

## ACCEPTED VERSION

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**What is the 'good' forensic accountant? A virtue ethics perspective**

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# What is the 'good' forensic accountant? A virtue ethics perspective

## Abstract

**Purpose** – The aim of this paper is to explore how Virtue Ethics might inform our understanding about what constitutes 'good' practice in forensic accounting. In particular, the paper explores the concept of phronesis (or practical wisdom) as a basis for guiding the application of professional judgement in forensic accounting practice.

**Design/methodology/approach** – The paper draws on a review of relevant literature.

**Findings** – Prior literature has identified a number of technical and personal characteristics and attributes that are desirable in forensic accounting practitioners. Although being ethical is identified as an important characteristic, the question of what constitutes the 'good' forensic accountant has not hitherto been investigated. Due to the profession's multi-disciplinary and highly technical nature, forensic accountants are significantly at risk of conflating ethics with compliance with the law. The paper suggests that an understanding of Virtue Ethics and especially the virtue of 'phronesis' or practical wisdom will help forensic accountants maintain public confidence and quality in their services and provide practical guidance on the exercise of professional judgement.

**Practical implications** – The paper suggests that the primacy currently given in forensic accounting literature and practice to a commercial logic, technical competencies, and legal compliance risks damaging the professional standing of forensic accountants and, over time, reduces the ability of forensic accountants to exercise professional judgement in complex unstructured situations. Virtue ethics can act as a useful counter point to these threats.

**Social implications** – A recognition of the need for the forensic accounting profession to collectively develop phronesis would re-establish the primacy of the profession's public interest logic and maintain public trust and quality in forensic accounting services.

**Originality/value** – There appears to be no prior literature in forensic accounting which explores the application of Virtue Ethics in this field. In addition, although Virtue Ethics has been the subject of some prior papers in accounting *per se*, the importance of phronesis as a basis for understanding the nature and application of professional judgement has not been addressed.

**Keywords** Virtue Ethics, Phronesis, Professional Judgement, Forensic Accounting

**Paper type** Viewpoint

## Introduction

What is the 'good' forensic accountant? This short but complex question could be debated from various perspectives such as technical competence, knowledge, or ethical behaviour. These perspectives are not, of course, independent – the ethical forensic accountant will, among other things, be technically competent. Often, however, the forensic accounting literature tends to treat the answer to this question in a piecemeal fashion. Surveys of the desired attributes of forensic accountants usually concentrate on the necessary technical knowledge and application skills with scant attention to the ethical dimensions of what it means to be a professional forensic accountant (see, for example, DiGabriele, 2008, Davis *et al.*, 2010, Van Akkeren *et al.*, 2013). For instance, in their survey of CPAs, attorneys and academics for the American Institute of Certified Public Accountants (AICPA), Davis *et al.* (2010) identify that the second or third highest ranked essential trait or characteristic of forensic accountants is that they should be ethical but, in the survey's list of core forensic accounting skills, ethics is notable by its absence. As noted below, many papers in forensic accounting also seem to conflate ethics with the law and codes of conduct. Such a body of literature risks conveying the image that ethics is in some way downgraded or simply assumed in forensic accounting. Rather, a conscious and continuous integration of ethics into all aspects of professional life is essential for promoting excellence in forensic accounting practice.

This paper seeks to demonstrate how ethics can be integrated into forensic accounting practice by exploring what it means to be the 'good'<sup>1</sup> forensic accountant through the lens of Aristotle's Virtue Ethics (Aristotle, trans. 1953). It will be argued that an understanding of what constitutes the virtuous forensic accountant provides useful and practical guidance to forensic accounting practitioners in the delivery of their services and it offers insights for the education of both neophyte and experienced practitioners. In particular, the paper discusses the importance of the need for forensic accountants to develop the key virtue of *phronesis* (phronēsis), or 'practical

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<sup>1</sup> To Aristotle, the term 'good' is synonymous with 'ethical' as his Virtue Ethics approach is based, in part, on the notion that being ethical means that one acts as the good (or excellent) person would act.

wisdom<sup>2</sup>, if they wish to achieve excellence in their profession. It is acknowledged that much of the commentary that follows could apply equally to other accounting sub-disciplines but the focus here reflects the forensic accounting context of this special issue of the journal. There have been prior discussions of virtue ethics in the accounting literature before (see, for example, Doucet and Doucet, 2004, Howieson, 2005, Mintz, 2006, Howieson, 2013, West, 2016) but I am not aware of any applications to forensic accounting. More importantly the application of the concept of phronesis has not been adequately explored in the prior accounting literature (see, for instance, Lehman (2014) where the application of phronesis is primarily limited to its implications for the accounting academy, rather than forensic accounting practice).

In this paper, phronesis is viewed as the equivalent to the forensic accountant's exercise of professional judgement. Although it is an ancient concept, a reinstatement of the central role of phronesis in the practice of forensic accounting (and other) professionals is more timely than ever. Kinsella and Pitman (2012a), Sellman (2012), and Lail *et al.* (2015), for example, have all argued that the practice and education of members of the professions have increasingly suffered from a growing tendency towards a culture of instrumentalism and an overemphasis on the application of rules and the development of technical 'competencies' (so-called skills-based learning). Instrumentalism is driven by the increasing dominance of a commercial logic that permeates professional accounting practices (Greenwood and Suddaby, 2006, Lander *et al.*, 2013) and has come at the expense of one of the defining characteristics of professionals, namely the exercise of professional judgement or, in other words, phronesis. Lail *et al.* (2015, p. 8) suggest that the common regulatory response to external shocks such as high profile corporate scandals is yet more "narrow, compliance-focused legalism" which "perpetuate[s] the illusion of control ... without necessarily inducing real change" in the moral character of professionals. An increasing commercialism of the professions (Lail *et al.*, 2015), including accounting, and demands that universities produce technically 'competent'

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<sup>2</sup> Phronēsis has often been translated as 'prudence' (see, for example, Pieper, 1968) but as that term has a specialised, if disputed, meaning in the accounting literature, it is not used in this paper to avoid the possibility of confusing the reader.

graduates (Sellman, 2012) threaten the profession's and community's means of producing people who can effectively exercise professional judgement. As Sellman (2012, p. 128) warns:

Thus, we have a modern paradox. Current technicist-driven institutions expect competent practitioners but are unwilling to provide the environments in which competent practice can thrive. This failure to invest in suitable practice and educational environments represents a myopic perspective blind to the detrimental long-term effects of short-term efficiency gains; but just so long as the political imperatives continue to drive the cost-cutting consequences of policy dictates, so the pool of professionals aspiring toward phronesis [(professional judgement)] will diminish. If the triumph of technical rationality becomes complete, then the danger to which Schön [(1983)] was alerting us will leave us with few competent practitioners, and, as a result, we will all be impoverished.

The remainder of this paper proceeds by first exploring why forensic accounting is particularly exposed to the risk of adopting legalist and instrumentalist perspectives as a basis for practitioner behaviour and education. Virtue ethics, and in particular, the virtue of phronesis is then briefly described followed by a discussion of how phronesis is relevant to forensic accountants. The questions of whether phronesis can be taught and how it might impact on the conduct of forensic accounting research are then explored. Finally some concluding observations are offered.

### **Law, Ethics and Forensic Accounting**

As a professional the forensic accountant is expected to act ethically and in the public interest. Van Akkeren *et al.* (2016) have recognised the ethical complexities that challenge forensic accountants because of the multi-disciplinary nature of their services. For example, out of all the sub-disciplines of accounting, the practice of forensic accounting is the most intertwined with law (Van Akkeren *et al.*, 2016). Not only must forensic accountants have knowledge of relevant laws but they work closely with legal practitioners, gather evidence, and act as expert witnesses in legal proceedings. Several studies investigating the required skills of forensic accountants have repeatedly stressed the importance to forensic accountants of having considerable knowledge of relevant laws and competence in legal processes such as the gathering and presentation of evidence (see, for example, DiGabriele, 2008, Davis *et al.*, 2010). Others have identified the legal and regulatory environment as

essential components of forensic accounting education programs (see, for example, Curtis, 2008). The interweaving of so much of forensic accounting practice with the law, combined with the growth in the influence of commercial instrumentalism and the demand for technical competencies, creates the real risk that the behaviour of forensic accountants becomes dominated by a focus upon compliance with legal and technical rules. That this outcome may already be the case can be evidenced by the forensic accounting literature. As an illustration, in his description of a model curriculum for a course in forensic accounting, Curtis (2008) devotes approximately eight of the paper's nine pages to training in legal rules and process. Approximately half a page is spent on ethics and even that discussion is primarily rules-based as it recommends that forensic accountants should be educated to avoid "a violation of the corporate code of conduct or a crime" (Curtis, 2008, p. 543). Of course, too much should not be made of one example but a reading of the various studies and surveys into the recommended attributes of forensic accountants reveals a heavy weighting given to the perceived importance of rules in governing the behaviour of forensic accountants (for example, see DiGabriele, 2008, Davis *et al.*, 2010, Van Akkeren *et al.*, 2013).<sup>3</sup>

Despite the importance of rules (the law, technical standards) and codes of conduct as useful statements of community and professional expectations, they cannot be the sole arbiter of what constitutes the 'good' forensic accountant. There are a number of reasons for this including:

- Rules are a feature of all communities, including corrupt ones. As Bertrand Russell (1963) noted, even bands of marauding pirates have a code of conduct about how the 'good' pirate should behave;
- Rules-based thinking can be dogmatic and consequently too inflexible to deal with the uncertainty and ambiguity faced in the context of many professional services;

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<sup>3</sup> A study by Adams *et al.* (1995) provides some evidence that accountants' ethical decisions may be dominated by a desire to comply with their professional code of conduct even when it conflicts with their own moral position.

- Although rules appear objective because they are derived from some authority external to the individual, they still need to be interpreted and this requires the exercise of judgement;
- If in a given situation a rule is not available or its interpretation is ambiguous, a rules-based thinker can be locked in a form of moral paralysis. A similar situation arises when two or more rules have conflicting requirements (Doucet and Doucet, 2004); and
- As the newspapers regularly remind us, the existence of rules does not guarantee compliance with them.<sup>4</sup>

The limitations of rules-based ethics aside, some commentators have suggested that there are more fundamental problems that challenge professional ethics. Lail *et al.* (2015) argue that the damage to public trust in the professions (see for example O’Neill, 2002) is the result of a change in the professional motives and a loss of professional identity away from a public service logic to a commercial logic.<sup>5</sup> Jennings (1991) has argued that the ethical challenges facing professionals are not really about whether the professionals know what is actually right or wrong but rather getting them to embrace a disposition to act:

(T)he problem is more one of how to create the commitment to the right thing within the psyches and self-identities of moral agents ... Professional ethics has to address the challenge of teaching professionals how to see the right, and it also has to figure out how to motivate the right conduct ... Talking about taking bribes is really not an interesting ethical question because there is no interesting argument in favor of taking bribes. There must be more to professional ethics than that.

How then are forensic accountants to develop the appropriate sorts of ethical dispositions that would promote public trust and excellence in their services? It is suggested here that Virtue Ethics offers an answer to this question.

## **Virtue Ethics**

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<sup>4</sup> This has been a problem since time immemorial. Mawer (1926, p. 79) observed, for instance, that in the Middle Ages “the Norsemen were much better at making constitutions and enacting laws than they were at observing them when instituted, and the condition of Iceland has been vividly if roughly summarized as one of ‘all law and no government’.”

<sup>5</sup> Wyatt (2004) has made this argument in the context of the accounting profession.

Virtue Ethics is traced to Aristotle (trans., 1953) and has in relatively recent times been rediscovered with modern proponents and interpreters including Foot (1978) and MacIntyre (2007). Aristotle viewed ethics as being about the development of character-traits and dispositions ('virtues') that allowed human beings to achieve *eudaimonia* - that is, virtues are those characteristics that allow humans to flourish or achieve excellence (Oakley and Cocking, 2001).<sup>6</sup> The focus in virtue ethics is upon the character of the moral agent rather than, for example, compliance with some external rule. Rather than asking the question, "what should I do?", virtue ethics argues that the moral agent should ask, "what kind of person should I be?". The answer is that the moral agent should be of good and virtuous character who acts in a way that is consistent with that character. In other words, a good person is one who acts consistently with virtues that promote human flourishing or excellence. More importantly, the moral agent acts in this way because it is the 'right' way to act. The virtuous person is motivated to achieve excellence because *eudaimonia* is intrinsically valued as the ultimate goal of the 'good life'. As virtue ethics is focused on the actions of moral agents, it is context specific: "the competent practitioner aspires toward the Aristotelean ideal of doing the right thing to the right person at the right time in the right way and for the right reason" (Sellman, 2012, p. 127). For Aristotle, people are not born virtuous but rather they become virtuous through habitual practice and repetition. It is only by practising the virtues that they become integral to a person's character which in turn will lead to more virtuous behaviour (Cassidy, 2006).

Aristotle (trans., 1953, I.13) identified two categories of virtues, the intellectual virtues (including theoretical wisdom, technical knowledge, and practical wisdom) and the moral virtues (including generosity, courage, truthfulness, and self-control).<sup>7</sup> The virtuous person is one who can act in a given situation in a way that best applies both the intellectual and moral virtues. Although it is one of Aristotle's intellectual virtues, *phronesis* is "a special virtue" (Sellman, 2001, p. 115) because it guides the virtuous person in how to best combine the intellectual and moral virtues in

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<sup>6</sup> See Nagel (1980) for a discussion regarding the nature of *eudaimonia*.

<sup>7</sup> See Prior (1991, Chapter 4) for a more detailed description of Aristotle's intellectual and moral virtues.



each specific situation. Phronesis is “excellence in deliberation” (Prior, 1991, p. 179) and as described by Kinsella and Pitman (2001a, p. 2) it:

... is an intellectual virtue that implies ethics. It involves deliberation that is based on values, concerned with practical judgement, and informed by reflection. It is pragmatic, variable, context-dependent, and orientated toward action.

### **The Virtues of Forensic Accounting**

With its focus on the context-specific acts of moral agents, virtue ethics has much to offer forensic accountants. DiGabriele (2008) has noted that the practice of forensic accounting differs from many other sub-disciplines in accounting because the diversity of services and situations encountered by forensic accountants (Van Akkeren *et al.*, 2013) more often requires a flexible, improvised approach to decision making and problem solving rather than some type of structured plan. The focus in virtue ethics on identifying virtues (characteristics or attributes) that promote excellence is also directly relevant and meaningful to all professionals.

Prior literature in forensic accounting has explored the nature of forensic accountants’ intellectual and moral virtues, although the discussion of these virtues has usually been couched in language such as ‘work-based skills’ and ‘personal attributes’ (see, for example, Van Akkeren *et al.*, 2013). Studies which have sought to identify the intellectual and moral virtues of forensic accountants include DiGabriele, 2008, Davis *et al.*, 2010, Van Akkeren *et al.*, 2013, and Van Akkeren *et al.*, 2016. In their survey of forensic accounting in Australia, Van Akkeren *et al.*, 2013 found the top five most essential work-based skills to be communication, critical thinking, interpersonal skills, technical accounting skills, and attention to detail. The top five most desired personal attributes of forensic accountants were interpersonal, analytical, inquisitive, intelligent/intuitive, and engaging/confident. In the United States, the survey conducted by Davis *et al.* (2010) found the top five ‘core skills’ ranked by forensic accounting CPAs were critical/strategic thinking, effective written communication, effective oral communication, investigative abilities, and investigative intuitiveness.

The same survey found the top five desired 'essential traits and characteristics' of forensic accountants as ranked by CPAs to be analytical, inquisitive, detail-oriented and ethical (both equally ranked), scepticism, and intuitive. An additional set of 'enhanced skills' was also identified with a strong emphasis on technical knowledge and capabilities including analysing and interpreting financial statements, interviewing skills, fraud detection, testifying, and general knowledge of rules of evidence and civil procedure.

Not surprisingly findings such as these provide some evidence that the perceived categories of work-based attributes and personal attributes of forensic accountants bear a correspondence to Aristotle's characterisation of the virtues as intellectual and moral. However, these listings of forensic accounting virtues are usually presented from an instrumentalist perspective in which they are viewed as necessary means for allowing forensic accountants to provide their services. This is because the place of phronesis in forensic accounting is left unclear and at best implicit. For example, it is possible that the skill of 'critical thinking' that is identified in these surveys may be akin to phronesis but it is not possible to tell as these skills are left largely undefined and unexplained. In the Davis *et al.* (2010) study, it is tempting to perceive the core forensic accounting skill of 'investigative intuitiveness' as being equivalent to phronesis but the term is never explained in that paper.

If the forensic accounting profession is to build and maintain public trust in its services, if it is to improve the education of its members, and if it is to promote excellence in its practices, then it will need to move beyond the rather fuzzy discussion of its intellectual and moral virtues that is currently found in the relevant literature. In particular, a more explicit recognition and explanation of phronesis (practical wisdom) would be helpful in promoting the flourishing of the profession because it will increase forensic accountants' awareness of the need to combine both the intellectual and moral virtues of forensic accounting rather than, for example, overemphasise, through the demands of commercialism, the technical (intellectual) virtues at the expense of the

public interest.<sup>8</sup> As noted earlier, phronesis, as a form of professional judgement, sets professions apart from other occupations. The exercise of professional judgement could be improved if forensic accountants engaged in an explicit conversation about what professional judgement is and how it is developed and applied. This would be helpful too, to educators who could develop pedagogical approaches that might better prepare neophyte forensic accountants for professional practice (both in terms of what pedagogical techniques might be adopted and in acknowledging the limits of the classroom setting as a context for effectively teaching professional judgement (phronesis)).

### **Phronesis and Forensic Accounting**

Van Akkeren *et al.* (2016) have noted that forensic accountants typically face complex work environments. They must work with other types of professionals, investigate and analyse incomplete data and thus deal with uncertainty using improvised approaches to problem solving (DiGabriele, 2008). Resolving complex scenarios requires more than slavish adherence to technical conventions. Forensic accounting professionals respond by developing their professional judgement through an on-going process of self-reflection and self-awareness (Schön, 1983). Schön (1983) recognised that professionals identify and apply solutions to complex, unstructured problems not only by using relevant technical knowledge but also they draw upon what they have learned from experiencing similar situations in the past. The recognition that professionals develop their professional judgement by conscious reflection on their prior experiences sits well with Aristotle's claim that phronesis or practical wisdom is acquired through habitual training and reflection on prior acts (Aristotle, trans. 1953, II.1):

The craftsman has to learn how to make things, but he learns in the process of making them. So men become builders by building, harp players by playing the harp. By a similar process we become just by performing just actions, temperate by performing temperate actions, brave by performing brave actions.

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<sup>8</sup> Aristotle was keen to emphasise the role of phronesis as a means to simultaneously integrate the intellectual and moral virtues. The technically competent but morally bankrupt forensic accountant is unethical but so too is the well-meaning but technically incompetent forensic accountant who is unable to deliver on her 'good' objectives.

Sellman (2012) identifies an interesting, and I would suggest often overlooked, implication of a consideration of the role of phronesis in professional practice. The various surveys of forensic accountants' skills and attributes concentrate on what types of (technical) knowledge the forensic accountant needs to possess. However, Sellman (2012) notes that a professional who has acquired phronesis and who is consequently continuously reflective and self-aware will also recognise what it is that she *doesn't* know. That is, she will be aware of her own limitations and be committed to finding ways to overcome her ignorance and reduce the limitations in her skill set. The forensic accountant who has nurtured phronesis will thus avoid complacency and be constantly on a path to self-improvement and excellence in forensic accounting practices.

Kemmis (2012) extends these ideas to explore the importance of phronesis in contexts of uncertainty (as regularly faced by forensic accountants<sup>9</sup>). He notes that professionals bring to each new uncertain problem what they have learned from the outcomes of prior problems. In the face of each new problem with its attendant uncertainties, the situation is unique and so cannot be easily resolved by some sort of standardised solution or method. The forensic accountant must deliberate as to what the nature of the problem is and, based on what worked or didn't work in the past, derive a set of actions in response. Kemmis (2012, p. 155) observes that:

(T)he wise are aware and acknowledge that they must act in uncertainty. What distinguishes these wise people from others is that, more often than not, they avoid both haste and indecision, both excitability and detachment, and they act as best they can for the good (not just in ways that are convenient or self-serving). What also distinguishes the action of the wise is that they act in ways that avoid some of the traps and pitfalls that less experienced people do not see—especially if the less experienced are misled by appearances so that a situation appears to be of one sort, but turns out to have other faces that may be more important or involve trickier judgements about what action is best to take.

Learning from experience requires the forensic accountant to actively reflect on those experiences, to be open to new experiences, and to have a willingness to accept that each situation

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<sup>9</sup> Stone and Miller (2012, p. 56, emphasis in original) note that most financial frauds occur "*in a new, unique and particular context*".

will be different. Kemmis (2012) acknowledges that the development of phronesis will not, of course, remove uncertainty or equip the forensic accountant with all the necessary attributes to confront future challenges but it will create a readiness in the forensic accountant to take action in situations of uncertainty and to exploit what has been learnt from experience. Developing and promoting greater awareness of phronesis has important implications for the teaching, research and practice of forensic accounting and these implications are explored below.

### **Can Phronesis Be Taught?**

The discussion above indicated that phronesis develops through a habitual process of self-reflection and self-awareness associated with a forensic accountant's experiences in practice. Aristotle held to the belief that virtues are acquired through training by performing virtuous acts that would be performed by virtuous people. As Prior (1991, p. 157) observes, "if I wish to become virtuous, I must find a virtuous person and imitate his actions." Kemmis (2012) is of the view that phronesis is something that can only be acquired by experience. He states that it can't be taught or understood through 'book knowledge' but he is prepared to concede that it can be learned indirectly by providing opportunities for professionals to learn from each other. All of this suggests that mentors and role models are an important means by which phronesis can be inculcated into forensic accountants. All current members of the forensic accounting profession thus have a responsibility to actively and systematically mentor their colleagues.

Among accounting academics Melé (2005) and Mintz (2006) for example have argued that ethical education in accounting should incorporate pedagogical activities such as case studies and reflective journals that would expose students to phronesis. Howieson (2005), in an auditing context, has argued that some degree of phronesis can be developed in students and professionals by training them in the practical skills of individual, organisational and professional values clarification, decision making and organisational policy setting. Such efforts should be encouraged as they may be helpful in sensitising students to the fact that forensic accounting practice is not

simply the application of technical rules and algorithmic processes. However, the abstract nature of the classroom setting must be acknowledged as always acting as a notable limitation on the ability of universities to expose students to the lessons of practical experience (Howieson *et al.*, 2014). Nonetheless, as implied by Melé (2005), academics can act as ethical role models in that their behaviour sends signals to students that encourage and reinforce ethical motivations and dispositions.

### **Phronesis and Forensic Accounting Research**

Stone and Miller (2012) are critical of the dominance of large scale quantitative research methods within the accounting academy. They fear that this dominant body of research is inadequate for providing research that is relevant and insightful for the purposes of understanding and improving forensic accounting practice. They explicitly promote the view that researchers should adopt a phronetic approach to the acquisition of knowledge when researching forensic accounting issues. This is because they believe that no one financial fraud<sup>10</sup> is like another and that each fraud must be understood within its particular context, thus making forensic accounting issues less amenable to the application of large scale quantitative methods whose findings reflect the average. Consequently, just as virtue ethics demands that ethical behaviour must be seen within context, Stone and Miller (2012) argue that forensic accounting researchers must adopt methods that reflect the context-specific circumstances of forensic accounting practice.

### **Phronesis and the Forensic Accounting Profession**

With its focus upon the virtues and dispositions of the moral agent, Virtue Theory and phronesis may appear to have relevance only to individuals but, in the context of a profession such as forensic accounting, there are collective considerations as well. A profession's claim to status is built on

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<sup>10</sup> Stone and Miller (2012) write only within the context of financial fraud but their general argument regarding the context specific nature of much forensic accounting practices could be extended to other forensic accounting contexts such as the conduct of valuations or the presentation of expert evidence.

public trust that the members of that profession will act in the public interest, not the members' self-interest. Virtue Ethics is predicated on the need for a moral agent to act for the 'right' reasons, that is, to act for virtuous reasons, and so serves as a reminder to forensic accountants that their ultimate ethical obligations go beyond commercial objectives.

As Jennings (1991) and Lail et al. (2015) have identified, the difficulty in promoting public trust in the professions is a problem of how to motivate professionals to commit to acting virtuously. This is a particularly challenging issue in an environment where a commercial logic dominates the work of forensic accountants, accounting training emphasises the acquisition of technical competencies and skills, and forensic accountants operate in a multi-disciplinary context in which compliance with laws and legal process is necessary. Kemmis (2012) suggests that a collective phronesis is possible within a profession but it requires the professional community to commit itself to good practice. Public confidence in the forensic accounting profession can only be achieved, for instance, if its members publicly demonstrate their commitment to excellence rather than relying on references to codes of conduct. It is possible to think of self-interested reasons why the forensic accounting profession might commit itself to phronesis – for example, increased quality in services can lead to higher economic and social rewards – but this would be inconsistent with Virtue Ethics because the 'good' actions are undertaken for the profession's self-interest rather than because the profession intrinsically wanted to do the right thing (MacIntyre, 2007).

Commitment to a collective phronesis will require the forensic accounting community to engage in internal and public debate about its responsibilities and accountabilities. Kinsella and Pitman (2012b) suggest this requires an epistemic community<sup>11</sup> with shared values, goals and ideals.

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<sup>11</sup> An epistemic community is defined as "a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area. Although an epistemic community may consist of professionals from a variety of disciplines and backgrounds, they have (1) a shared set of normative and principled beliefs, which provide a value-based rationale for the social action of community members; (2) shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcomes; (3) shared notions of validity - that is, intersubjective, internally defined criteria for weighing and validating knowledge in the domain of their expertise; and (4) a common policy enterprise - that is, a set of

As a still emerging sub-discipline within accounting,<sup>12</sup> leadership by senior members of the forensic accounting community may be required to develop an epistemic community of forensic accountants.

## **Conclusions**

The complex, multi-disciplinary environment in which forensic accountants practise requires them to deal with ever changing unstructured problems that are characterised by uncertainty of facts and outcomes. Forensic accountants also frequently operate in legal contexts in which they must possess a sound knowledge of laws, legal process and other rules and regulations. In addition to legal knowledge, forensic accountants are also expected to have strong technical skills in financial accounting, valuation and similar technical tools and processes. The professions more generally have also been perceived to be increasingly driven by commercial objectives and this has in turn threatened public confidence that the members of those professions act in the public interest. All of these factors can encourage forensic accountants to respond by adopting narrow rules-based technical solutions, but such an approach restricts the freedom of forensic accountants to apply their professional judgement.

This paper suggests that forensic accountants can grow and maintain the quality of and public confidence in their services by adopting a Virtue Ethics approach to their practices. Virtue Ethics suggests that the 'good' forensic accountant will not only be competent in technical knowledge and skills and possess moral virtues such as courage and self-control but, most importantly will develop the virtue of phronesis or practical wisdom. Phronesis assists the forensic accountant to do "the right thing to the right person at the right time in the right way for the right reason" (Sellman, 2012, p. 127). Virtue Ethics requires that the forensic accountant acts as the virtuous forensic accountant would act rather than necessarily complying with some universal rule.

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common practices associated with a set of problems to which their professional competence is directed, presumably out of the conviction that human welfare will be enhanced as a consequence" (Haas, 1992, p. 3).  
<sup>12</sup> In Australia, for instance, there is no formal identifiable forensic accounting qualification or certification. This may be one factor that inhibits the development of an epistemic community of like-minded forensic accountants.



Developing phronesis (like all virtues) requires habitual training on the part of the forensic accountant who must learn from each experience about which strategies and responses were successful and which were not. The individual forensic accounting practitioner (and the profession collectively) can improve the reliability and relevance of the evidence they generate and present by recognising that phronesis requires practitioners to identify what they know and to have an awareness that there are things about which they may be unaware. By knowing the limitations of their knowledge and skills, practitioners can adopt strategies that lead to continuous improvement. It is suggested here that the benefits of phronesis are universal irrespective of whether the forensic accountant operates in a common law or civil law system because it demands the application of virtuous acts within a specific context. Consequently, phronesis is a valuable skill for all forensic accountants.

Kinsella and Pitman (2012b, p. 170) conclude that:

Phronesis provides a language and a vision for practice that resists a passive acquiescence to the discourses of professional life that are increasingly instrumentalist, technicist, and managerial. The professional is not simply a technician; rather, the professional is charged with the tasks of making complex interpretive judgements and taking action amidst uncertain practice situations, and of attending to the ruptures and disruptions of practice, as spaces for learning and for professional development. Rather than dwelling in despair about the impossible binds in which practitioners find themselves, we propose that practitioners and professional disciplines face the complex and uncertain conditions of practice and embrace phronesis as a complement to [technical knowledge and rules]. Phronesis is a concept of interest, and of hope, for elaborating current conceptions of professional knowledge and for advancing an approach to practice in the professions that seeks to fill a void in current practices—an approach that is felt as a morally informed guiding force oriented toward a wiser path.

If these benefits are to be achieved in what is still an emerging sub-discipline in accounting, forensic accounting needs to establish an epistemic community which is committed to a common phronesis of professional practice. Such a community would develop education programs in forensic accounting that go beyond the teaching of laws, rules and technique and equip forensic accountants with skills in the application and evaluation of data and practices within ambiguous contexts. As previously mentioned, this would involve the development of skills in reflection such as personal and professional values clarification. As the classroom is inherently limited in its ability to capture the

diverse and complex contexts of the workplace, internships and work-based learning should have a central place in the education of forensic accountants and require experienced mentors in both universities and workplace learning. Forensic accounting education programs can be informed by a phronetic-based research agenda that provides a platform for evidence-based research that can also improve forensic accounting practice. This has been demonstrated in other accounting contexts such as auditing (see, for example, Howieson, 2013).

Strong leadership will be required if forensic accounting education, research and practice are to embrace phronesis. Professional accounting associations can play an important role in the establishment and promotion of a community of forensic accountants because their public status lends authority and they already have an infrastructure for education and the maintenance of quality. This is particularly true in countries such as Australia and New Zealand where the collective identity of the forensic accounting profession is still embryonic relative, for example, to that in the United States of America. It is anticipated that the increasing demand for forensic accounting services will provide the impetus for the profession to embrace phronesis as a means of demonstrating a commitment to serving the public interest.

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