



IMPORTANCE OF IMPLEMENTING OF FORENSIC ACCOUNTING IN AN ORGANIZATION

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ABSTRACT

Increased cumulating of industries and escalation of services sector is placing the foot for the need of the process of evaluation of work done by each individual in an organization. Larger transaction is one of the key factors of imposture, embezzlement in a concern. Fast growing or slow growing economy impacting the growth of a particular sector which in turn helps in growth or hindrance of growth of an organization may also be a reason for illegal activity in an organization. Some organization involve in white collar crimes sometimes suppressed. Forensic accounting uses accounting analysis, internal audit and investigative skills to communicate the financial information clearly and concisely in a court room setting. It is a situation based analysis tool that looks beyond numbers to compile the endings and acts as a witness of an organization. Forensic Accounting is a new profession that uses ideas and techniques and moulded and shaped by many aspects of the shifting world including the society, economy and legislation.

Key words: Embezzlement, internal audit, investigative skill

Introduction

Accounting is the art of disclosing or acquainting the financial position of a concern to its stakeholders. The representation of the financial statements is under the supervision of the management. This representation helps the stakeholders to analyse the position of the organization and ensures reliability and accountability.

Forensic relates to denoting the application of scientific methods and techniques to investigate the crime. The application of scientific methods and techniques in investigating the related misappropriation of financial statements or false representation of accounting information to provide to the stakeholder by the white collars in the organization.

Forensic Accounting came into existence in the year 1990. The Federal Bureau of Investigation, United States announced that White Collar crime was responsible for financial losses suffered by victims. Forensic Accountants are used to mitigate the losses and recover them if possible. The demand and exigency for the utility of Forensic Accountant has marked in the past years. They inquire cases of financial fraud, crimes over technology, money laundering, and many other economic crimes

What is Forensic Accounting?

Forensic Accounting is also called as investigative accounting. It is implementation of expertise knowledge and unique skills to determine unauthorized negotiation and associate the evidence.

Forensic Accounting includes litigation, investigative skills for collecting, analysing and evaluating financial evidence and to interpret and produce the findings.



Terminologies

- White collar crime

It is the fraud committed by business and government officials characterized by deception, concealing or violating the trust to obtain property or service to secure personal or business advantage. It is a non violent crime using deceptive practices for financial gains motivated by individuals, business and government entities.

- Forensic investigation

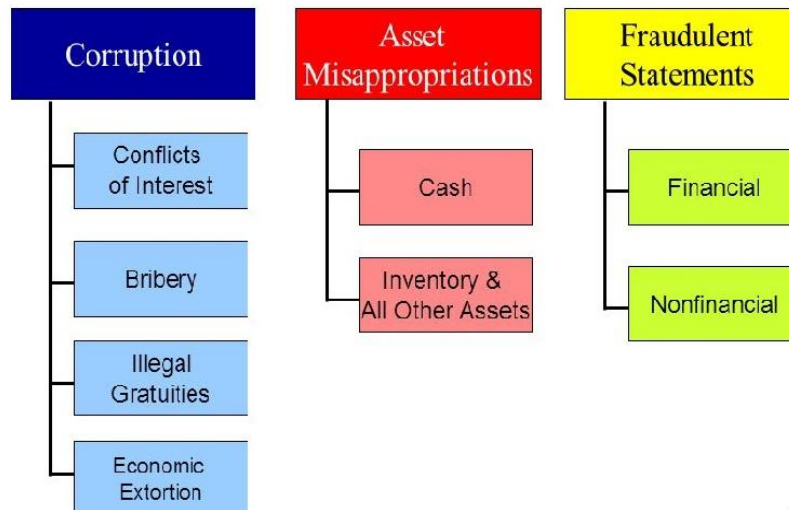
It is adopting distinguished skills in conducting the enquiry which is legally applicable in court of law which may be grounded in accounting, medicine, engineering or other discipline. It is the planned investigation where the client hires a forensic auditor to identify the fraud, time period of the fraud, concealed activity of fraud, identify the fraudsters, quantify the loss suffered, gathering of relevant evidence that is admissible , suggest the measures required to prevent such fraud.

- Forensic Audit is the application of methods for inspection of evidence for scrutinizing and litigation of illicit acts such as embezzlement or misappropriation of accounts.

It is investigated in three main aspects

- i. Conflicts of interest are when fraudster uses his/her influence for personal gains from the organization. For example a person in higher designation allows and approves inaccurate expense of an employee with whom he has personal contact even though there is no personal benefit from that approval but likely to receive after such approval
- ii. Bribery is an act of offering money for getting things done or influences a situation in one's favour. For example bribing an employee for providing certain data of the particular organization.
- iii. Extortion-is situation where the organization demands money for certain award of tender

Occupational Fraud and Abuse



- Internal Audit is conducted by the organization itself through an employee to inspect whether the procedure of specified operations are followed on regular basis. It is examination, monitoring and analysis of activities related to operations including its business structure, employee behaviour and information system. It increases corporate requirements for internal audits. It acts as an important component of a company's risk management that helps to identify issues before they become substantial problem.
- External Audit is conducted by an external person as auditor appointed by the organization or government who is engaged in public practices to seek the opinion which leads to credibility under the process of inspection.



- Litigation support facilitates in attaining the required evidence to defend or oppose a claim. Evaluate the required evidence to assemble a primary assessment of the case and recognize the loss. Assist the examination for formulating the questions for financial evidence. Reviewing the opposition of expert's damage and reports the pros and cons of the litigation. Assist with settlement discussions

- Investigative Accounting

It reviews the factual situation and provision of suggestion regarding the possible course of action. Coordination of other experts includes private investigators, forensic document examiners, and consulting engineers. Assisting with recovery of assets by way of civil action and criminal prosecution

Forensic Accounting includes the following:

- Evaluating and assessing the financial documents
- Improvising the existing computerized technology to assist, evaluate and present the financial evidence
- Commune their findings in the form of reports, exhibits and collections of documents
- Assisting in legal proceedings including substantiating in court as an expert witness and preparing supporting aids like visual support.

In order to execute these services a Forensic Accountant must be familiar with the legal concepts and proceedings.

Importance of implementing Forensic Accounting

- It is an analysis that provides solution for the legal dispute.
- The function of forensic accounting is to educate, prevent, detect and prosecute the fraud activities.
- In the current scenario the forensic accountants become part and parcel of accounting system as the volume of cash transaction increases the firms striving to specialize in fraud detection and prevention.
- The further proceedings relate to proving documentary evidence to the court of law and courts depends on the expertise for the litigation
- The need for forensic accounting is diverse in companies growth like mergers, acquisition, tax investigation, crime investigation, special audit
- The importance forensic Accounting does not restrict to specific activities also extends to routine audit as watch dogs but also detect unearth frauds in accounting and also acts like a bloodhounds in identifying the fraudsters to book with specific skills and specialized knowledge.
- The role of Forensic Accounting is a statutory and legal compliance in financial analysis and submit the evidence in court of law the purpose of discussion and ultimate dispute resolution

- It is utmost importance relating to the litigation support, investigation of employee fraud, economic offence and investigation support
- The role encompass as exert witness and there is risk and reward for making higher profits and sales target to achieve to meet the sales and inherent pressure to achieve employers resort and manipulation or embezzlement, collusion with vendor and customers
- The role of Forensic Accounting in areas like embezzlement, cheque frauds, money laundering, misuse and abuse of corporate resource. The evaluator should be aware of the respective arena in which he is dealing with.
- In recent days organizations is exposed to increased financial disputes which acts as essential attention that knowledgeable attorneys are not able to provide which can lead to complicated financial issues depending in the way that attorney and clients can understand.
- Forensic Accounting not only is indulged in civil disputes but also in major criminal investigations that is relied on regional and state level employed by Federal Bureau of Investigation handle these issues.
- Corporate entities and government organizations are implementing forensic accounting for assistance and as preventive measures, designed to keep fraud associated litigation to process at minimum pace.
- The forensic accounting is conducted through internal audit through which pitfalls are uncovered after identifying problem areas.
- Success of forensic accounting relies in the wealth of knowledge beyond the fact that deemed necessary for traditional accounting.
- The function of forensic accounting also focuses creating positive work environment and formulate.

Conclusion

Financial crimes in developing economies are common in relevance to fraud and corruption in white collar employees. It is a specialized field of accountancy which investigates fraud and analyse financial information to be used in legal proceeding. Forensic Accounting uses accounting, auditing and investigative skills to conduct investigation into fraud and theft. It encompasses both litigation support and investigative accounting. An effective fraud risk management approach encompasses prevent, detect and respond. Forensic accounting ensures

integrity and transparency of financial statements by actively investigating for fraud, indentifying areas of risk and associated fraud prevention to create a positive working environment where employees do not indulge to abuse their responsibilities. In growing economy it is necessary for every organization to undertake preventive measures there is point in implementing forensic accounting after the incidence of embezzlement and misappropriation. An organization with huge turnover of transactions requires the investigative accounting as a part of organization structure and routine internal assessment.

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