

FORENSIC ACCOUNTING: FRAUD DETECTION IN CORPORATE SECTOR

Project Report

Submitted by

DEVIKA MOHAN (Reg. No.: AB20COM062)

IRENE ANSIA PATRICK (Reg. No.: AB20COM063)

JONA JOY (Reg. No.: AB20COM064)

Under the guidance of

Dr. Mary Sruthy Melbin

In partial fulfilment of requirements for award of the degree of

Bachelor of Commerce



ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM
COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited at 'A++' Level (Fourth Cycle)

Affiliated to

MAHATMA GANDHI UNIVERSITY

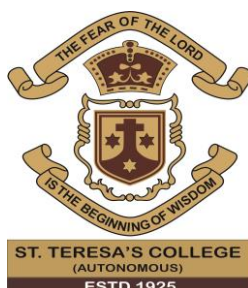
Kottayam-686560

March 2023

ST.TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited at 'A++' Level (Fourth Cycle)



CERTIFICATE

This is to certify that the project report titled '**FORENSIC ACCOUNTING: FRAUD DETECTION IN CORPORATE SECTOR**' submitted by **DEVIKA MOHAN, IRENE ANSIA PATRICK** and **JONA JOY** towards partial fulfillment of the requirements for the award of degree of **Bachelor of Commerce** is a record of bona fide work carried out by them during the academic year 2022-2023

Supervising Guide

Head of the Department

Dr. Mary Sruthy Melbin

Ms. Ann Thomas Kiriyanthan

Assistant Professor

Assistant professor

Dept. of Commerce

Dept. of Commerce

Place: Ernakulam

Date: 31/03/2023

DECLARATION

We, **DEVIKA MOHAN, IRENE ANSIA PARTICK, JONA JOY**, do hereby declare that this dissertation entitled '**FORENSIC ACCOUNTING: FRAUD DETECTION IN CORPORATE SECTOR**' has been prepared by us under the guidance of Dr. Mary Sruthy Melbin, Assistant Professor, Department of Commerce, St. Teresa's College, Ernakulam

We also declare that this dissertation has not been submitted by us fully or partly for the award of any Degree, Diploma, Title or Recognition before.

Place: Ernakulam

DEVIKA MOHAN

Date: 31/3/2023

IRENE ANSIA PATRICK

JONA JOY

ACKNOWLEDGEMENT

We wish to acknowledge all those persons who helped us in completing our project on the topic, '**FORENSIC ACCOUNTING: FRAUD DETECTION IN CORPORATE SECTOR**'.

First of all, we thank God Almighty for his blessings showered upon us in the conduct of the project study. We are also indebted to Dr. Mary Sruthy Melbin, Assistant Professor, Dept. of Commerce, and St. Teresa's College, Ernakulam for her guidance and encouragement for proper completion of the study.

We express our sincere thanks to the Provincial Superior and Manager Rev. Sr. Dr. Vinitha, Director, Rev. Sr. Emeline, Principal Dr. Alphonsa Vijaya Joseph and to Ms. Ann Thomas Kiriyan. Head of the Department of Commerce and all other faculties of the Department of commerce, St. Teresa's College, for their support and valuable suggestions. We would like to express our thanks to all colleagues who were associated with this study for their sincere contributions towards the successful completion of the project.

We also extend heartfelt thanks to our family for their constant encouragement without which this project would not have been possible.

DEVIKA MOHAN

IRENE ANSIA PATRICK

JONA JOY

CONTENT

Sl. No:	Particulars	Page No:
1	List of tables	-
2	List of figures	-
3	Chapter 1 -Introduction	1-4
4	Chapter 2 – Review of Literature	5-7
5	Chapter 3 – Theoretical Framework	8-26
6	Chapter 4 -Data Analysis and Interpretation	27-34
7	Chapter 5 -Summary, Findings, Recommendations and Conclusion	35-37
8	Bibliography	-
9	Appendix -Questionnaire	-

LIST OF TABLES

TABLE NO	PARTICULARS	PAGE NO
4.1	Department wise risk of fraud	27
4.2	Fraud detected through different method	29
4.3	Number of fraud cases by countries in Southern Asia.	30
4.4	Who detect fraud the most?	31
4.5	Percentage of occurrence of different type of fraud.	32
4.6	How often do fraudsters commit more than one type of fraud?	33
4.7	Global Forensic Accounting market size	34

LIST OF FIGURES

FIG.NO	PARTICULARS	PAGE NO
4.1	Department wise risk of fraud	28
4.2	Fraud detected through different method	29
4.3	Number of fraud cases by countries in Southern Asia.	30
4.4	Who detect fraud the most?	31
4.5	Percentage of occurrence of different type of fraud.	32
4.6	How often do fraudsters commit more than one type of fraud?	33
4.7	Global Forensic Accounting market size	34

CHAPTER 1
INTRODUCTION

CHAPTER 2
REVIEW OF LITERATURE

CHAPTER 3
THEORETICAL FRAMEWORK

CHAPTER 4
DATA ANALYSIS AND INTERPRETATION

CHAPTER 5
SUMMARY, FINDINGS, RECOMMENDATIONS
AND CONCLUSION

BIBLIOGRAPHY

Journals:

1. Association of Certified Fraud Examiners. (12th edition). Occupational Fraud 2022: A Report to the Nations
2. Jeff in Varghese Koshy. (International Journal of Research in Advent Technology special issue, February 2019). Problems of Implementing Forensic Accounting- Indian Context.
3. The Institute of Chartered Accountants of India. (Revised edition- February 2016, Reprint- September 2017).A Study on Forensic Accounting and Fraud Detection
4. Peterson K Olli (2015). Forensic Accounting and Fraud: A Review of Literature and Policy Implications
5. Abdulrahman Atllah Aldhabi. (Volume: 6, Issue: 18). A Critical Evaluation of Forensic Accounting Studies with a View to Discerning How Practices can be improved to Prevent Cases of Fraud
6. Krishnan Lal Grover, Vienna Gautama, Yoshika Grover. (Volume 5, Issue 4, and December 2017).Forensic accounting in India: A Technique of Fraud Prevention and Detection
7. Kristen Dreyer. (2014). A History of Forensic Accounting
- 8.Nisha Chaturvedi. (Volume 2, Issue 1, March 2015). Forensic Accounting In India – Future Prospects For Its Application
- 9.Owojori A.A, T.O Asaolu (2009). The Role of Forensic Accounting in Solving the Vexed Problem of Corporate World
10. The Institute of Chartered Accountants of India . AAS 4 (Revised).The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements
11. Pema Lama, Brahma Chaudhuri. (January 2018). Forensic Accounting: A Study of Its Role in Investigating Corporate Frauds and Scams in India.

Websites:

1. *Forensic Accounting as a Tool for Fighting Financial Crimes in Cameron*, from https://www.academia.edu/38128406/FORENSIC_ACCOUNTING_pdf
2. *A Project Report on Forensic Accounting and Auditing*, from <https://www.slideshare.net/DannyNaik/a-project-report-on-forensic-accounting-and-auditing>
3. *How Forensic Accountants Help in Corporate Fraud Examination*, from <https://www.bensauditors.com/bens-page/forensic-accountants-helps-corporate-fraud-examination>
4. *Top 5 Financial Scams in India*, from <https://www.indigolearn.com/blogs/Top-5-Financial-Scams-in-India/b218399bd14e4473907fdaa165b20f94>
5. *Challenges of a Forensic Auditor*, from <https://cfo.economictimes.indiatimes.com/news/three-challenges-of-a-forensic-auditor/72102851>
6. *Types of Corporate Frauds and How to avoid them*, from <https://legaljini.com/blog/types-of-corporate-frauds-how-to-avoid-them/>
7. *Fraud Detection and Prevention: How to Do It, Types and Solutions*, from <https://seon.io/resources/fraud-detection-and-prevention/>
8. *Six Strategies for Fraud Prevention in Your Business*, from <https://seon.io/resources/fraud-detection-and-prevention/>
9. *Forensic Accounting: A Brief Overview*, from https://www.researchgate.net/publication/358954544_Forensic_Accounting_A_Brief_Overview.

1.1. Introduction

Forensic Accounting is a rapidly growing area of accounting concerned with the detection and prevention of financial fraud and white-collar criminal activities. George A. Manning in his book “Financial Investigation and Forensic Accounting” defines Forensic as the science of gathering and presenting financial information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crimes. The integration of accounting, auditing, and investigative skills yields the specialty known as Forensic Accounting which focuses very closely on detecting or preventing accounting fraud.

“Forensic”, according to the Webster’s dictionary means, “Belonging to, used in or suitable to courts of judicature or to discussion and debate”. The word accounting is defined as “a system of recording and summarizing business and financial transactions and analyzing, verifying, and recording the results.’ The term forensic accounting’ refers to financial fraud investigation which includes the analysis of accounting records to prove or disprove financial fraud and serving as an expert witness in Court to prove or disprove the same Thus, basically, the forensic accounting is the use of accounting for legal purposes. Forensic accounting is very important tool to detect, investigate and prevent the frauds .Whether it is stock market fraud or bank fraud or cyber fraud: forensic accounting has become an indispensable tool for investigation. With India being ranked as the 88th most corrupt nation, the needs for forensic accountants become all the more profound.

A certified forensic accountant is a trained professional to help clients navigate the court system, whether it be civil or criminal. An experienced forensics accountant utilizes financial records in order to help uncover illegal financial activity, as well as serve as a witness should a court case arise. Accountants will conduct a forensic audit, or an “examination of financial records to find any illegal activity.” In other words, forensic audits are conducted with the assumption that matters will appear in court, or in some form of mediation.

1.2 Significance of the Study

This study gives the management of companies more knowledge on the importance of involving a forensic accountant as part of their management team for the proper functioning of their institution. As the frauds in corporate sector such as financial misstatements, asset misappropriation, corruption etc. are rising, they need forensic accountants to detect these frauds. This study will provide a basic of making or

improving government policies, rules and regulations regarding forensic accounting in other to tackle financial crime in corporate sector. Since financial crimes have become global issue, the government needs to intervene by supporting and promoting institutions that will help fight these delinquencies. As such this study will give them a better understand on how forensic accountants can help in finding crimes.

1.3 Statement of the Problem

From the last two years, corporate frauds in India have risen by 45%. This study focuses on various corporate frauds like asset misappropriation, cash skimming, accounting frauds, bribery and corruption. It is of no doubt that such wrongdoings will drastically affect the interests of various stakeholders of the corporate sector. It seeks to address this major issue of rising Frauds and how far forensic accounting serves a guide to its detection and eventually on how they can be prevented.

1.4 Objectives

- To identify various corporate frauds and the reason of their occurrence
- To find out the methods and key players who help in detecting fraud
- To know the various forensic accounting techniques to detect frauds
- To understand the role of forensic accounting in providing a solution to such frauds

1.5 Research Methodology and Data Collection

- **Data Collection:** The project is descriptive and analytical in nature. The study is conducted with the help of **secondary data**. The data collection has been done from various websites and journals such as yahoo finance, Google finance, Morningstar, Value Research, Money control. A prior importance has been given to accuracy of the collected data to avoid any possible errors.
- **Methodology:** Comparing and analyzing of data are done with help of graphs. Data are mainly expressed in the form of percentages. Line graph is the one mostly used and bar graph is also used for presenting data.

1.6 Scope of Study

The proposed study mainly focuses on the occurrence of fraud in the corporate world. Such occurrence can further be categorized into fraud happenings in different departments of a company. With forensic accounting being the major exposor of frauds,

various other methods also possess the capability of detecting frauds. It also beams light into the key players who help in the process.

1.7 Limitations of the Study

1. The study is based on secondary data and its implications are limited by the accuracy of data.
2. The impact of post fraud detection cannot be analysed properly as in the case studies analysed the undertakings have stopped working after fraud detection

1.8 Keywords

➤ **Investigative Accounting :**

It is often associated with investigation of criminal matters. A typical investigative accounting assignment would be an investigation of employee theft

➤ **Fraud Examination :**

According to the Association of Certified Fraud examiner's manual, "Fraud examination is the methodology of resolving allegations from inception to disposition including obtaining evidence, interviewing suspects, writing reports and assisting in detection and deterrence of fraud".

➤ **Forensic Auditing :**

It is an aspect of forensic accounting that applies auditing, accounting and investigative skills to situation that have legal consequences.

➤ **Delinquencies :**

It refers to a situation where a borrower is late or overdue on a payment such as income taxes, a mortgage, an automobile loan or a credit card account.

1.9 Chapterisation

Chapter 1- Introduction

This chapter gives a brief introduction about the topic, its significance in the research area, problem statement, methodology adopted, objectives to be achieved and limitations of the study.

Chapter 2- Literature review

This chapter deals with the literature relating to the topic under study. It also includes analysis of secondary data relating to topic under study.

Chapter 3 – Theoretical framework

This chapter introduces the theory of the research topic.

Chapter 4- Data analysis and interpretation

It includes analysis and interpretation of secondary data collected by using different data charts and tables.

Chapter 5- Summary, findings and conclusions

It deals with a brief summary of what the researcher has found out from the study and the final conclusion and recommendations.

2.1 Introduction

Forensic accounting is a type of accounting that investigates the financial statements and records for detecting fraud. It is an accounting that gathers evidence about a crime and presents it in the Tribunal. The forensic audit makes an investigation into corporate, retail and personal finances. This audit looks into financial records and practices to locate areas of fraud. This chapter is an attempt to review some of the existing literatures.

1. Fraud Auditing and Forensic Accounting- Tomme Singleton, Aaron Singleton, Jack Bologna, Robert Lindquist (originally published on 1995): This edition brings this book up to date by discussing these and other recent events. We have also extended the discussion about fraud schemes and included more about computer-assisted audit tools (CAATS) and other technological aspects of fraud auditing and forensic accounting. Primarily, this book deals with fraud of an accounting nature. It deals with fraud from the perspective of how forensic accountants can investigate and document such crimes, how internal and external auditors can detect them, how police and security specialists can investigate them, and how good management practices can help prevent and detect them.
2. Financial Investigation and Forensic Accounting (1999)-George A. Manning C.F.A, E.A: Financial Investigation and Forensic Accounting offers a thorough examination of current methods and legal concerns for the detection and prosecution of economic crime. The author is an IRS. The book guides law enforcement and prosecutors from detection, through indictment and conviction. The author explains the mechanics of gambling, fraud and money laundering. He illustrates how prosecutors present the tax codes, off-shore banking laws, and the RICO statutes to judges and juries. Financial Investigation and Forensic Accounting details the exacting legal standards for the successful execution of warrants, seizures and forfeitures. Manning's work is a guidebook for error-free prosecution. His multidisciplinary concept, integrating accounting, law enforcement and financial savvy, is an invaluable approach to the detection and prosecution of economic crime.
3. Howard Silverstone, Michael sheet, Stephen Pinault, Frank Rudewicz (2012), "Forensic Accounting and Fraud Investigation": Forensic accounting and fraud

investigation provides us an up to date resource for preventing, detecting and prosecuting financial fraud. It addresses all phases of forensic accounting. It provide non experts with access to all critical principles of accounting and techniques of investigation that helps to protect any organization from fraud, including insightful advice on where an organization is most susceptible to fraud and how to implement effective investigation processes when fraud is suspected.

4. *Principle of Fraud Examination* (2013)-Joseph T Wells: This book contains engaging real life case studies and an analysis of the complexity of fraud and fraudulent behavior incorporated throughout the book. The text provides a broad understanding of fraud -what it is and how it is committed, prevented and resolved. It begins by providing understanding of fraud examination methodology then documents the schemes used by executive, managers, and employees to commit fraud against their organizations. Case studies complete with statistics and flowcharts, at provided each chapter. The primary focus of this text maintained in the updated edition with coverage of the actual accounting and human behaviors that lead to cases of accounting fraud. This edition includes updates to reflect new and revised accounting standards and laws, updated statistics to include the recent ACFE findings, and moderate changes to end of chapter material. Also included in the newest edition is updated coverage of recent examples of that accounting in the real world.
5. Nisha Chaturvedi (2015) –“Forensic Accounting in India (Future Prospects for Its Application)”: The main objective of this paper is to gauge white collar crimes and complexities of the corporate environment through forensic accounting. Forensic Accounting is a combination of accounting, auditing and investigative skills to conduct an examination of company’s financial statements. It seems to provide the needed solution to the problem of fraud and financial mis-management in corporate organizations. This research article discusses the concept of forensic accounting, the need for it and its role in providing solution to the problem of fraud in corporate organizations.
6. The Institute of Chartered Accountants of India (2016)-“Study on forensic accounting and fraud detection”: This study is an incisive analysis of how fraud occurs within an organisation and explains the latest techniques for fighting it.

This background material gives a well- knitted overview and assessment approach towards the current state of frauds. As per this the job of a forensic accountant will be in high demand, with some estimates predicting a 20% growth in demand for investigative auditors. This is fuelled by employee management and fraud, theft, embezzlement and other high- visibility corporate scandals.

7. Sri Guru Hari Singh P G college, Sri Jiwan Nagar, India (2017) -“Forensic Accounting In India: A Technique of Fraud Prevention and Detection”:
8. Supriya. H (2019) -"Forensic Accounting – Emerging Trend in Indian Accounting Field”:
9. G.C Piper (2020) “Forensic Audit Decoded”:

3.1 What is Forensic Accounting?

Forensic accounting is an accounting that investigates financial information for potential evidence of crimes. Forensic accounting utilizes auditing, accounting, and investigative skills to examine the finances of a business or individual. Forensic accountants analyze financial records and accounts that may be used as legal evidence and often test in court cases as an expert witnesses. They work on cases such as fraud and embezzlement and explain the nature of a financial crime in court. Forensic accounting is a combination of investigative techniques and accounting used to discover financial frauds. Forensic accountants explain the nature of a financial frauds to the courts. Forensic accounting is the investigation of misrepresentation and fraud. Forensic accountants conduct an in-depth analysis of financial data. They document the entire investigation and report findings to a court of law. Forensic accountants often testify to the veracity of their findings.

3.2 Indian corporate sector and Forensic Accounting

Forensic accounting helps in uncover cases of financial fraud and irregularities. Forensic accounting is a subset of business accounting. Just like business accounting, forensic accounting involves the examination of business records to understand and support the validity of financial statements. In India there are several frauds are committed in corporate sector. Embezzlement, asset misappropriation, cash misappropriation, dummy wages etc. are some kinds of frauds committed in companies. Forensic accounting helps in detect these frauds. SEBI one of the most powerful regulation in the capital market requires the help of forensic accountants to detect financial crimes. The number of corporate frauds are raising in India. Satyam computer scam, Karvy stock broking limited scam, jet airways are some of the examples. This reduces the confidence among the investors. Forensic accounting helps in detecting frauds and helps in preventing the fraud to a certain limit

3.3 Fundamental principles of forensic accounting

1. Independence & Neutrality

The forensic accountant should impartial and neutral while conducting the audit. The investigation should not be influenced by anybody. The report must be true and fair

2. Confidentiality and Secrecy

All details of the company must be verified while investigating about the company. The financial statements of the company are verified by the forensic accountant. These information obtained by the forensic accountant should not be shared with anyone. This should remain confidential and maintain secrecy.

3. Segregating facts from opinions

It is important for learners to be able to recognize differences between facts and opinions so they know what to believe and what to consider as someone's perspective. The report submitted by the forensic accountant must facts, it must not be an opinion.

4. Due professional care

Due professional care is to be exercised in the planning and performance of the audit and the preparation of the report. A forensic accountant should possess "the degree of skill commonly possessed" by other accountant and should exercise it with "reasonable care and diligence" (that is, with due professional care).

5. Integrity and objectivity in auditing

Integrity implies not merely honesty but fair dealing and truthfulness. The integrity of forensic accountant establishes trust and thus provides the basis for reliance on their judgment. Forensic accountant exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

3.4 Types of corporate fraud

1. Misappropriation

Misappropriation is the most common type of fraud. These schemes typically involve an employee stealing or misusing the employer's resources. Misappropriation is a type of white-collar crime associated with the theft or misuse of assets, funds, or trade secrets, and when someone commits the crime of misappropriation, they take funds, assets or trade secrets that don't belong to them without permission and use them for their own purposes.

2. Corruption.

It occurs when an entrusted entity abuses its position of power for its own benefit. A corporate culture of corruption is brought about by a multiple factor such as competition and growth orientation, complicated leadership structures,

and high levels of autonomy and discretion, with a lack of transparency, accountability and ethics.

3. Procurement fraud

Any service and good that doesn't contribute to the company's interest result in a conflict of interest and therefore it seen as fraudulent.

4. Payroll fraud

Theft of monies from a company's payroll system is payroll fraud. It is done by the persons who has access to the system deals with the payment of employees. It involves making of fake record regarding the payments to employees.

5. Suspense accounting fraud

Suspense accounting fraud means an embezzler makes fictitious debit entries to a suspense account and offsets the entry with a credit to an endpoint under their control, to remove the funds from the financial institution.

6. Misuse of accounts

Accounts can be misused by debiting personal expenses to the business. Fictitious transactions may take place which may involve huge funds and lead to serious fraud.

3.5 Types of financial statement fraud

1. False Asset Evaluations

Another means of financial statement fraud is to make assets appear more valuable than they actually are. The entries in the financial statements may be true, the appraisals that led to these statements being written are incorrect.

2. Overstatement of Revenue

Overstatement of financial statement is one of the basic form financial statement fraud. In this form of fraud, a company states that it took in more money in a certain period of time than it actually has. This may be done for several reasons, all related to creating the perception that the company is worth more than it is.

3. Recording Uncertain Sales

This type of financial statement fraud is to record sales that have not yet gone through as sales that have already been transacted. This can take several forms, including sales that are currently being negotiated or sales that are

expected for the next quarter. This form of fraud is closely related to the recording of false revenues.

4. Concealment

Concealment is a form of financial statement fraud in which certain liabilities or other harmful disclosures that make hurt the company are kept off a financial statement.

3.6 History of Forensic Accounting

Forensic accounting was not formally defined until the 1940s. Originally Frank Wilson is credited with the birth of forensic accounting in the 1930s. One of the most known cases of Forensic Accountancy is the capture of Al Capone. A team of Forensic Accountants gathered information in an undeniable case against Capone in 1931. He captured their attention by failing to claim all of his earnings on his taxes. This income was from embezzlement, prostitution, gambling and many other illegal activities. It is obvious why he would not want to declare this money on his taxes. Capone's life was that of all of his illegal activities the one that finally put a stop to him was tax evasion. Capone was known for his involvement in illegal activities, including violent crimes. Forensic accountants discover his fraud. Wilson's diligent analysis of the financial records of Al Capone indicted him for federal income tax evasion. Capone owed the government \$215,080.48 from illegal gambling profits and was guilty of tax evasion for which he was imprisoned to 10 years in. This case established the significance of forensic accounting.

3.7 Advantages of forensic accounting

1) Fraud identification and prevention:-

Fraud is quite common in big organizations where the number of daily financial transactions is very much high. In such an environment, an employee can easily undertake fraudulent activities without being caught. Forensic accounting helps to analyze whether the company's accounting policies are followed or not, and whether all the transactions are clearly stated in the books of accounts. Any deviation observed in the books of accounts can help in identifying frauds committed, and necessary measures can be taken to prevent them in future.

2) Making sound investment decisions:-

As forensic accounting helps in analyzing the financial standing and weaknesses of a business, it provides a path for the investors to make thoughtful

investment decisions. A company dealing with fraud is definitely not a good option for investment. Therefore, the reports of forensic accountants act as a guide for potential investors of a company. Many organizations also apply for loans from various financial institutions. By performing an analysis through forensic accounting techniques, such institutions can come to a decision on whether they would like to fund a company or not.

3) Formulation of economic policies:-

Various cases of fraud that becomes evident after forensic analysis act as a reference for the government to formulate improved economic policies that would be able to curb such fraudulent activities in the future. By doing so, the government can prevent such illegal activities in the country thereby strengthening the economy.

4) Rewarding Career Opportunity

With regards to career, forensic accounting is extremely rewarding, as it not only involves regular accounting activities, but also involves identification, analysis, and reporting of the findings during an audit. The acceptance of reports generated by a forensic accountant by the court of law, gives them an upper hand in career field as compared to other accountants.

3.8 Disadvantages of forensic accounting

1) Confidentiality issue

Since the scrutiny of a company's financial records is done by an external forensic accountant, there is a chance for leakage of confidential matter. It is true that their code of ethics clearly mentions that forensic accountants and other members involved in the scrutiny must not engage in disclosing confidential data to outsiders, but the possibility of disclosure cannot be nullified.

2) Increased chances of threats and negative publicity

If the analysis of a company's financial statements points out the involvement of a particular person in fraudulent activities, there is a significant chance that he may try to threaten the company to safeguard himself from the trial. Also, any such trial gains negative publicity, which directly affects the reputation and investor relations of the company.

3) Costs a lot of money

Forensic accounting can be an expensive affair because the procedures which accountants use involve high-end accounting software. If study results have to be

presented in a trial, the overall expenditure goes up even further, because the fees of forensic accountants are quite high. This can be a matter of concern for the organization.

4) Losing employee trust

It is quite obvious for employees to feel offended when they come to know that their jobs are under scrutiny by a third person. If no fraud is identified, employees are left with the feeling that their employer does not have faith in them. Lost trust can be difficult to be regained.

3.9 Techniques of forensic accounting

1) Interview Technique

This is the most common technique which is used in forensic accounting. This is designed to obtain an admission of guilt by the person involved in fraud scheme. These results form an integral part to be used in the process. Forensic Accountants are often asked to help attorneys, boards of directors, management, regulators and others to determine the facts surrounding complex financial matters. In a forensic investigation process, interviews conducted are critical In determining who, what, when, where, how and why of a matter under review.

2) Benford's Law

It is a statistical tool to determine whether variable under study is a case signifying suspicious movement. Benford suggested the probabilities for the occurrence of each digit at various places in the number whereby if the data manipulated; the said digit would not appear at the same place. Benford's Law does not detect the frauds but only indicates the probable area of fraud. It is of help when there is no supporting document to prove the authenticity of the transactions.

3) Theory of relative size factor (RSF):

It highlights all unusual fluctuations, which may be routed from fraud or genuine errors. RSF is measured as the ratio of the largest number to the second largest number of the given set. In this method the records that are outside the prescribed range are taken into the books of account and it calls for further investigation. It highlights all unusual fluctuations, which may be routed from fraud to genuine errors.

4) Computer Assisted Auditing Tools (CAATS):

CAATS are computer programs developed for the auditors. Forensic accounting software comes into two varieties- data extraction software and financial analysis software. Data extraction software is designed to conduct spreadsheet

analysis on all the company's billing, accounts receivable, payroll, purchasing etc. which helps in detecting anomalies. The other one analyses the financial statements and benchmarks the ratios between different accounts such as billing by revenues or supply costs as a percentage of revenue.

5) Data Mining Techniques:

It is a set of computer-assisted techniques designed to automatically mine large volumes of data for new, hidden or unexpected information. Such techniques are categorized in three ways: Discovery, Predictive modeling and Deviation and Link analysis. Patterns discovered from the database are used to predict the outcome and to guess data for new values so as to extract any rare or suspicious cases.

6) Ratio Analysis

Data analysis ratios are used for detecting fraud. Numerous ratios are used by various analysts including financial ratios, data analysis ratios and so on. However, the use of such ratios are prominently made by forensic accountants identifying possible symptoms of fraud. Ratio helps in estimating costs, identifying deviations etc.

3.10 Process of Forensic Accounting

A Forensic Auditor must initially consider whether his/her firm has the necessary skills and experience to accept the work. Forensic audits are highly specialized, and the work requires detailed knowledge of fraud investigation techniques and the legal framework.

Step 1. Initialization

It is vital to meet the client to obtain an understanding of the important facts, players and issues at hand. A conflict check should be carried out as soon as the relevant parties are established. It is often useful to carry out a preliminary investigation prior to the development of a detailed plan of action. This will allow subsequent planning to be based upon a more complete understanding of the issues.

Fraud audits begin with an initialization process. Internal business owners or managers, government agencies or other businesses may require a fraud audit on a company. Reasonable expectation must exist in order to conduct a fraud audit. Fraud auditors will review each request on a case-by-case basis to determine if circumstances

exist whereby fraud may be going on. Incompetent accounting or handling of financial information does not necessarily indicate fraud.

Step 2. Develop Plan

The forensic audit team must carefully consider what they have been asked to achieve and plan their work accordingly. This plan will take into account the knowledge gained by meeting with the client and carrying out the initial investigation and will set out the objectives to be achieved and the methodology to be utilized to accomplish them.

Planning a fraud audit will occur if auditors determine enough improprieties exist in an organization's financial or business operations. Auditors will gather information about the organization and begin a review process of the company. Each approach to fraud audits is different, primarily because fraudulent schemes come in different varieties or situations. Auditors must also try to determine who is involved in perpetrating the fraud. Gathering evidence and connecting individuals to specific events can also help auditors develop an audit plan for fully investigating a company.

The objectives of the investigation will include:

- identifying the type of fraud that has been operating, how long it has been operating for, and how the fraud has been concealed
- identifying the fraudster(s) involved
- quantifying the financial loss suffered by the client
- gathering evidence to be used in court proceedings
- Providing advice to prevent the re-occurrence of the fraud.

The investigators should also consider the best way to gather evidence – the use of computer assisted audit techniques is very common in fraud investigations.

Step 3. Obtain Relevant Evidence

Depending on the nature of the case, this may involve locating documents, economic information, assets, a person or company, another expert or proof of the occurrence of an event. In order to gather detailed evidence, the investigator must understand the specific type of fraud that has been carried out, and how the fraud has been committed. The evidence should be sufficient to ultimately prove the identity of the fraudster(s), the mechanics of the fraud scheme, and the amount of financial loss

suffered. It is important that the investigating team is skilled in collecting evidence that can be used in a court case, and in keeping a clear chain of custody until the evidence is presented in court. If any evidence is inconclusive or there are gaps in the chain of custody, then the evidence may be challenged in court, or even become inadmissible. Investigators must be alert to documents being falsified, damaged or destroyed by the suspect(s).

Evidence can be gathered using various techniques, such as:

- Testing controls to gather evidence which identifies the weaknesses, which allowed the fraud to be perpetrated.
- Using analytical procedures to compare trends over time or to provide comparatives between different segments of the business.
- Applying computer assisted audit techniques, for example to identify the timing and location of relevant details being altered in the computer system.
- Discussions and interviews with employees.
- Substantive techniques such as reconciliations, cash counts and reviews of documentation.

Step 4. Perform the analysis

The actual analysis performed will be dependent upon the nature of the fraud and may involve:

- calculating economic damages
- summarizing a large number of transactions
- performing a tracing of assets
- performing present value calculations utilizing appropriate discount rates
- performing a regression or sensitivity analysis
- utilizing a computerized application such as a spread sheet, data base or computer model and
- utilizing charts and graphics to explain the analysis.

Step 5. Reporting

St. Teresa's College (Autonomous), Ernakulam

Issuing an audit report is the final step of a fraud audit. Auditors will include information detailing the fraudulent activity, if any has been found. This report provides external business stakeholders with information regarding the organization's business operations. Government agencies may also wish to see the audit report. Significant fraudulent activity may result in civil or criminal charges against the individuals conducting the fraud.

The client will expect a report containing the findings of the investigation, including a summary of evidence and a conclusion as to the amount of loss suffered as a result of the fraud. The report may include sections on the nature of the fraud, scope of the investigation, approach utilized, limitations of scope and findings and/or opinions. The report will include schedules and graphics necessary to properly support and explain the findings.

The report will also discuss how the fraudster set up the fraud scheme, and which controls, if any, were circumvented. It is also likely that the investigative team will recommend improvements to controls within the organization to prevent any similar frauds occurring in the future.

The forensic auditor should have active listening skills which will enable him to summarize the facts in the report. It should be kept in mind that the report should be based on the facts assimilated during the process and not on the opinion of the person writing the report.

Step 6. Court proceedings

The investigation is likely to lead to legal proceedings against the suspect, and members of the investigative team will probably be involved in any resultant court case. The evidence gathered during the investigation will need to be presented at court, and team members may be called to court to describe the evidence they have gathered and to explain how the suspect was identified. It is imperative that the members of the investigative team called to court can present their evidence clearly and professionally, as they may have to simplify complex accounting issues so that non-accountants involved in the court case can understand the evidence and its implications.

3.11 Forensic Accounting: Scope

With India being ranked as the 88th most corrupt nation, the needs for forensic accountants become all the more profound. A Forensic Auditor is often retained to

analyze, interpret, summarize and present complex financial and business related issues in a manner which is both understandable and properly supported. Forensic Accountants are trained to look beyond the numbers and deal with the business reality of the situation.

Forensic Auditors can be engaged in public practice or employed by insurance companies, banks, police forces, government agencies and other organizations.

A Forensic Auditor is often involved in the following:

- Fraud Detection: Investigating and analyzing financial evidence, detecting financial frauds and tracing misappropriated funds
- Computer Forensics: Developing computerized applications to assist in the recovery, analysis and presentation of financial evidence;
- Fraud Prevention: Either reviewing internal controls to verify their adequacy or providing consultation in the development and implementation of an internal control framework aligned to an organization's risk profile
- Providing Expert Testimony: Assisting in legal proceedings, including testifying in court as an expert witness and preparing visual aids to support trial evidence.

In order to properly perform these services a Forensic Auditor must be familiar with legal concepts and procedures and have expertise in the use of IT tools and techniques that facilitate data recovery and analysis.

Forensic Auditors are retained by:

- Lawyers
- Police Forces
- Insurance Companies
- Government Regulatory Bodies and Agencies
- Banks
- Courts and
- Business Community Forensic Auditors' Services

3.11 Why are Forensic Auditors required?

It can be resolved by thee combining accounting knowledge & experience with respect to:

- Fraud Prevention
- Fraud Detection
- Internal Controls Implementation and Review
- Compliance and Regulatory Functions
- Evidence Collection and Analysis
- Risk Management
- Court systems
- Filing requirements
- Investigative methodologies
- Professional body to provide expertise and literature in this fast growing field
- Communicating with audiences from attorneys & judges to victims & suspects.

The services rendered by the forensic accountants are in great demand in the following areas:

1. Criminal Investigation

Matters relating to financial implications the services of the forensic accountants are availed of. The report of the accountants is considered in preparing and presentation as evidence.

2. Cases relating to professional negligence

Professional negligence cases are taken up by the forensic accountants. Non-conformation to Generally Accepted Accounting Standards (GAAS) or non-compliance to auditing practices or ethical codes of any profession they are needed to measure the loss due to such professional negligence or shortage in services.

3. Arbitration service

Forensic accountants render arbitration and mediation services for the business community. Their expertise in data collection and evidence presentation makes them sought after in this specialized practice area.

4. Fraud Investigation and Risk/Control Reviews

Forensic accountants render such services both when called upon to investigate specific cases as well for a review of or for implementation of Internal Controls. Another area of significance is Risk Assessment and Risk Mitigation.

5. Settlement of insurance claims:

Insurance companies engage forensic accountants to have an accurate assessment of claims to be settled. Similarly, policyholders seek the help of a forensic accountant when they need to challenge the claim settlement as worked out by the insurance companies. A forensic accountant handles the claims relating to consequential loss policy, property loss due to various risks, fidelity insurance and other types of insurance claims.

Dispute settlement:

Business firms engage forensic accountants to handle contract disputes, construction claims, product liability claims, infringement of patent and trademarks cases, liability arising from breach of contracts and so on.

3.12 What characteristics should a Forensic Auditor possess?

- Out of the Box Thinking
- Strong Visualization and Imagination
- Curiosity
- Persistence
- Detail-oriented
- Inquisitiveness
- Creativity
- Discretion
- Skepticism
- Confidence and
- Sound professional judgement.

3.13 What Skills should a Forensic Auditor possess?

1. Auditing standards, procedures and related methodologies
2. Accounting & Business reporting system
3. Information Technology
4. Data Analytics
5. Criminology
6. Legal Framework

7. Litigation processes & procedures
8. Investigative Techniques
9. Evidence gathering
10. Network of professional contacts in related fields' viz. enforcement, regulatory bodies, law, industry, peers etc.

A forensic accountant should possess not only the broad knowledge of accounting principles, practice and standards but also the knowledge of insurance, banking civil and criminal law and human psychology. A Forensic Auditor must be open to consider all alternatives, scrutinize the details and at the same time see the big picture. In addition, a Forensic Auditor must be able to listen effectively and communicate clearly and concisely in a timely manner.

3.14 FRAUD PREVENTION

The author and creator of Sherlock Holmes [Sir Arthur Conan Doyle] said that "detection is, or ought to be, an exact science, and should be treated in the same cold and unemotional way. "Forensic investigation involves looking beyond the obvious. A normal accountant act like the policeman the forensic investigator role is akin to the CID/CBI and looks for signs which indicate abnormal and unusual behavior. Such signs are referred to in forensic accounting parlance as red flags.

Buddhism refers to three kinds of poisons 'anger, greed and ignorance'. If not checked they all eventually lead to wrongdoing. A symptom or a 'red flag' will surface in some form or the other where any of these three evils are present.

RED FLAGS

Red Flags are sign or warning of any impending danger or inappropriate behavior. Red Flags do not necessarily indicate the existence of fraud however are indicators that caution needs to be exercised while investigating the situations. Red Flags are classified in the following categories.

➤ Financial performance red flags

They include aggressive goals and performance measures, both at the individual and company-wide levels. When a certain level of performance is mandated, by the boss, Investors, the bank, or otherwise, there can be a temptation to turn to fraud to meet these goals. Companies whose financial performance suggests the possibility of fraud might include some of these signs:

- Significantly outpacing competitors in the industry
- Outstanding results when the rest of the industry has suffered a downturn
- Unusual financial ratios when compared to competitors
- Persistent cash flow problems, even when the company has regularly reported profits
- A pattern of similar audit adjustments proposed year after year

➤ **Accounting system red flags**

They refer to the organization of the accounting system and the level of internal controls that are in place. A good, secure accounting system cannot exist without internal controls, and the company cannot be free from error and fraud without such controls. Some of the basic red flags that might be noted in a company's accounting records include:

- Unusual timing of the transaction. This includes the time of day, the day of the week, or the season.
- Frequency of transactions. Transactions that are occurring too frequently or not frequently enough are suspicious. Each company has its own operating patterns, and the transactions should be booked accordingly.
- Unusual amounts recorded. Take notice of whether an account has many large, round numbers entered. Consider whether some of the transactions in the account are far too large or far too small.

➤ **Operational red flags**

They highlight how a company does business each day. Do things run smoothly, minimizing the chance for errors and problems? Or are things managed in such a fashion that errors go unchecked and employees do whatever they want, whenever they want?

➤ **Structural red flags**

They relate to the way that a company is set up and the policies and procedures that are in place. Those very systems create opportunities for fraud each day. Employees become familiar with operations, and they begin to understand what accounts are not monitored, which areas of the company are poorly supervised, and what size of transaction that creates added scrutiny

➤ **Personnel red flags**

They refer to the employment policies and procedures within a company, including hiring procedures, advancement policies, employee monitoring programs, and disciplinary standards.

YELLOW FLAGS

These are indications of authorized activities which are flagged because of their unusual nature. These may be perfectly legitimate activities which are worth checking as they may also be indications of fraudulent activity. Examples of such activities are:

1. Unusually high transactional amounts on a debit credit card transaction
- 2 .Login to a system or application from an unusual IP or Location

Such transactions are used to enforce preventive measures or exception reporting e.g. Banks now call up the card holder to verify if high volume transactions or transactions from a different location or a foreign location are genuine before authorization.

GREEN FLAGS

Green Flags are in many ways the converse of Red Flags. Examples include

- Unusually high returns provided by an investment
- High Profit Margins for a company which are way above the industry average
- Specific companies performing very well when the industry is in a slump

Like Red Flags these are only indicators and are not conclusive evidence of fraudulent activity and need to be investigated before reaching a conclusion.

3.15 APPLICABLE LAWS - INDIA

Civil Procedure Code 1908

Civil procedure is the body of law that sets out the rules and standards that courts follow when adjudicating civil lawsuits (as opposed to procedures in criminal law matters). These rules govern how a lawsuit or case may be commenced, what kind of service of process (if any) is required, the types of pleadings or statements of case, motions or applications, and orders allowed in civil cases, the timing and manner of depositions and discovery or disclosure, the conduct of trials, the process for judgment, various available remedies, and how the courts and clerks must function.

Indian Evidence Act, 1872

The Indian Evidence Act, originally passed by the Imperial Legislative Council in 1872, during the British Raj, contains a set of rules and allied issues governing admissibility of evidence in the Indian courts of law.

The Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (PMLA) forms the core of the legal framework put in place by India to combat money laundering. PMLA and the Rules notified there under came into force with effect from July 1, 2005. Enforcement have been conferred with exclusive and concurrent powers under relevant sections of the Act to implement the provisions of the Act.

The PMLA and rules notified there under impose obligation on banking companies, financial institutions and intermediaries to verify identity of clients, maintain records and furnish information. PMLA defines money laundering offence and provides for the freezing, seizure and confiscation of the proceeds of crime.

The Foreign Exchange Management Act, 1999

The Foreign Exchange Management Act, 1999 (FEMA) is an Act of the Parliament of India "to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India". It was passed in the winter session of Parliament in 1999, replacing the Foreign Exchange Regulation Act (FERA). This act seeks to make offenses related to foreign exchange civil offenses. It extends to the whole of India. It enabled a new foreign exchange management regime consistent with the emerging framework of the World Trade Organization (WTO). It also paved way to Prevention of Money Laundering Act 2002, which was effected from 1 July 2005.

FEMA permits only authorized person to deal in foreign exchange or foreign security. Such an authorized person, under the Act, means authorized dealer, money changer, off-shore banking unit or any other person for the time being authorized by Reserve Bank.

3.16 CASE STUDIES

The Notable Scams in India:

- Chopper deal scam:
The most recent of the scams in India is the Chopper deal scam where the deal amounts to Rs 74.5 crore. According to Reuters, the investigation into the Italian firm Finmeccanica, which started more than a year ago, is one of a series of corruption scandals in defence deal making in India.
- Colgate:
One of the well known scams in India is the coal mining scam where the government reported a loss of Rs 185,591 crore. The CAG has accused the Indian government of giving undue benefits to companies by distributing 155 coal acres in an arbitrary manner instead of auctioning to the highest bidder during 2004-2009.
- Tatra:
Bharat Earth Movers Ltd in collaboration with Tatra Vectra Motors had produced over 7000 trucks to the Army. When General VK Singh took over as the Army Chief, he refused to authorize the purchase of trucks after he was offered a bribe. The scam was estimated at Rs 750 crore.
- 2G:
The illegal undercharging by government officials to various telecom companies during the allocation of 2G licenses for cell phone subscriptions gave rise to the 2G spectrum scam. According to the CAG, the scam amounts to about Rs 176,000 crore, whereas the CBI estimates it at Rs 30,984 crore.
- CWG:
The Commonwealth Games is perhaps one of India's most well known scam. Suresh Kalmadi who was the chairman of the Organizing Committee of the Commonwealth Games was the main accused. It consisted of a number of corrupt deals involving overstated contracts. Kalmadi also handed out a Rs 141 crore contract to Swiss Timing for its timing equipment; the deal was inflated by Rs 95 crore. Less than 10 days before the games, athletes were asked to move into apartments that were shabby and dilapidated.
- Fodder:

This scam broke out in 1996 in the town of Chaibasa when the animal husbandry department embezzled funds of around Rs 950 crore meant to purchase cattle fodder, medicines and animal husbandry equipment in Bihar. Lalu Prasad Yadav the chief minister of the state was forced to resign along with former chief minister, Jagannath Mishra. Ketan Parekh and the stock market: A former stock broker from Mumbai, Ketan Parekh was involved in circular trading with companies like Global Trust Bank and Madhavpura Mercantile Co-operative Bank. He was sent to jail with two others for tapping off Rs.48 crore from a unit of Canara Bank in a 1992. He has been banned from trading till 2017.

➤ Harshad Mehta:

Harshad Mehta, popularly called the Big Bull among traders, triggered a trend in the stock market before his scam, worth Rs. 4000 crore, was exposed in 1992. He used the funds from inter-bank transactions to buy shares at a premium across many sectors.

➤ Satyam:

Satyam Computers Chief B. Ramalinga Raju misappropriated books and inflated figures which led to a scam that suffered a loss of Rs 8000 crore.

➤ Saradha Group Financial Scam:

Saradha Financial Scam deals to Rs 30,000 crore in 2013. Financial scam caused by the collapse of a Ponzi scheme run by Saradha Group, a consortium of over 200 private companies that was believed to be running collective investment schemes popularly but incorrectly referred to as chit funds.

DATA INTERPRETATION

INTRODUCTION

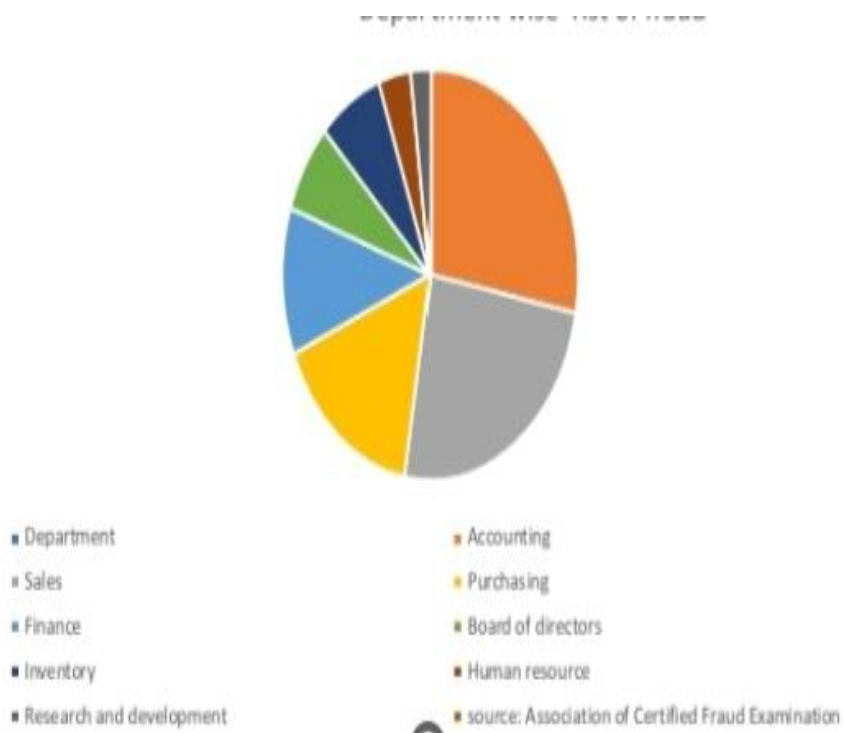
This is the study on forensic accounting and the impact of forensic audit in corporate sector. The main focus areas analysed here are the occurrence of different types of fraud, methods which locate various corporate frauds .It also deals with how far forensic auditors play a role in detection of frauds and fraudsters. In addition, it delves into the rise of relevance of forensic accounting in the near future. Different types of frauds are and frequency of the occurrence are also examined. Methods which helps in finding frauds and most accurate method in fraud detection is also shown in this study. This study is conducted with the help of data collected from secondary sources. Data is collected from the report of Association of Certified Fraud Examination.

Table No. 4.1: Department wise risk of fraud

Department	No of fraud cases
Accounting	230
Sales	203
Purchasing	131
Finance	95
Board of directors	58
Inventory	58
Human resource	29
Research and development	17

Source: Association of Certified Fraud Examination

Figure 4.1 : Departments wise of frauds



Inference:

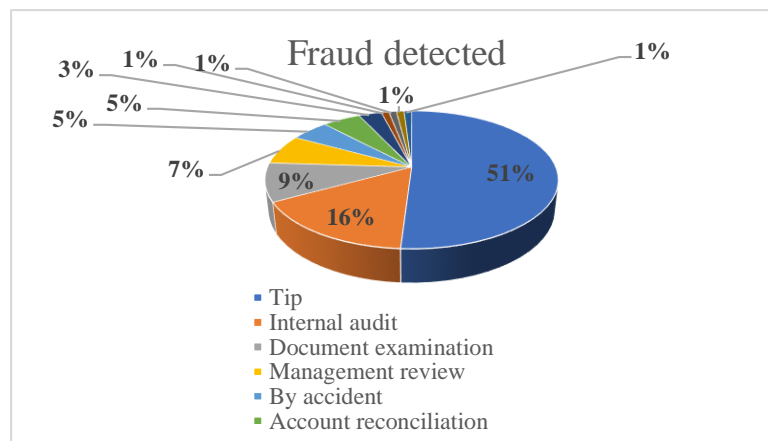
From the above data we can conclude that more frauds are occurred in the department of accounts and sales. Forensic accounting provide more emphasis on these areas. Thus the fraud detection become more accurate. Forensic audit can Focus audit in department wise thus detection of frauds on different departments are possible. Frauds on sales department can be detected through different techniques of forensic accounting. The number of fraud cases detected in accounting department is 230 cases and in sales department is 203 cases. The other departments has less frauds compared to these two departments. The accounts and sales vouchers has to be verified and each transaction has to be checked against its vouchers. Investigation of whole organisation in deep is time consuming. Forensic audit can be done on different departments and deep investigation can be done in the department has more risk.

Table No. 4.2: Fraud detected through different methods

Fraud detection method	Fraud detected
Tip	51%
Internal audit	16%
Document examination	9%
Management review	7%
By accident	5%
Account reconciliation	5%
External audit	3%
Monitoring	1%
Other	1%
Notification by law enforcement	1%
Automated transaction	1%

Source: Association of Certified Fraud Examination

Figure 4.2 : Fraud Detected using different methods



Inference

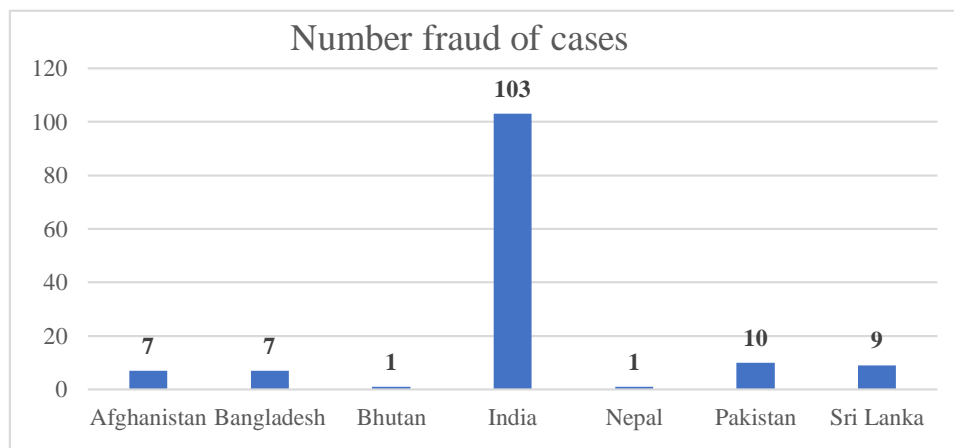
From the above data more percentage of frauds are detected by way of tip. Tipping is telling someone secret or non- public information about a company or security that may motivate them to perform a transaction. Forensic audit uses these methods for fraud detection. Maximus fraud can be detected using various techniques. Tip is the important techniques used for fraud detection.

Table no 4.3: Number of fraud cases by countries in southern Asia

Country	No of cases
Afghanistan	7
Bangladesh	7
Bhutan	1
India	103
Nepal	1
Pakistan	10
Sri Lanka	9

Source: Association of Certified Fraud Examination

Figure 4.3 : Number of fraud cases reported in Southern Asia



Inference

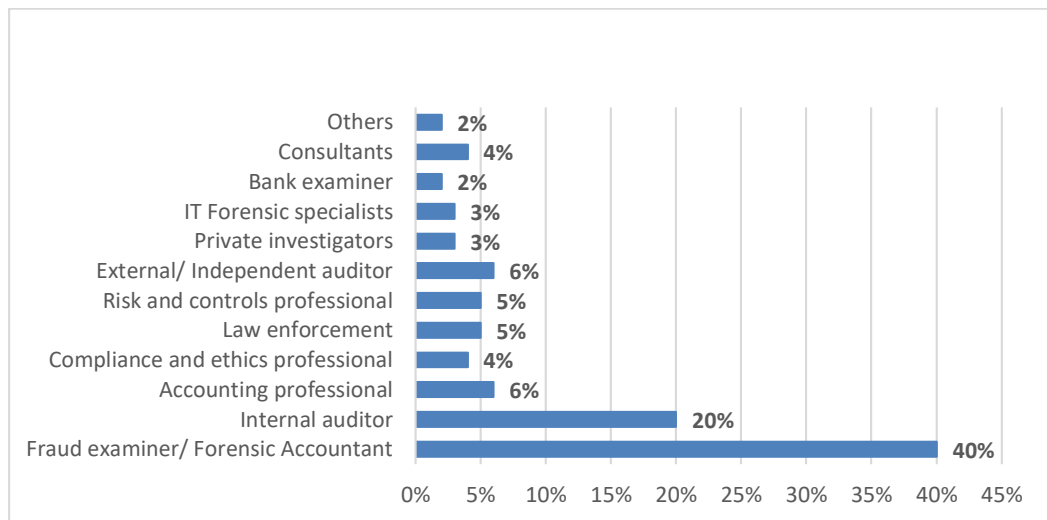
From the above data more fraud cases are reported in India when compared to other countries in southern Asia. The relevance of forensic audit is more in India. In order to reduce these frauds, the forensic audit has to be done on frequently. It creates a fear among the people and hesitate to commit frauds. 103 fraud cases are reported in India. Compared to other countries in Southern Asia India is the country which reported the largest number of fraud cases. The next country after India is Pakistan with 10 cases. The difference between 103 and 10 is really big. This indicates the real situation of corporate sector in India. These numbers will increase in the near future. More number of forensic auditors has to include in detecting frauds.

Table no 4.4: Who detects fraud the most?

Fraud examiner/ Forensic Accountant	40%
Internal auditor	20%
Accounting professional	6%
Compliance and ethics professional	4%
Law enforcement	5%
Risk and controls professional	5%
External/ Independent auditor	6%
Private investigators	3%
IT Forensic specialists	3%
Bank examiner	2%
Consultants	4%
Others	2%

Source: Association of Certified Fraud Examination

Figure 4.4 : Who detects the fraud most?



Inference:

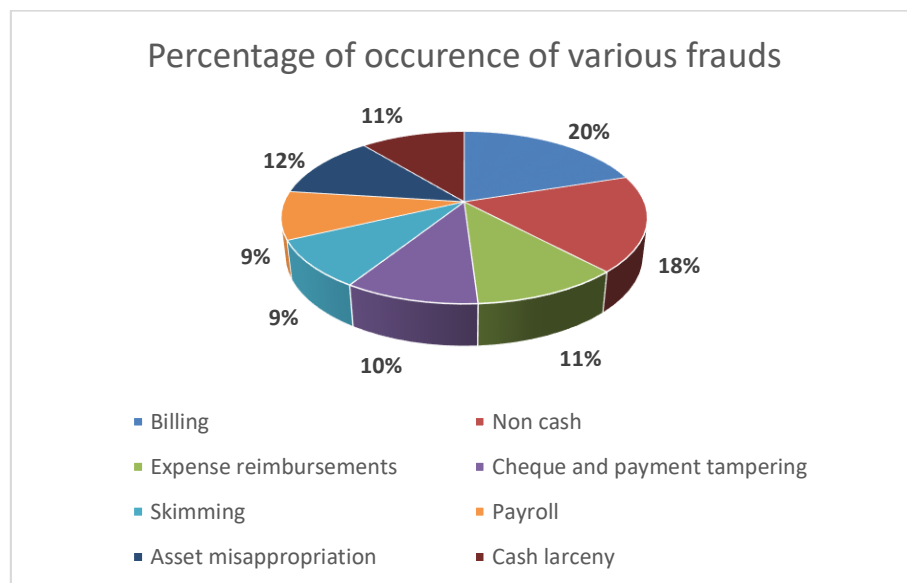
Among the total detectors of fraud more than 40% are forensic accounts / fraud examiners. This percentage is followed by internal auditors who constitute 20% of the group. All others like ethical professionals, accounting professionals, IT forensic specialists and other consultants form the remaining portion. In fact the key role played by forensic accountants in the detection of frauds is evident from this. 40% of frauds are detected by forensic auditors which is twice that of internal auditor which is 20%. The role of forensic auditors in fraud detection is very important. An investigation done by external investigators will be more reliable. The main aim of forensic accounting is detection of financial frauds. The role of forensic auditors in corporate fraud detection is clear from this data. The role involves a combination of accounting, auditing and investigative skills.

Table no 4.5: Percentage of occurrence of different types of frauds

Billing	20%
Non cash	18%
Expense reimbursements	11%
Cheque and payment tampering	10%
Skimming	9%
Payroll	9%
Asset misappropriation	12%
Cash larceny	11%

Source: Association of Certified Fraud Examination

Figure 4.5 : Percentage of occurrence of various frauds



Inference:

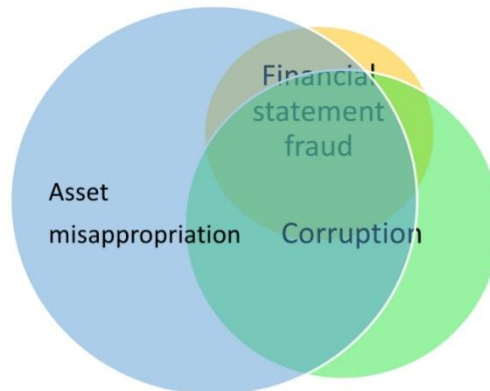
The above pie chart is a heat map that shows the percentage of occurrence of each type of fraud. Billing schemes, cash larceny and non cash frauds are riskier than other frauds. Organizations may not be in a position to prevent all fraud. If an organization is operational too long, eventually a fraud will be committed by an employee. As a result, detection of frauds at the right time using methods of forensic accounting is crucial.

Table No. 4.6: How often do fraudsters commit more than one type of fraud?

Asset misappropriation only	47%
Asset misappropriation and corruption	32%
Corruption only	12%
Corruption , asset misappropriation and financial statement frauds	5%
Asset misappropriation and financial statement frauds	2%
Financial statement frauds only	1%
Corruption and financial statement frauds	1%

Source: Association of Certified Fraud Examination

Figure 4.6 : How often do fraudsters commit more than one type of fraud?



Inference

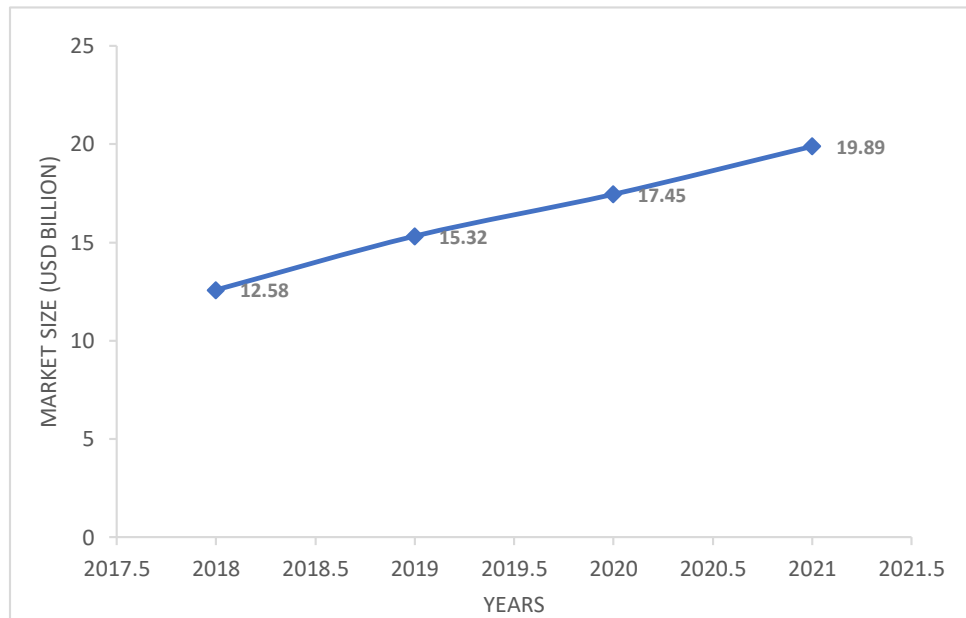
Based on the study undertaken, it is inferred that most of the fraudsters do not restrict to one fraud alone. 32% of fraudsters have taken part in asset misappropriation and corruption schemes, 2% committed financial statement frauds and misappropriated assets and 1% have engaged in both corruption and financial statement frauds. 5% have committed all the three types of frauds.

Table no 4.7 : Global forensic accounting market size (USD Billion)

Year	Market size
2018	12.58
2019	15.32
2020	17.45
2021	19.89

Source: Detailed TOC of global forensic accounting market size, status and forecast 2022

Figure 4.7: Global market size of forensic accounting



Inference

From the above data we can conclude that the market size of forensic audit is increasing year to year. The demand of forensic accounting is increasing. The demand for forensic accounting is expected to increase in the future too.. It is also estimated that the demand is also increasing in the futureAs per the research the market is expected to reach USD 29.120 in 2027

5.1 Summary

This project is very relevant in this present scenario because it examines fraud occurrence in financial reporting. This study was conducted, mainly to understand the relevance of fraud detection in accounting. Another major aspect of this study was the comparison of different fraud especially in corporate sectors. A lot of factors were taken into consideration to find out the relevance of detection of fraud for proper analyses of financial statement.

The data was collected from genuine secondary sources, which ensures the accuracy of the study. Mainly data was collected from Association of certified Fraud Examination provides a lots of fraud related data and also from the websites of Forensic auditing and in addition to this were also referred. The study reveals more about the significance of forensic accounting in financial reporting all over the world especially in India. This studies helps to know the various corporate fraud and the reason of their occurrence, various forensic accounting techniques to detect frauds and the role of forensic accounting in providing a solution to fraud.

This chapter will deal with the findings that we have reached after analyzing the various data that we collected and also some recommendations with regards to forensic accounting that we felt are necessary.

5.2 Findings

The following are the findings that we collected after the analysis of certain factors:

1. Usually fraud are occurred in the department of accounts and sales. Deep investigation is required in these departments. By conducting forensic audit departments that have more frauds can give more importance and audit accordingly
2. Frauds are mainly detected by way of tip.
3. . More fraud cases are reported in India when compared to other countries in southern Asia.
4. 4. Mainly fraud are detected by Forensic accountants. They are examining the financial statement with a view that a sure shot fraud has happen in company. Thus the relevance of forensic audit in fraud detection is more.
5. When analyzing the rate of occurrence of different type of fraud, the most of fraud are occurred under billing schemes. Forensic auditors use Address verification scheme to detect frauds in payment frauds.

6. It is inferred that most of the fraudsters do not restrict to one fraud alone. More number of frauds are committed at a time and a deep investigation is required to detect these frauds. Forensic audit has different methods to detect various types of frauds.
7. The main inference we collected after the study is that the market size of forensic audit is increasing year to year. It is also estimated that the demand is also increasing in the future. As per the research the market is expected to reach USD 29.120 in 2027.

5.3 Recommendations

- Ensure that proper method of forensic accounting has been implemented in the company.
- Eradication of economic and financial crime through the adoption of forensic accounting in the system will improve the image of business entities.
- The involvement of forensic auditors should be increased while conducting fraud investigation.
- Government and regulatory authorities should ensure standards and guidelines to regulate forensic activities. Also the business owners should embrace integrity, objectivity, fairness and accountability in their day to day activities.
- The investigation on fraud has to be done by company on time to time basis in order to detect and prevent frauds.
- Forensic accounting may be integrated into the academic curriculum as a means of increasing awareness of the respective subject matter
- Conferences, seminars and training programs need to be organized to enhance skills and ability of professional accountants regarding Forensic issues.
- SEBI and RBI should create a 'cell for Forensic Accounting' in field of corporate crimes and financial crimes respectively.

5.4 Scope for further studies

- Look for evidence of unusual development in the accounting and financial systems.
- Design accounting processes for verifying important premises and data.
- Perform audit type processes on a routine schedule to reduce transaction processing risk.

5.5 Conclusion

In recent past years due to rapid increase in white collar crimes & due to perception that Indian Judicial law is not stern to unveil the frauds, forensic accounting has come into lime light. As compared to other foreign countries India is lacking behind in the area of forensic accounting. Due to rapid increase in scams and white-collar crimes in India, forensic accounting has come into the limelight and there is huge requirement for forensic accountants. In these days various organizations like India forensic, Institute of Chartered Accountants of India (ICAI), and Association of Chartered Certified Accountants (ACCA) offer courses on forensic auditing in India. The specific objective of this study was to understand the relevance of forensic accounting in India and to inform about the increasing scope of forensic accounting in investigation during merger, amalgamation, acquisition. More social consciousness is required to control rampant white collar crimes. Forensic accountants are now in great demand with the public need for honesty, fairness, and transparency in reporting increasing rapidly. . Indian economy has been opened up to the world and some monetary embarrassment includes corporate areas from different nations. Globalization of the economy and the way that a fraudster can be based anyplace on the planet has prompted the issue of between locale which again bothered the issue for forensic bookkeepers. Forensic bookkeepers think that it is hard to arraign fraudster from different nations in Indian locale. The quick changing universe of data innovation and the remarkable expansion in the utilization of PC frameworks compromise the forensic accounting clique. The innovation utilized by lawbreakers and fraudsters is changing continually and forensic accounting need to keep steady over their game to forestall and recognize these fake practices. In light of the above goals, a portion of the drives taken by administrative bodies give a positive indication in forestalling tricks. SEBI has choose to make a forensics accounting cell to improve the nature of the monetary data unveiled and to aid location of monetary anomalies to fill in as a successful early admonition instruments to forestall tricks in monetary sector, RBI has likewise request that banks incorporate forensics inspecting rehearses. Forensic accounting in India is simply being utilized as an insightful apparatus up until now, as opposed to a preventive instrument. In the event that forensic reviewing is made compulsory in monetary and corporate area a large number of the tricks including a great many crores can be stayed away from.