

## FORENSIC ACCOUNTING: FRAUD DETECTION TECHNIQUES IN INDIA

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Rupa Devi\*

### ABSTRACT

*This research paper provides a summary about how Forensic Accountant does his work in effective manner. This research paper also provides information about how a corporation investigates about fraud which is done by an organization's employees and forensic accountants perform both fraud and no fraud services. This paper is analyses the role of forensic accounting services which is performed by Indian accounting firms. The evaluate study on the basis of forensic accounting is described in this paper. In this paper we focused on the problems of forensic accounting in India. The purpose of this paper is to explain how forensic accounting as a tool for fraud detections in any organization.*

**KEYWORDS:** *Forensic Accounting, Auditing, White-Collar Crime, Corporate Fraud, Scams.*

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### Introduction

In today's scenario the demand of forensic accounting is growing very fast. Forensic accounting arises from the effect and causes of fraud and technical error made by human being. Forensic accounting comes in limelight recently, its main reason for rapid increase in white collar crimes and financial fraud by employees. This technique is new in India but in new era Indian banks, insurance companies and even crime branches have taking help of forensic accounting techniques. In India forensic institutes of chartered accountant of India and association of chartered certified accountants offer course on forensic auditing in India. As we know as India is a developing country, in Indian scenario indicated that as more and more development both in this information communication technology world. In India fraudsters continue increase their tactics towards fraudulent practices. Forensic Accounting is made with two words in which first is forensic and second is accounting. The meaning of forensic is "suitable for court of law" and the meaning of accounting is to identifying, recording, measuring, and communicating financial information. So the meaning of forensic accounting is that which is investigates the cases which is related to financial frauds and white collar crimes and gives true report to hiring companies, for example court of law, banking companies, and insurance companies. It is often said that accountant look at the numbers but forensic accountants looks behind that numbers.

### Purpose

The purpose of this paper is to highlight the forensic accounting in Indian scenario. The main purpose of those skills is detection of different types of occupation fraud by the forensic accounting. The purpose of this paper is to highlight those main points of forensic accounting which are not included or described in the forensic accounting research earlier.

### Research Methodology

This research paper is based on secondary data.

In forensic accounting a forensic accountant perform investigation which involves analyzing the fraud in a organization then testing these frauds, after that he inquire about the organizational fraud and at last but not the least he examining the civil and criminal matters and finally giving an unbiased and true report on this organizational fraud. Just like forensic accounting report is play an important role in the court to solve the murder and any mysteries, similarly a forensic accountants report play a key role in detection the financial, and bank fraud, and white collar crimes.

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\* Research Scholar, MDU, Rohtak, Haryana, India.

### Objectives of Study

- To know how forensic accountants deal with fraud cases.
- To know what is the uses of forensic accounting in India.
- To know which types of problems faced by the forensic accountant to solve the fraud cases or white collar crime.

### Meaning of Forensic Accounting

Forensic accounting has been defined as an “accounting analysis that can uncover possible fraud that is suitable for presentation in court. Such analysis will form the basis for discussion, debate, and dispute resolution”. According to Oyedokun (2013), Forensic accounting is scientific accounting method of uncovering, resolving, analyzing and presenting fraud matters in a manner that is acceptable in the court of law.

### Who is Forensic Accountants

Forensic accountants are experienced accountants in their profession. They investigate many facts for interesting parties who hired them. These parties may be banking companies, insurance companies and financial organizations. These companies hire them to look into possible suspicious of fraudulent activities within a company. Forensic accountants are experienced holder person, auditors, accountants who know accounting terms and specialist in this field. They are investigators of legal and financial documents that are hired to look into possible suspicious of fraudulent activities within companies. Forensic accounting is based on accounting profession which investigate crime cases and elaborate true report to us.

### Forensic Accounting

These types of accounting is specially based on practice area of accounting and focused on financial frauds, which is uncovered by any other techniques. Forensic accounting provides a true report and analysis which is suitable for court.

The services provided by the forensic accountants are as follows:

- Divorce proceedings and matrimonial disputes.
- Professional negligence.
- Insurance claims evolutions.
- Partnership and corporation disputes.
- Due diligence.
- Financial reporting disputes.
- Forensic technology services.
- Anti corruption & investigations.
- False claim act.
- Fraud prevention. Etc.

### Forensic Accounting v/s Traditional Accounting

In forensic accounting a forensic accountant investigates financial and organizational frauds.

On the other hand accounting has variously been defined as the keeping or preparation of the financial records of an entity, analysis, and verification and reporting of such records and the principles and procedures of accounting”.

### Types of Frauds

There are following types of frauds:

- **Bank Fraud:** The number of bank frauds in India is substantial. It is increasing with the passage of time in all the major operational areas in banking. Bank performed many services like deposits money, gives loan, inter branch accounting transaction etc. In India bank fraud increasing rapidly. So that forensic accounting performed a key role in investigates in bank fraud.
- **Corporate Frauds:** Corporate are increase day by day in Indian scenario. The most popular scam done by the satyam founder B. Ramalingan Raju (2009) who had inflated profit and jacked up the company's balance sheet by more than one billion dollars. This is the very big scam not for even India but in world also.

- **Insurance Frauds:** There is so many frauds which is involve in insurance frauds such as health insurance, claims fraud, false claims, insurance speculations, application fraud etc.
- **Cyber Frauds:** In these frauds we can includes credit card frauds, bank robbery, illegal downloading, child pornography, kidnapping children by chat rooms, and so on.
- **Securities Frauds:** Securities frauds are involving the investment world frauds. It is including hide true information's to the investors of the securities.

A securities fraud comes into existence whenever someone makes false statement about the company, company's shares, and company's stocks. This fraud can be investigate by the SEBI's investigate department.

### **Forensic Accounting Techniques**

- **Planning and Investigation**

Under this technique first of all forensic accountant gathering evidence and analysis of fraud and crime related evidence to come to a conclusion which is related to suspect. According to this technique a forensic accountant makes a plan for coming investigation about the suspect and crime. This is the first step of forensic accounting techniques and this is the most important step too for a forensic accountant.

- **Gathering Evidence**

After doing planning and investigation the next step is gathering evidence on the behalf of the investigation. Gathering evidence is plays a very important role in investigate the fraud, cases and white color crimes. So that gathering information is the very important for forensic accountant to solve all the fraud and crimes cases. A forensic accountant gathers the information from trustworthy sources.

- **Reporting the Findings**

Report is the main document for forensic accountant. Firstly a forensic accountant finding the report relates to the suspect cases and this report includes all the gathering information on the behalf of forensic accountant's investigation.

- **Dealing with Possible Proceedings**

Forensic accountant deal with all possible court cases or proceedings which is related with white color crimes and other fraud which is related with bank's fraud and organizational fraud done by their employees and other hackers. Forensic accountant investigate all the fraud and finding report on the behalf of these cases, and after that they deal with possible court proceedings to solve these fraud cases. Forensic accountant gives these reports to court as a proof.

- **Submitting a True Report to the Organization, who Hired them**

This is the last step of forensic accounting techniques that is submitting a true report to the organization, who hired these accountants.

### **Conclusion**

Forensic accounting is a mixture of accounting, auditing and investigative skills. The work of the forensic accountant is to investigates fraud and analyze all information which is related with fraud and white-collar crime. In India all the firms which may be larger or medium sized have recently created forensic accounting department. In India it is very new but it is rapidly increasing day by day. It is a fraud detection technique which cures to affected organization and gives proof to court cases against fraud and crimes.

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