

## INTEGRATION OF FORENSIC WITH ACCOUNTING: A TOOL FOR FRAUD PREVENTION

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### ABSTRACT

*In malignancy of preface of new and strict legislations, preface of Information Technology and its up-gradation, the number of frauds and swindles are on the increase. This has raised question marks on the efficacy of the being fraud discovery and control systems or mechanisms. frequently, the theft or frauds are detected post the circumstance and thus, the entire exercise stands defeated as the precious fiscal resources stand lost and the process of recovery is time consuming and veritably intricate as the fraudsters use a number of frontal realities to disguise their conditioning. This process of decrypting itself causes detention and provides sufficient time for the fraudsters to wind up their conditioning and vanish. The current set up of statutory adjudicators have failed in their duty of detecting and controlling frauds. evidence are the high profile frauds carried out under the nose of top ranking inspection enterprises which failed to descry any suspicious deals in similar frauds. Either, the police and the probing authorities aren't well equipped to handle similar complex fiscal frauds. This is due to the fact that they don't have moxie in finance nor do they've a fiscal-academic background, therefore making the process of discovery extremely delicate. Either, these agencies are overburdened with various other civil and felonious crimes, especially, today the crimes conducted by the terrorists outfits which has come the top issue in internal security of nations. This exploration is a humble beginning in the direction of integration, which if pursued with determination and farther exploration and perpetration, shall surely play a positive part in abatement of fiscal irregularities and crimes. Every nation and account controllers need to consider over this area to insure and work out doable results which shall help in erecting up a new species of accountants who are well clued in counting principles and practices, well acquainted with information technology and legal aspects of law, especially in medication and contributions before the court of law in order to bespeak and discipline the fraudsters.*

**KEYWORDS:** *Fraud, Technology, Standards, Detection, Accounting, Control, Security, Practices.*

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### Introduction

This lack of knowledge, non-inclination to take up fraud related examinations and inordinate work pressure, has rebounded in unabated growth of fiscal crimes. Today, fiscal crimes have come aboriginal in assiduity, business and governance. The assiduity captains and the inspection fraternity have accepted the circumstance of fiscal frauds as the work-related hazard which one has to face and work on. This station of abdication to circumstances has encouraged the precipitators of frauds and the issue has gained global significance. Today, with the opening up of world husbandry and integration of assiduity into a global vill, the issue of discovery and PREVENTION of frauds has gained transnational significance. Either, it has been observed that similar finances siphoned off due to frauds and swindles have been flowing to fund the conditioning of transnational terror outfits. Major developed nations and as well as the developing nations have to attack this issue on a war footing to insure that the husbandry doesn't bleed due to the rampant circumstance of fraudulent conditioning. The International Accounting norms Board is working overtime to insure loose free terrain in business, but all the sweats stand frustrated and haven't assured any decline or PREVENTION of similar fraudulent conditioning. In view of the below script, the experimenter has suggested the conception of integration of traditional account system with forensic account system, where the accountants and adjudicators are well clued with both

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the account procedurals and as well as the felonious aspects of laws in order to help the circumstance of frauds. This exercise of integrating the two aspects of account shall go a long way in not only detecting but also in PREVENTION of frauds which shall be for the benefit of all nations and the world husbandry to insure that the dread fiscal resources don't get squandered down and are stationed in meaningful and just conditioning for the overall development of humankind.

#### **Fraud – The Indefinite Enemy of the Trust**

Fraud is an action that causes loss to the country, assiduity and the people. The driving force behind frauds is one's rapacity to make quick financial earnings. The Association of Certified Fraud Observers, USA, defines fraud as the abuse of one's recreation for particular earnings by misusing the resources and means of one's association. The act of deception consists of false/deceiving words, conduct, deletions or concealment of data which results causes' loss to the other party. White-collar fraud is a part of the broader conception of fraud which is observed in assiduity and administration of the frugality, where individualities or group of individualities are involved in manipulation of accounts, embezzlements, seeking win greasing etc in business. The Federal Bureau of Investigation (FBI), USA, has handed a broad description for white collar frauds, wherein similar dishonesty or concealment or breach of trust doesn't involve physical trouble but results in financial losses or business disadvantage to the other party. This type of fraud has today migrated from business associations to public administration and non-governmental associations (NGOs). The term "Fraud" causes a bite to run down the chine of all the stakeholders of a business. It's a measure of bluff by one person of fellow humans. Towards this end, the governments today have passed laws and set up structure conforming of the courts, covering agencies and the police to insure translucency and fair-deal in society. Today, high precedence is given to ethics and commercial governance, especially with the end of the Companies Act, 2013. In malignancy of the below setups, frauds continue to take place and are adding manifold times. Professional adjudicators are under tremendous pressure to descry and contain the artificial frauds. The important point of fraud is that it causes financial loss to society.

Thus, the part of accountants and inspection professionals have now come more extensive and inclusive since the once decade and a half during which we've seen large number of frauds in the public and private sectors. This has rebounded in forcing the executive authorities and their think-tank to seriously review the applicability, part and significance of the traditional accountants and inspection professionals. This thesis attempts to study the forenamed aspects of the part of accountants and inspection professionals wherein, their capabilities of forensic examinations need to be developed and horned to make the jobs more applicable in discovery and PREVENTION of frauds on an ongoing regular base.

#### **Account – The Source of Prevention of Frauds**

Account is a tool of tracking business conditioning in a particular time period which is generally a fiscal time. Similar shadowing is demanded for possessors and decision makers to have timely information on the performance of their business. Although, numerous smart businessmen may have the day-to-day control over their business, yet as business expands grows and becomes complex, the need for fresh fiscal and non-financial information shall increase. Piecemeal from the business possessors, third parties may also need fiscal information. Their need shall depend on the relationship they've with the particular company, for illustration, an investor may need to know about the company's fiscal performance and its stability. Also, a creditor may want to know the debt repaying capability of the company. A seller or supplier may be interested in knowing the capability of the company is making payments for the purchases on harmonious base. As we will see throughout this thesis that numerous commercial frauds are fiscal crimes committed within the account system. The account system comprises of styles by which the fiscal deals are recorded. It tracks the business deals of a reality and is distributed as recording data, classifying information and recapitulating the data for the benefit of end druggies. Although frauds have historically centered on manipulation of counting entries, recent gests have been more specifically towards fiscal statements and the manipulation of the underpinning data. For the fiscal accountants the fiscal statements are a "shot" about the profitability (or unprofitability) of a business reality and the fiscal status of the business at any given point in time.

#### **Forensic Accounting**

Forensic account in simple terms is a combination of Account, Auditing and disquisition chops. Forensic account is a incipient specialty area of account which deals with engagements that affect in real or awaited action. Astronomically these engagements can be observed in any of the following three

orders, videlicet, profitable damages, assurance as to a fraud in accounts or supplies or the contribution thereof and in valuation of business. A Forensic Accountant is needed to assay the complications of involved in frauds which goes beyond the ordinary and routine type of test checks conducted by the traditional adjudicator similar as the statutory and internal adjudicators. In India the job of discovery of frauds and the process of disquisition isn't integrated but is carried out by separate agencies. The discovery part is done by the adjudicators and the disquisition is done by the policing agencies. Either, the responsibility of precluding frauds is left to the top application of business. In spite of the agencies carrying out their separate jobs effectively, it's observed that the frequentness of frauds is adding unabated. This should that the current system of fraud discovery, disquisition and its PREVENTION are unfit to contain the fraudulent acts of unconscionable realities.

### **Application of Principles of Forensic Accounting to an Organisation**

One premise of forensic account is to look for suggestions of abnormal circumstances in the account and financial reporting systems. Having a forensic account exposure to designing the account processes will give an occasion to design in way for verification of pivotal hypotheticals and data while also furnishing the occasion for relating possible fraud. The related area of forensic auditing can help in reducing the trade recycling trouble by helping to perform examination type procedures on a routine schedule. Timely performance of examination type procedures can help application and internal examination function is more effective by helping to identify and resolve implicit internal control breakdowns snappily and fully. It can reduce external examination costs by regularly completing testing procedures that are part of the periodic certified examination. In cases where information processing systems cover a broad array of businesses and/ or locales establishing routine or continuous monitoring of all trade recycling systems, it can be considered as a type of forensic account. Some of the areas that the principles and exertion of forensic account can apply in an association include

- Reviewing functional deals for compliance with standard operating procedures and blessings.
- Completing analysis of financial disbursement deals in the account system to determine if they are normal or outside company policy and, thus, possibly fraudulent.
- Reviewing general census and financial reporting system deals for possible infelicitous type or manipulation of data or accounts and its impact on the performing financial reports.
- Examining bond claims or returns for patterns of fraud or abuse.
- Helping estimate the provident damages and the performing insurance claims that stem from disasters analogous as fires or other natural disasters.
- Assessing or attesting business valuation in combinations and accessions.

### **Integration of Forensic in Accounting**

Financial fraud in the last century and in this century has made it imperative for in depth disquisition of irregularities. In view of this the part of Forensic Accountant has come veritably important in bridling similar frauds and irregularities. Forensic Account is described as integration of auditing & account chops with professional dubitation & investigative ways. Forensic Account is a discipline which encompasses fiscal moxie, fraud knowledge & a sound understanding and knowledge of business reality and the working of the legal systems. In one of the biggest swindles of all time, it was revealed that the application of Enron the famed energy company in USA defrauded by its top application used creative account to make the company look important & good on paper. Still, Forensic Account imaged in helping and determining that numerous of Enron's recorded means and gains were inflated. Some of its debts were recorded in coastal realities with no exposure Enron's fiscal statements. The practice of creative account was current since the artificial revolution and continues indeed today. As a result of similar creative account practices, numerous large businesses have failed and shut down. Account manipulation, income smoothing, fraudulent reporting, earnings application & creative account are some of the exemplifications of creative account. A fiscal statement is a summary of all events that do during an account time. These statements are needed to be prepared grounded on the generally accepted account principles (GAAP). The GAAP determines the particulars, contents, form, order, dimension styles and the time of recognition. Superintendence's of enterprises are responsible for the medication of similar statements. Superintendence's eventually exploit the inflexibility in account norms, similar as depreciation and ending force. The Enron saga and the WorldCom fiddle are classic exemplifications of creative account practices to conceal losses. Either, the traditional accountants and adjudicators have failed to overcome similar growing frauds bringing reproach and sport and raising a question mark on the account profession. The adjudicators

by the limitations of their work can not declare with any position of futurity that fraud has passed or not. Thus the new face of crime needs to be eased in well articulated and professionally executed schemes of an investigative, auditing and account nature. Forensic Account combines strong auditing procedure with sophisticated investigative tools & ways in vindicating the legality and also the delicacy of fiscal reporting. This new type of “Commercial Bobby” at detecting and inhibiting occupational frauds has come a necessity. Creative account practices demands a change in compass, emphasis, styles and functional culture, if they're to face with complex fiscal crimes. Part of a Forensic Accountant had gained significance today, especially in bridling of creative account. Hence, by applying account principles, auditing chops and investigative procedures in working legal problems, Forensic Accountants act a important link for attorneys, courts, nonsupervisory bodies and other institutions in probing fiscal frauds.

### Conclusion

The demand has been growing due to the fraudsters introducing new ways of committing frauds. Indeed though numerous associations are setting up their own brigades, they continue to calculate on third parties, specialized in forensics. This is because the third parties are professional in their approach and regularly modernize themselves by conducting shops and forums and also carrying out knowledge sharing sessions. These technical agencies are making heavy investments in advanced tools and visionary surveillance covering systems to cover large volumes of data form a wider variety of sources. Similar is the significance that these antifraud professionals were awarded the Forensic Trailblazer Award by the EY Fraud Investigation & Disputes Services and the Association of Certified Fraud Observers, to recognize the stylish forensic gift in India. It's high time that the traditional system of account and auditing is upgraded to include the generalities and ways of forensics and thus integration of both the types of account and auditing is the need of the hour. This has been made unstintingly clear in the check carried in this exploration where all the target groups have majorly agreed to the idea of integrating Traditional Account with Forensic Account. Hence, now there's a need for all the concerned agencies and nonsupervisory authorities to insure that the process is initiated in right staidness to insure the quick eradication of swindles and frauds. The experimenter has observed that the current Government of India has laid great emphasis on Information Technology and all out sweats are being made to use this technology in icing that corruption and swindles are reduced and the government development plans for poverty elevation are successfully enforced by icing that the financial benefits reach the target groups directly into their bank accounts without the intervention of central agencies conforming of politicians, executive officers and original leaders at gram- panchyat situations, who have being siphoning off the finances for particular earnings. These interposers have been the root cause for failure of government patronized programs and for the spread of the cancerous complaint of corruption, swindles and nepotism.

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