Forensic Accounting in Asia: Perspectives and Prospects

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ABSTRACT

Accounting scandals and frauds are perennial; they have occurred in all eras and in all countries. Recently, financial accounting fraud detection has come into limelight due to the upsurge in financial frauds and white-collar crimes witnessed in the competitive economic scenario. In the last decade, high profile financial frauds committed by large companies in both developed and developing countries were discovered and reported. With a huge increase in accounting fraud witnessed, the need for efficient financial accounting fraud detection has gained considerable thrust from the investors, academic researchers, media, the financial community and regulators.

Forensic accounting has come into limelight due to rapid increase in financial frauds. The integration of accounting, auditing and investigative skills yields the specialty known as “Forensic Accounting”. Though the need for forensic accountants and true interpretation of accounting data have been emphasized by professional and regulatory bodies, financial accounting fraud detection is still in its infancy. Forensic accountants are considered to be the best-equipped professionals who possess an integration of accounting, auditing and investigative skills. The opportunities for the forensic accountants (FAs) are growing at the rapid speed. They are being engaged in public practice, or employed by insurance companies, banks, police forces, government agencies and several other organisations. The FAs typically put together a puzzle by piecing together a situation, reconstructing financial records, and following a trail of evidence. This article seeks to examine different perspectives and prospects of forensic accounting, and recommend that “there is a future in it as a separate ‘niche’ consulting.”

Keywords
Forensic, Accounting and Auditing, Forensic Accountants, Asia, Perspectives, Future Prospects, Fraudulent Reporting

INTRODUCTION

Accounting scandals and frauds are perennial. Innumerable instances of scandals and frauds have plagued our society since before the “Industrial Revolution.” They occurred in all eras and in all countries. Recently, Bhasin, (2016) pointed out, “During the last few decades, there have been numerous financial frauds and scandals, which were milestones with historical significance. Enron, WorldCom and Parmalat are just few examples of the well-known accounting scandals and/or frauds. However, what is not so well-known is that almost every country had its own accounting scandals and frauds.” The media has fortunately reported scandals and bankruptcies in companies, from time to time, both from the ‘developed’ and ‘developing’ countries.” Some of them are listed here to give examples. HIH Insurance, Harris Scarfe and One.Tel (Australia), Global Crossing (Bermuda), Nortel Networks (Canada), Zhengzhou Baiwen, Shandong Bohai, Jinzhou Port, Kelon (China), Vivendi Universal (France), ComRoad, Phenomedia, MLP, Hugo Boss, Nici, Zapf Creation (Germany), Dynamic Life, Ipirotiki Software (Greece), Parmalat, Freedomland, Finnmatica (Italy), Elan (Ireland), JVG Group of companies, UTI, Global Trust Bank, Citibank, Wipro, Satyam (India), HII, Sanyo Electric (Japan), Baan Company, Ahold NV, LCI Computer, Landis (Netherlands), Gescartera, Bafisa, Afinsa and Forum Filatelico (Spain), ABB, Skandia, Prosolvia (Sweden), Adecco International (Switzerland), Barings Bank Equitable Life, Wiggins, Versailles (UK), and Adelphia Communication, IBM, Enron, Xerox, Madoff Securities, Lehman Brothers (U.S.). In addition, some of the Asian countries have also experienced similar fraud/scam cases, such as, PT Bank Bali, Sinar Mas Group (Indonesia), Bangkok Bank of Commerce (Thailand), United Engineers Bhd (Malaysia), Samsung Electronics, Hyundai (Korea). Surprisingly, this list is rapidly growing every year. As Bhasin (2015) stated, “The corporate collapses of recent times, culminating with massive collapses has suggested that there are major systemic problems facing the way in which corporations and corporate governance (henceforth, CG) systems operate.”

Indeed, fraud is a world-wide phenomenon that affects all continents and all sectors of the economy, and most organizations may face regardless of their size, industry or country. According to the Association of Certified Fraud Examiners’ (ACFE, 2012) ‘Report to the Nations,’ “the cost of fraud to the U.S. organizations is extensive—5 percent of annual revenues, despite increased emphasis on anti-fraud controls and recent legislation to combat fraud.” Indeed, the ACFE survey found that “whistle-blowing is the single most common method of fraud detection.” Although it is generally accepted that the Sarbanes-Oxley
(SOX) Act of 2002 has improved ‘corporate governance’ (henceforth, CG) and decreased the incidence of fraud, recent studies and surveys indicate that investors and management continue to have concerns about financial statement fraud as summarized in Table 1.

Table 1: Magnitude of Losses Suffered due to Frauds-A Global Scenario

<table>
<thead>
<tr>
<th>Reporting Authority</th>
<th>Main Findings</th>
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<tr>
<td>The ACFE “Report to the Nations on Occupational Fraud and Abuse”</td>
<td>The Association of Certified Fraud Examiners’ (ACFE) found that financial statement fraud, while representing less than 5 percent of the cases of fraud in its report, was by far the most costly, with a median loss of $1.7 million per incident. Survey participants estimated that the typical organization loses 5 percent of its revenues to fraud each year. Applied to the 2011 Gross World Product, this figure translates to a potential projected annual fraud loss of more than $3.5 trillion. The median loss caused by the occupational fraud cases in our study was $140,000. More than one-fifth of these cases caused losses of at least $1 million. The frauds reported to us lasted a median of 18 months before being detected.</td>
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<td>The COSO Fraud Report</td>
<td>The Committee of Sponsoring Organizations of the Treadway Commission analyzed 347 frauds investigated by the U.S. Securities and Exchange Commission (SEC) from 1998 to 2007 and found that the median dollar amount of each instance of fraud had increased three-times from the level in a similar 1999 study, from a median of $4.1 million in the 1999 study to $12 million. In addition, the median-size of the company involved in fraudulent financial reporting increased approximately six-fold, from $16 million to $93 million in total assets, and from $13 million to $72 million in revenues.</td>
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<td>The KPMG Survey</td>
<td>A Survey of 204 executives of U.S. companies with annual revenues of $250 million or more found that 65 percent of the respondents considered fraud to be a significant risk to their organizations in the next year, and more than one-third of those identified financial reporting fraud as one of the highest risks.</td>
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<td>Deloitte Forensic Center Webcast</td>
<td>Fifty-six percent of the approximately 2,100 business professionals surveyed in a webcast about reducing fraud risk predicted that more financial statement fraud would be uncovered in 2010 and 2011, as compared to the previous three years. Almost half of those surveyed (46 percent) pointed to the recession as the reason for this increase.</td>
</tr>
<tr>
<td>National Fraud Authority (U.K.), Annual Fraud Indicator</td>
<td>The scale of fraud losses in 2012, against all victims in the U.K., is in the region of £73 billion per annum. In 2006, 2010 and 2011, it was £13, 30 and 38 billions, respectively. The 2012 estimate is significantly greater than the previous figures because it includes new and improved estimates in a number of areas, in particular against the private sector. Fraud harms all areas of the UK economy.</td>
</tr>
<tr>
<td>The Ernst &amp; Young’s “India Fraud Indicator report”</td>
<td>The losses suffered due to fraud amount to Rs. 66 billion. Delhi witnessed the largest number of fraud cases and suffered the highest aggregate losses by fraud (as compared to the rest of the country) in 2011–12. The financial-services sector was the worst hit, with more than 63 percent of the total fraud cases reported in 2011–12, followed by technology and transportation. In the financial-services sector, banking was the major victim with 84 percent of the total number of reported fraud cases. According to the data compiled by the Reserve Bank of India (RBI), the money lost by banks due to scams and fraud has doubled in the past four years. Losses incurred by banks due to fraud increased by 88 percent in 2010-11 to exceed Rs. 37.9 billion (more than Rs. 20.1 billion in 2009–10).</td>
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No doubt, economic crime and fraud remains an intractable problem for companies globally and India is no exception. As India Inc. goes global, economic crime is emerging as a bigger threat than before. When companies in India expand their reach to other countries, they are exposed to not just ‘home-grown’ frauds, but also frauds prevalent in other markets. In fact, economic crime continues to be an expensive proposition for companies, both in terms of losses due to such crimes and the cost of managing frauds. According to PwC (2007) ‘The 4th Biennial Global Economic Crime Survey: India,’ “Companies in India suffered average direct losses of US $ 1.5 million (Rs. 6 crores) due to fraud in the preceding two years. More importantly, the cost of managing fraud—that includes legal costs, the cost of investigating frauds, stakeholder management and public relation costs—is also very high. Respondents in India reported average management costs of US $1 million (Rs. 4 crores)—almost
The recent accounting scandals have induced a crisis of confidence in financial reporting practice and effectiveness of CG mechanisms. Here, Bhasin (2011) observed, “No doubt, recent corporate accounting scandals and the resultant outcry for transparency and honesty in reporting have given rise to two disparate yet logical outcomes. First, forensic accounting skills have become crucial in untangling the complicated accounting maneuvers that have obfuscated financial statements. Second, public demand for change and subsequent regulatory action has transformed CG scenario. Therefore, more and more company officers and directors are under ethical and legal scrutiny.” In fact, both these trends have the common goal of addressing the investors’ concerns about the transparent financial reporting system. However, the failure of the corporate communication structure has made the financial community realize that there is a great need for skilled professionals that can identify, expose, and prevent structural weaknesses in three key areas: poor corporate governance (CG), flawed internal controls, and fraudulent financial statements. Forensic accounting skills, therefore, are becoming increasingly relied upon within a corporate reporting system that emphasizes its accountability and responsibility to stakeholders.

From time-to-time, corporations and regulatory bodies have tried to analyze and correct any existing defects, if any, in their reporting systems. In addition, discussion on the relevance of “forensic accounting” in detecting accounting scandals has emerged in recent years. All these cases imply that the corporations have failed to supply accurate information to their investors, and to provide appropriate disclosures of any transactions that would impact their financial position and operating results. In general, it can be claimed that the above accounting scandal occurred because of integrated factors, such as, lack of auditor independence, weak law-enforcement, dishonest management, poor internal-control and inability of CG mechanisms in monitoring top-management behaviors. The SOX 2002 imposes potentially serious penalties on firm executives with fines of up to $5 million and/or imprisonment up to 20 years. At the same time, this legislation requires that these firms tighten their internal controls over financial reporting. Bhasin (2007), stated, “Unfortunately, it is also true that most frauds are perpetrated by people in positions of trust in the accounting, finance, and IT functions. Consequently, there should be alternative tools to detect the possibility of financial frauds. Forensic accounting can be seen as one of such tools. An understanding of effective fraud and forensic accounting techniques can assist forensic accountants (henceforth, FA’s) in identifying illegal activity and discovering and preserving evidence.”

According to Christensen et al., (2005), “Some regulators have apparently noticed the need for forensic accounting.” For example, the Sarbanes-Oxley Act (SOX), the Statement on Auditing Standards-99 (SAS 99), and the Public Company Accounting Oversight Board (PCAOB) have not removed the pressures on CFOs to manipulate accounting statements. The PCAOB recommends that “an auditor should perform, at least, one walk-through for each major class of transactions.” However, SAS 99 does not require the use of forensic specialists but does recommend brainstorming, increased professional skepticism, and unpredictable audit tests. The PCAOB has raised concerns about auditors’ fraud judgments and the quality of their brainstorming sessions.

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### Table 2: The Cost of Fraud in India, Asia & Pacific, and Global

<table>
<thead>
<tr>
<th>Items of Loss</th>
<th>India</th>
<th>Asia &amp; Pacific</th>
<th>Global</th>
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<tbody>
<tr>
<td>1. Direct loss (average in US$)</td>
<td>1,535,217</td>
<td>1,438,526</td>
<td>2,420,700</td>
</tr>
<tr>
<td>2. Management cost (average in US$)</td>
<td>1,029,184</td>
<td>416,393</td>
<td>550,355</td>
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<tr>
<td>3. Damage to reputation or brand (% of cases)</td>
<td>92</td>
<td>89</td>
<td>88</td>
</tr>
<tr>
<td>4. Decline in staff morale (% of cases)</td>
<td>88</td>
<td>92</td>
<td>88</td>
</tr>
<tr>
<td>5. Damage to external business relations(% of cases)</td>
<td>84</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td>6. Strained relations with regulator (% of cases)</td>
<td>75</td>
<td>83</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total Cost of Fraud</strong></td>
<td><strong>2,564,401</strong></td>
<td><strong>1,854,919</strong></td>
<td><strong>2,971,055</strong></td>
</tr>
</tbody>
</table>

PERSPECTIVES OF FORENSIC ACCOUNTING

Until recently, detecting fraud (or white-collar crime) was thought to be part of the ‘conventional’ accounting function. Fraud was something the internal or external auditors were supposed to guard against by their periodic audits. Now, we as accountants know that “auditors can only check for the compliance of a company’s books to generally accepted accounting principles, auditing standards, and company policies.” Fraud by its very nature is ‘hidden’ in the accounting systems of organisations and therefore, forensic accountants (henceforth, FAs) are usually required to unravel the transaction history and reveal what has actually occurred. In the 21st century, the wave of corporate fraudulent financial reporting and accounting frauds have prompted global actions for reforms by the governments, and accounting & auditing standard-setting bodies, in order to restore investors’ confidence in financial reporting, accounting profession, and financial markets. As Bhasin (2015a) reported, “Surprisingly, even with the enactment of several legislations, across the world, many experts are still perplexed as to how to solve the problem of detecting and preventing rising magnitude of frauds within business environment. Thus, a new category of accounting was needed to substantiate the fraud in companies that suspected fraudulent and creative transactions, which is popularly known as “forensic accounting”.

Thus, a FA utilize an understanding of business information and financial reporting systems, accounting & auditing standards, evidence gathering and investigative techniques, and litigation processes and procedure to perform their work. They are also increasingly playing more ‘proactive’ risk-reduction roles by designing and performing extended procedures, as part of the statutory audit, acting as advisors to audit committees, and assisting in investment analyst research. Prominent examples of forensic accounting ‘objectives’ include: (a) assessment of damages caused by an auditor’s negligence, (b) fact-finding to see whether embezzlement has taken place (in what amount, and whether criminal proceedings are to be initiated); (c) collection of evidence in criminal proceedings; (d) computation of asset values in a divorce proceeding, etc. The primary orientation of FAs is ‘explanatory’ analysis (cause and effect) of phenomena— including the discovery of deception (if any), and its effects—introduced into an accounting system domain. The primary methodology employed by FAs is objective verification and they are trained “to look beyond the numbers and deal with the business reality of a situation.”

Forensic accounting is the ‘specialty’ practice area of accounting that describes engagements, which result from actual or anticipated disputes or litigation. The FAs usually have to give, as an expert, evidence at the eventual trial in a Court of Law. As Bhasin (2015) reported, “The opportunities for the FAs are growing at the rapid speed all around the globe. Collapse of the Enron Corporation and World Trade Center’s twin towers have blessed the American FAs with lots of new work opportunities. However, similar is the situation in most of the Asian countries, as well as, all developed, developing and emerging nations. Moreover, with the growing number of regulatory and administrative agencies across the globe, the demand for the services of forensic experts will grow very fast.” It is most unfortunate that forensic accounting is, by and large, an unexplored area. Most of the forensic Chartered Accountants (FCAs) sporadically handle some of the afore-said forensic cases. Globally, there are very few full-fledged forensic CAs. At present, lawyers, police force, insurance companies, government and regulatory bodies, banks, courts and business community are increasingly utilising the services of FAs in the Asian countries. Because of its newness and intimate relationship to the accountancy profession, this paper attempts to discuss the nature and concepts behind the new ‘fad’ and attempt to link it to the usual procedures and paradigms demanded of auditors. Undoubtedly, the CAs possesses the skills to venture into Forensic Accounting and Auditing (FAA) arena, but we must have the ‘correct’ mindset to venture into the ‘emerging’ field.

MEANING AND SCOPE OF FORENSIC ACCOUNTING

When speaking about the ‘fight on terrorism’, Chancellor of the Exchequer Mr. Gordon Brown, former Prime Minister of the United Kingdom stated, “What the use of fingerprints was to the 19th century, and DNA analysis was to the 20th century, so financial information and forensic accounting has come to be one of today’s most powerful investigative and intelligence tools available,” (Muehlmann, Burnaby and Howe, 2012). Bhasin (2007) stated “Worldwide, we consider Sherlock Holmes to be the first Forensic Accountant. However, the contribution of some historic characters in India cannot be ignored. In India, ‘Kautilya’ was the first person to mention the famous forty ways of embezzlement in his book ‘Artashastra’ during the ancient times. He was the first economist, who openly recognized the need of the FA’s. Similarly, ‘Birbal’ was the scholar in the time of ‘King Akbar’. He used various ‘tricks’ to investigate various types of crimes. Some of his stories gave the fraud examiner a brief idea about the litmus test of investigation.”

The definition of forensic accounting is changing in response to the growing needs of corporations. Bologna and Lindequist (1995), for example, have defined forensic accounting as “the application of financial skills, and an investigative mentality to unresolved issues, conducted within the context of rules of evidence. As an emerging
discipline, it encompasses financial expertise, fraud knowledge, and a sound knowledge and understanding of business reality and the working of the legal system.” Notice that forensic accounting is not only limited to the use of financial investigations that result in legal prosecution; it is broader than fraud examinations. Forensic accounting also includes services related to the purchase of business, valuation of divorce assets, determination of money value of damages to business property, calculation of lost profits, etc. This implies that the FAs should be “skilled not only in financial accounting, but also in internal control systems, the law, other institutional requirements, investigative proficiency, and interpersonal skills.”

According to the AICPA (2011), “Forensic accounting is the application of accounting principles, theories, and discipline to facts or hypotheses at issues in a legal dispute and encompasses every branch of accounting knowledge.” They classify forensic accounting into two categories: (a) Investigative services that may or may not lead to courtroom testimony; and (b) Litigation services that recognize the role of the accountant as an expert, consultant, or other role. The first of these services encompasses those of the fraud examiner/auditor in which those knowledgeable in accounting detect, prevent and control fraud, defalcation, and misrepresentation. The second service represents testimony of a fraud examiner and to resolve valuation issues, such as those experienced in divorce cases. In legal matters, however, FAs are often engaged to assist in investigations of theft and defalcation of corporate/individual assets using their education and experience to discuss the fact, patterns of the theft, or misappropriation. FAs are also frequently called upon to review business accounting systems, and make recommendations as to how the system of internal control and internal check can be improved to prevent theft and fraud. As Bhasin (2016) observed, “The FAs do not win or lose cases but seek only the truth in conducting their evaluations, examinations and inquiries; they merely report the ‘true’ result of their findings in an ‘unbiased’ and objective manner. To be effective FAs, you need legal training in addition to education and extensive experience in the fields of finance, accounting, taxes, law and auditing. Since the work of the FAs will many times be used in a court of law, expertise in litigation support and testimony in courts of law are also prerequisites. The knowledge of business ‘valuation’ theory is most helpful because many times FAs are called upon to determine the damages, which have resulted from the criminal or civil wrong-doing.”

ACTIVITIES PERFORMED BY A FORENSIC ACCOUNTANT (FA)

There is no doubt that qualified, trained and mature accounting professionals, possessing forensic skills, can prove to be a valuable asset to the corporate-sector, and gradually help to improve their CG systems. As Bhasin (2013a) observed, “Initially, Forensic Accountants were used by government agencies (such as, the CIA, the FBI, and the IRS), to uncover and investigate leading frauds. They became financial detectives; independent experts employed by management to uncover fraudulent financial reporting and misappropriated assets.” In the current reporting environment, FA’s are in great demand for their accounting, auditing, legal, and investigative skills. They can play a vital role in coordinating company efforts to achieve a cohesive policy of ethical behavior within an organization. FA’s are expected to be ‘specialist’ in accounting and financial systems. Yet, as companies continue to grow in size and complexity, uncovering fraud requires FA’s to become ‘proficient’ in an ever-increasing number of professional ‘core’ skills and competencies. Some of the broad areas of useful expertise for FAs, as pointed out by Ramaswamy (2005), are:

- An in-depth knowledge of financial statements and the ability to critically analyze them. These skills help FA’s to uncover abnormal patterns in accounting information and recognize their source;
- A thorough understanding of fraud schemes, including but not limited to asset misappropriations, money laundering, bribery, and corruption;
- The ability to comprehend the internal control systems of corporations, and to set up a control system that assesses risks, achieves management objectives, inform employees of their control responsibilities, and monitors the quality of the program so that corrections and changes can be made;
- Proficiency in computer and knowledge of network systems. These skills help FA’s to conduct investigations in the area of e-banking and computerized accounting systems;
- Knowledge of psychology in order to understand the impulses behind criminal behavior and to set up fraud prevention programs that motivate and encourage employees;
- Interpersonal and communication skills, which aid in disseminating information about the company’s ethical policies and help FA’s to conduct interviews and obtain crucially needed information;
- Thorough knowledge of company’s governance policies and the laws that regulate these policies; and
- Command of criminal and civil law, as well as, of the legal system and court procedures.

So what ‘personal’ skills are required to become a FA? In addition to the ‘specialized’ knowledge about the techniques of finding out the frauds, one needs patience and analytical mindset. One has to look beyond the numbers and grasp the substance of the situation. It is
basically the work of the intelligent accountants. There is a need for the same basic accounting skills that it takes to become a good auditor plus the ability to pay attention to the smallest detail, analyze data thoroughly, think creatively, possess common business sense, be proficient with a computer, and have excellent communication skills. A “sixth” sense that can be used to reconstruct details of past accounting transactions is also beneficial. A photographic memory helps when trying to visualize and reconstruct these past events. The forensic accountant also needs the ability to maintain his composure when detailing these events on the witness stand. Finally, a forensic accountant should be insensitive to personal attacks on his professional credibility. According to Wells (2011), “A fraud accountant (forensic accountant are sometimes called) should also observe and listen carefully. By this, you can improve your ability to detect lies whether they involve fraud or not. This is so because “not all liars are fraudsters, but all fraudsters are liars.”

In addition to these personal characteristics, accountants must meet several additional requirements to gain the position of FA’s, say a Certification, acknowledging his competence. One can learn forensic accounting by obtaining a diploma given by the Association of Certified Fraud Examiners (ACFE, see www.acfe.org) in the US. The Indian chapter of ACFE offers the course based on the white-collared crimes prevalent in US, based on their laws. However, it is most unfortunate that till now there is no formal body that provides formal education of the frauds in India. We can follow the good example shown by the Canada. The Canadian Institute of Chartered Accountants (CICA) had taken initiative in this direction and issued guidelines and pronouncements regarding investigative accounting. Besides the formal certificate, one can deepen his knowledge and sharpen his skills in forensic accounting by undergoing training under experienced forensic accountant, participating in various international conferences, reading relevant journals, books and other literature on forensic accounting. Furthermore, Bhasin (2006) recommends that “eXtensible Business Reporting Language (XBRL) should also be integrated across the accounting curriculum, in a manner relevant to the temporal stage and content of particular courses within the curriculum” Moreover, Bhasin, (2016b) remarked, “Several countries have adopted XBRL in a variety of information value chains, notably in the USA context the Securities and Exchange Commission’s interactive data program and in Indian context, “Corporate Filing and Dissemination System (CFDS)” used by SEBI from 2010 Thus, XBRL/CFDS has implications for the totality of the accounting curriculum and pedagogy.” A program for the integration of them across a typical accounting curriculum should be developed soon.

To combat the frauds effectively one needs the active support of government at every stage. Here, Bhasin (2012) added, “There are three-four such agencies in India, which are dedicated to the mission of combating frauds. Serious Fraud Office looks into violations of Income Tax, FEMA, RBI Act, etc.; CBI (Economic Office Wing) deals with big financial frauds; Central Vigilance Commission deals with corruption are the major government agencies that combat frauds of different types.” Unfortunately, there is no specialized education provided by any of the Universities in the country. “Fraud Today” is the next generation of the fraud examinations in India. They plan to develop and market software, and develop resources for various world-class universities. Recently, TCS has also come out with software to combat money laundering and Subex Systems have designed software to combat the telecom frauds. Thus, combating the frauds with software has started picking up in India, with few big companies like ACL and IDEA, joining the race.

In fact, the FAs are trained “to look beyond the numbers and deal with the business realities of situations.” Thus, analysis, interpretation, summarisation and presentation of complex financial and business-related issues are prominent features of their profession. A FA must also be familiar with the legal concepts and procedures. Public practice, insurance companies, banks, police forces and some government agencies are the major employers of FAs. The FAs have to analyse, interpret, summarise and present complex financial and business-related issues for investigation. He also carries on ‘investigative’ accounting and provides ‘litigation’ support. The services of FAs are in great demand in the following areas: (a) detection of fraud committed by employees, (b) criminal investigation, (c) settlement for outgoing partners, (d) cases relating to professional negligence, (e) arbitration service, (f) facilitating settlement of issues regarding motor vehicle accident, insurance claims, dispute settlement, matrimonial dispute cases, etc.

PERSONAL SKILLS REQUIRED BYA FORENSIC ACCOUNTANT (FAs)

In addition to the ‘specialised’ knowledge about the techniques of finding out the frauds, a FA needs ‘tons’ of patience and an ‘analytical’ mindset. He has to look beyond the numbers and grasp the substance of the total situation: basically the work of the ‘intelligent’ accountant. There is a need for the same ‘basic’ accounting skills that it takes to become a ‘good’ auditor plus the ability to pay attention to the ‘smallest’ detail, analyse data ‘thoroughly’, think ‘creatively’, possess ‘common’ business sense, be proficient with a computer, and have excellent communication skills. A ‘sixth-sense’ that can be used to reconstruct details of past accounting transactions is also beneficial; a ‘photographic’ memory helps when trying to visualise and reconstruct these past events. The FAs also needs the ability to maintain his composure when detailing these events on the witness-
stand. Finally, a FA should be ‘insensitive’ to personal attacks on his professional credibility. A fraud accountant (forensic accountant are sometimes called) should also observe and listen carefully and by this, you can improve your ability to detect lies whether they involve fraud or not.

Dr. Bhasin (2013a) conducted a survey during 2011-12 of three States in the National Capital Region of India using a random sample of 120 practicing accountants, accounting academics, and users/potential users of forensic accounting services. Based on the outcome of the current study, descriptive statistics for the 19 areas of skill competency, including the overall means, standard deviations, variances, and ranges are shown in Table 3. It should be noted here that the “skills with the high means and low standard deviations are the most important skills required for FA’s, while the skills with low means but high standard deviations are the least important skills required to be FA’s.” Based on the findings of the present study, we can conclude as follows: “The skill competency items rated as the most important were effective written communication (M=15.5, SD=5.1), auditing skills and oral communication (M=14.75, SD= 6.7 & 5.2). Research skills (M=13.75, SD=6.8), tell the story, and investigative ability (M=13.5 & 13.25, SD=4.4 & 3.6) take the second position in terms of importance. The items rated as least important were: understanding the goal of a case (M=6.5, SD=2.9), solve unstructured problems (M=10, SD= 3.6), and synthesize results of discovery and analysis (M=10, SD=5.4), respectively.”

Table 3: Descriptive Statistics for Skill Competency Required for Forensic Accountant’s

<table>
<thead>
<tr>
<th>Skills Required for FA’s</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Variance</th>
<th>Range</th>
</tr>
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<tbody>
<tr>
<td>1. Auditing Skills</td>
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<td>3. Effective oral communication</td>
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<td>5.2</td>
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<td>4. Effective written communication</td>
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<td>5. Identify key issues</td>
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<td>7. Investigative intuitiveness</td>
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<td>6.6</td>
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<td>9. Research Skills</td>
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<td>6.8</td>
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<td>10. Legal skills</td>
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<td>11. Simply the information</td>
<td>12</td>
<td>4.2</td>
<td>18.0</td>
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<td>12. Solve structured problems</td>
<td>11.25</td>
<td>4.3</td>
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<tr>
<td>13. Solve unstructured problems</td>
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<td>14. Synthesize results of discovery and analysis</td>
<td>10</td>
<td>5.4</td>
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<td>15. Tell the story</td>
<td>13.5</td>
<td>4.4</td>
<td>19.0</td>
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<td>16. Think like the wrongdoer</td>
<td>11.25</td>
<td>4.3</td>
<td>18.9</td>
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<td>17. Understand the goals of a case</td>
<td>6.5</td>
<td>2.9</td>
<td>8.3</td>
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<td>18. Others: Psychology skills</td>
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<td>19. Others: Sociology skills</td>
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(Source: Compiled by the author based on survey results)

TECHNIQUES AND PROCESS APPLIED BY FORENSIC ACCOUNTANT

The techniques of forensic accounting includes the conventional accounting and auditing tools like ratio technique, cash flow technique, a standard statistical tool examination, etc. In cases involving significant amounts of data, the present-day forensic accountant has technology available to obtain or source data, sort and analyze data and even quantify and stratify results through computer audit and various other techniques. Some of the techniques, as reported by Chakrabarati (2014), involved in forensic accounting to examine the frauds are briefly given below:

- **Benford’s Law**: It is a mathematical tool, and is one of the various ways to determine whether variable under study is a case of unintentional errors (mistakes) or fraud. On detecting any such phenomenon, the variable under study is subjected to a detailed inspection. The law states that fabricated figures (as indicator of fraud) show a different pattern from random figures. Once the variable or field of financial importance is decided, the left most digit of variable under study extracted and summarized for entire population. The
summarization is done by classifying the first digit field and calculating its observed count percentage. Then Benford’s set is applied. A parametric test called the Z-test is carried out to compute the significance of variance between the two populations. If the data confirms to the percentage of Benford’s law, it means that the data is Benford’s set, i.e. there is 68% (almost 2/3rd) chance of no error or fraud. The first digit may not always be the only pertinent field. Benford has given separate sets for 2nd, 3rd,… and for last digit as well. It also works for mixture numbers, decimal numbers and rounded numbers. There are many advantages of Benford’s Law like it is not affected by scale invariance and also help in situation when there is no supporting document to prove the genuineness of the transactions.

- **Theory of relative size factor (RSF):** It shows all unusual fluctuations, which may arise 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 practice there exist certain limits (e.g. financial) for each entity, such as, vendor, customer, employee, etc. These limits may be defined or analyzed from the available data, if not defined. If there is any stray instance of that it is a way beyond the normal range, then there is a need to examine further into it. It helps in better discovery of anomalies or outliers. In records that fall outside the prescribed range are suspected of errors or fraud. These records or fields need to relate to other variables or factors in order to locate the relationship, thus establishing the truth.

- **Computer Assisted Auditing Tools (CAATs):** CAATs are computer programs that an auditor use as part of the audit procedures to process significant auditing data contained in a client’s information systems, without depending on him. CAAT helps auditors to perform various auditing procedures such as: (a) Testing details of transactions and balances, (b) locate inconsistencies or significant fluctuations, (c) Testing general as well as application control of computer systems. (d) Sampling programs to extract data for audit testing, and (e) Redoing calculations performed by accounting systems.

- **Data Mining Techniques:** It is a set of statistical techniques designed to automatically mine large volumes of data for new, hidden or unexpected information or patterns. Data mining techniques are categorized in three ways: Discovery, Predictive modeling and Deviation and Link analysis. It discovers the usual knowledge or patterns in data, without a predefined idea or hypothesis about what the pattern may be, i.e. without any prior knowledge of fraud. It exhibits various affinities, association, trends and variations in the form of conditional logic. In predictive model, patterns identified from the database are used to forecast the outcome and to guess data for new value items. In Deviation analysis the norm is found first, and then those items are detected that deviate from the usual within a given threshold (to find anomalies by extracted patterns). Link discovery has emerged recently for detecting a doubtful pattern. It mostly uses deterministic graphical techniques, Bayesian probabilistic casual networks. This method involves “pattern matching” algorithm to ‘extract’ any uncommon or suspicious cases.

- **Ratio Analysis:** Another useful fraud detection technique is the computation of data analysis ratios for key numeric fields. Like financial ratios that indicate the financial health of a company, data analysis ratios locate the fraud by identifying possible symptoms of fraud. Three important ratios are: (a) The ratio of the highest value to the lowest value (max/min); (b) The ratio of the highest value to the second highest value (max/max2); and (c) The ratio of the current year to the previous year. Using ratio analysis, a financial expert identify the relationships between specified costs and measure of production, such as units sold, dollars of sales or direct labour hours. For example, overhead costs per direct labor hour may be find out by dividing total overhead costs by total direct labor hours. Ratio analysis may help in approximation of expenses.

According to Singleton et al. (2006), “there is a 5-step approach in the forensic accounting process:

- **Predication:** This refers to the set of circumstances that would lead the prudent, reasonable, and professionally trained individual to believe that a fraud has occurred, is occurring or will occur. It could be a tip, an accidental discovery, or a call; and it is necessary to initiate fraud investigation;

- **Fraud Investigation Plan:** This stage is based on the forensic auditor’s knowledge and analysis of fraud schemes and the red flags associated with them. It demands the fraud theory approach – trying to reconstruct events to determine the nature and process of the fraud, and the manner it was perpetrated;

- **Examination of Records and Evidence Gathering:** Here, an examination is made of accounting records, transaction documents, and data to obtain sufficient and competent forensic evidence. The aim is to ascertain whether or not the fraud earlier identified has actually occurred;

- **Interview Process:** The forensic auditor needs to interview eye witnesses to gather information that could come in useful in litigation. The final stage in this process would be to interview the suspect himself;
CONTRIBUTION OF FORENSIC ACCOUNTING TO CORPORATE GOVERNANCE

Unfortunately, the corporate collapses of recent times have suggested that there are major ‘systemic’ problems facing the way in which corporations and CG systems operate across the globe. According to Bhasin (2016c), “The corporate scandals of the last few years came “as a shock not just because of the enormity of failures, but also because of the discovery that questionable accounting practice was far more insidious and widespread than previously envisioned.” The wave of financial scandals at the turn of the 21st century elevated the awareness of fraud and the auditor’s responsibilities for detecting it. Unfortunately, the frequency of financial statement fraud has not seemed to decline since the passage of the Sarbanes-Oxley Act in July 2002 (Hogan et al., 2008). The high-incidence of fraud is “a serious concern for investors as fraudulent financial reports can have a substantial negative impact on a company’s existence, as well as, the market value.” Despite intense efforts to stamp out corruption, misappropriation of assets, and fraudulent financial reporting, it appears that fraud in its various forms is a problem that is increasing in frequency and severity. As part of the CG Committee, as pointed out by Ramaswamy (2005), FA’s can make a significant contribution in each of the following areas:

- **Corporate Governance:** With a strong background knowledge of the legal and institutional requirements of CG, FA’s can help to formulate and establish a comprehensive governance policy that: ensures an appropriate mix of management and independent directors on the board; sets out the appropriate responsibilities of the board and the audit committees; has a fair allocation of power between owners, management, and the board; and ensures there is a company code of ethics for employees and management. Ethical behavior is reinforced when top management shows, through its own actions, that questionable behavior will not be tolerated.

- **Preventing Fraud:** FA’s understand that the best way to prevent fraud is to establish an efficient control system that encompasses: a good control environment determined by management’s philosophy of ethical behavior and strong CG policies; a superior accounting system that ensures the proper recording, classification, and reporting of all relevant transactions; and strong procedural controls that provide for safeguarding of assets, proper authorizations, audit mechanisms, and proper documentation.

- **Creating a Positive Work Environment**

  A good fraud prevention program also accompanies a positive work environment where highly motivated employees are not tempted to abuse their responsibilities. FA’s can ensure that CG policies are formulated to avoid high-risk environments where management is apathetic, pay is inadequate or too high, there is a serious lack of proper training and compliance, or there are unreasonable profit and budget goals. It is also necessary to have well-defined hiring policies that result in honest, well-qualified employees.

- **Establishing Effective Lines of Communication:**

  Communication is a key element in ensuring that employees and other stakeholders are aware of their rights and responsibilities. Committee of Sponsoring Organizations of the Treadway Commission (COSO) has very categorically stated: “Effective communication must flow not just from the top to lower levels, but also across employee lines of responsibility.” FA’s can, no doubt, support the dissemination of the required information about governance and ethics policies to interested parties within and outside the organization. Adequate reporting is also necessary to meet the compliance requirements of the SEC and the stock markets.

- **Vigilant Oversight:**

  Any system needs to be constantly monitored and evaluated to make sure that it is functioning well. Indeed, FA’s can monitor not only compliance at the top levels of corporate power, but also management procedures and employee activity. Information gathered as a result of the monitoring can be used to readjust and reformulate governance, ethics, and control policies.

- **Establishing Consequences:** Fraud deterrence should also include an expectation of punishment. The FA’s can help in creating policies that clearly state the company’s intent to take action against any criminal activities, and that such action will apply to all levels of employees.

- **Fraud Investigations:**

  FA’s can ensure the integrity of financial statements by actively investigating for fraud, identifying areas of risk and associated fraud symptoms, pursuing each anomaly aggressively, and delving into the minute’s details of accounting and financial anomalies. By helping companies to prevent and detect fraud, therefore, the forensic accountant’s role can easily evolve into a key component in the CG system.
PROSPECTS OF FORENSIC ACCOUNTING: ‘NICHE’ CONSULTING ARENA

To help practitioners move into ‘niche’ consulting, some professional organisations in the US have concluded that “future success for the profession depends, in part, on how the public perceives the ability of CPAs. New efforts in consulting, specialisation and understanding global business practices and strategies are considered crucial. We go out into the ‘niche’ market, examining our strengths first. We go where the action is, only then we know we can adequately service our clients and make money doing it.” The need to specialise, otherwise known as “Niche Consulting,” is imperative to CAs because of the fast-paced developments in business, thereby demanding specialised knowledge and skills. They need to move into specialised areas, becoming more like management consultants. Very often, you will have to reinvent yourself, from time to time. People want to know more about what is going to happen tomorrow than what happened yesterday; who along with the AICPA, wants to go from a defensive strategy to an offensive strategy and prepare for the future.” (Chairman, AICPA).

In 2011, 2015 the AICPA conducted a survey to evaluate trends within the ‘Forensic and Valuation Services’ practice area. The vast majority of participating forensic accounting professionals reported “significantly increasing demand for their services in recent years. They also forecast greater demand in the next two to five years accompanied by an uptick in litigation and regulatory enforcement during the same period.” Moreover, DeLoach (2012) characterized forensic accounting as “somewhat of a ‘niche’ because it requires multi-disciplinary expertise that crosses the realms of accounting, criminal investigation, regulatory legislation and judicial litigation.” We have seen growth in all areas of forensic, especially in computer forensics, which is being driven by the increasing use of technology and concerns about cyber-security. The FBI and Justice Departments are looking for FA’s because the reach of the profession has spread to areas such as money laundering and even terrorism cases (Brooks et al., 2005). KPMG (2012), a large accounting firm, believe the market is sufficiently large to support an independent unit devoted strictly to ‘forensic’ accounting.

Worldwide, we consider Sherlock Holmes to be the first forensic accountant (hereafter, FA). FAs do not carry guns or engage in car chases, but they are among this century’s greatest ‘crime-fighters.’ The “US News & World Report” listed these financial watchdogs as one of top eight “careers to count on.” Recently, all of the larger global accounting firms have established ‘specialist’ forensic accounting departments. Nearly 40 per cent of the top 100 US accounting firms are expanding their forensic and fraud-related services. If we accept this data as an eye-opener, then the day is not far away when forensic accounting practice will contribute significantly to the total revenue of the Asian accounting firms. Forensic accounting services are in great demand, and also rendered at a high premium in the current context of flourishing business and rising instances of frauds and litigations.

In modern technology-based era, most of the criminals behind fraud use sophisticated technology and accounting tricks to commit complex frauds. As Bawaneh (2011) stated, “This means that a FA needs the state-of-the-art facilities to uncover fraud. Computers are common tools used by the culprits behind “white-collar” crimes. In order to find ‘the smoking gun,’ the FA will need to be able to dig-deep into the company’s computer system. To facilitate the preservation, collection, analysis and documentation of evidence, FA’s can use specialized software and computer hardware.” For instance, Deloitte & Touche (2011) has set up a world-wide network of computer forensic labs for their FA and technicians. There are many new technologies that allow the investigators to recover deleted files, crack encryptions or codes, and extract and sort data. No doubt, the accounting profession is witnessing major changes due to changes in technology. As it pertains to investigative accounting, “the modern digital environment offers new opportunities for both perpetrators and investigators of fraud. The increasing rate of computer-based financial crime has created a huge demand for the skills and services provided by FA’s.”

Indeed, there is a future in FA as a separate “niche” consulting area across the globe. Certainly, the growth in anti-fraud services has exploded recently. Similarly, business valuation and forensic & litigation services are also the fastest-growing niche markets in the accountancy profession. One area where ‘niche’ consulting is becoming the global trend is in “Forensic Accounting and Auditing (FAA).” But the challenging question facing the global accountancy profession is: “Are we ready to plunge where the challenging action is?” The increasing demands in the current regulatory, legal, and business environments should stimulate accounting programs to emphasize forensic accounting.

WHAT IS FORENSIC AUDIT?

Forensic Audit can be termed as an examination and evaluation of a firm’s or individual’s financial information for use as evidence in court. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims. The objective of forensic audit is to relate the findings of audit by gathering legally tenable evidence, and in doing so the corporate veil may be lifted (in case of corporate entities), to identify the fraud and the persons responsible for it (a criminal
offence). While conducting forensic audit regularity and propriety of off balance-sheet items (like contracts, etc.) are examined.

As Baranwal in his media report (2015) stated, “Forensic auditing aims at legal determination of whether fraud has actually occurred. In the process, it also aims at naming the person(s) involved (with a view to take legal action). Forensic auditing is focused on the identification, interpretation, and communication of the evidence of underlying strategic economic and reporting events. It not single-event based, like a fraud examination, and a forensic audit is not used to render an audit opinion. As such, forensic audits are easily adapted to a principles-based accounting environment with broad guidelines applied to a variety of accounting investigations without using rule-based audit approaches or more narrowly-focused fraud practices.”

As put forth by the new Companies Act, 2013 in terms of Section 143(3), now Auditor is required to report on frauds. Hence, both nationally and internationally, auditor’s legal liabilities for not discovering their client’s fraudulent financial actions are simply not going to disappear. It is hard to understand how the liability for undiscovered frauds or other malfeasance can be reduced by continuing to strongly rely on the present rule-based, audit-reporting model. When forensic accounting practices are incorporated into a separate forensic audit, they have the potential to overcome problems associated with identifying financial malfeasance within the traditional audit-reporting model.

FORENSIC ACCOUNTING AND AUDIT COURSES CATCHING UP IN INDIA

If you thought only a Chartered Accountancy program will help you become an auditor, looking into a company’s books, both from the financial and the forensic angle, you might be wrong. According to Saraswathy (2014), media report “Courses particularly pertaining to forensic methodology are now available in India that caters to the forensic accounting and auditing segments. Organizations such as, education and training provider, Indiaforensic, Institute of Chartered Accountants of India (ICAI), and Association of Chartered Certified Accountants (ACCA) provide courses on forensic auditing that will have individuals act as watchdogs in companies.”

Mayur Joshi, director, Indiaforensic.com said “the introduction of the Companies Act, 2013 has a significant impact on fighting and preventing frauds.” Under section 245 (1g) of the new Companies Act, depositors and members of a company can claim damages from auditors, management and other consultants for the wrongdoings by the company and its management. Many consultants and senior executives are expected to become part of the certified community. Further, under section 140 the auditors and their firm would be jointly liable for any frauds in the books of accounts and many auditors are likely to become forensic accountants in the days to come to avoid being caught on the wrong foot. Joshi said under section 149(12), independent directors would be held liable for the frauds in their knowledge and “we envisage that there would be a number of independent directors who would be looking to understand the techniques of fraud investigations by way of training and certifications”. Under section 177, the audit committee will have the authority to investigate and the power to obtain professional advice from external sources and have full access to information in the records of companies. “This section is going to see more references to the certified forensic accounting professionals, and the workload of existing certified forensic accounting professionals to grow,” said Joshi.

The Act also said the central government shall, by notification, establish an office to be called the Serious Fraud Investigation Office (SFIO) to investigate frauds relating to a company. The SFIO shall be headed by a director and consist of such number of experts from the fields like banking, taxation and forensic audit among others.

In the past few months, after the buzz of the changed Companies Act 2013, there has been a significant jump in the membership levels. The Council of the Institute of Chartered Accountants of India (ICAI), recognizing the need for forensic accounting and fraud detection in the emerging economic scenario has decided to launch a certificate course on the subject. Indiaforensic offers the program for certified forensic accounting professional (CFAP). CFAP is a person who has undergone training to become an expert in the field of forensic accounting, forensic auditing, litigation support and investigative accounting. CFAP is a designation awarded by Indiaforensic Centre of Studies and moderated by the forensic accounting research foundation. Generally, applicants for CFAP certification have a minimum of a bachelor's degree and should possess at least three years of professional experience, and it is a program of 180 days at Indiaforensic. Similarly, the Association of Chartered Certified Accountants (ACCA) also has a Certificate Course in Forensic Accounting. ACCA India said the curriculum is based on global standards and, hence, it ensures that their accountants are ready for all areas of accounting and finance. Depending on previous exemptions, a student can take from 1 year to 2.5 years to complete the course.

The Institute of Chartered Accountants of India (ICAI) has taken the challenge of training some Chartered Accountants to become Certified Forensic Accountants (CFAs). It is providing a “Certificate Course on Forensic
Accounting and Fraud Detection using IT and CAATs,” with 100 hours spread over 6 weekends. This challenge is yet to be embraced by most of the Indian Universities providing higher education. At present, very few academic institutions are offering a full course on forensic accounting, either at undergraduate or graduate level, despite the high need for this category of professionals. For example, Indiaforensic (Pune) is one of the few, which conducts a Certificate course in Bank Forensic Accounting (CBFA), Certified Anti Money Laundering Expert (CAME), and Certified Forensic Accounting Professional (CFAP). The Institute of Chartered Financial Analysts of India University (Tripura) also offers a “Postgraduate Diploma in Forensic Accounting.” However, some colleges/universities are providing “Forensic Science” courses in India. Most probably, this is on account of lack of information about universally accepted skill-mix of FA’s. Both academics and professionals should agree on the required skill-mix of FA’s, which could be embedded in their course structure. This scenario highlights a gap between forensic accounting practice and education in the country.

CONCLUSION

What the use of fingerprints was to the 19th century, and DNA analysis was to the 20th century, so financial information and forensic accounting has come to be one of today’s most powerful investigative and intelligence tools available. The recent accounting scandals have induced a crisis of confidence in financial reporting practice and effectiveness of CG mechanisms. There is no doubt that a “qualified, trained and mature accounting professionals, possessing forensic skills, can prove to be a valuable asset to the corporate-sector, and gradually help to improve their CG system.” Forensic accounting in India, of late, has come to limelight due to the rapid increase in ‘white-collar’ crimes and the belief that our law-enforcement agencies do not have the ‘expertise’ needed or time to uncover frauds. Forensic accounting, in fact, integrates accounting, auditing, and investigative skills to conduct an examination into a company’s financial statements. Broad-based knowledge is crucial to the success of entry-level FA’s.

The recent wave of corporate fraudulent financial reporting has prompted global actions for reforms in CG and financial reporting, by governments and accounting and auditing standard-setting bodies in the U.S. and internationally. The enactment of Sarbanes-Oxley Act (SOX) of 2002 was the U.S. government’s response to the wave of fraudulent corporate financial reporting experienced during the 1980s and early 2000s, and represented a significant step in regaining investors’ confidence in the global financial reporting process. The Act created new and stricter statutes to avoid a repeat of previous corporate financial disasters. The arrival of the SOX, the subsequent formation of the Public Company Accounting Oversight Board (PCAOB), and the implementation of the Statement on Auditing Standards No. 99 has presented the current auditing environment with a new paradigm that makes finding fraud a priority. The degree of professional skepticism auditors currently employ differs from the level used by FA’s. This is primarily why the AICPA and education leaders have called for “more forensic accounting education for auditors.” In addition, the PCAOB has emphasized that the detection of fraud should be an important objective of an audit.

Bhasin (2016d), “Prior to Satyam, most company’s perceived fraud as largely an internal event, primarily pinching the bottom line. They now understand that fraud can have an impact not only on the reputation and business prospects but also on the survival of the firm. This concern has led to higher demand for FA’s in countries like India and China.” The Ministry of Corporate Affairs in India has also established the Serious Fraud Investigation Office, which seeks the help of FA’s. The government recently gave more teeth to the SFIO under the new Companies Bill 2013 by providing it statutory recognition and empowering it with more powers. Particularly in this age of SOX, we require professional accountants to have curiosity and a healthy skepticism of the financial systems around them. The FA’s being professional members of the CG and Audit Committees, can play a far greater role in coordinating company efforts to achieve a cohesive policy of ethical behavior within an organization. By helping companies to detect and prevent fraud, create a ‘positive’ work environment, establish ‘effective’ lines of communication, and be vigilant as a corporate ‘watchdog’, the FA’s role can gradually evolve into a key component in the CG system. As Brooks et al. (2005) warned, “The job of FAs is to catch the perpetrators of the estimated $600 billion theft and fraud occurring in the US companies every year. This includes tracing money laundering and identity theft activities, as well as, tax evasions.”

KPMG, a large global accounting firm believes “the market is sufficiently large to support an independent unit devoted strictly to forensic accounting.” All of the larger accounting firms, as well as, many medium-sized and boutique firms have recently created separate “forensic accounting and auditing” departments. Moreover, forensic accounting is also listed among the top-20 careers of the future. Taking the steps to become a Certified Forensic Accountant (CFA) on your part “will position you as a leader in the anti-fraud community and a specialist in the prevention and detection of fraud.” The fraud examination course is now offered to over 400 universities in US alone and is taught as a major course in many educational institutions in various countries. Some of the accounting firms in Pakistan have increased their focus on forensic accounting but still much more is needed to be done in the
coming years. May I take the opportunity to recommend to the Council of the Institute of Chartered Accountants, and prominent universities “to consider incorporating forensic accounting and auditing in their professional courses curriculum, as well as, organize national level seminars, disseminate the real-life corporate experiences and nuances of the new area.”

Recently, Bruce Dubinsky, director of forensic accounting and dispute analysis emphasised that: “Although forensic accounting is currently on the ‘hot’ list of client services, there are plenty of accountants getting involved who should not be because they do not understand the ins and outs of the niche...Many accountants think it is simply fraud investigation, and it is not. It is really much more than dealing with the numbers. It is no longer just basic fraud work.” Thus, a broad-based knowledge is very crucial to the success of entry-level FAs. Due to heightened awareness and growing intolerance of fraudulent activity, demand for the FAs is very rapidly increasing. Thus, there is a plenty of future in forensic accounting as a separate ‘niche’ consulting. By-and-large, the FAs possesses the skills to venture into forensic accounting & auditing arena, but we must have the correct mindset and courage to venture into this new emerging field.

While FAA practice had commenced in the US as early as 1995, the seed of this specialisation has yet to take-off in majority of the developing Asian countries. As Bhasin (2013b), reported “On account of global competition, the accounting profession must convince the market place that it has the “best-equipped” professionals to perform such services. While majority of CAs have excellent analytical skills, they still need to acknowledge that forensic services requires ‘specialised’ training, as well as, real-life practical corporate experience.” Thus, it is of utmost importance to plan and conduct an honest “self-assessment” of your knowledge, skills and abilities. Moreover, it is also vital that CAs must identify and plan for the “specialised” training needs in advance, acquire the necessary training, and practice to develop proficiencies in the forensic accounting. Indeed, you as a true professional have to reinvent yourself from time to time. Finally, we recommend to all the CAs “to consider forensic accounting and auditing as their niche consulting area of specialisation.” And like the “three-layer wedding cake”, the forensic accountant must possess a solid background in accounting, a definable depth in auditing, risk assessment and fraud detection, and a veneer of good polish that represents an understanding of court procedures and law of evidence.

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