



PERCEPTION OF FORENSIC ACCOUNTING IN INDIA

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ABSTRACT: Forensic accounting refers to the extremely thorough study and financial data analysis used to investigate fraud or financial manipulation. To answer complaints, assertions of claim, rumors, and queries as well as to lessen the financial component of legal discussion, the investigative arm of accounting produces forensic accounting material. This is a useful tool for figuring out whether a fraud has been executed or not. A forensic accountant can identify the hoax with the help of these documents, which include a summary of all the pertinent data in the financial statement.

The occurrence of fraudulent behavior is one of the likely explanations, as was already mentioned. When an auditor rejects a theory, it means that additional research is necessary to determine whether or not fraud is present. It will appear as a warning to auditors. When applied appropriately, Belford's technique has proved to be a useful tool for locating dubious financial statements that warrant further inquiry.

Keywords: Accounting, Forensic, Investigation, Questionable

1. INTRODUCTION

The surge in frauds caused by modern business trends, which essentially create a highly dynamic and volatile market, makes the use of a forensic accountant in the sectors necessary. Another name for them is inspection accounting. It combines accounting with scientific research. It combines testing, inspection, and bookkeeping. They have a certain degree of uncertainty in their accounting approach as well as a practical quality. They employ a distinct approach from auditing. Because their main objective is to find fraud, they do not rely on managerial representation, have little care for mathematical accuracy, and do not follow auditing norms. Determining the scope of the fraud and establishing it in court is their main focus. Their computations and working documents are of great use in resolving legal



disputes. Along with having the required professional skills and qualities, they also need to be more calm and focused (Luhar & Sharma, 2012).

Forensic accountants afford assistance in the subsequent areas:

- Courtroom funding for administrative measures
- The ability to perceive fraud through inspection.

The use of a professional is required in administrative proceedings, and they can be very helpful in gathering and presenting evidence in court. These proceedings include supporting pending cases, likely legal or governing processes before the court, and settling unresolved disputes between parties. So, professional scripts, referrals, and other services like valuation officers, who act as a party's representative as a professional appointed by the court, referee, arbiter, or mediator for case resolution, are covered by administrative processes. However, after they have been hired to identify frauds, they do not provide litigation for the same case.

Forensic services such as conducting fraud examinations or studies are included in the category of "inspective services." Their ability to gather evidence is useful in administrative hearings. Their main duty is to not only find the frauds but also to counsel their clients on all available options for defending themselves against all possible defaults and fraud liabilities. They can serve as a second investigation officer, aid primary investigators or verification officers during the examination process, and act as a consultant as needed. They can be a huge help to auditors in statutory and internal audits for better internal control.

With the assistance of professionals such as them, the work of statutory auditors can be facilitated. They can also be used by other fact-finding organizations for their projects. Since auditing checks the accuracy and fairness of accountants' books rather than evaluating whether they have committed fraud, it falls under the expense category. If they are chosen to be internal auditors, they can expose fraud and uphold the law with their professional compensation. The firm will come out on top when their fee payments are compared to the number of scams exposed, saving a significant amount of money. One area of accounting that calls for a high level of skill is forensic accounting. Their letter of labour or engagement is based on how complicated their cases are.



Each case is unique and challenging because fraud is carried out with planning, and it can be challenging to uncover such planning. Their conclusions can be used as reliable evidence in court, thus they must conduct their duties with the utmost expertise. Their role is to record evidence during trials; they are also referred to as fraud examiners or inspecting officers. Nowadays, the majority of businesses—regardless of size—use forensic accountants to safeguard their assets. They offer a wide range of services to their customers, including insurance, personal injury claims, entitlements, and intellectual property rights. The following categories further categories their involvement:

- Contractual disputes that arise after the contract has been completed.
- Defaulters, liquidation, and reorganization
- Asset misappropriation
- To expose computer-related fraud,
- A technology specialist was brought in.

In order to find instances of professional negligence, forensic accountants are called upon to look into both business concerns and the cases of other professionals. Professional negligence is the term used to describe an auditor's failure to perform his responsibility in detecting fraud. The analysis of the forensic accountant establishes the level of professionalism. Additionally, they offer personal services like alimony, determining the income available for child support, and distributing funds fairly among family members in the event of legal heirs. Only after the organization has been robbed are they hired. They are professionals with in-depth knowledge of both law and accountancy.

People become involved as a result, learning about the internal accounting practices used by the business. They look into the error as well as the fraud's justification. Additionally, they give the client advice on what they ought to have done to avoid a scam. They have made progress in their understanding of online and computer-related fraud because most financial transactions now include electronic payments. They act as technical consultants, offering guidance on various computer forensic techniques to prevent such scams. The four main steps in fraud analysis are

- (a) Information acquisition,
- (b) Preparation using that information,



(c) Information analysis, and

(d) Conclusion formation.

Misappropriation of items can place at work, for instance, when supplies are purchased for official purpose but then sold and used for personal benefit. Accounting and law are combined in forensic accounting. As a result, their testimony is crucial in a court of law. They collect information from many points of view that can be submitted in court and used as evidence. They must be able to spot scams. Documentary evidence, whether used against or for a corporation, must first determine whether frauds have occurred and, if so, the quantity of frauds committed, as well as the value of the damage caused by such frauds.

To understand why the fraud occurred, they must break down the complexities of the case into simple situations. When they are given an assignment, they always focus on the financial transaction's fraud element. They suspect each transaction from the standpoint of fraud, investigate it, and hold the appropriate individual accountable for detecting fraud. The auditor, on the other hand, is reliant on the management's documentary evidence. They are constrained in their approach because their task is defined by the client's engagement letter. On the other side, forensic accountants attempt to validate data from external sources that appear to be more trustworthy and real.

A forensic accountant's benefit is that auditing is limited. The aforementioned makes it clear that as the globe changes, so do the types of scams. Fraud tactics have changed, making it easier than ever to use them in complex situations. Traditional auditors lack the tools necessary to recognize and report such frauds. The sophistication of the frauds can, however, be gauged by how well-trained and qualified the auditor is as a forensic accountant. Another drawback of auditors is that their expertise is restricted to basic accounting principles. In contrast, forensic accountants have expanded their knowledge beyond accounting to include local laws, regulations, cyber laws, and technical data, giving them a broad perspective to spot new and improved fraud techniques. The role of the forensic accountant is to identify frauds and submit reports; the court will then assess whether frauds actually occurred based on the evidence gathered. This is the most important component.



They actively participate in fraud detection, but they also provide management with a wealth of advice on how to prevent fraud at all levels of management. A forensic accountant's job goes beyond personal responsibility in any dispute involving family issues, insurance, or any other form of claim with a financial impact, in contrast to an auditor, whose work is restricted to the financial accounting books.

2. RESEARCH PROBLEM

- Audit is the failure to discover frauds, as a result of which large frauds go unreported.
- It is difficult to prevent and regulate technological scams.
- Occupational fraud is a big risk that an organization cannot control.

3. RESEARCH OBJECTIVE

- To recognize the difference among standard auditing and forensic accounting to decrease and prevent fraud.
- To learn and understand procedures of forensic secretarial and its application to examine fraud.

4. RESEARCH HYPOTHESIS

Null hypothesis (H_0): Compared to auditing, forensic accounting has minimal impact on fraud reduction and prevention.

Alternative Hypothesis (H_1): In comparison to auditing, forensic accounting significantly reduces and prevents fraud.

Research Methodology: Because the study is exploratory, extra secondary data were used to look into the links. To help achieve the objectives of the study, a variety of criteria were examined and a variety of data sources were consulted.

Source of data: Statistics is attained for the study from a subordinate source, namely the annual report—standalone Forensic Secretarial of selected organizations.

Research tools: Percentage, ratios, and Benford's law were secondhand by the benefit of MS Excel to achieve the education's goal.



5. Results:

TataMotorsLimited

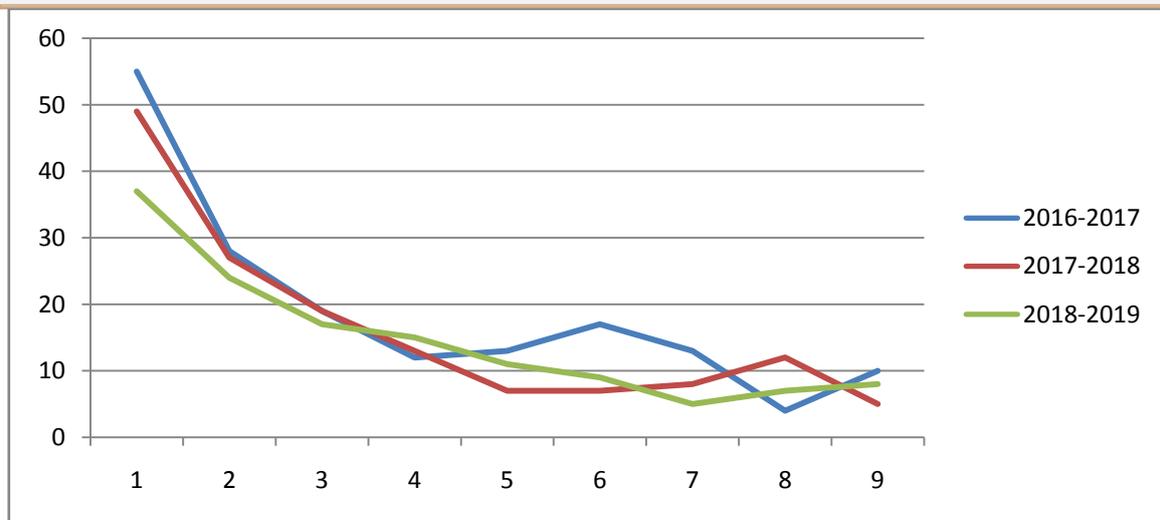
The market value of Tata Motors Group (Tata Motors) is \$45 billion. It is a significant global automobile manufacturer. Its diverse fleet includes a variety of cars, SUVs, trucks, buses, and military vehicles. One of the top automakers in India, Tata Motors offers a wide range of integrated, smart, and e-mobility solutions. One of the biggest automakers in the world, Tata Motors is a component of the Jamsedji Tata-founded Tata Group, which has a market cap of \$100 billion.

We adhere to the principle of "Connecting Aspirations" by offering innovative mobility solutions that support clients' goals. Being the largest automaker in India, we are reshaping the commercial vehicle market in that country by bringing electric and advanced powertrain technologies that are packaged for performance and customer comfort at the lowest life-cycle costs. Our new passenger cars and utility vehicles, which offer a better blend of performance, drivability, and connectivity, are supported by Impact Design.

Company Wise Application of Benford's Law

Tata Motors Limited

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	Total	Prob.	Actual	Variance
1	55	49	37	32	29	202	0.4332	0.4111	0.0322
2	28	27	24	21	19	119	0.3118	0.2862	0.0359
3	19	19	17	15	15	69	0.2313	0.2348	-0.0138
4	12	13	15	13	15	68	0.1937	0.1868	-0.0234
5	13	07	11	14	13	70	0.1698	0.1893	-0.0294
6	17	07	09	11	18	62	0.1756	0.1768	-0.0115
7	13	08	05	05	12	43	0.1657	0.159	-0.0125
8	04	12	07	09	09	41	0.1547	0.1613	-0.0167
9	10	05	08	07	07	40	0.1547	0.1559	-0.0113
						714	1		

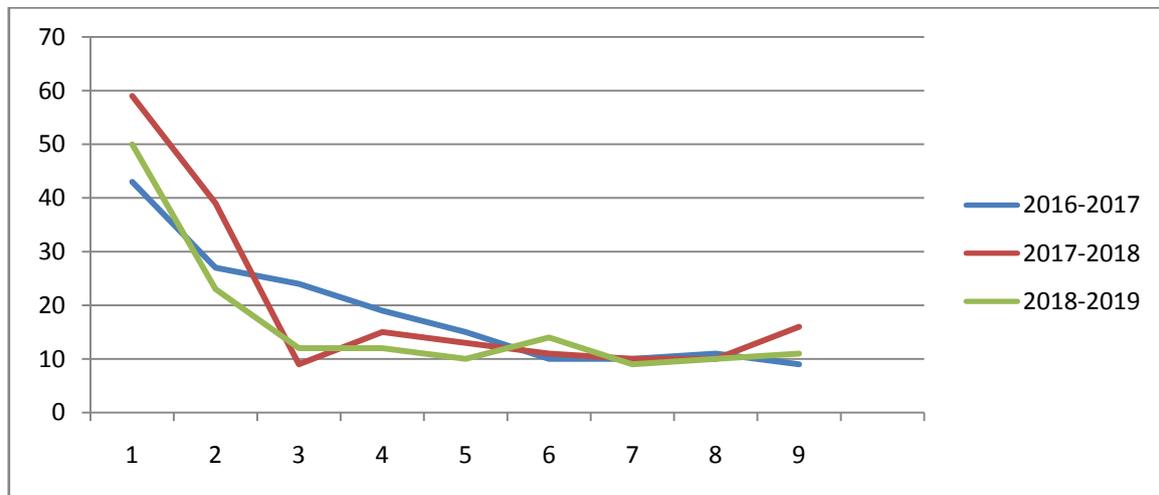


The theoretical frequencies of Benford's law are compared to the observed frequencies. The first column displays the frequency distribution predicted by Benford's law, and the second displays the measured frequencies.

The case study analysis's findings demonstrate that fabricated data does not match projected frequencies. The first digit frequency distribution during the previous five years is shown on the graph. And digit 1 of the first digit frequency distribution has a likelihood of 0.4332 when the real likelihood is 0.4111. The frequency distribution's first digit, or digit 1, denotes a somewhat higher fraud risk.

Tata Steel Limited

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	TOTAL	ACTUAL	PROBL	VARIANCE
1	43	59	50	50	46	248	0.3415	0.3111	0.0305
2	27	39	23	23	32	144	0.1901	0.1862	0.0040
3	24	09	12	11	14	70	0.1143	0.1350	-0.0208
4	19	15	12	11	9	66	0.1105	0.0870	0.0035
5	15	13	10	8	7	53	0.0772	0.0893	-0.0125
6	10	11	14	17	19	71	0.0686	0.0770	-0.0085
7	10	10	09	9	8	46	0.0572	0.159	-0.0109
8	11	10	10	9	9	49	0.0643	0.0613	0.0033
9	09	16	11	10	9	55	0.0673	0.0560	0.0115
						802	1.000		



The theoretical frequencies of Benford's law are compared to the observed frequencies. The first column displays the frequency distribution predicted by Benford's law, and the second displays the measured frequencies. The case study analysis's findings demonstrate that fabricated data does not match projected frequencies. The first digit frequency distribution during the previous five years is shown on the graph. Additionally, the frequency distribution's initial digit, digit 1, has a real probability of 0.3111 and a probability of 0.3415. The frequency distribution's first digit, or digit 1, denotes a somewhat higher fraud risk. Finding financial statement fraud is a difficult task that requires more than just using standard auditing procedures. As a result, in order to simplify auditing activities and detect false financial statements, auditors need new tools and methodologies. Benford's Law should be used in conjunction with other techniques rather than as the only tool for accounting auditing. When using Benford's method, an auditor is effectively confirming the statistical hypothesis that the distribution of the digits in a data set is consistent with Benford's Law.

If you disagree with this notion, one of the following three scenarios may have occurred. The occurrence of fraudulent behavior is one of the likely explanations, as was already mentioned. When an auditor rejects a theory, it means that additional research is necessary to determine whether or not fraud is present. It will appear as a warning to auditors. When applied appropriately, Benford's technique has proved to be a useful tool for locating dubious financial statements that warrant further inquiry.



6. CONCLUSION

There is a strong need for forensic accountants as a result of an increase in business scandals. They are experts with a wealth of knowledge in fraud identification and avoidance. Forensic accountants are also hired to help prevent and identify fraud. As the primary objective is to establish "True and Fair View," i.e., that all documentation supporting the financial transaction are in order, auditing has its own set of restrictions. There is a probability of finding errors and fraud, which is an accidental goal of auditing, if the auditor issues his report based on the audit performed on the basis of the documents provided. Frauds are far more difficult to spot than mistakes are.

Forensic accountants are highly skilled experts whose primary responsibility it is to investigate fraud, its breadth, and potential preventative measures. Forensic accountants employ forensic accounting tools to stop and identify fraud. Scams in the workplace and in technology have a negative effect on the economy. Technology fraud can be fought using computer forensic tools. These tools are used by banks, IT firms, insurance providers, and other enterprises to identify and stop fraud.

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