

Research Paper



Dec.-09—Jan.-2010

FORENSIC ACCOUNTING : END OF MYSTERIES



* Prof. Dr. A. C. Bhavsar

*MSG College, Malegaon Camp, Dist Nashik.

"Earth provides enough to satisfy everyone's needs, but not everyman's greed."

- Mahatma Gandhi

Greed and human desire to have more is generally the root cause of frauds and scams. To unearth and uncover such frauds, the most emerging field called *Forensic Accounting or Investigative Accounting* has evolved.

It is something which is more than usual traditional accounting and more than mere detective work. It is an optimum blend of these two facets which facilitates exploration of hidden new age crimes. The urgent need of application of Forensic Accounting techniques can be felt when the damages of economic nature occurs and sources of such damages can be located only with deep examination of evidence. The failure of auditing professionals to sense any sort of mismanagement in the financial sector has made Forensic Accounting, a need of the era. Frauds are omnipresent. With the advent of new age technology & where the fraudster can be knowledge workers, techno savvies, & business professionals ; deploying anti-fraud strategies are worthless. Therefore, auditors and accountants have to wear a new robe of *Forensic Accountant* and have to play the role of investigator or detective.

Meaning:

" The perfect mix of accounting practices, detective auditing techniques and investigative skills results in one of the most emerging branch of accounting known as Forensic Accounting."

It provides analysis of an accounting nature

which provides support in litigation matters as it helps in quantifying the economic damages. It provides assistance in calculating the financial losses which occur due to economic crimes and frauds.

The Forensic Accountant utilizes investigative skills to look beyond the Balance Sheet figures and grasp the substance of the situation. His **role** involves the following aspects :

a. Examining, analyzing & investigating evidence of a financial nature. b. Designing Computer Assisted Audit Techniques (CAAT) to identify potential areas of fraud and loss. c. Reporting the findings in the form of graphs, charts, exhibits, documents etc. d. Providing assistance in legal proceedings by providing financial evidence.

The financial scams and frauds in globally famous MNC's such as Enron and WorldCom which shook the corporate world, have prompted the companies to turn to Forensic Accountants for periodic fraud check-ups.

The **different fields** in which Forensic Accountant can provide his expertise are :

1. False Financial Statements. 2. Asset misappropriation. 3. Shareholder's/partners disputes. 4. Insurance claims 5. Employee Fraud Investigation 6. Fraudulent Financial Reporting. 7. Security Fraud and IPO Scams 8. Matrimonial Disputes. 9. Professional negligence. 10. Business losses due to breach of contracts. 11. Management frauds and white collar crimes. 12. Corruption and bribery.

Services of the Forensic Expert can be availed by Banks, Insurance companies, Courts, Business owners,

Police forces, Government Bodies, Lawyers and Defense Forces.

The procedure to be followed by a Forensic Expert to uncover fraud includes Data Mining Techniques, Inspecting documents and records, Detecting financial evidences, Conducting interviews, Tracing frauds/assets, Analysis performance and finally

Report preparation . (Including his findings or opinions.)

To Combat fraud, the need of the hour is :

- a. To take the steps for the installation of new software model known as Fraud Management System (FMS).
- b. To design a full proof security system for each sector to prevent the occurrence of fraud .
- c. To develop a system that can identify the loopholes in the working of the company.
- d. To apply the tools like audit rotation, data visualization and creation of anti-corruption culture within the organization.
- e. To established the most advanced solutions of Artificial Intelligence such as neural network techniques to capture suspicious and fraudulent transactions.

Conclusion :

Forensic Experts by utilizing their 'Financial Sixth Sense' can come to the rescue of common investors to safeguard their interest. Fraud Management should be viewed as a tool to improve work efficiency and as a means to achieve healthy growth of the economy. Why frauds remain undetected is really a debatable issue. Forensic

Science can take the lion's share to restore investors confidence and faith.

The culture of greed and deception will lead the human race nowhere. Can the pressure of this materialistic world induce unethical human behavior and let people forget their culture ? History had proved that only those businesses flourish whose management had respected human values and culture.

According to the Ancient Vedic Scripture, money earned by way of deception never brings any sort of eternal peace and prosperity. Therefore reconstruction of the right attitude and ideal mind engineering alone can work wonders!

REFERENCE

* www.forensic-accounting-information.com