



# ROLE OF FORENSIC ACCOUNTING IN INDIA

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## ***ABSTRACT***

The growing complexities of business and commercial operations, the financial irregularities and also increase of the mindless obsession for profit maximization at any cost when carried to any extreme can lead to failures like SATYAM, ENRON; WORLDCOM has extreme negative impact on the survival and growth of any economic entity. There are no appropriate conventional accounting and auditing procedures that can provide absolute assurance in preventing and detecting all fraudulent financial reporting. The idea of forensic accounting has gained popularity in India due to an unchecked rise in corporate frauds, financial reporting discrepancies, and other white-collar crimes. Forensic accounting has become a relatively new and successful instrument to accountants to uncover errors and malpractices in the accounting industry. Forensic accounting detects and prevents corporate frauds and scams. Forensic accounting has recently acquired popularity in India due to the sharp rise in white-collar crimes and the notion that our policing agencies lack the expertise to uncover frauds. The corporate framework, numerous provisions, and the application of forensic accounting in examining corporate frauds and scams in India are the main topics of this research. This research is an exploratory and theoretical in nature and attempts to highlight the scope and the modus operandi of forensic accounting in the back drop of rising corporate frauds in India.

***Key words: Corporate frauds and Scams, Forensic Accounting, Forensic accountant, White-collar crimes.***

## **1. INTRODUCTION**

Due to the rise of financial crimes and corruption in the global economy, forensic accounting is a growing area of study in academia and business. Simply put, forensic accounting is the study of evidence that is a result of ongoing or upcoming litigation. Forensic is the component of the word that refers to or is utilized in legal proceedings, as well as in public discourse and argument.

According to the American Institute of Certificate Public Accountants (AICPA) : “*Forensic accounting is the application of accounting principles , theories, and disciplines to facts or hypothesis at issues in a legal dispute and encompasses every branch of accounting knowledge*”.

Forensic accounting is used for fraud examination and fraud examination covers fraud allegations from inception to disposition including obtaining evidence, interviewing, writing reports, testifying, etc. In the present scenario the concentration is on the forensic accounting as the corporate industries and the society deals with financial imbalance; rise in white collar crime and growing occurrences in the occupational fraud. Forensic accounting main role is in providing investigative functions and also litigation support services in the need to understand the depth and width of financial scams in the business world. Frauds in the different sectors like bank, insurance, stock market, cyber world etc., need a sharp scientific tool for investigation and settlement of disputes. The term “fraud” involves using deception to dishonestly make a personal gain for oneself and creates a loss for another. Although the legal definition of grounds may vary from country to country most are based around these general themes.

Forensic accounting assists the organization in legal matters such as:

- Investigating frauds and provision regarding the possible course of action.
- Litigation support involves the quantification of the amount of economic damages and also providing accounting assistance in litigation matters
- Assessing working transaction for compliance with basic operating processes and agreement.

## 2. OBJECTIVES OF THE STUDY

- ✓ To determine the historic perspective of Forensic Accounting.
- ✓ To determine the types of frauds committed in India.
- ✓ To study the laws related to forensic accounting.
- ✓ To study the scope and role of Forensic Accountants.
- ✓ To understand the techniques used in Forensic accounting
- ✓ To identify the major scams in India.
- ✓ To determine present perspective of forensic accounting in India.

## 3. METHODOLOGY OF THE STUDY

### 3.1 Research Design

Analytical research design is used to analyze the existing facts from the secondary data.

### 3.2 Sources of information

The study takes into consideration secondary information collected through articles and magazines. Publicly available data is taken into consideration for the purpose of the study.

## 4. HISTORY OF FORENSIC ACCOUNTING

Maurice E. Peloubet who coined the term Forensic accounting in 1946 essay “forensic accounting: Its place in today’s economy”. Archaeological findings reveal that, during 3300- 3500 BC, accounts of their day in Egypt were involved in the preparation and detection of fraud. During 1800 close relationship developed between accountancy and legal profession. Many amendments to financial statement disclosure can contribute to frauds in corporate. In 1930 America Eliot Ness was credited to bring down gangster Al Capone, but his case was based on the investigation work done by Elmer Irey, an accountant with the Internal Revenue Service that ensured Capone’s conviction of tax evasion. He was presumably America’s first high profile forensic accountant. However, in the context of India, the history of investigation and accounting stretches back to the Mauryan era. The forty methods of embezzlement were initially mentioned by Kautilya in his legendary Kautilya arthashastra. Furthermore; it has significantly increased market volatility, which has weakened investor confidence across the globe. Secondly, it diminishes the validity of the financial data that investors use to make investment decisions. Financial misrepresentations should be every manager's worst fraud-related nightmare when reputation damage, potential

finances, and court prosecutions are taken into consideration, along with the loss of investor trust, reputation harm, and significant legal penalties. From time-to-time, corporate and regulatory bodies have tried to analyze and correct any existing defects, if any, in their reporting systems. In addition, discussion on the relevance of “Forensic accounting” in detecting accounting scandals has emerged in recent years. All these cases imply that the corporations have failed to supply accurate information to their investors and to provide appropriate disclosures of any transactions that would impact their financial position and operating results.

The institute of chartered accountants of India (ICAI) has taken the challenge of training some Chartered Accountants to become certified Forensic Accountant (CFAs) has taken the challenge of training some Chartered Accountants to become Certified Forensic Accountant. This challenge is yet to be embraced by most of the Indian Universities providing higher education. Just a few years ago, in India, forensic accounting made its debut. It was initially created in the USA in 1955. Due to a surge in financial scams, or "white collar crimes," forensic accounting has become more popular in India. The shortage of respect and perception in India's law enforcement agencies plus the rate by which white collar crimes have enhanced, has promoted the improvement of forensic accounting in India. Forensic accounting though a new field in Indian accounting world has tremendous potential as a new practice area for Indian CAs. Indian CAs with their extensive theoretical education and practical experience can create forensic accounting and auditing as their niche area.

## 5. CAUSES FOR THE GROWTH OF FORENSIC ACCOUNTING IN INDIA

The need for forensic accounting was felt because of the failure of internal and external audits in the organization to ascertain errors in the managerial system. The important reasons for the growth of forensic accounting:

- India was not having enough forensic accountants and lack of awareness and understanding of the profession.
- Because internal and external audits of the firm failed to detect numerous financial irregularities that are harmful to the interest stakeholders, conventional accounting was unable to do so.
- Culprits are sophisticated technologies in committing frauds hence to replace old investigation methodology in right way to new technology on the IT platform.
- Rotation and appointment of the audit committees by the corporation in India through cooperation and lobbying
- Auditors' certificates are scrutinized in the situations where the reports are unclear, doubtful and qualified.

## 6. TYPES OF FRAUDS COMMITTED IN INDIA

The following are the various types of frauds that committed in India:

1. **Corporate frauds:** It is an unlawful activity undertaken by an individual or a company to give an advantage to the perpetrating company.
2. **Securities Frauds:** Shares frauds, commonly referred to as stock frauds, are dishonest stock market practices that persuade investors to buy or sell securities based on misleading information and violating securities regulations. One of the main issues is that novice investors who are unable to assess risk properly and cannot afford to lose money are frequently offered unsafe investment options. In a similar vein, the insurance companies settle claims proclaimed by the policyholders likewise they turn to forensic accountants for assistance. Claims linked to consequential loss policies, loss of property as well as various hazards, fidelity insurance, and also includes various forms of insurance claims are handled by forensic accountants.
3. **Insurance Frauds:** There are innumerable frauds that are prevalent in the insurance sectors. Examples: health insurance, claims frauds, claims being incorrect, insurance policy speculations, frauds in the application etc.



4. **Bank frauds:** In order to get money, securities, or other assets owned otherwise held by a bank or financial institution, or to collect deposits from investors or fluent depositors by falsely masquerading by the banks or any other financial institution, it is necessary to utilize potentially illegal techniques. Bank scams sometimes constitute criminal offences. A significant percentage of bank scams occur. In all of the key banks operating areas, it is rising with time. In today's world, bank frauds constitute a significant unlawful enterprise.
5. **Cyber frauds:** Any crime using a computer and broadband telecommunications networks is considered as a cybercrime. Either the computer was the intended victim of the crime or it was employed in its commission. Cybercrime is the illegal usage of the internet. The telecommunications networks are objected to criminal offences that are initially committed against people with a criminal purpose to intentionally destroy the reputation and also causes mental injury. The welfare and financial credibility of a nation may be threatened by such crimes.
6. **Identity theft:** The fastest- growing type of fraud in the world is identity theft. It occurs when the fraudster uses your credit card or bank account information to buy items and charge them.

## 7. APPLICATION OF FORENSIC ACCOUNTING

Although frauds seems to receive the most coverage, there are several other common applications for forensic accounting beyond the widely recognized Certified Fraud Examiner (CFE) designation, the American institute of certified public accountants (AICPA) announced a new credential for those CPAs who focus on forensic accounting and litigation support. The credential, Certified in Financial Forensic (CFF), became effective in September 2010 and the AIPA defined the fields of forensic accounting that also includes the fundamental basis of knowledge along with specific practice areas or application for forensic accounting.

### Fundamental knowledge

- Law, Courts, and dispute
- Planning and preparation
- Information gathering and preserving
- Reporting, Experts and testimony

### Specialized Forensic knowledge

- Bankruptcy, Insolvency and reorganization
- Computer forensic analysis
- Economic damages calculations
- Financial statement misrepresentation
- Fraud prevention, detection, Response
- Business Valuation

## 8. LAWS RELATED TO FORENSIC ACCOUNTING

There are various Indian laws relating to forensic accounting such as:

1. **The Companies Act, 1956:** Section 235 and 237 which empowers Government of the India to inspect the books of all the company, to direct special audit, to investigate the company's books account and to launch prosecution for violation of the companies act, 1956. Books of accounts and other documents of the companies are inspected by the officers of the Directorate of Inspection and Investigation and the ROC. These inspections are designed to find out whether the companies conduct their affairs in accordance with the provisions of the Companies Act, 1956 to see whether any unfair practices prejudicial to the public interest are being resorted to any company or a group of companies and examine whether there is any mismanagement which adversely affect any interest of the shareholders, creditors, employees a d other.

Whether inspection reports disclosure any information that may be of interest to other Department or agencies like the Ministry of commerce and industry, Central board of direct of Direct Taxes, Enforcement Directorate, State Government or Provident Fund Authorities, such as information is passed on to them. If an inspection discloses a prima facie case of fraud or cheating, action is initiated under provisions of the Companies act, 1956 or the same is referred to the Central Bureau of investigation.

**2. Provision of Sick industrial Companies Act incorporated into Companies act, 1956;**

Provisions of Sick Industrial Companies Act incorporated into the Companies Act, 1956: The National Firm Law Tribunal (NCLT) is authorized under Section 424A (50) of the Companies Act of 1956 to determine whether the company is a sick industrial company under specified circumstances (46AA). Thus, even before assessing the viability of the company's stated resurrection plan. The validity of the referral submitted to NCLT may be verified. Therefore, NCLT will only be able to decide on the feasibility of the plan and determine if the firm has the potential to resuscitate on its own thanks to the operational agency's investigation. A group of experts known as an operating agency, which may include a public financial institution, a State level institution, a scheduled bank or by a generalized as well as special order by its agency, conducts an investigation to determine whether references made by the company are genuine or whether the accounts are fabricated or manipulated to fit the reference scheme.

**3. SEBI ACT, 1992:** The stock market is very unpredictable, and brokers take advantage of this by engaging in unethical and dishonest business activities such coordinated share trading, falsifying and manipulates the financial statements and defrauding unsuspecting investors. Regulation 11C of the SEBI allows anyone to be instructed to look into the affairs of brokers or intermediaries connected to the securities market whose handling of securities transactions is hurting investors or the securities market. If stock brokers, market intermediaries are under investigation for engaging in fraudulent or unfair business practices, the SEBI-appointed investigator will look into the matter. As part of the investigation, will be required to provide information, including bank ,book , registers, documents, or other records, which the investigator will examine in order to look for any manipulation. Therefore forensic accounting has a major role in assisting SEBI to operate complex share related affairs.

**4. The Insurance Act, 1938:** IRDA has the authority to order anyone (the Investigation Authority) to look into the financial affairs of all kind of insurer under Section 33 of the Insurance Act. The auditor (or the actuary or the both) must be a chartered accountant in rule with the Chartered Accountant Act of 1949 before the investigating authority can request their assistance. The investigating authority takes the books of accounts, statements registers, and related other documents into its custody for the supporting in the investigation, and then analyses them to discover any manipulations or falsification in books of accounts. Thus, in accordance with the insurance act of 1938, chartered accountants serve as forensic accountants and assist in the examination of the insurer's business.

**5. The Prevention of Money Laundering Act, 2002:** According to Section 3 of the act, engaging in any procedure or action that involves the profits of crime and portraying them as pristine property constitutes money laundering. The six stages in the money laundering are

- Placement: Cash obtained illegally is physically disposed of by being deposited in urban or rural banks or other financial institutions.
- Layering: Working through intricate levels of the financial transactions by hiding the audit trail and separate the illicit revenues from their source.
- Integration: Investigation and analyzing the financial evidence in order to establish a suspicious transaction.
- Communicating their findings
- Assisting the legal proceedings.

**6. The Companies (Audit's Report) order, 2003:** The auditor must submit a report to the audit trail documentation under CARO, 2003. Whether going concern status has been impacted if a sizable portion of fixed assets were sold off in the year. As part of his obligations, the auditor must identify a connection

between AS24 (Discontinuing Operations), Going Concern ASS16, and Section 293 Companies Act of 1956 before making his remarks. The auditor is also required to report frauds.

## 9. FORENSIC ACCOUNTANT

Internationally, forensic accountant are less likely to be chartered accountants and more likely to be certified professional such as Certified Fraud Examiner (ACFE) or Certified in financial Forensic (AICPA). In the ACEF's 2018 report to the nations, 48% of occupational fraud and abuse cases reposted were from the United States. The second region was sub-Saharan Africa with 13% of reported case, followed by the Asia-Pacific region with 11%. In the same report the ACFE observed that 53% of the respondents worked in-house conducting frauds examination on behalf of a single company or agency while 27% worked at professional services for client organizations. Although many CPA's are specialized in forensic accounting, the non CPA's work as internal auditors are deemed to obtain the specialized knowledge for fraud investigation and evaluations.

Forensic accountants also work in fraud prevention. While some forensic accountants enter the field with finance economics, or other business degrees, most are trained as accounts and are often CPA's increasing in the past few years, information system professionals have also entered the field of forensic accounting, augmenting, their skill sets with forensic computing, electronic discovery, data mining and data visualization.

Technology is being used and relied upon by forensic accountants more and more. As a result, the necessary skill set is expanded beyond purely critical analysis to include practical understanding of technical concepts like data set management, a variety of data sources, normalization techniques, visualization, and the delivery of analysis that goes beyond simple numerical analysis.

The skills that will distinguish the future forensic accountant from the competition include the capacity to truly listen, assess replies using data and facts, decipher nonverbal clues, and comprehend various cultural back grounds.

## 10. TECHNIQUES OF FORENSIC ACCOUNTING

Chakrabarti (2014), Moid (2016), Peshori (2015), and Shaheental (2014) proposed five techniques that practiced by forensic accountants widely:

1. **Benford's Law:** Under the Benford's law mathematical formulas and procedural applications are applied to identify the financial irregularities, unintentional mistakes and fraudulent calculations. . It works by studying the patterns of the figures of the variable under study. According to this law, the frequency distribution or the count percentage of the digits(first or beyond ) of the variable under examination compared to the pre-defined standard using Z- test certain level of confidence .Significant differences in both render good reasoning for further investigations to detect any potential frauds.
2. **Theory of Relative Size Factor (RSF):** In order to identify the irregularities in books RSF is a ratio formula is used by the discovering the highest and lowest ratio which indicates the deviation in the course of the finances. An unusually high RSF signal that the highest number is not in line with the other numbers in the set and hence, calls for further investigation to detect any potential fraud.
3. **Computer assisted Auditing tools (CAATs):** It includes software tools that provide guidelines and procedures for matching the balances, correcting the transaction, identifying the abnormal fluctuations, re-calculation while dealing with huge volume of client's data, for example, Microsoft office software.
4. **Data mining techniques:** Data mining techniques enable to extract huge data that are for further analysis. These techniques are categorized into: (A)Discovery, to determine the patterns in data through trends and variation;(B)Predictive modeling to forecast outcome on the basis of patterns identified; (C) Deviation analysis, to detect the items that deviate from the established norm; and (D)Link Analysis, to detect any unusual pattern by employing various graphical techniques.



5. **Ratio Analysis:** There are several comparative ratios that used to analysis the difference and identify the irregularities in the transactions and balances. The common ratio that are included are gross margin ratio, net profit ratio, inventory turnover ratio, sales receivables, return on investment ratio and many more. These ratios create and develop a relations hip between the numbers as shown in the books any deviation in their relationship helps to identify and predict the frauds and imbalance. The forensic accounting techniques should follow customized and situation-oriented approach while examining a financial fraud or irregularity, as against the statutory auditing techniques, which follow prototype procedures.

### **Contemporary techniques used in forensic accounting are:**

1. Spot the unusual: It important to know what in the course of the account and what isn't in the course of the account as it help to determine that the frauds in the financial transactions are identify and the important difference that matters to the differences.
2. Frauds risk management: This technique renders a proactive outlook towards corporate fraud. It enables to senses the potential frauds at the earliest and avoids it. KPMP offers following strategies for the same:(A) Fraud awareness workshops and training programs, (B) Frauds risk assessment and vulnerability tool, (C)Forensic health check, (D) Organization perception survey,(E) Predictive data modeling (F) Anti-counterfeiting risk assessment, (G) Competition risk management.
3. Forensic technology lab: Forensic technology lab conducts in-house or field investigations to collect the productive information in a systematic manner and indicate any dubious entry.
4. Corporate Intelligence: Corporate intelligence applies and means 'Due Diligence' check of the parties involved in the business identifying whether they are promising to do business transactions it can an individual or an organization. Due Diligence and Know Your Customers (KYC) keeps the originality and trustworthiness.
5. Verification (Know your employee): It includes verification of employee's background and credentials such as address, education, past employment, pending lawsuits, mental and physical check, criminal records, etc.

### **Forensic Accounting techniques employed by banks**

The banking industry is also plagued by an abundance of scams and financial crimes. The main issues facing the banking sector are the poor deployment of fraud risk management strategies and the continuous use of manual approaches to identify and stop frauds (such as falsified documents and the theft of money and assets). The average financial damage resulting from a banking fraud can range from 19 lakh to 2 corers (India Banking Fraud survey, 2015). Deloitte's India Banking Frauds survey, 2015 assessed the status of forensic accounting techniques at banks and discovered the use of following techniques:

- a) Customer screening against negative list
- b) Off- site monitoring and surprise visits,
- c) Employee , customer, third party due diligence check
- d) Whistleblower hotline
- e) Forensic technology tools like UV scanners
- f) Intelligence gathering etc.

Use of advanced forensic data analytics is a strategic move by banks in order to identify and deter any forth coming fraud, perpetrated by customer, employee, or third party. Deloitte's India banking fraud survey, 2015 recommended various methodologies that the banks can implement to detect the frauds prevent risk-based, constantly evolving, predictive, and integrated.

Data visualization technique can be employed for visual representation of multidimensional data and processes using PERT/ COM networks. This enables in (A) Pinpointing any hidden or suspicious relationship (B) Tracing the movements of money during AML investigations (C) Understanding complex relationships through link analysis and geo-spatial representation.

Furthermore, Robotics Processes Automation (RPA) techniques, commonly referred to as ‘if-Then’ techniques, are employed to step up the rules for detecting and analyzing any abnormal or unusual transactions and thereafter, taking an immediate course of action.

These methods are very helpful for the banking and e-commerce industries. The human method of creating rules has been overtaken by machine learning technology due to the dramatic growth in data volume and complexity. Without being programmed for it, such technology will automatically learn, project, and respond in order to distinguish between questionable and genuine transactions.

## 11. MAJOR SCAMS IN INDIA

1. **Unit Trust of India(2001):** Rs.1300 crores
2. **Stamp paper scam (2005):** Rs 600 Billion counterfeiting of the stamp papers, stocks from brokers sentenced for 30 years of imprisonment.
3. **Sahara India Pariwar Investor fraud (2009):** Scam by Subrata Roy who had made a fraud of Rs 2,000crores.
4. **Satyam computers (2009):** Rs 10,000crores falsified revenues, margins and cash balance, operating profit and also boosted crores to 649 crores. B Ramalinga Raju and family, Board of director, CFO, Top Level mismanagement and Auditors were a part of the scam.
5. **2G Spectrum scam (2010):** Rs1.76lakh crores of scam that included top notched political personalities of the state. A Raja, Nira Radia, and MK Kanimozhi also many Telecom Company were involved on the scam.
6. **Common-wealth Games (2019):** Rs 70,000 crores of scam that involved the organizing committee of providing funds to non existing parties. Suresh kalmadi and other organizing committee members, two private companies and government officials were involved in the scam.
7. **Adarsh Housing Society Scam (2010):** The market price of a six storey building is 6 to 8 crores but it was given away with for a price of 60 to 80 lakhs which violated the property rules and environment rules.
8. **Uttar Pradesh NRHM (2010):** Rs10,000 crores scam which involved the National Rural Health Mission as it was apart the central government program in the rural areas. B S Kushwalha, Top politicians and bureaucrats.
9. **Coal Block Allocation/ Coalgate (2012):** Coal blocks allocated, not auctioned, leading to estimated losses as per the Controller and Auditor General of India was Rs1, 86 lakh crores. The ex- coal minister, many electric boards and private companies.
10. **Karnataka Wakf Board Land(2012):** Wakf board members, 2 lakh crores
11. **Agusta Westland VVIP Chopper (2013):** A former IAF chief has taken brides worth Rs 36 billion of Rs 3600 crores from Augusta Westland Company.
12. **Saradha Chit Fund (2013):** Nalini Chidambaram, Rs10,000crores.
13. **Kingfisher Airlines (2016):** Misled banks and misused money, fraud and money laundering of Rs 9000 crores. Vijay Mallya, politicians, government officials and several middlemen were involved in the scam.
14. **PNB Frauds (2018):** Agencies probing India’s biggest banking scam of fake bank guarantees/ Letters of understanding (LOU) of Rs13500 crores. Nirav Modi and his maternal uncle Mehul Choksu, politicians, government officials and several middlemen were a part of the scam.



## 12. AGENCIES DEALING WITH FRAUDS IN INDIA

There various agencies that deals with the frauds in India such as:

1. **Company law board (CLB)** By Publication No. 364 dated May 31, 1991, the Central government created company law board in obedience to Section 10(E) of Company Act of 1956. The Central Government or the High Court used to have equitable jurisdiction, which is now exercised by the CLB, a quasi-judicial body. The board has the ability to control its own behavior. The procedure for submitting applications and petitions was outlined by the Board.
2. **Income Tax department (IT):** The IT department is a government agency in charge of the monitoring the income tax collection by the government of India. It functions under the Department of Revenue of the Ministry of Finance.
3. **Reserve Bank of India (RBI):** RBI is an India's Central Banking Institution, which controls the monetary policy of the Indian rupee. It commenced its operations on 1<sup>st</sup> April 1935 in accordance with the Reserve Bank of India Act, 1934. The central bank of every nation performs a variety of tasks, including handling foreign exchange, directing monetary policy, producing currency, acting as a bank for the government, and serving as a banker to established commercial banks.
4. **Securities and Exchange Board of India (SEBI):** The SEBI is the regulator for securities market in India. It was established in 1988 and given statutory powers on 30<sup>th</sup> January 1992. SBI is primary responsibility to safeguard the investors while also fostering the growth and regulation of the securities.
5. **Serious fraud Investigation Office (SFIO):** SFIO is a multidisciplinary organization. They are responsible for identifying white-collar crimes and frauds and either prosecuting them themselves or recommending that they be prosecuted. Regional offices for SFIO have also been located in West Bengal, Maharashtra, and Andhra Pradesh.
6. **Interpol:** With 192 member nations, Interpol is the biggest international police organization in the world. The purpose of Interpol is to facilitate international cooperation among police forces in the interest of global security. Our technologically advanced technical and operational support infrastructure enables us to handle the escalating difficulties of modern-day crime control.

## 13. PERSENT PERSPECTIVE OF FORENSIC ACCOUNTING IN INDIA

Due to the nature of the competence it requires in accounting, a fraud examination is the field that is thought to be the exclusive domain of chartered accountants. Chartered Accountants are requested to take on certain investigative tasks in India. Few Chartered Accounting companies specifically focus on fraud examination. These services are offered by organizations that specialize in chartered accounting, including Sharad Joshi Chartered Accountant. The infamous Xerox Fraud case was also looked into by the Delhi-based S.K. Jain business. However, the top four consulting companies, such as Deloitte, KPMG, PricewaterhouseCoopers, and Ernst & Young, predominate in this field. In India the formation of serious fraud investigation office is the landmark creation for the Forensic Accountants. Growing cyber- crimes, failure of regulators to track the security scams, series 101 of co-operative banks bursting- all are pinpointing the need of forensic accounting, irrespective of whether we understand the need or not.

## 14. THE KEY CHALLENGES IN IMPLEMENTING FORENSIC ACCOUNTING IN INDIA

1. Premium service: Compared to investigative auditing, this service is quite expensive.
2. Lack of separation of duties: When duties are not separated, it unintentionally permits personnel to engage in fraud.
3. Political Fancy and a Complex Judicial System: Issues with gathering evidence against politicians and bureaucrats for judicial admission.

4. Compliance with Ethics Program: Employees are subtly encouraged to disregard or transgress the organization's message of integrity and ethical ideals by top management's conduct and pressure to reach objectives.
5. Technologies-related fraud: Fraudsters and criminals employ continually evolving technology.
6. Corporate Image: It will be very expensive if any cases involving financial fraud or defalcation are taken to court and need expert testimony.
7. Multijurisdictional Fraudster: Indian law makes it challenging for forensic accountants to prosecute fraudsters from other nations.

## 15. CONCLUSION

Forensic accounting includes knowledge of fraud, financial skills, and a thorough grasp of both corporate realities and the operation of the legal system. Its growth may often be accomplished by on-the-job training, experience working with investigative officers, and experience working with legal counsel. The detection of fraud and illegal activity in the financial records of any institution, including banks, corporations, the public sector, and other organizations, is what forensic accountants do best. The steps made by regulatory organizations with the aforementioned goals in mind are encouraging in combating frauds. The necessity for forensic accounting has increased as a result of an increase in financial cases, recent stock market frauds, collapse of non-financial banking organizations, and corporate demands for monopolistic power. So it is appropriate to use forensic accounting.

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