



The Importance of Forensic Accounting to Financial Crimes in Private and Public Sectors Employees Awareness

M. Maheshwari | Dr. G. Naresh Reddy

Research Scholar, Department of Business Management, Osmania University, Hyderabad, India.
Assistant Professor, Department of Commerce, Osmania University, Hyderabad, India.

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ABSTRACT

Economic and financial crimes have plagued every corner of the economies of the world. These crimes affect all firms and the economies of nations (developed, developing and under-developed). Continuous research confirmed a strong demand for the need of the prevention and detection of these crimes by institutions and nations. However, economic and financial crimes are difficult to detect and most of those detected are not reported for the fear of bad publicity and loss of investor confidence. Forensic accountants are perceived to have the training and skills needed to combat economic and financial crimes. The statistical tool used to test hypotheses was Analysis of Variance (ANOVA). Among the findings was that the use of Forensic Accounting does significantly reduces the occurrence of fraud cases in the public sector, and that there is significance difference between Professional Forensic Accountants and Traditional External Auditors and therefore the use of Forensic Accountants can help better in detecting and preventing fraud cases in the public sector organizations. The research therefore recommended that Forensic Accountants be replaced with the external auditors in India, proper training and retraining on Forensic accounting should be provided to staff of India and proper adherence to accounting and auditing standards should be followed.

1. INTRODUCTION

Forensic accounting is the practice of thorough examination of financial records after internal and external auditing has been carried out. Forensic accounting is a science that involves the application of accounting facts and concepts derived from investigative, accounting and auditing skills, techniques and procedures to resolve conflicting business issues in a legal environment. According to forensic accounting is the science of gleaning and presenting information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crime. Hence, posited that forensic accounting is the application of

financial skills and investigative intelligence conducted within the context of the rules of evidence to resolve unresolved monetary and contract issues. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation. Forensic accounting is an integral fraud-detection method that identifies signs of fraudulent financial reporting and further assist in examination of corporate financial reports. Traditionally, accountants prepared financial records while auditors ascertain whether the records are presented in a true, complete and fair view. However, the increase in corporate fraud and financial misstatements has awoken accounting

practitioners to pay serious attention to the quality of financial records in the business environment. Implementing a systematic approach towards reducing the numerous schemes of fraudsters in the corporate world gave rise to the advent of forensic accounting and forensic accountants. Forensic accountants are expected to utilize the knowledge of forensic accounting to identify, prevent and detect red flags that leads to financial fraud. Unless it is impossible, individual or establishment affected negatively by the fraudulent or corrupt practices will want to seek redress. Individual, corporate body and interested government organs takes action towards seeking redress using divergent institutions like the police and the law court. Whatever an investigator wants to do, will not be complete if the extent to which the affected person is affected is not quantified. This and other pecuniary areas are where the service of the experts "forensic accountant" are been engaged for a very long time worldwide and probably, recently, in Nigeria. It is not that financial misappropriation is nonexistence, in-fact in a sophisticated form, in developed economies. Fraud and corruption are often reported in their private and public sector.

Statement of the Problem:

The frequent reports of fraudulent practices in Telangana State in India justify the application of forensic accounting in the public and private sector. The establishment of Independent Corrupt Practices and other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) saddled with the responsibilities of fighting and curbing the menace of corruption, frauds and fraudulent practices have not really performed their duties to the expectation of Indians and observers in the international communities. Civil servants and political leaders are busy embezzling public funds while management staff are laundering and engaging in sharp corrupt practices without fears of getting caught. The organized nature of fraud in the public and private sectors in India is systematic and multi-dimensional. This requires systematic integration of forensic accounting skills and knowledge due to the inability of external and internal auditors to detect fraud and other economic crime carried out by public servants and private employees in Telangana State in India. Although, a lot of research studies have investigated the role of forensic accounting on fraud detection in India, there seems to be paucity

of empirical studies on the impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, India

Scope of the work:

The problems of developing third world nations are that it is common in public sector, which affect a lot of citizens and in most cases, perpetrators get away with the act. This is to say that, only on few instances are the nefarious act uncovered on-time, investigated, prosecuted and adequate punishment awarded for them. Consequently, many involved are left free and hence there is no deterrent from future acts. the public sector organizations using some selected ministries in india like ministry of finance, ministry of justice, ministry of local government and chieftaincy affairs, ministry of budget and planning and ministry of commerce and industry. The scope of the research therefore, covers a period of 2015 to 2019.

2.LITERATURE REVIEW:

Forensic accounting comprises investigation, litigation support and dispute resolution and the upsurge in economic and financial crimes in countries and the world as a whole accentuated the need for the application of its techniques. Consequently, forensic accounting is perceived as a tool for combating economic and financial crimes [1] Ribadu, N. (2005). Thus, the effective application of forensic accounting technique can investigate and detect economic and financial crime cases. added that forensic accountant might implement similar financial audit techniques, nonetheless with different objective and procedures; and mayTherefore it be an aspect of accounting that is suitable for a higher level of assurance for law courts by [2] Abdulrahman, S. (2019). In other words, it is the combination of accounting, auditing and investigation skills to uncover the truth. It uses generally accepted accounting, auditing principles, and accounting expertise to establish losses or gains, property, damages, the effectiveness of internal controls and frauds for the legal system usage regarding criminal and civil disputes (potential or actual) Thus, it is accounting suitable for legal proceedings; hence, it gives the highest level of assurance through the use of scientific approaches to arrive at generally accepted connotation and providing the needed findings in settling disputes [3] Adebisi, J., & Gbegi, D. (2015). In summary, it is a specialized area of accounting that employs accounting, auditing, investigative and legal skills

and knowledge to provide evidence of information suitable or relevant to legal issues[4] Aji, S., & Urumsah, D. (2016). Simply put, it is accounting spoken in the language of the law.Moreover, assert that the characteristic that differentiates fraud auditors and Professional Forensic Accountants from regular auditors is the persistence and doggedness to which a suspicion is followed upon [5] Akani, F., & Ogbeide, S. (2017). Professional Forensic Accountants may be ordered in by a regulatory agency after receiving notice from an employee whistle blower, or press coverage may make it know that the company has a scandalous ECO or history There are no professional standards for when regular auditors should become whistleblowers, and unfortunately, the involvement of a forensic accountant is almost always reactive [6] Zerihun, M. F. (2020). There is a need for more proactive monitoring of the signs of financial crime. Stated that, furthermore, Professional Forensic Accountants react in response to criminal complaints, statements made in civil litigation, and rumors that come to the attention of authorities [7] Akkeren, J., & Tarr, J. (2014). Suspicion should perhaps refer to sings of cover up or disguise class action suits by shareholders may stimulate a forensic accounting investigation, but class-action suits only hurt the corporation, and let the offending CEO go free [8] Imoniana, J.O. (2013). Regular auditors, as have been seen, also tend to not make good witness in court, and they sometime are more a hindrance than help for law enforcement. There may be a need for the auditing and assurance professions to change their ways before new, emerging fields move in to fill the gap.

Objectives of the Study:

The general objective of this study is determined whether the use of Forensic Accounting will help to reduce Fraud cases in the Public Sector in India. The specific objectives of this study include:

- To examine the employees of public /private sector on the awareness level of forensic accounting
- To examine if there is significance difference between Forensic Accountants and Employees of public /private sector
- To find out Gender of public /private sector employees difference in working for forensic accounting

Hypothesis

H₀₁ There is no significant impact of employees of public /private sector on the awareness level of forensic accounting

H₀₂: There is no significant impact of public /private sector on the awareness level of forensic accounting.

H₀₃: There is no significant impact of gender of public /private sector on the difference in working for forensic accounting.

H₀₄: There is no significant impact of types of public /private on the style of working for forensic accounting.

3.RESEARCH METHODOLOGY

Forensic accounting encompasses both litigation support and investigative accounting. Litigation support provides assistance of all nature in a matter involving existing or pending litigation. It deals primarily with issues related with the quantification of economic damages

Investigative accounting is associated to the investigation of criminal matters

Tools used to analysis

To know the significant of employees and gender of Private/Public sector employees awareness about frauds in forensic accounting following techniques are used for analysis

Under litigation support, forensic accountant assists in:

1. Chi-Square Analysis

| | Value | df | Assymp . Sig. (2 sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|-------------------------------|---------|----|-------------------------|-----------------------|-----------------------|
| Pearson Chi-Square | 0.087 a | 1 | 0.768 | | |
| Continuity Correction | 0.000 | 1 | 1.000 | | |
| Likelihood Ratio | 0.087 | 1 | 0.768 | | |
| Fisher's Exact Test | | | | 1.000 | 0.508 |
| Linear-by-Line ar Association | 0.085 | 1 | 0.771 | | |
| N of Valid Cases | 50 | | | | |

a. 0 cells (0.0%) have expected count less than 5.

The minimum expected count is 6.48.

b. Computed only for a 2x2 table

Interpretation: shows that the table value of chi square 0.508 is greater than significant value (0.05). Null hypothesis (H₀₁) is accepted. There is no impact of gender on the awareness level of forensic accounting

H₀₁ => accepted because p value 0.05 < 0.508

H_{02} : There is no significant impact of employees' of private and Public sector on the awareness level of forensic accounting

Chi-Square Tests

| | Value | df | Assymp. Sig. (2 sided) |
|------------------------------|--------|----|------------------------|
| Pearson Chi-Square | 6.597a | 3 | 0.086 |
| Likelihood Ratio | 7.533 | 3 | 0.057 |
| Linear-by-Linear Association | 0.186 | 1 | 0.666 |
| N of Valid Cases | 50 | | |

b. Computed only for a 2x2 table.

Interpretation: depicts that there is no significant impact of awareness level of forensic accounting on the different age group.

$H_{02} \Rightarrow$ accepted because p value $0.05 < 0.086$

H_{03} : There is no significant impact of type of public /private sector on the awareness level of forensic accounting.

Chi-Square Tests

| | Value | df | Assymp.Sig. (2 sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------|--------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 0.221a | 1 | 0.638 | | |
| Continuity Correction | 0.025 | 1 | 0.874 | | |
| Likelihood Ratio | 0.22 | 1 | 0.639 | | |
| Fisher's Exact Test | | | | 0.758 | 0.434 |
| Linear-by-Linear Association | 0.216 | 1 | 0.642 | | |
| N of Valid Cases | 49 | | | | |

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.24.

c. Computed only for a 2x2 table

Interpretation: there is no impact of awareness level of forensic accounting on the types of Private/Public sector

$H_{03} \Rightarrow$ accepted as p value $0.05 < 0.434$

H_{04} : There is no significant impact of employees on Private/Public sector the difference in working for forensic accounting.

Chi-Square Tests

| | Value | df | Assymp.Sig. (2 sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------|-------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 1.719 | 1 | 0.19 | | |
| Continuity Correction | 1.015 | 1 | 0.314 | | |
| Likelihood Ratio | 1.704 | 1 | 1.192 | | |
| Fisher's Exact Test | | | | 0.233 | 0.157 |
| Linear-by-Linear Association | 1.685 | 1 | 0.194 | | |
| N of Valid Cases | 50 | | | | |

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.84.

c. Computed only for a 2x2 table

Interpretation: there is no significance impact of gender on the style of working of forensic accounting.

$H_{04} \Rightarrow$ accepted as p value $0.05 < 0.157$

H_{04} : There is no significant impact of age employees Private /Public sector on the difference in working of forensic accounting.

Chi-Square Tests

| | Value | df | Assymp.Sig. (2 sided) |
|------------------------------|-------|----|-----------------------|
| Pearson Chi-Square | 8.237 | 3 | 0.04 |
| Likelihood Ratio | 8.649 | 3 | 0.034 |
| Linear-by-Linear Association | 3.137 | 1 | 0.077 |
| N of Valid Cases | 50 | | |

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is 0.76.

b. Computed only for a 2x2 table

Interpretation: there is significance impact of age group on the style of working of forensic accounting.

$H_{04} \Rightarrow$ rejected as p value $0.05 > 0.040$

H_{04} : There is no significant impact of types public /private on the style of working for forensic accounting.

Chi-Square Tests

| | Value | df | Assymp.Sig. (2 sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|--------------------|-------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 0.023 | 1 | 1.879 | | |

| | | | | | |
|------------------------------|-----------|---|-------|-----------|-------|
| Continuity Correction | 0.00 | 1 | 1.000 | | |
| Likelihood Ratio | 0.02 3 | 1 | 0.879 | | |
| Fisher's Exact Test | | | | 1.00 0 | 0.566 |
| Linear-by-Linear Association | 0.02 3 | 1 | 0.88 | | |
| N of Valid Cases | 49 | | | | |

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.24.

b. Computed only for a 2x2 table

Interpretation: According to table:9, there is significance impact of types of banks on the style of working of forensic accounting.

$H_{04} \Rightarrow$ accepted as p value $0.05 < 0.566$

4. CONCLUSION AND SUGGESTIONS

Forensic accounting is an expensive service as compared to investigative auditing. Moreover, it is not mandatory for companies to appoint forensic accountant unlike internal/external auditors in order to prevent/detect irregularities in their financial transactions. All Indian accountants are not information technology savvy.

Accountants with good experience may find it difficult to detect and prosecute computer related frauds. So far, the authorities have not set any specific guideline or act on practicing forensic accounting. All these reasons further aggravated the problems faced by forensic accountants. Indian economy has been opened up to the world and some financial scandals involve corporate sectors from other countries. Globalization of the economy and the fact that a fraudster can be based anywhere in the world has led to the problem of inter-jurisdiction which again aggravated the problem for forensic accountants.

Forensic accountants find it difficult to prosecute fraudster from other countries in Indian jurisdiction. The fast-changing world of information technology and the exponential increase in the use of computer systems threaten the forensic accounting fraternity. The technology used by criminals and fraudsters is changing constantly and forensic accounting need to stay on top of their game to prevent and detect these fraudulent practices. With the above objectives in mind, some of the initiatives taken by regulatory bodies show a positive sign in preventing scams. Forensic accounting in India is just being used as an investigative tool so far, rather than a preventive tool. If forensic auditing is made mandatory in

financial and corporate sector many of the scams involving thousands of crores can be avoided.

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