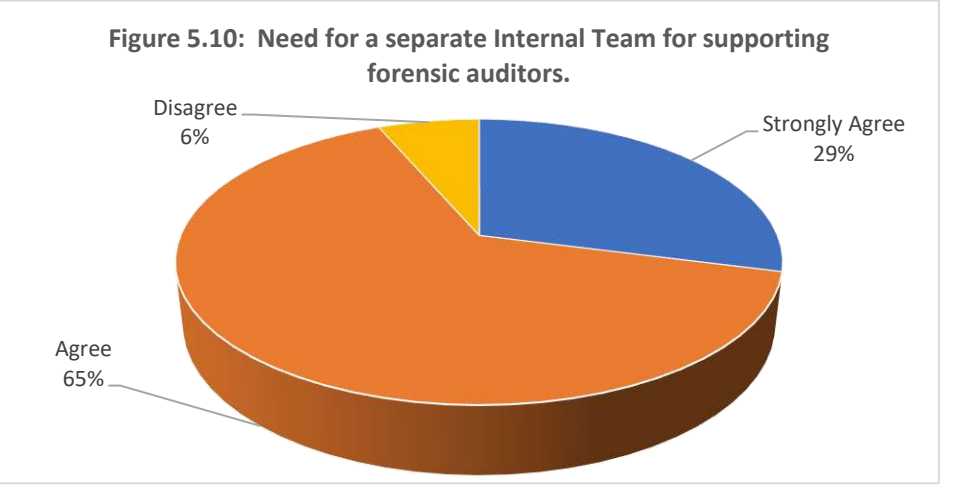
91% of responses. A small minority is neutral or disagrees, indicating a strong consensus that external, specialized expertise is necessary, reflecting perceived limitations in existing internal structures for handling such investigations effectively.



Source: Questionnaire Survey

5.11 Need for a separate Internal Team for supporting forensic auditors

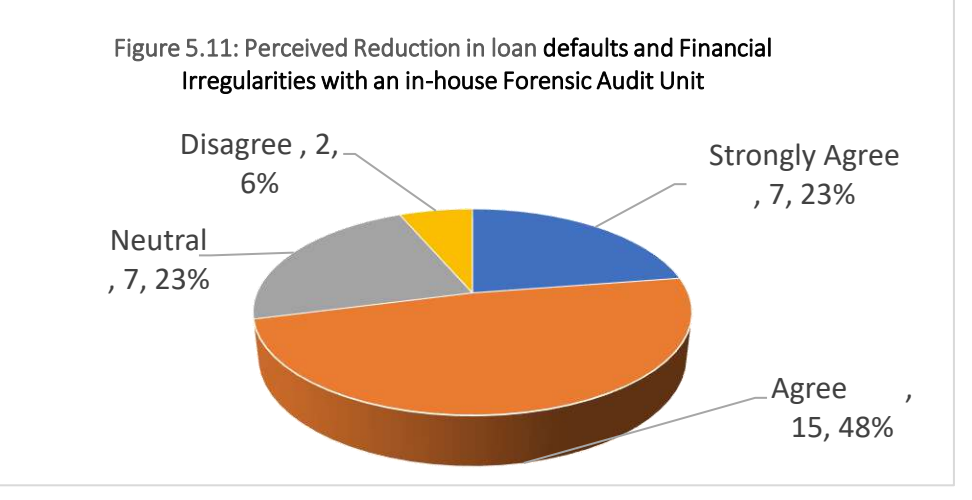
Figure 5.10 shows that most respondents support a separate internal team to assist forensic auditors, with 94% either "Agreeing" (65%) or "Strongly Agreeing" (29%). Only 6% disagreed, and none were neutral or strongly disagree indicating a strong consensus on the need for dedicated internal support. This highlights the complexity of forensic investigations and the perceived necessity of specialized internal resources even when external auditors are engaged.



Source: Questionnaire Survey

5.12 Perceived Reduction in Loan Defaults and Financial Irregularities with an In-house Forensic Audit Unit

Loan defaults are major challenges for banks, often threatening their stability. Figure 5.11 shows respondents' views on whether an in-house forensic audit unit can help reduce these problems. Almost three-fourths gave a positive response, with 48% agreeing and 23% strongly agreeing, while 23% stayed neutral and only 6% disagreed. This means most people believe such a unit can play an important role in reducing loan defaults.

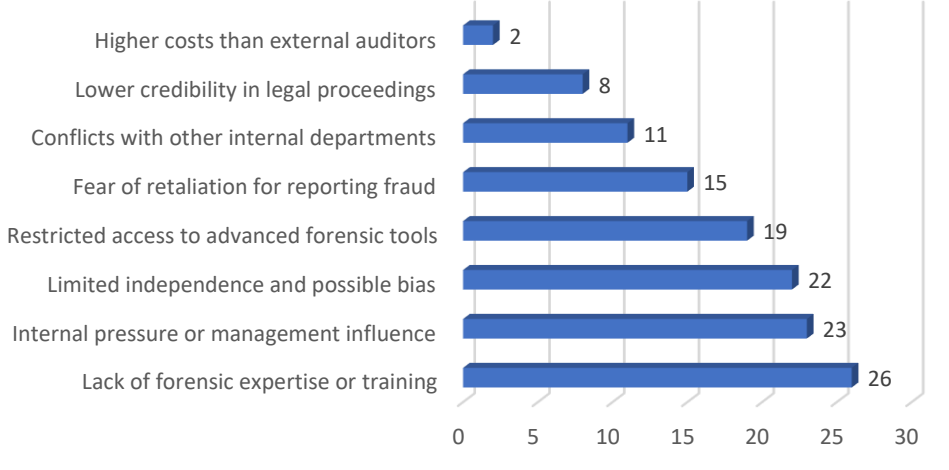


Source: Questionnaire Survey

5.13 Challenges Associated with Internal Forensic Audit in Banks

A key challenge in internal forensic audits is the impact of human and organizational factors. Figure 5.12 shows the main obstacles are lack of forensic expertise or training (26 instances) and management influence or internal pressure (23 instances). These indicate that auditor independence and competence, along with fear of retaliation, pose greater hurdles than financial or procedural issues. In comparison, challenges like higher costs than external audits (2 instances) and lower legal credibility (8 instances) are less common. Overall, the effectiveness of internal forensic audits is most constrained by personnel skills and management influence.

Figure 5.12: Challenges Associated with Internal Forensic Audit in Banks



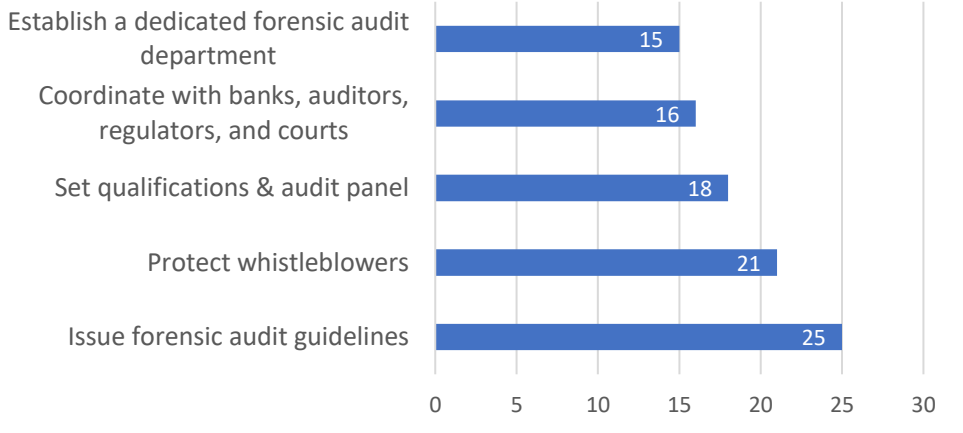
Source: Questionnaire Survey

5.14 Perceived Role of Bangladesh Bank in catalyzing Forensic Audit in Banks

This horizontal bar chart, titled "Figure 5.13: Perceived Role of Bangladesh Bank in Catalysing Forensic Audit in Banks," illustrates the perceived importance of different actions the Bangladesh Bank can take to promote forensic audits. The chart clearly shows that issuing forensic audit guidelines is considered the most crucial role, with 25 instances. In contrast,

establishing a dedicated forensic audit department is seen as the least important action, with only 15 instances.

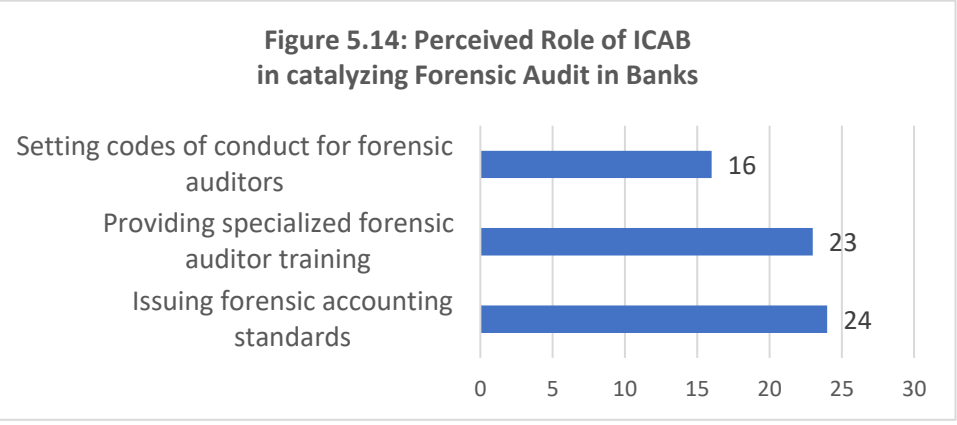
Figure 5.13: Perceived Role of Bangladesh Bank in Catalysing Forensic Audit in Banks



Source: Questionnaire Survey

5.15 Perceived Role of ICAB in catalyzing Forensic Audit in Banks

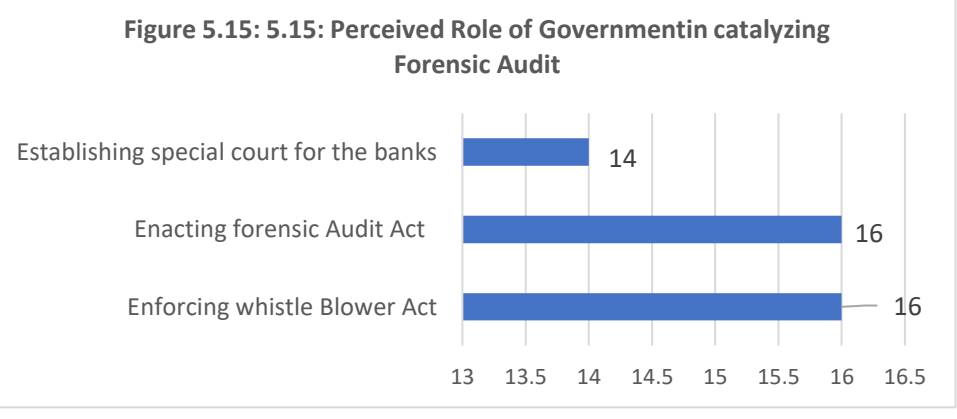
The Institute of Chartered Accountants of Bangladesh (ICAB), as the country's leading authority on accounting, plays a pivotal role in advancing audit practices. Figure 5.14 visualizes the perceived importance of different actions the Institute of Chartered Accountants of Bangladesh (ICAB) can take to advance forensic auditing. It shows that the most crucial roles are issuing forensic accounting standards (24 instances) and providing specialized forensic auditor training (23 instances), while setting codes of conduct for forensic auditors is seen as less significant (16 instances). Overall, ICAB is perceived as the central authority shaping technical expertise and the regulatory framework of forensic auditing in Bangladesh.



Source: Questionnaire Survey

5.16 Perceived Role of government in catalyzing Forensic Audit in Banks

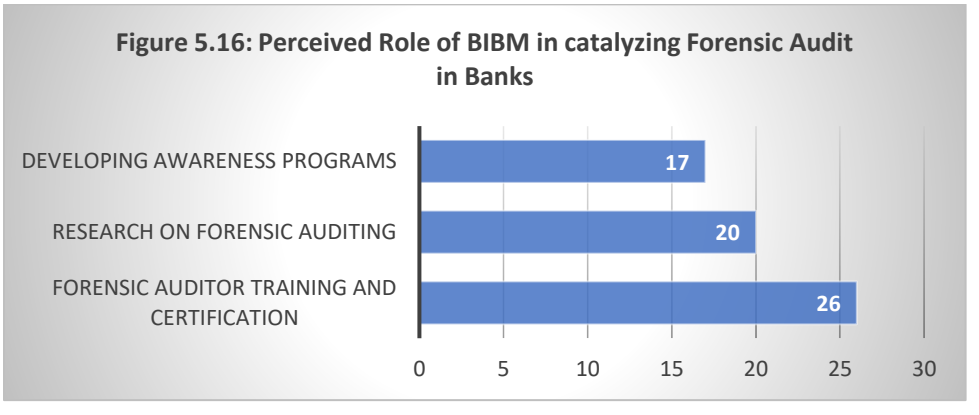
Figure 5.15: Perceived Role of Government in catalyzing Forensic Audit," illustrates the perceived importance of different government actions in promoting forensic auditing. The data shows that enacting a forensic audit act and enforcing a whistleblower act are seen as equally important, with 16 instances each, whereas establishing a special court for the banks is considered a less significant role, with only 14 instances. This suggests that stakeholders believe the government's most impactful contributions are in strengthening the legal and protective frameworks rather than in creating new judicial bodies.



Source: Questionnaire Survey

5.17 Perceived Role of BIBM in catalyzing Forensic Audit in Banks

The Bangladesh Institute of Bank Management (BIBM), an apex institution known for its leadership in training, research, and development in banking, can play a vital role in advancing forensic audit practices. Figure 5.16: Perceived Role of BIBM in catalyzing Forensic Audit in Banks," illustrates the perceived importance of various roles for the Bangladesh Institute of Bank Management in promoting forensic audits. The data reveals that Forensic Auditor Training and Certification is the most highly valued role, with 26 instances, significantly more than Research on Forensic Auditing (20 instances) and Developing Awareness Programs (17 instances). This highlights a clear stakeholder preference for BIBM to focus on the practical, professional development of auditors over purely academic or promotional activities.

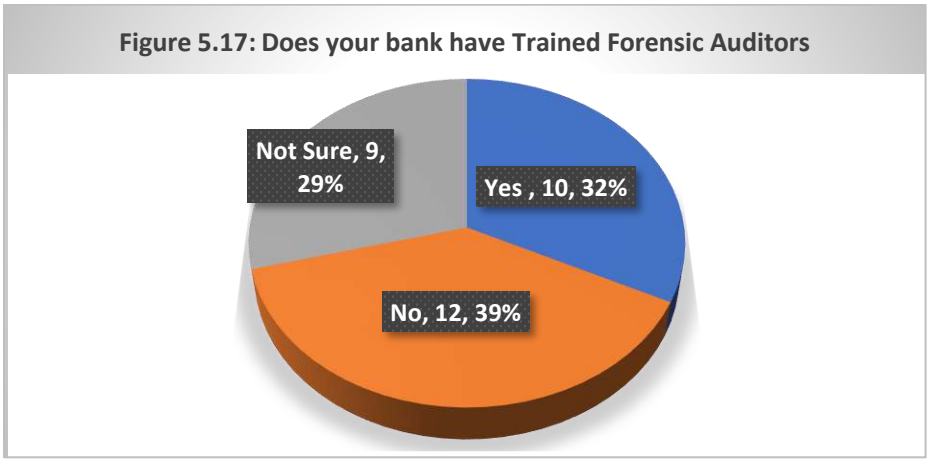


Source: Questionnaire Survey

C. Implementation, Capacity, Perceptions and Suggestions

5.18 Availability of Trained Forensic Auditors in Organizations

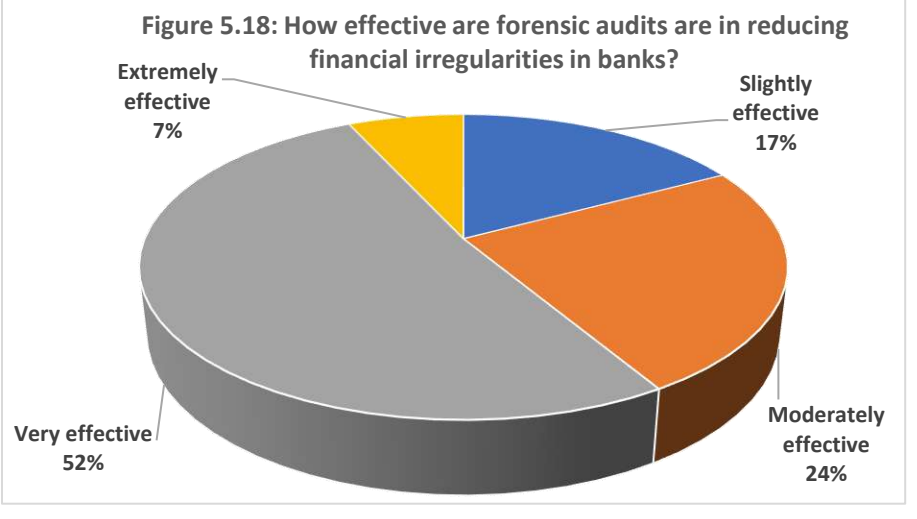
Trained forensic auditors are indispensable for uncovering financial irregularities and ensuring accountability in banks. Figure 5.17 indicates that a majority of banks (39%) lack trained forensic auditors, while only 32% report their presence. The remaining 29% of “Not Sure” responses underscores a systemic capacity gap, reflecting both institutional ambiguity and limited transparency regarding the availability of such specialized expertise.



Source: Questionnaire Survey

5.19 Effectiveness of Forensic Audits in reducing Financial Irregularities in banks

Figure 5.18 illustrates the perceived effectiveness of forensic audits. The majority of respondents believe forensic audits are highly effective, with 52% rating them as "very effective" and another 7% as "extremely effective." In contrast, a smaller portion of respondents see them as only "moderately effective" (24%) or "slightly effective" (17%), suggesting a broad consensus on their significant positive impact.

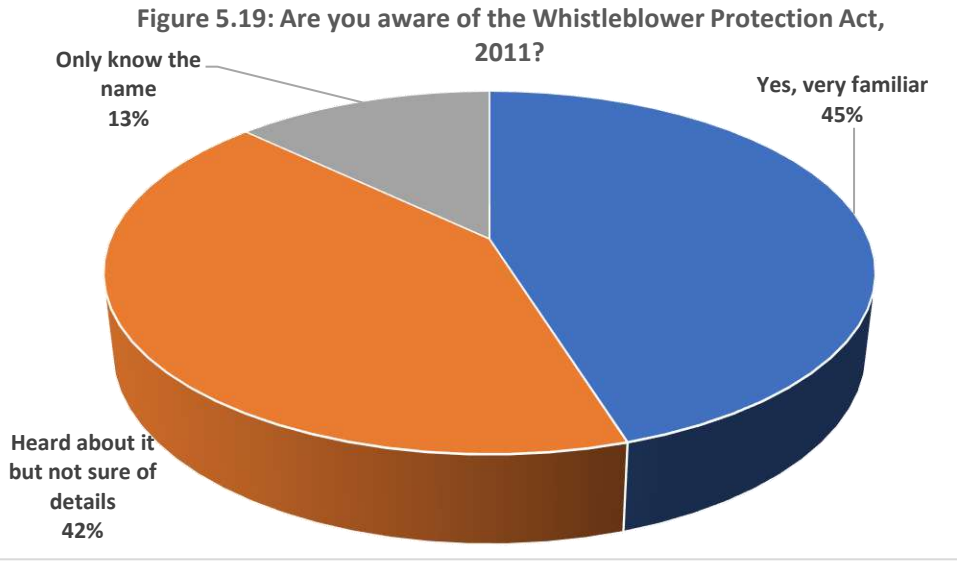


Source: Questionnaire Survey

D. Whistleblower Protection Act, 2011

5.20 Awareness of Whistleblower Protection Act, 2011

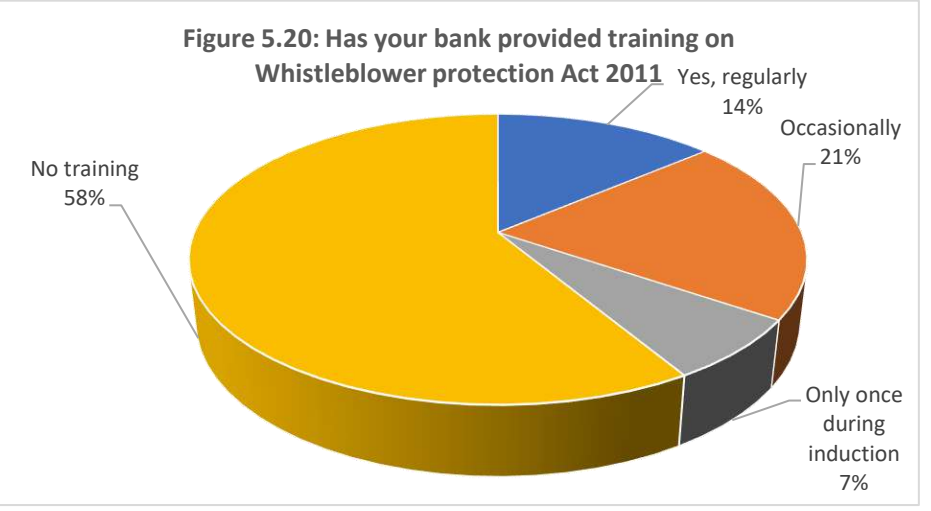
The effectiveness of an act often depends on the awareness and active participation of its stakeholders. Figure 5.19 illustrates the level of awareness regarding the Whistleblower Protection Act, 2011 among respondents. Nearly half (45%) reported being very familiar with the Act, while 42% had only heard about it without knowing the details, and 13% recognized only its name. These findings highlight a significant gap between awareness and in-depth understanding, underscoring the need for broader dissemination and clarification of the Act's provisions.



Source: Questionnaire Survey

5.21 Training on Whistleblower protection Act 2011

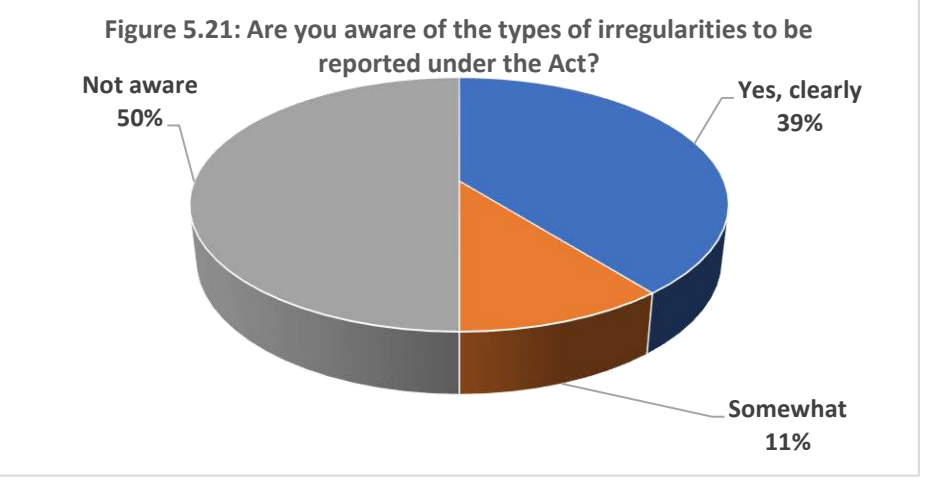
Training help raise awareness among the stakeholders. Figure 5.20 presents the extent of training provided by banks on the Whistleblower Protection Act, 2011. The **majority of** respondents (58%) reported receiving no training, while smaller proportions noted occasional sessions (21%), regular training (14%), or a one-time induction session (7%). This distribution reflects a considerable training gap, indicating that most institutions have yet to institutionalize systematic awareness-building on the Act.



Source: Questionnaire Survey

5.22 Awareness of the types of irregularities to be reported under the Whistleblower Act, 2011

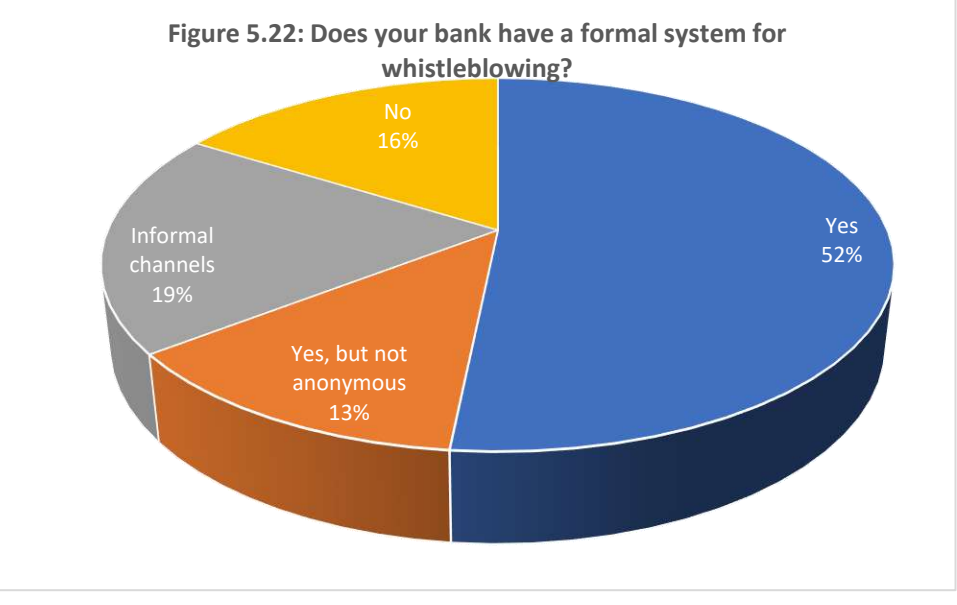
Figure 5.21 highlights respondents' awareness of the types of irregularities to be reported under the Whistleblower Protection Act, 2011. Half of the participants (50%) admitted having no awareness, while 39% clearly understood the reporting criteria and 11% had only partial knowledge. These results underscore a significant knowledge gap, suggesting that targeted awareness initiatives are essential to enhance effective utilization of the Act.



Source: Questionnaire Survey

5.23 Formal system for whistleblowing

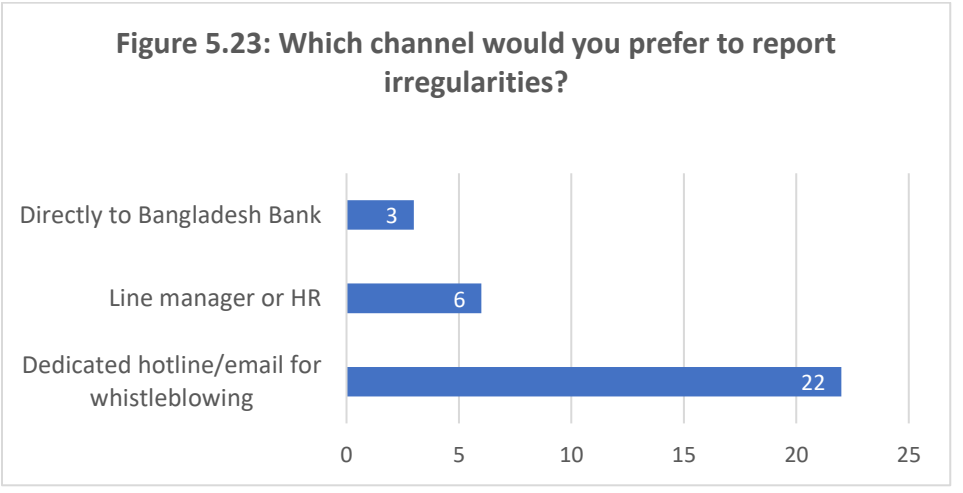
Figure 5.22 shows that the majority of surveyed banks (52%) reported having an anonymous and secure formal whistleblowing system. In contrast, 19% relied on informal channels, while 16% had no formal mechanism in place, revealing a significant gap in the adoption of structured whistleblowing frameworks. This disparity indicates that although some institutions have embraced best practices for transparency and accountability, many still lack the robust systems required to protect whistleblowers and promote the reporting of misconduct.



Source: Questionnaire Survey

5.24 Preferred channel to report irregularities

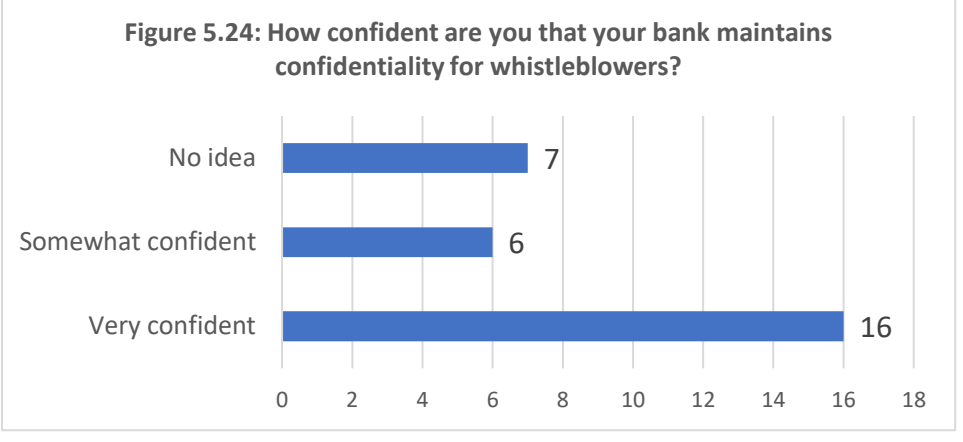
Figure 5.23shows that the majority of respondents prefer a dedicated hotline or email for whistleblowing, with 22 selecting this option. In contrast, fewer favored reporting to a line manager or HR (6) or directly to the Bangladesh Bank (3). The findings indicate stronger confidence in independent, specialized systems over hierarchical or external channels.



Source: Questionnaire Survey

5.25 Maintaining Confidentiality of the Whistleblower

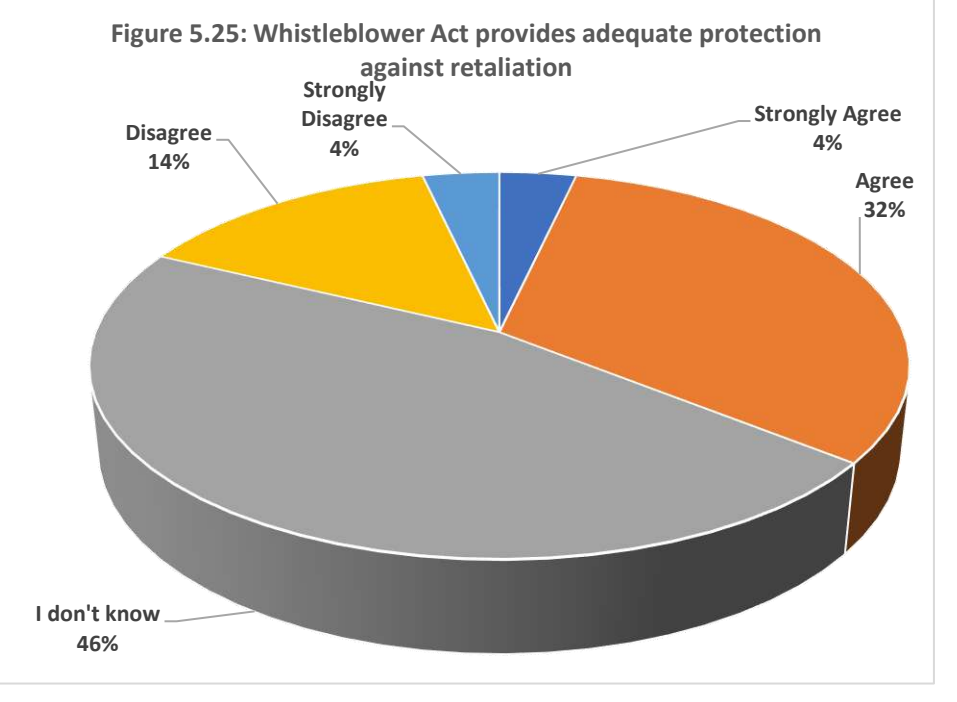
Maintaining confidentiality is the key to promote and protect whistleblower to report irregularities. Figure 5.24shows that the largest group of respondents (16) expressed high confidence in their bank's confidentiality. In contrast, 6 were "somewhat confident" and 7 had "no idea," while none reported being "not confident." These findings indicate that although most feel secure, a notable share remains uncertain, highlighting the need for better communication and trust-building.



Source: Questionnaire Survey

5.26 Perceived Protection Against Retaliation under the Whistleblower Act, 2011

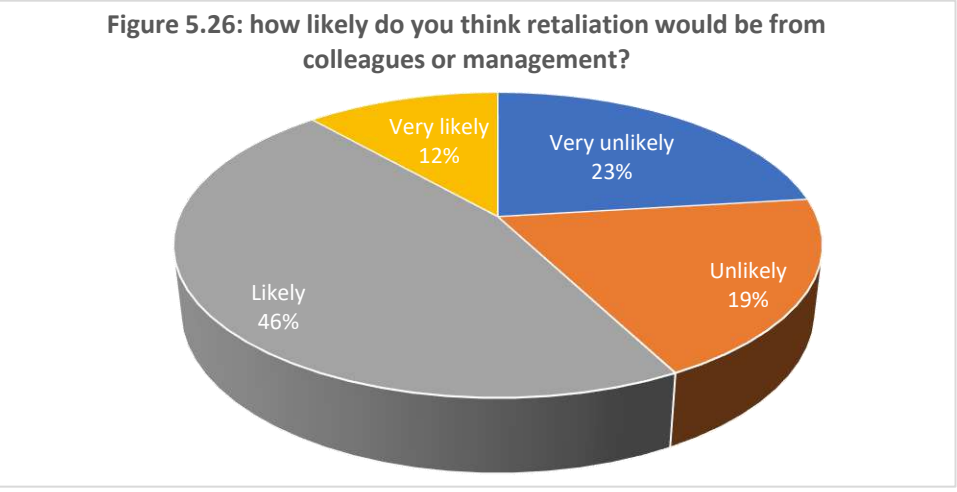
Figure 5.25 shows that a significant portion of respondents (13) are uncertain about the Act's protective capabilities. This large group of "I don't know" contrasts with the 10 respondents who agree or strongly agree, and the 5 who disagree or strongly disagree. The findings highlight a considerable gap in awareness and confidence regarding the Act's effectiveness in safeguarding whistleblowers.



Source: Questionnaire Survey

5.27 Likelihood of Retaliation from Colleagues or Management

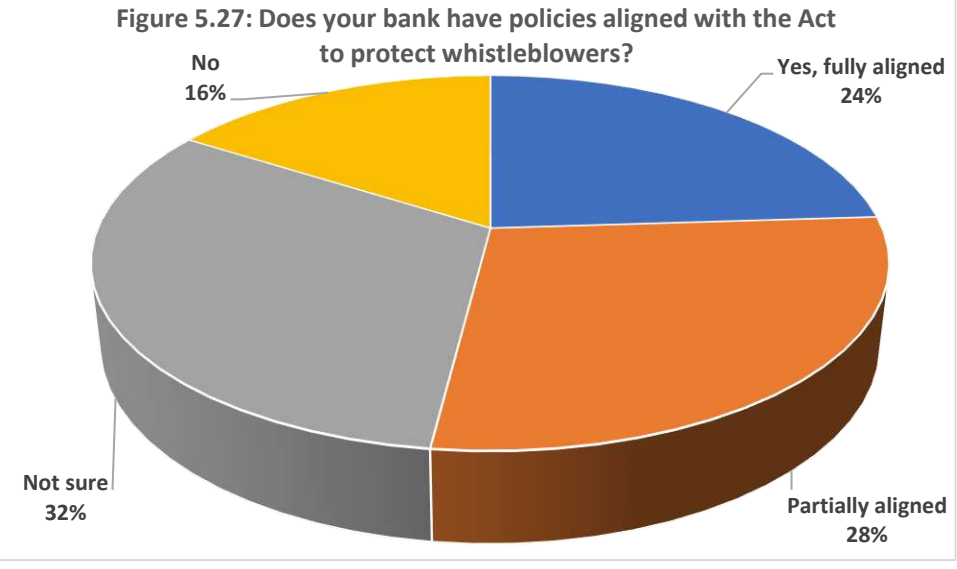
Figure 5.26 shows that substantial proportion of respondents (46%) believe retaliation is likely. In contrast, 42% consider it either unlikely or very unlikely, while 12% view it as very likely. These findings reveal a prevailing fear of reprisal, which may act as a significant deterrent to whistleblowing.



Source: Questionnaire Survey

5.28 Policies aligned with the Act to protect whistleblowers

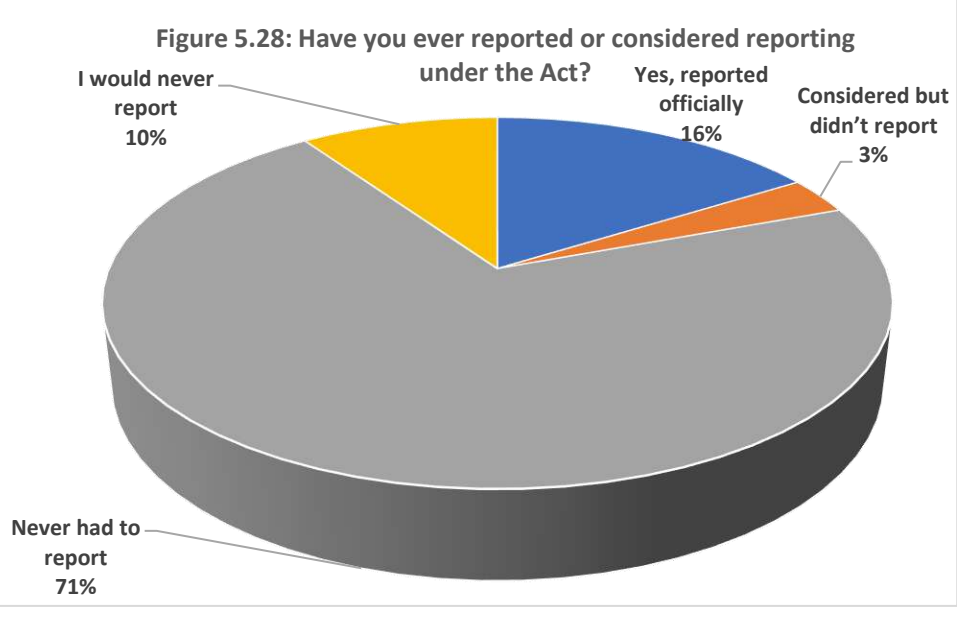
Figure 5.27 shows that **a** large proportion of respondents (32%) were unsure whether their bank's policies align with the Act. This uncertainty, coupled with only 24% reporting full alignment and 28% indicating partial alignment, points to a considerable gap in policy implementation or communication, which may hinder effective whistleblower protection.



Source: Questionnaire Survey

5.29 Actual Status of Reporting Irregularities under Whistleblower Act

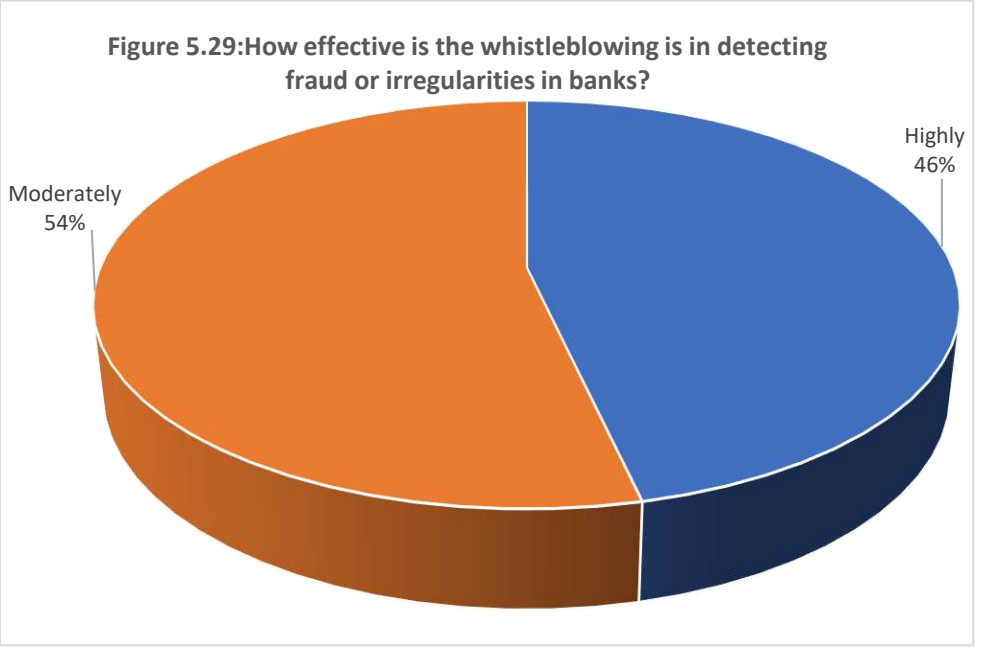
Figure 5.28: shows that a substantial majority of respondents (71%) have never had a reason to report. This contrasts with the combined 19% who have either reported officially or considered reporting, and the 10% who would never report. The data indicates that while most have not encountered a situation requiring a report, a notable minority have contemplated or utilized the official channel.



Source: Questionnaire Survey

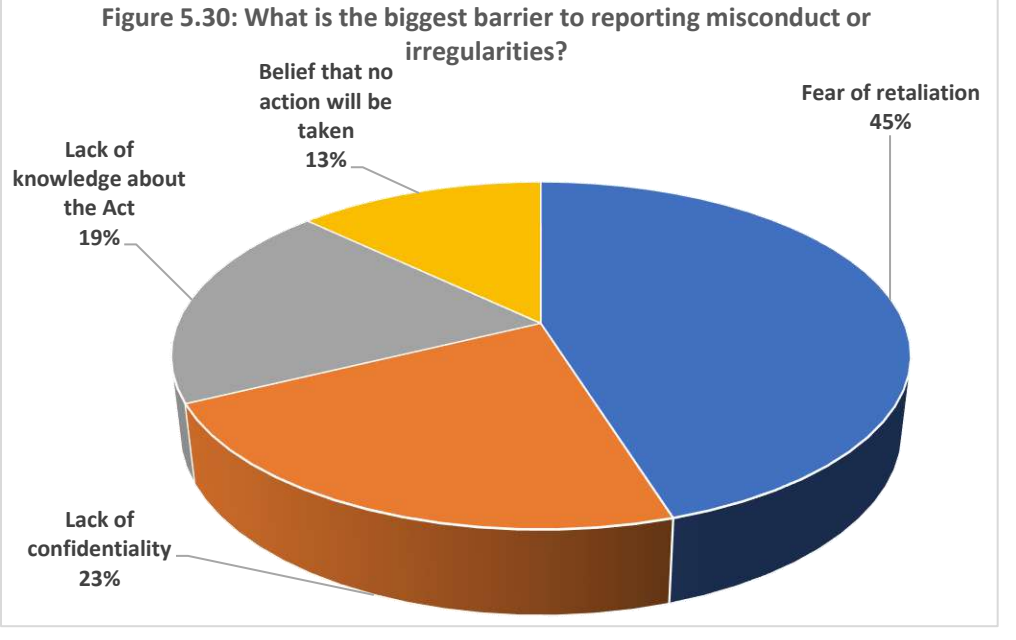
5.30 Perceived Effectiveness of the whistleblowing in detecting fraud or irregularities

Figure 5.29 shows how effective the whistleblowing is in detecting fraud or irregularities in banks. It reveals that respondents perceive whistleblowing as either moderately (54%) or highly (46%) effective. There's a consensus that the practice is effective, as no one believes it is low or not effective at all. This suggests a strong belief in the utility of whistleblowing for internal oversight.



Source: Questionnaire Survey

5.31 Top Barriers to reporting misconduct or irregularities



Source: Questionnaire Survey

5.32 Suggested Measures for Enforcing Whistleblower Protection Act 2011 Effectively

The Whistleblower Protection Act 2011 was enacted to safeguard individuals who disclose corruption, fraud, or irregularities. However, its effectiveness has been limited due to weak enforcement, lack of awareness, and systemic challenges. Respondents suggested the following measures to strengthen its functionality and impact. Table 5.1 shows that to make the Whistleblower Protection Act 2011 effective, Bangladesh must combine awareness-building, strong oversight, confidentiality safeguards, and systemic reforms. High-priority actions should focus on enforcement, independence, and protection, while incentives and institutional adjustments provide additional support. Implementing these measures will foster a culture of transparency, accountability, and trust in governance.

Table 5.1: Suggested Measures for Enforcing Whistleblower Protection Act 2011 Effectively

Area	**Suggested Measures**
1. Awareness and Training	• Launch coordinated national awareness campaigns, seminars, and workshops. • Provide continuous training for employees and circulate regular information (e.g., monthly leaflets). • Rationale: Whistleblowers must be aware of their rights, protections, and reporting procedures to build trust in the system.
2. Independent Oversight and Enforcement	• Establish an empowered independent body (under ACC or another competent authority). • Ensure legal safeguards against retaliation such as harassment, demotion, or dismissal. • Strengthen judiciary processes for timely resolution of whistleblower cases. • Rationale: Strong oversight is critical to prevent the Act from being symbolic and ensure genuine protection.
3. Confidentiality and Data Protection	• Maintain strict confidentiality of whistleblower identities. • Guarantee strong data secrecy and ensure evidence-based documentation of disclosures.

Area	Suggested Measures
	• Rationale: Without confidentiality, whistleblowers will hesitate to come forward due to fear of exposure.
4. Regulatory and Institutional Strengthening	• Strengthen regulatory monitoring in sensitive sectors like banking. • Require disclosures to be submitted directly to Bangladesh Bank instead of individual banks. • Provide protection for officers handling disclosures. • Rationale: Proper reporting channels reduce conflicts of interest and ensure impartial handling.
5. Rewards and Incentives	• Introduce recognition or reward systems to encourage whistleblowers. • Provide institutional, social, and state-level safety for whistleblowers. • Rationale: Incentives balance risks and encourage disclosures that might otherwise remain hidden.
6. Addressing Systemic Barriers	• Reduce political influence, red-tapism, and corruption that hinder enforcement. • Make the Act more elaborate, realistic, and culturally adaptable to the Bangladeshi context. • Rationale: Tackling structural challenges is essential for meaningful implementation.

Source: Questionnaire Survey

5.33 Application of Forensic Audits to Manage Willful Default

Respondents expressed their opinions about how forensic audits can be used as an effective tool in managing willful loan defaults. The table highlights key issues such as the diversion of funds, the concealment of true ownership, and the need for stronger evidence to support legal and recovery actions.

Table 5.2: How the Forensic Audits can help in Managing Willful Default

Measures	How Forensic Audit Can Help
Early detection & monitoring	- Tracks movement of loan proceeds from disbursement to final use. -Detects fund diversion, collusion, and fraudulent intent. - Uses red flag accounts, early warning signals, market intelligence, and branch-level vigilance.

Measures	How Forensic Audit Can Help
Beneficial ownership analysis	- Examines customer data to identify real beneficiaries and hidden ownership structures. - Exposes collusion between borrowers, insiders, and third parties.
Evidence for legal & regulatory action	-Collects admissible evidence for courts and regulators. - Supports legal proceedings, prosecution, and disciplinary measures. - Helps in blacklisting habitual defaulters and restricting future credit access.
Recovery support	-Traces diverted assets for recovery. -Identifies root causes of irregularities. - Guides corrective measures to prevent similar defaults.
Strengthening credit discipline	-Provides systematic evidence-based reports. - Enhances policy measures like public disclosure of large willful defaulters. - Deters future willful defaults by setting precedent.
Institutional & operational support	- Requires auditor independence, access to data/files, and adequate logistics. -Ensures safety/security of auditors. - Recommends filing loan security documents with Bangladesh Bank instead of individual banks.

Source: Questionnaire Survey

5.34 Measures that can be taken within the bank to facilitate forensic audit

Respondents suggested several measures that banks can implement to facilitate forensic audits, focusing on six critical areas. Table 5.3 outlines these measures across internal controls, data management, and technology infrastructure, highlighting the need for systemic improvements to support effective fraud detection and prevention. Overall, the table underscores the necessity of a coordinated, multi-faceted approach that combines robust governance, advanced technological tools, and skilled personnel to enhance a bank's capacity to conduct thorough investigations.

Table 5.3: Measures that can be taken within the bank to facilitate forensic audit

Areas	Suggested Key Measures
Internal Controls & Governance	Strengthen internal controls and segregation of duties; enforce rules & regulations; ensure good governance and BoD/SMT commitment; conduct risk assessments and assess management integrity.
Documentation & Data Management	Maintain proper records and preserve evidence; centralize document management; ensure access to real-time transactional data; standardize CBS systems and monitor access; establish robust MIS; enable data sharing with government/other banks.
Dedicated Forensic Audit Infrastructure	Form independent forensic audit teams; strengthen internal audit with independence; conduct both digital and traditional forensic audits.
Technology & Digital Forensics	Conduct ICT & cybersecurity audits; adopt forensic tools/software and cloud-based solutions; implement early warning/red-flag systems; automate document verification; perform onsite operational reviews and real-time compliance monitoring.
Capacity Building & Training	Recruit experienced professionals; train auditors including IT-background staff; run continuous skill development and awareness programs; provide clear guidelines and procedures.
Legal & Regulatory Coordination	Collaborate with legal teams and regulatory authorities; secure support for enforcement and evidence collection.

Source: Questionnaire Survey

5.35 Suggested Measures for strengthening Forensic Audits in Banks

Table 5.4 provides a comprehensive overview of suggested measures for strengthening forensic audits in banks, categorized into key areas like policy, governance, and technology. The proposed measures collectively address the need for a more robust legal framework, greater auditor independence, and enhanced technological capabilities to effectively combat financial fraud and willful defaults.

Table 5.4: Suggested Measures for strengthening Forensic Audits in Banks	
Areas	Suggested Measures
Policy and Legal Framework	• Enact a dedicated Forensic Audit Act defining clear responsibilities, rules, and auditor accountability. • Issue and update Bangladesh Bank (BB) guidelines and ICC manuals. • Institutionalize forensic audits within banking law and governance policies**.**
Independence and Governance	• Ensure auditor independence, job security, and protection from retaliation. • Place forensic/internal audit units under the Board Audit Committee, separate from business lines. • Strengthen corporate governance and transparency across banks and government agencies. • Encourage a compliant organizational culture that supports implementation of audit recommendations.
Capacity Building and Training	• Conduct regular training, certifications, and skill development for auditors, covering analytical, investigative, and problem-solving skills. • Provide practical exposure: forensic interviews, document examination, digital forensics, and fraud detection software. • Strengthen capacity in banks, audit firms, and regulators, including in-house forensic audit departments. • Institutes like BIBM should provide training, research, and awareness programs.
Technology and Tools	• Adopt digital forensic tools, fraud detection software, and secure data-sharing systems. • Integrate banking data with tax, customs, land registry, and cross-border asset tracking via Mutual Legal Assistance Treaties. • Develop specialized forensic audit software and investigative tools.

Coordination and Oversight	• Strengthen cross-institutional coordination among banks, BB, auditors, law enforcement, regulators, and courts. • Ensure accountability of audit firms, surveyors, and valuation companies. • Conduct regular monitoring and periodic forensic audits to ensure compliance and effectiveness. • Include foreign expert auditors with local teams to enhance expertise**.**
Protection and Reporting Mechanisms	• Enforce Whistleblower Protection Act and safeguard reporting employees. • Establish a direct reporting line for forensic audit reports to BB's Department of Supervision (DOS). • Consider special courts or legal mechanisms for prompt resolution of banking fraud cases. • Publish abridged audit reports to demonstrate action, not just intention.

Source: Questionnaire Survey

5.36. Case Studies

The following case studies illustrate major financial irregularities in Bangladesh's banking sector, highlighting the role of forensic audits in uncovering fraud, identifying systemic weaknesses, and prompting regulatory or corrective actions.

Case 1: Hallmark–Sonali Bank Loan Scam (2012)

- Fraud: BDT 3,547 crore embezzled through fake loan documents.
- Forensic Findings: Document forgery, insider collusion, weak oversight.
- Regulatory Outcome: ACC prosecutions; BB tightened credit approval processes.

Case 2: BASIC Bank Loan Scandal (2010–2014)

- Fraud: Over BDT 4,500 crore disbursed to shell companies.
- Forensic Findings: Lack of due diligence, board-level political interference.
- Outcome: BB dissolved the board; ACC filed 56 cases.

Case 3: Janata Bank – Crescent Group Scam (2018)

- Fraud: BDT 3,500 crore siphoned through fake export documents.
- Forensic Findings: Forged documentation and collusion with insiders.
- Outcome: BB strengthened export finance monitoring.

Case 4: Bangladesh Bank Cyber Heist (2016)

- Fraud: USD 81 million stolen via fraudulent SWIFT transfers.
- Forensic Findings: Malware infiltration, weak IT controls, poor incident response.
- Impact: Led to ICT Security Guidelines (2020) and global scrutiny of BB's cyber defenses.

Case 4: S. Alam Group scam (2025)

- Fraud: The Anti-Corruption Commission (ACC) filed a case ahgainst S. Alam group on charge of embezzlement of Tk. 10.92 billion from Islami Bank Bangladesh PLC [6]
- Findings: The group had syphoned these money bypassing compliance procedure and other applicable rules & regulations
- Impact: The bank severely suffering from the liquidity and customer confidence

The review of global and Bangladeshi policy frameworks, along with survey findings, reveals significant gaps in regulations and preparedness for institutionalizing forensic audits in banks. To address these deficiencies, forensic audits should be formally established with clear legal mandates and comprehensive regulatory guidance. Standardizing practices through globally recognized frameworks, such as FAIS or ISA 240, will enhance consistency and reliability in fraud detection. Strengthening governance and capacity is also critical, including systematic training, auditor independence, and robust internal controls. Moreover, proactive monitoring of high-risk transactions is essential to prevent financial fraud, willful defaults, and operational mismanagement. Implementing these measures can improve corporate governance, reinforce financial integrity, and boost investor confidence, thereby creating a resilient and transparent banking system capable of mitigating current and emerging financial risks.

[6] Financial Express, dated August 18, 2025

6.0 Major Observations and Policy Suggestions (Not in Order of Priority)

A number of critical issues emerged from the review of existing academic literature, responses obtained through Focus Group Discussions (FGDs) and questionnaires, as well as relevant cross-country experiences. These issues were placed before the roundtable for deliberation, and the following policy suggestions are derived from these inputs. The purpose of presenting these issues is to facilitate informed discussion and support the generation of actionable, evidence-based policy recommendations.

6.1 Establishing a dedicated Forensic Audit Unit within banks

Establishing a dedicated Forensic Audit Unit within banks requires careful consideration of organizational design, governance, and operational effectiveness. Key issues include whether existing "Special Audit" functions should be transformed into forensic units and what factors—such as cost–benefit, the influence of the accused, the nature of fraud, and internal versus external involvement—should guide audit initiation. The unit's structure must balance independence, efficiency, and accountability, with clearly defined minimum staffing levels that include an appropriate mix of rank, expertise, and experience. Clear reporting lines, whether to the Board Audit Committee, senior management, or the regulator, are essential, alongside safeguards to protect auditors from retaliation or undue influence.

The most effective model is a centralized, board-mandated Forensic Audit Unit that reports directly to the Board Audit Committee, operates independently from the internal audit division, and is staffed with a multidisciplinary team comprising forensic accountants, IT specialists, legal experts, and investigative professionals. This structure will ensure strategic oversight at the highest governance level while preserving full operational autonomy, minimizing conflicts of interest, and enabling rapid, technically robust responses to complex financial irregularities.

6.2 Scope of Forensic Audit for Internal Units

Determining the scope and boundaries of forensic investigations is critical for effective fraud management in banks. Internal audits may focus on operational or lower-level irregularities, while high-level, systemic, or board-related misconduct often requires external investigation. Clear demarcation of responsibilities among Internal Audit, Compliance, and Forensic Audit units ensures efficiency and accountability. The unit must define its scope to encompass fraud, willful default, money laundering, cyber fraud, and governance failures, and use cost–benefit analysis to guide the choice between internal and external probes.

Banks can optimally balance internal oversight with external expertise by adopting a tiered investigation framework in which routine and operational anomalies are handled internally, while complex, high-stakes, or multi-jurisdictional cases are escalated to accredited external forensic specialists. This hybrid model enhances independence, preserves institutional knowledge, mitigates conflicts of interest, and ensures methodological rigor - thereby maximizing both fraud detection and long-term fraud prevention.

6.3 Forensic Audit Guidelines by Bangladesh Bank

Establishing formal forensic audit guidelines by Bangladesh Bank could provide a robust framework for standardizing procedures, clarifying responsibilities, and ensuring consistent reporting across the banking sector. Such guidelines should be tailored to factors including fraud complexity, bank size, risk exposure, and the involvement of senior management, while detailing the organization, staffing, and qualifications of internal forensic units. Clear reporting structures, accountability mechanisms, and safeguards to protect auditors from retaliation or undue influence are essential.

Bangladesh Bank can develop comprehensive guidelines by introducing a risk-based regulatory framework, setting clear requirements for minimum competency, independence, and reporting standards, and embedding enforceable accountability measures. These guidelines should be implemented in phases, tailored to the capacity of each institution, and

supported by strong supervisory oversight and targeted capacity-building initiatives.

6.4 External Forensic Auditor Panel

Establishing a formal panel of external forensic auditors, akin to statutory audit panels, could enhance the effectiveness of fraud detection in banks. Such auditors should possess advanced qualifications, certifications, and demonstrable expertise in forensic accounting, while independence can be safeguarded through prior engagement restrictions, rotation, and cooling-off periods. External auditors could handle high-risk cases involving senior management, large-scale fraud, or politically exposed persons, with clear delineation of responsibilities from internal units and robust safeguards for sensitive data.

In response to the question of whether regulatory authorities such as Bangladesh Bank or the Financial Reporting Council should oversee the panel to ensure quality, accountability, and discipline, roundtable discussants agreed that Bangladesh Bank should take the lead, with support from the Financial Reporting Council. Such oversight would help maintain uniform professional standards, strengthen accountability, and ensure consistent disciplinary practices, thereby safeguarding the panel's credibility across institutions.

6.5 Whistleblower Protection and Enforcement

Effective enforcement of the Whistleblower Protection Act requires a multi-faceted approach that ensures confidentiality, accountability, and transparency. Mechanisms such as anonymous reporting channels, hotlines, and independent complaint units or officers can facilitate safe and timely reporting, while regulators play a critical role in monitoring, investigating, and enforcing penalties. Awareness campaigns and robust legal, procedural, and organizational safeguards further strengthen trust in the system.

To develop a framework that safeguards whistleblowers while ensuring effective oversight, the roundtable recommended an integrated approach encompassing statutory clarity, independent institutions, procedural

safeguards, and robust monitoring. This entails enacting a rights-based Whistleblower Protection Act that clearly defines covered individuals, protected disclosures, and safeguards such as confidentiality, non-retaliation, and remedial mechanisms. An independent Whistleblower Protection Authority (WPA) should be empowered to investigate and enforce compliance, operate with budgetary autonomy, and report to parliament. Organizations must implement secure, multi-channel reporting systems with evidence-preserving protocols, strict confidentiality, data protection, and enforceable anti-retaliation measures. Procedural fairness, judicial review, and expedited dispute resolution must be guaranteed, while corporate governance and regulatory oversight should institutionalize whistleblower policies. Collectively, these measures establish a comprehensive, actionable framework that balances individual protection with effective oversight, making whistleblowing both safe and instrumental in strengthening accountability and governance.

6.6 Role of ICAB and FRC in Strengthening Forensic Audit

The Institute of Chartered Accountants of Bangladesh (ICAB) and the Financial Reporting Council (FRC) play a pivotal role in strengthening forensic auditing in the country. Key responsibilities may include issuing and enforcing Forensic Accounting and Investigation Standards (FAIS) for external auditors, providing targeted training and professional development for both external and internal forensic audit teams, and ensuring accountability for negligence, conflicts of interest, or non-compliance with established standards.

ICAB and FRC can enhance audit integrity and effectiveness in the banking sector by implementing a coordinated regulatory framework that mandates continuous professional education, periodic peer reviews, and standardized reporting; adopting a risk-based oversight approach targeting high-risk institutions and transactions; leveraging technology for real-time monitoring and advanced data analytics; and fostering collaboration among regulators, auditors, and financial institutions to ensure transparency, accountability, and strict compliance with forensic audit standards.

6.7 Strengthening Internal Control and Compliance (ICC)

Strengthening internal control and compliance (ICC) in banks is pivotal for establishing a robust line of defense against fraud, mismanagement, and operational inefficiencies. Systemic vulnerabilities—such as weak oversight, inadequate segregation of duties, and limited monitoring—create opportunities for financial irregularities. Strengthening internal audit functions through enhanced staffing, authority, and technical expertise ensures timely detection and prevention of misconduct. Complementary governance and regulatory measures—including rigorous reporting, accountability mechanisms, and adherence to global standards—further reinforce transparency and operational resilience.

Banks in Bangladesh can enhance fraud prevention by adopting a multi-layered ICC framework that combines risk-based audits, advanced analytics for anomaly detection, and continuous training of compliance personnel. An independent ICC oversight committee reporting to the board, automated monitoring aligned with Bangladesh Bank guidelines, and policies promoting ethics and whistleblower protection strengthen accountability and proactive compliance. Coupled with regulatory engagement, stress-testing, and adherence to international best practices, this approach builds a resilient, fraud-resistant framework safeguarding financial stability.

References

ACFE. (2014). *Report to the nations on occupational fraud and abuse: 2014 global fraud study*. Association of Certified Fraud Examiners. https://www.acfe.com

ACFE. (2016). *Report to the nations on occupational fraud and abuse: 2016 global fraud study*. Association of Certified Fraud Examiners. https://www.acfe.com

Ahmed, A., & Khan, M. (2018). *[Title of the study—digital forensics in Bangladesh]*. (Unavailable full details; based on case study context—Miah & Sultana, 2019).

AICPA. (2024). *Statement on Standards for Forensic Services.* https://www.aicpa-cima.com/resources/download/statement-on-standards-for-forensic-services

Appah, E., & O. C. E. (2023). Forensic auditing and fraud prevention in corporate organizations. *International Journal of Accounting and Finance Studies, 11*(2), 55–70.

APRA. (2023). *Prudential standards and guidance.* https://www.apra.gov.au

ASIC. (2023). *Corporate and financial services regulation.* https://asic.gov.au

Bhasin, M. L. (2016). Contribution of forensic accounting to corporate governance: An exploratory study of an Asian country. *International Business Management, 10*(4), 479–492.

Bhattacharya, S., Xu, D., & Kumar, K. (2011). An ANN-based auditor decision support system using Benford's law. *Decision Support Systems*, *50*(3), 576–584. https://doi.org/10.1016/j.dss.2010.08.011

Bolton, R. J., & Hand, D. J. (2002). Statistical fraud detection: A review. *Statistical Science, 17*(3), 235–255. https://doi.org/10.1214/ss/1042727940

Cressey, D. R. (1953). *Other people's money: A study in the social psychology of embezzlement.* Free Press.

Cressey, D. R. (1973). Why do trusted persons commit fraud? *Journal of Accountancy, 126*(5), 30–36.

Crumbley, D. L., Heitger, L. E., & Smith, G. S. (2019). *Forensic and investigative accounting* (9th ed.). CCH Incorporated.

Eguando, P. (2023). Forensic auditing techniques and fraud detection in financial institutions. *Journal of Contemporary Accounting Studies, 7*(1), 89–105.

Ezekiel, A. (2022). Forensic auditing practices and fraud prevention in financial institutions. *Journal of Accounting and Financial Studies, 14*(2), 45–58.

Esther, O., Akinola, J., & Bello, T. (2023). Investigative methodologies in forensic auditing: Implications for financial accountability. *African Journal of Accounting Research, 15*(2), 101–118.

European Banking Authority. (n.d.). *Accounting and auditing.* https://www.eba.europa.eu/regulation-and-policy/accounting-and-auditing

European Commission. (2022). *Digital Operational Resilience Act (DORA) Regulation (EU) 2022/2554.* https://eur-lex.europa.eu/eli/reg/2022/2554/oj

European Commission. (2024a). *Regulation (EU) 2024/1624 on anti-money laundering and countering the financing of terrorism.* https://eur-lex.europa.eu/eli/reg/2024/1624/oj

European Commission. (2024b). *Regulation (EU) 2024/1620 establishing the European Anti-Money Laundering Authority (AMLA).* https://eur-lex.europa.eu/eli/reg/2024/1620/oj

Financial Conduct Authority. (2023). *Regulatory framework for financial services.* https://www.fca.org.uk

Gangwani, S. (2020). Forensic auditing as a tool for fraud detection in the banking sector. *International Journal of Accounting Research, 8*(3), 1–9. https://doi.org/10.35248/2472-114X.20.8.321

Hidayah, N., & Ratmono, D. (2025). Digital forensics in forensic auditing: Detecting fraud in electronic transactions. *Journal of Accounting and Digital Innovation, 4*(1), 15–29.

Hoque, M. M., Begum, R. A., & Ahmad, M. (n.d.). *Forensic accounting importance and concepts: Evaluating its scope of application in Bangladesh.* (Unpublished manuscript). ResearchGate

Hossain, M. (2024). Forensic accounting and fraud reduction: Evidence from emerging markets. *Asian Journal of Accounting and Governance, 15*(1), 55–70.

Houck, M. M., Kranacher, M. J., Morris, B. W., Riley, R. A., Robertson, J. C., & Wells, J. T. (2006). Forensic accounting as an investigative tool:

Developing curriculum and research issues for the future. *Journal of Forensic Accounting, 7*(1), 1–34.

Ikpe, O., & Uwah, U. (2023). Forensic auditing and organizational transparency: A review. *International Journal of Finance and Management Studies, 5*(3), 45–59.

Jahan, A., & Rahman, S. (2018). [Case study on Hallmark Group Scandal]. In *Enhancing audit effectiveness through forensic accounting: A case study approach* (pp. X–X). ResearchGate

Kassem, R., & Higson, A. (2012). The new fraud triangle model. *Journal of Emerging Trends in Economics and Management Sciences, 3*(3), 191–195.

Leo, S., Abdurrahman, M., & Chen, Y. (2022). Data analytics and forensic auditing: Enhancing fraud detection in the digital era. *Journal of Accounting Technology and Research, 10*(2), 67–83.

Miah, M., & Sultana, N. (2019). [Discussion of Bangladesh banking frauds and need for digital forensics]. In *Enhancing audit effectiveness through forensic accounting: A case study approach* (pp. X–X). ResearchGate

Mohammadi, S., Nezhad, B. M., Mohammadi, A., & Zahmati, F. (2015). Benford's law and its application in auditing. *The Journal of Industrial Distribution & Business, 6*(2), 13–16. https://doi.org/10.13106/ijidb.2015.vol6.no2.13

Murtanto, H., Susanto, Y., & Rahman, F. (2023). Internal versus external forensic auditors: Determinants of effectiveness in fraud investigations. *Journal of Forensic Accounting and Auditing, 5*(1), 22–38.

Mvunabandi, D. (2023). Forensic auditing and financial accountability in public institutions. *Journal of Public Sector Accounting, 12*(2), 88–104.

Olukowade, E. O., & Balogun, S. A. (2015). Forensic accounting and auditors' responsibility: Evidence from Nigeria. *International Journal of Business and Social Science, 6*(1), 110–118.

Osanyinbola, A. (2024). Forensic auditing and litigation support in emerging economies. *International Journal of Accounting and Financial Management, 9*(1), 13–29.

Owojori, A. A., & Asaolu, T. O. (2009). The role of forensic accounting in solving the vexed problem of corporate world. *European Journal of Scientific Research, 29*(2), 183–187.

Oyerogba, E. (2021). Forensic accounting and audit investigation: Bridging the gap in fraud detection. *International Journal of Finance and Accounting Research, 8*(2), 55–72.

Public Company Accounting Oversight Board. (2024). *About the PCAOB.* https://pcaobus.org/about

Rezaee, Z. (2002). *Financial statement fraud: Prevention and detection.* John Wiley & Sons.

RBI. (2024). *Master Directions on Fraud Risk Management.* https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx

Securities Commission Malaysia. (2021). *Malaysian Code on Corporate Governance (MCCG 2021).* https://www.sc.com.my

SEBI. (2025). *Panel of Forensic Auditors.* https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes

Siddique, M. (2017). [Detailed process of fraud in Hallmark–Sonali Bank loan scandal]. In *Audit-Report-Shoaib* (Chapter 3). Studocu

Sudarmadi, S. (2022). Specialized expertise in forensic auditing and fraud detection effectiveness. *Asian Journal of Accounting and Finance, 4*(3), 122–137.

T. A., Rahman, S., & Khalid, M. (2023). Challenges of forensic auditing in developing economies: A regulatory perspective. *Journal of Financial Regulation and Compliance, 31*(2), 189–204.

U.S. Government Accountability Office. (2018). *Government Auditing Standards (2018 Revision).* https://www.gao.gov/assets/gao-18-568g.pdf

U.S. Securities and Exchange Commission. (2024). *Sarbanes–Oxley Act of 2002.* https://www.sec.gov/about/laws/soa2002.pdf

Vukadinović, P., Mitić, S., & Stanković, A. (2015). The role of forensic auditing in fraud detection. *Economic Horizons, 17*(3), 249–260. https://doi.org/10.5937/ekonhor1503249V

Wahyuandari, R. (2025). Forensic audit and fraud prevention: An empirical study in financial institutions. *Journal of Contemporary Accounting Research, 12*(1), 77–95.

Wahyudi, R., Hasanah, U., & Putra, I. (2024).

Appendix

Appendix Table 1: List of Banks that Participated in the Questionnaire Survey	
Sl. No.	Types and Names of Banks
	A. State Owned Commercial Banks
1	Sonali Bank PLC
2	Bangladesh Development Bank PLC
3	Agrani Bank PLC
4	Rupali Bank PLC
5	BASIC Bank
	B. Private Commercial Banks
6	AB Bank PLC
7	Prime Bank PLC
8	Shimanto Bank PLC
9	BRAC Bank PLC
10	Eastern Bank PLC
11	Dutch Bangla Bank PLC
12	Mercantile Bank PLC.
13	National Credit and Commerce Bank PLC
14	SBAC Bank PLC
15	Bangladesh Commerce Bank Limited
16	Community Bank Bangladesh PLC
17	NRBC Bank PLC
18	IFIC Bank PLC
19	Uttara Bank PLC
20	Padma Bank PLC
21	South Bangla Agriculture and Commerce Bank PLC
22	Pubali Bank PLC
23	ONE Bank PLC
	C. Islamic Banks
24	First Security Islami Bank PLC
25	EXIM Bank PLC
26	Global Islami Bank PLC
27	Al-Arafah Islami Bank PLC
28	Islami Bank Bangladesh PLC
29	Union Bank PLC
	D. Foreign Banks
30	Commercial Bank of Ceylon
	E. Others
31	Investment Corporation of Bangladesh

Bangladesh Institute of Bank Management (BIBM)
Plot No.4, Main Road No. 1 (South), Section No. 2, Mirpur, Dhaka-1216
Tel: 48032091-4; 48032097-8, 48032104, E-mail: bibmresearch@bibm.org.bd; Web: www.bibm.org.bd

Price: BDT 300.00
USD 8.00