



Emerging concept of forensic accounting in India

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Abstract

White-collar crime is a common form of fraud in the business world today. When trusted people think that breaking financial trust can help them solve their own money problems in secret, they break trust and commit white-collar crime. To find and stop white-collar fraud in business, ideas from different forensic sciences are being used to help accountants and auditors think more clearly. When something is "forensic," it means that it can be used in court. Forensic accounting is a field that is growing quickly and is mostly about preventing fraud, finding fraud, and investigating fraud. Forensic accountants are certified fraud auditors. Development of forensic accounting in Indian corporate sector in at its in fancy stage.

Keywords: fraud, forensic, accountants

Introduction

This research study looks at what white-collar crime is and how big it is. It also looks into the need to stop corporate fraud. There is an attempt to find out what academics, potential service providers (mostly accountants and auditors), and actual or potential client firms in India think about the acceptability of forensic accounting as a way to find and stop corporate fraud. Using a survey questionnaire and sample interviews with respondents from three focus groups—practicing chartered accountants, non-practicing chartered accountants, and academicians—an empirical study based on primary data was done. The responses were statistically analysed by gender and job title using the Jequeaychisqu are test.

The study shows that forensic accounting can be used as a proactive way to give clients better assurance services. Also, forensic audit assignments in the corporate sector can lead to competition, which can help stop white-collar crime. Forensic auditing and accounting is a preferred area of study that should be added to the curriculum for Chartered Accountancy so that future chartered accountants can handle fraud audit assignments more effectively. Last but not least, to get rid of white-collar crime in the corporate sector and make sure that forensic accounting is widely used in India, people need to change their minds and build strong infrastructure.

Review of Books

Conceptual review

Recent articles and research papers have focused on how forensic accounting is becoming more than just fraud detection and prevention and how the demand for accountants who can do forensic accounting work is growing (Cohen, Crain, & Sanders, 1996; Baron, 2006; Fasua&Osifo, 2016). Okoye (2009) says that accounting terms like "forensic accounting," "fraud investigative," "fraud accounting," "fraud accounting and valuation," "forensic auditing," and "litigation" are not well-defined. Because of this, the word "forensic accounting" is used a lot in forensic accounting literature and in the legal system.

Forensic

The term "forensic" refers to "the application of scientific knowledge in legal proceedings to resolve legal problems" (Singleton & Singleton, 2010). If you look up the word in Webster, you'll learn that anything forensic is related to, discussed in, or employed in legal proceedings. So, according to Zysman (2004), forensic accountants use a mix of auditing, accounting, and investigation techniques. According to Crumbley (2006), forensic accounting is simply accounting that is court-admissible, has the maximum level of certainty, and is generally accepted as having been conducted in a scientific manner. According to Coenen (2005), forensic accountants apply accounting principles and techniques to solve crimes. If blame or fraud is assigned, a report must be filed so that the findings can be utilised as evidence in judicial or bureaucratic processes (Joshi, 2003)^[1]. The document provides the court with a fiscal evaluation. Based on this, we can begin to consider potential resolutions to the conflict (Zysman, 2004).

Forensic Accounting

Forensic accounting looks at the finances of a person or business by using accounting, auditing, and investigation skills. Forensic accountants are CPAs who look for proof of crimes. They usually work for insurance companies, banks, and police departments.

Forensic accountants look at financial records and accounts that could be used as evidence in court. They often testify as expert witnesses in court cases. They might work on cases like fraud and embezzlement and have to explain what a financial crime is all about in court.

Forensic accounting is a branch of accounting that focuses on explaining engagements that come from actual or expected disputes or lawsuits (Zimbel & Albretch, 2012). "Forensic" means "fit for use in a court of law," according to Onodi, Okafor, and Onyali (2015). In the same way, forensic accountants are also called "forensic auditors" or "investigative auditors," and they have to give expert testimony before and during a trial. According to Dhar and Sarkar (2010), forensic accounting is the use of accounting ideas and methods to solve legal issues. Smith and Crumbley (2009) explain forensic accounting by showing how it is different from fraud auditing. They say that a fraud auditor is an accountant with specialised auditing skills, while a forensic accountant may do fraud auditing and may also be a fraud auditor. Singleton and Singleton (2010) say that forensic accounting involves investigating fraud, finding and stopping fraud, and analysing antifraud controls after gathering information that isn't about money. Hopwood, Leiner, and Young (2013) define forensic accounting as the use of investigative and analytical skills to solve financial problems in a way that meets the standards that courts require. But some people say that even though forensic accounting may not talk about fraud directly, fraud examinations are an important part of forensic accounting.

India's history of forensic accounting

In India, the Mauryans are credited with writing the first history of forensic accounting, which is a specialised field of accounting. Accounting is the field that investigates frauds. It is mentioned in Arthashastra (Science of Material Wealth), which includes an analysis of different financial records and Kautilya. Forensic accounting, also called "the triangle," is a field that brings together accounting, auditing, and investigation skills. In his famous Kautilyaarthashastra, Kautilya was the first person to list the well-known 40 ways to cheat. This was during the Mauryan era in India. India is moving quickly to start the research, and Pradeep Akkunoor is a leader in the field and has done good research on Kautilya's role in forensic accounting. Pradeep, who is in charge of the Journal of Forensic Accounting in India, called Kautilya to bring him back to the 21st century. This was the start of a series of conversations between the computer and Kautilya. During the time of King Akbar, Birbal used different tricks to find out about crimes. Some of his stories give the fraud examiner a vague idea of the Litmus test of investigation. Chetan Dalal, who is known as the "Jewel of Indian Fraud Examiners," is the one who actually used the stories of Birbal to look into frauds. In several articles that were published in the BCAS Journal, he explained how Birbal's trap and Birbal's litmus test are used to find accounting frauds. Even though forensic accounting is a lot of water that a swimming fish drinks. The current form is new, but the field has been around for a long time. Kautilya is also known as the first person to write a history book that goes back a long time. An examination of this to find out what people think about forensic accounting, how long this field has been around, and how much it could help people who need forensic accountants. Current world would definitely be interesting, and another classic example of forensic accounting is that of Archimedes, who died at the right time. Archimedes was able to figure out that the imperial crown is not made of all gold without breaking it. This was done with the most recent version of Forensic Accounting, which measured the density of the crown to find out how big it was. water moving around. At the Mogul emperor's court According to him, the most important part of Akbar's government was how Birbal, one of his courtiers, used tricks to find out about fraud. An auditor's job is to find fraud, and a good auditor is one who can find out about the various crimes of officials. India is the BRIC country with the most corruption. China is a little less corrupt than Russia, but Brazil is pretty much the least corrupt country. Frauds by vendors and suppliers in India, which can be as high as 40 percent, are another problem for India. This is much higher than the BRIC countries and the global average of 32 percent.

Emerging tendencies in Forensic Accounting

This discussion centres on artificial intelligence (AI).

Our evolving relationship with technology is having an impact on the workplace that exceeds even the Industrial Revolution.

Think of how much time you could save by being able to enter thousands of pages of financial data into a database. Without having to spend hundreds of hours keying in the data by hand, the forensic accountant efficiently transforms the mountains of paper into usable information. Rapid updates to financial data allow forensic accountants to more easily trace functional trends, create charts and graphs highlighting entities and transactions of interest, and draught individualised reports.

Indeed, this is the realm of artificial intelligence. Forensic auditors benefit greatly from AI since it eliminates the need for them to go through mountains of paper in search of evidence. Instead, accounting and artificial intelligence software can rapidly sift through electronic files, and by using machine learning patterns, anomalies can be more easily identified.

The need for digital technologies from customers will continue to rise.

Digital Transformation: How Advanced Technologies Are Impacting Financial Reporting and Auditing, a report by Forbes Insights and KPMG, highlights "real-time insights into areas of high risk and in internal controls" as one of the most significant advantages of implementing such technologies in financial reporting. This was the response of more than a quarter of the business leaders polled. More and more CEOs will be looking for fraud prevention and other financial security solutions.

Organizations will also continue to rely heavily on data analytics as they evolve in the future. Artificial intelligence and machine learning's primary strength is the time savings they provide. Data analytics today provide for a level of detail and velocity in transactional analysis that was simply not conceivable a decade ago. This means that firms will have access to more data in real time, allowing them to better anticipate and respond to potential financial hazards.

Because of this, preparation and forethought are more crucial than ever.

Most companies are aware that they must be protected against cybercrime, internal threats, and fraud. In order to be well-prepared in the face of any potential attack, it is necessary to plan and prepare for each possibility in great depth. An organisation needs a systematic approach to planning and preparation in order to be successful in the face of adversity. Organizations need to be familiar with their available accounting choices in order to prevent fraud.

Better education in the form of courses, conferences, and independent study will help future forensic auditors keep up with the dynamic nature of their profession. Changes in auditing that used to happen over a decade or more now happen in months or even weeks, so auditors need to make time in their hectic schedules to learn new things.

Examinations for Environmental Crime

Examination for Environmental Crime

The Institute of Forensic Auditors (IFA) defines forensic activity as "the activity of gathering, verifying, processing, analysing, and reporting on data to get facts and/or evidence in a predetermined context in the area of legal financial disputes and/or regulatory (including fraud) and giving preventive advice." This definition encompasses forensic auditing. Based on what has been discussed, it is clear that a forensic auditor is an expert accountant who has had further training in auditing, fraud detection, and criminology and conducts investigations with the intent of using the results of such investigations in legal proceedings. You need to know the goals of forensic auditing to grasp the work of a forensic auditor. (HCC, 2011)

The Reasons for Conducting Forensic Audits Our understanding of a forensic auditor's duties and how they relate to corporate governance will benefit from familiarity with the reasons for conducting such examinations. To instil a sense of accountability amongst management.

- Enhance lawful auditing practises and corporate governance.

One goal is to enhance the process of creating financial reports.

As a result, financial fraud can be uncovered with ease.

Help increase audit committees' faith in auditors and their independence (Singleton & Singleton, 2007).

The Problems with Forensic Accounting

Since a forensic accountant from the outside will be looking at a company's financial records, there is a potential that sensitive information will be leaked. Forensic accountants and others involved in the inquiry are bound by a rule of ethics that prohibits them from disclosing any information gleaned from the case to anyone not directly involved in the investigation.

Threats and negative publicity are more likely to occur if an investigation of a company's financial statements reveals the involvement of a specific individual in fraud. Furthermore, the company's brand and its connection with investors take a hit if a trial reveals that there was fraud in the organisation.

Expensive: Forensic accountants frequently employ sophisticated pieces of accounting software. If a trial is required to prove a study's findings, the total price will rise much more. There's a possibility that the team should think about this.

Fourth, Federal regulations restrict the overuse of any one accounting firm. When a business contracts with another business to conduct an audit, that other business is prohibited from performing any additional tasks for the hiring business. It follows that a business will need to hire a wide variety of accounting firms to handle its various needs. Forensic accounting is a necessary aspect of modern business, despite its flaws. This is because it aids in determining whether or not a company has fabricated financial records to cover up wrongdoing.

Conclusion

Forensic accounting is the use of specific skills and specialised knowledge. The most important thing for the country is to stop white-collar crimes, which affect the way society works. Forensic accounting has become an effective way to stop this kind of crime. In developing countries like India, forensic accounting is used and developed much less than it is in developed countries. In India, there isn't a good way to measure, find, and stop fraud and corruption. Because of this, forensic accounting is now seen as a strategic and dynamic tool for dealing with all kinds of corruption. It is still in its early stages and needs constant technological improvements and cooperation around the world. It will become a specialised branch of accounting, and law enforcement and regulators will pay more attention to it every day. Forensic accounting engagement: how it is done, because every fraud and financial irregularity is different, the methods used to find out about each one will be different for each one. Association of chartered certified accountants (ACCA) has given general guidelines on how to do this kind of audit. Forensic accounting shouldn't become something that only a few people know a lot about because they specialise in it. It should be a part of the curriculum for everyone in the country, both at the undergraduate and graduate levels. This will help both the company and the government stop crime before it

starts. At the same time, the law should be changed as needed to show how important forensic accounting is in general and how important forensic accountants are in particular.

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