

Corporate Fraudsters and Victimized Sri Lankan Companies: Lessons from the Indian Company Law

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Corporate fraud is a prominent and widely acknowledged offense by both corporate and legal communities. Based on cross-country research, the Association of Certified Fraud Examiners in their Report to the Nations 2022 revealed that companies lose 5 percent of their annual revenue due to occupational fraud. Moreover, the elevated levels of occupational fraud has led to the collapse of companies. In occupational fraud, the fraudster is the occupant or officer of a corporation. The corporate criminal liability is the liability imposed upon a corporation for any criminal acts committed by any natural persons who are legally authorized to function as the company's corporate legal personality. Nevertheless, due to loopholes in the existing Sri Lankan anti-fraud legal framework, the fraud committed by an individual or group of individuals in collusion, employed in a corporation, for their self-enrichment can be tainted, They can assign that their fraudulent acts were committed by the corporate legal personality based on the principle of corporate legal personality. Thus, despite corporations being the actual victims, they become the fraudsters under the prevailing Sri Lankan anti-fraud legal framework. This paper addresses the said gap in the existing Sri Lankan anti-fraud legal system. This study aimed to find legal measures to prevent and detect occupational fraud in Sri Lanka. This is a qualitative doctrinal socio-legal study. The findings of the study affirmed that the conviction of occupational fraudsters is hard due to the absence of necessary provisions in the Sri Lankan anti-fraud legal system. Hence, the said gap in the law paved the way for occupational fraudsters to commit corporate scandals in the name of corporate fraud. Therefore, steps taken to prevent the occupational fraud play a pivotal forerunner role in preventing corporate fraud.

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