

NALT RESEARCH INSTITUTE

FORENSIC ANALYSIS | LEGISLATIVE REFORM | FINANCIAL STABILITY

COURSE: Forensic Accounting for Lawyers (4-Week Module) **INSTRUCTOR GUIDE TARGET AUDIENCE:** Legal Practitioners, Regulators, Senior Law Students

COURSE OVERVIEW

This module bridges the gap between legal theory and financial reality. It is designed to equip lawyers with the practical skills to identify, investigate, and litigate Non-Arm's Length Transactions (NALTs). The course uses the CLICO collapse as a living case study.

WEEK 1: THE ANATOMY OF A NALT

Objective: Define NALTs and identify the "Red Flags" in corporate structures.

Session Outline (90 Minutes)

- **0:00 - 0:15 | Introduction:** The \$15 Million Question. (Hook: Show the Douglas Estate variance).
- **0:15 - 0:45 | Lecture:** Defining the "Shadow Director."
 - *Key Concept:* Legal vs. De Facto Control.
 - *Case Law:* *Re Hydrodan (Corby) Ltd* [1994].
- **0:45 - 1:15 | Workshop:** "Map the Web."
 - *Activity:* Students are given a blank whiteboard and a list of CLICO entities. They must draw the ownership structure and identify where the conflicts of interest lie.
- **1:15 - 1:30 | Debrief:** Why traditional "Arm's Length" tests fail in small island economies.

Instructor Notes

- **Discussion Prompt:** "In a country with only 50,000 people, is it possible to have a truly independent board?"
 - **Key Takeaway:** Conflict of interest is not just about *who* you know; it's about *what* you own.
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WEEK 2: READING FINANCIAL STATEMENTS FOR FRAUD

Objective: Decode the balance sheet to find hidden insolvency.

Session Outline (90 Minutes)

- **0:00 - 0:30 | Lecture:** The "Big Three" Manipulation Tactics.
 1. **Asset Overvaluation:** The "Mark-to-Model" trap.
 2. **Inter-Company Receivables:** The "IOU" shell game.
 3. **Off-Balance Sheet Liabilities:** Hiding the debt.
- **0:30 - 1:15 | Lab:** "Spot the Anomaly."
 - *Materials:* Use the **Spot the Anomaly Lab Worksheet.pdf**.
 - *Activity:* Students review the Mock Bank Statement (CSV) to find the "Structuring" payments.
- **1:15 - 1:30 | Q&A:** How to subpoena the right documents.

Instructor Notes

- **Pro Tip:** Remind students that "Audited Financials" are not a guarantee of truth. They are an opinion based on management's representations.
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WEEK 3: VALUATION WARS

Objective: Challenge expert witnesses and dismantle "Fair Market Value" defenses.

Session Outline (90 Minutes)

- **0:00 - 0:20 | Lecture:** DCF vs. Comparable Sales.
 - *Concept:* Why DCF is easily manipulated (Garbage In, Garbage Out).
- **0:20 - 1:10 | Simulation:** The Cross-Examination.
 - *Materials:* Use the **Cross_Examination_Transcript.pdf**.
 - *Activity:* Role-play. One student is the "Hostile Expert," one is the "Counsel." The class acts as the Jury.
- **1:10 - 1:30 | Debrief:** The "Smoking Gun" questions that expose the fraud.

Instructor Notes

- **Key Insight:** The most vulnerable part of a valuation is the "Discount Rate." A 1% change can swing the value by millions.
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WEEK 4: ASSET RECOVERY & LEGISLATIVE REFORM

Objective: The path forward—civil recovery strategies and the 6-Point Reform Plan.

Session Outline (90 Minutes)

- **0:00 - 0:45 | Lecture:** Piercing the Corporate Veil.
 - *Legal Strategy:* Using the "Unfair Prejudice" remedy.
- **0:45 - 1:15 | Discussion:** The Reform Plan.
 - *Topic:* Should "Shadow Directors" face criminal liability?
- **1:15 - 1:30 | Closing:** The Lawyer's Duty to the Public.

Instructor Notes

- **Final Thought:** "We are not just litigators; we are the guardians of market integrity."