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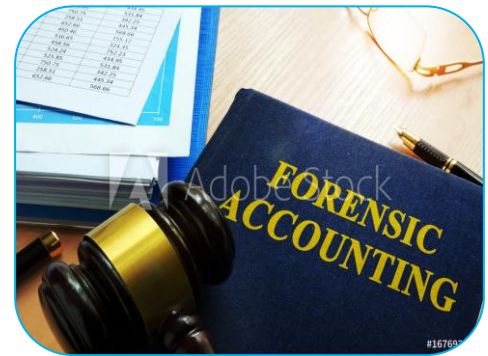
FORENSIC ACCOUNTING IN INDIA

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ABSTRACT

In almost every aspect of business, technology is being utilized more and more irresponsibly, which has given rise to sophisticated scams with multiple facets. Because of this, it is more challenging for regulators and company executives to spot frauds and hazards. Expanding the use of innovation in virtually every aspect of company is unintentionally encouraging complicated and confusing fraud. As a result, the challenges faced by managers and company leaders in preventing fraud and risks increase. Due to the rising frequency of these crimes and the risks they pose, contemporary technology has given rise to forensic accounting, which helps businesses avoid fraud and accomplish their objectives in a logical, structured way. As a result, risk management, control, and governance strategies are more successful. To end disputes and disputes in the spirit.



KEYWORDS: *Forensic accounting, Fraud, Investigation, Corporate, Financial information.*

INTRODUCTION

A forensic accountant looks for dishonest transactions in the organization's records. To safeguard the wealth of stakeholders, the separation of ownership from management has necessitated routine audits of corporate governance practices. Regular corporate frauds have eroded public trust. The trustworthiness of the financial reporting framework among investors and users of financial information (Chakrabarti, 2014). Additionally, a high percentage of corporate frauds has a negative impact on the Indian corporate image, which in turn hinders young professionals' entrepreneurial zeal and deters foreign investment. India-related investment (Moid, 2016). Due to this, forensic accounting is increasingly necessary. incorporating accounting A fast expanding branch of FA that places a strong emphasis on auditing and investigation abilities produces the specialization of identifying or preventing white-collar crime and accounting fraud (Crumbley, 2005). FA as a confluence of various

SIGNIFICANCE FOR THE STUDY

The need of forensic accountants being prepared with the skills and strategies for identifying, differentiating, and preserving the proof of all types of financial malfeasance has been highlighted by poor corporate governance, frauds, and other wrongdoings. Although accounting procedures have substantially improved, recent sophisticated scams have extended to the point where they cannot currently be detected.

Additionally, the ineffectiveness of statutory audit in preventing corporate financial scandals has put pressure on professional forensic accountants and legal professionals to come up with a more effective method of revealing fraud in the business world.

MATERIALS & METHODS

The study is primarily descriptive. Descriptive research has been favored for gaining a deeper understanding. The study required information was gathered from secondary sources, such as books, journals, reports, and the like. Because the study is based on published data and information, the result inferred from this secondary source may not be entirely reliable. This is an inherent limitation of the study. The review thinks about the point of view of FA and its execution in India.

FA- PERSPECTIVE

FA, which is also known as investigative accounting, uses specialized knowledge and skills to find "ghost transactions." According to Arokiasamy and Cristal-Lee (2009; Ozkul and Pamukc, 2012), FA entails applying financial and investigative skills to unresolved issues within the framework of the rules of evidence. As a field, FA ought to have a solid understanding of business reality and legal system operation. FA with the assistance of multidisciplinary information breaks down, researches, asks also, analyzes matters in common regulation, criminal regulation and law to get reality for applying master assessment (Zia, 2010). FA makes sense of bookkeeping information satisfactory to court and, in this manner, frames the reason for conversation, banter and eventually goal (Zysman, A., 2009). In India, Chartered Accountants (CA) perform examination undertakings. In India, the Serious Fraud Investigation Office (SFIO) serves as a benchmark for forensic accountants. emergence of new cybercrimes, regulators' inability to monitor security scams, etc. perceive the exigency of FA.

PRACTICE OF FA

Arnoff, Norman B. furthermore, Sue, Jacobs C. (2001) framed the accompanying elements of scientific bookkeepers:

- i) Detection of fraud;
- ii) Criminal examination;
- iii) The settlement of the leaving partner;
- iv) Cases of professional misconduct;
- v) Arbitration administration;
- vi) An agreement regarding a car accident;
- vii) Protection guarantee settlement;
- viii) Question settlement;
- ix) Divorce cases, among others. Additionally, a forensic accountant ought to be conversant with corporate financial administration and management.

According to their research, Crawford and Zia (2010) found that forensic accountants should possess perseverance and firmness, knowledge of criminology, computer skills, confidence, curiosity, creativity, discretion, prudence, honesty, and secrecy.

TYPES OF FRAUD

There are four major types of fraud i.e.

- 1) Management fraud;
- 2) Employee fraud;
- 3) Embezzlement by management; and
- 4) Cybercrime

OBJECTIVE OF THE STUDY

- To cognize the job of FA in extortion assessment in India;
- To look at the utilization of FA in India.

LITERATURE REVIEW

A number of authors have discussed the scope of FA in India by providing light on its characteristics and methodology as well as the function of forensic accountant in fraud examination in

the aftermath of the increasing number of corporate crises. According to Bhasin's research, forensic experts should possess auditing abilities, decisive deliberation, systematic proficiency, legal knowledge, flexible troubleshooting, and investigative adaptability. Luke (2013) viewed FA as a supplement to statutory auditing and guaranteed the accuracy of the audit report. According to Stanbury and Paley-Menzies (2010), FA gathers data on economic crime offenders and presents it in a way that the court will approve. FA aids in settling factual disputes in commercial litigation, according to Okunbor and Obaretin (2010). (2010) opinion by Dhar and Sarkar on tax.

RESULTS

FA in India: -Techniques of FA

With its quick improvement, fraudsters have additionally overhauled their methods. FA rests at the topto forestall the fake practice. Chakrabarti (2014), Moid (2016), Peshori (2015), and Shaheen et al. (2014)referenced five methods of FA for discovery and avoidance of cheats as follows:

i) Benford's Law: Benford's Law demonstrates whether financial disorder results from unintentional error or fraudulent activity, and it advises using the Z-test at a certain level of confidence to compare the frequency distribution or the count percentage of the digits of the variables under study with the pre-defined standards. Significant Investigation into the differences between the two is necessary. When there is no other option, this method is used. There is further evidence to support or refute the fraud or irregularity.

ii)Theory of Relative Size Factor (RSF): To identify any outliers in the data resulting from fraud, RSF is calculated as the ratio of the largest figure to the second largest figure in the data set. An exceptionally high RSF indicates that the highest number in the set does not match the other numbers in the set, which necessitates more investigation. a probe to find any probable fraud.

iii)Computer Assisted Auditing Tools (CAAT): These tools let auditors complete their work while with a vast amount of client data.

iv)Datamining techniques (DMT) are divided into four categories.

(a)Discovery;

(b)Predictive modeling, deviation analysis, and link analysis are some examples. These methods aid in the large-scale data extraction for a deeper examination.

v) Ratio analysis aids in forecasting the association with any anomalous ratio, which in turn prompts demands for an examination of

1. Look for the Odd: Accounting transactions recorded during a holiday are very suspicious of classic frauds like money laundering and bribes. As a result, KPMG aids its clients in preventing inconsistencies to prevent such situations and helps with the preparation of revised financial statements.

2.Fraud Risk Management: KPMG offers techniques like training programs and workshops on fraud awareness; Organization perception survey, forensic health check, fraud risk assessment and vulnerability tool, and predictive analytics to combat fraud and criminality, data modeling, anti-counterfeiting, competitiveness risk management, etc.

3. Forensic Technology Lab: This facility helps to gather, recover, and preserve evidence in fraud investigation and legal prosecution, digital format is used. Using evidence also aids in spotting manipulation.

4.Corporate Intelligence: When starting a business, corporate intelligence comprises conducting due diligence. transactions. diligent effort.

FA- Implementation in India

FA has gained awareness in India since complex financial crimes have increased at an alarming rate.To aid investigate financial trick, CA distinguishesthemselves from conventional practice as required by the Companies Act or the Income-tax Act. In order to manage cases requiring forensic accounting, CAs or ICWAs with post-investigation capabilities may undertake CAIFA or ICWA-IFA tasks.

In the court of law, present a master declaration and a financial violation. Attempts have thus far failed in both cases. the two leading statutory accounting professional associations, ICAI and ICWAI, to

move in this direction. heading and establish a basis that can provide the position with competence recognition in forensic accounting for its people. Although, developing Role of Forensic Accountant under Indian Statutes.

Different arrangements for criminological bookkeepers in the Indian rules can be ordered as:

- a) Investigation and Assessment;
- b) Expert Assessment; and
- c) Forensic Bookkeeping under Caro (The Organizations Evaluator's Report Request, 2003) involving removal of fixed resources; report on cheats; exchanges with related parties, and so on Dealing with Fraud-Current Model shows four stages (Exhibit-2)

Exhibit-2. Four Stage

Fraud event in the initial stage raises awareness. A company dealing with crisis manifestation tries to track down the fraudster, avoid having the incident made public, avoids losses, and lessens the effect of fraud on the company.

Second stage: All security protocols and internal controls are included in this phase. The investigation is ongoing. using interview and documents as support. It takes enough time and does not end with the decision.

Third stage: A company considers what actions to take against the fraudster. Practicable Among the options are to take no action, terminate the fraudster, transfer the fraudster, or file a lawsuit.

Fourth stage: Everything is finished at this point, and nothing is left unfinished until a new fraudulent occurrence happens. Fraudulent incidents do not get less frequent; instead, they might stick around Criminalist accountant.

DISCUSSION

Fraud is difficult to stop because of poor competence, intricate manipulation, and upper management's complicity. Additionally, examples of blatant corporate fraud confirmed by an unqualified audit report erode investors' faith in corporate financial reporting. The 2016 Deloitte India Fraud Survey Management has been blamed for the alleged frauds. Internal control measures become ineffective as a result of fraud incidence checking with excessive care and being immoral. According to the 2012 India Fraud Survey, Indian corporations Sector takes a nonchalant stance regarding frauds. An auditor is required by MCA to report any fraud against the government to the corporate. This is a positive step. A push for a cashless economy has resulted in which we refer to as a "digital explosion." But consumers' ignorance and hazy security guidelines have presented a challenge. the current security and control systems a challenge. adopting cybercrime as a new concept.

Problems of FA

- In India, there is a lack of skilled technical personnel with expertise of forensic difficulties.
- Since politicians are frequently involved in fraud cases in India, it is essential to gather evidence against them.
- The Indian court system continues to use the antiquated British judicial system, which involves significant expense to bring the to court and retain a knowledgeable attorney.
- India's liberalization and burgeoning economy draw more international capital, boosting its economy.
- Legal action against international financial criminals is challenging.
- Another challenge for forensic accountants is the fraudsters' ongoing use of new IT the circumstance. Compared to other investigative professions, FA is still an expensive one.

Prospects of FA

An auditor who examines whether financial accounts conform to GAAP or IFRS is unable to prove fraud or misconduct. Therefore, the necessity for FA is fueled by the statutory auditor's inability

to stop and identify corporate frauds and asset theft. Additionally, an increase in the frequency and complexity of business frauds, malfeasance, and disputes have grown.

Demand and openings for specialists in India's developing FA industry. the years 2013 and the scope of FA, according to Chakrabarti (2014), includes activities involving fraud detection, criminal investigating, resolving disputes, addressing professional negligence, using arbitration services, resolving insurance claims, etc.

According to Shaheen et al. (2014), Eyisi and Ezuwore (2014), and Owojori and Asaolu (2009), a forensic accountant gathers evidence by carefully examining financial statements and important documentation. SFIO was established with the primary goal of exposing public fraud instances. Fraud Survey in India

Report, 2012 presents the significant data regarding the scope, prevention, offenders, and resolution of frauds. to periodically assess viewpoints on corporate wrongdoing. Guides for Anti-Money Laundering increasing compliance and providing more information can help the corporate sector prevent money laundering activities. recognizing dangers is necessary for potential solutions. The 2013 Companies Act's introduction has indicated the ICAI, India Forensic, and the Department of International Forensic Sciences are examples of national interest groups. (IFS) to lead several FA certification programs.

Research GAP

The degree to which FA literature informs practice and policy will determine its future. Academic forensic research hasn't made much progress in this area, though. The existence of fraud in the analysis is supported by a researcher using a number of approaches. Regulators, however, do not find much value in this strategy. regulators exercise while academic study focuses on previous fraud instances, there is interest in detecting ongoing fraudulent operations.

If academic research concentrates on units without a history of fraud rather than units with a history of fraud, it may help policy. without any such background. Recent developments in the understanding of human behavior and finance regulators believe that the methods utilized to identify historical fraud may not have adequate justification. ability to foresee future deception. Future studies on.

CONCLUSION

The Indian economy's FA sector is still in its infancy. Prior to recently, the emphasis was still on preventing and identifying common and well-known frauds rather than the new, sophisticated frauds. A large portion of FA procedures are reactive rather than proactive. Identification and management of the uncontrollable. Lack of knowledge of the complex FA techniques and the dearth of experienced and educated FA experts in response to rising financial crimes, specialists contribute to its primitive stage of evolution. This highlights the urgent need for FA to develop into a distinct field. If a forensic audit is conducted certain of the frauds can be controlled; they are required in certain industries.

The government's creation of SFIO is a step in the right direction to acknowledge the development of the field of forensic accounting. The use of IT in fraudulent operations should constantly be taken into consideration when crafting new laws for the punishment of fraudsters. There are several opportunities to presume fraud in a setting where fraud risk is elevated. chances for forensic experts to pursue distinct "niches" and provide litigation support, investigative accounting, and advisory services.

RECOMMENDATIONS

- The equipment required to stop fraud should be made available to FA services.
- FA should be given access to the proper professional services in the legal system.
- By implementing sound corporate governance in the public sector, FA will increase public trust in the the system as a whole and the government.

- Traditional auditing is limited in its ability to spot fraudulent activity, thus forensic accountants will efficiently fill this gap. It has the expertise to access the system of organization, look through the books, make discoveries, and show the court the supporting documentation.
- Eliminating economic and financial crimes through FA can enhance the perception of India's corporate sector. The most crucial thing for businesses to do is to stop crimes before they happen.
- The government should establish regulatory agencies to make sure

RESEARCH REMARKS

FA as a discrete field of expertise has a bright future. In the near future, there will be a greater need for forensic accountants due to the rising levels of financial irregularities. Additionally, the lack of experienced and certified FA talent in India makes it a respectable and worthwhile vocation for CAs to pursue. financial industry India is to become more competitive, adaptable, efficient, and productive through reforms.

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