



MMK: ACE
SMT.MITHIBAI MOTIRAM KUNDNANI:
ACCOUNTANCY COMMERCE ECONOMICS

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STUDENT'S SPECIAL ISSUE

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(PRINCIPAL)

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(EXECUTIVE-EDITOR)

FROM THE DESK OF THE EDITOR...!

After Covid-19 the education world has been changing very fast with drastic major changes in the research dimensions. UGC and MHRD have launched many virtual platforms with online depositories, e-books and other online teaching/learning materials. Combination of the traditional technologies' with mobile/web technologies to a single platform with depositories would enhance better accessibility and flexibility to education.

The main objectives of NEP 2020 clearly define the pivotal role in catalysing interdisciplinary /multi-disciplinary research culture at UG level.

Students' research at undergraduate and post graduate level is the key to success towards real life education. Implementation of this student centric research requires establishment of the Academic Bank of Credits (ABC), a national level facility which will be a bank for academic purposes with students as academic account holders. A minimum of 20 credits of the 160 credits in four years undergraduate degree programmes will be earned via research activities according to guidelines prepared under NEP 2020.

Further, it will encourage and make it possible for all students to open an academic bank account to commute credits to award any degree/research fellowship/certificates.

The ability to integrate classroom knowledge with practical problems is important to decide research problems of the real world and to provide realistic solutions for the same. Four years Undergraduate bachelor's degree programme objectives are clearly defined in these directions. This calls for developing research experiences in students and developing system of offering real life research projects with keen interest towards pursuing realistic research projects. Here role of research organisations, higher institutions or research centre can support research internships as providers.

Keeping such ideas in mind, I feel humbled to bring out the Third students special Issue of our reputed E-Journal "MMK: ACE", including research papers for the first time from students' community at various undergraduate, post graduate and Doctoral level Programmes of our College. This volume develops the fact finding empirical approach among students community at higher education.

I extend my sincere gratitude to the Management of H.S.N.C. Board and our respected Principal Prof. Dr. CA Kishore Peshori for their constant support and motivation towards a strong Research foundation.

Finally, a big thank you to the Peer-reviewers and Publishing House for helping us in publishing this E-Journal. I invite feedback and suggestions from our Readers, Researchers and Academicians for further improvement in our E-Journal "MMK: ACE".

Dr. Aashish S. Jani
Vice-Principal & Executive Editor

PRINCIPAL'S MESSAGE...!

Dear Members of the Academia,

It brings me immense joy and pride to witness the continued growth of SMT. M.M.K. College, especially in the realm of research, as evidenced by the expansion of our esteemed Research Centre in Commerce (Business Policy & Administration) and the recent approval in Accountancy.

I extend my heartfelt gratitude to the dynamic editorial team, led by Dr. Aashish Jani, Vice Principal, for their unwavering commitment and dedication to advancing the cause of research at our institution. Their tireless efforts have played a pivotal role in steering our academic community toward the frontiers of knowledge.

In the spirit of our rich cultural heritage, I am pleased to include a Sanskrit shloka in this research endeavour, symbolizing the fusion of tradition and progress in our scholarly pursuits:

“चरैवेतिचरैवेति...”
“Keep Walking, Keep Walking”,

The present focus on student-centric research in this Third edition of MMK: ACE is indeed a commendable initiative taken at the opportune moment. It reflects our collective commitment to nurturing the research acumen of our students, a vital aspect of our academic mission.

I express my sincere appreciation to the Research Committee, whose proactive approach has not only fostered the development of new faculty but has also provided a platform for meaningful research at both undergraduate and postgraduate levels. The previous volumes of MMK: ACE have been well-received by the academic community, and I am confident that this edition, emphasizing student research, will further elevate our standing.

Kudos to the editorial team for curating diverse themes that delve into various facets of the Economy and Education sector. I extend my appreciation to the Course Coordinators, specialized students, academicians, research guides, and scholars whose valuable contributions have enriched the content of this journal.

I applaud the continuous efforts of the editorial board in cultivating and promoting a robust Research Culture across all multidisciplinary programs. Your dedication is instrumental in inspiring our faculty and students to embrace the role of researchers and critical thinkers.

As we embark on this intellectual journey through the pages of MMK: ACE, I wish the entire team the very best. May the ideas shared in this volume pave the way for positive outcomes and catalyze many more students and teachers to embark on the rewarding path of research and scholarly exploration.

With warm regards,

Prof. Dr. CA Kishore Peshori
(Principal)

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Role of Forensic Audit in Preventing & Detecting Financial Frauds

MMK: ACE VOLUME 3: PAPER NO. 13

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Abstract:- The research paper will examine the role of forensic audit in detection and prevention of frauds in any corporates. The need for forensic audit arises due to failure of regular audit to detect deep rooted conspiracy and well-planned financial frauds. The role of statutory auditor is increasing with complexities in financial transaction and added knowledge on forensic audit would help them in planning their audit endeavors. The data collected was analyzed using charts, graphs, tables, the study found that most of the frauds were done by insiders and forensic audit was very useful tool in discovering and preventing this happening.

Keywords:- Forensic Audit, Financial Frauds, Accountants, Auditors.

I. INTRODUCTION

Audit of financial records are part of mandatory requirements.. Regular audit not only helps in proper check and balances in the maintaining of accounting statements but they also help in detecting errors and deterrence of deliberate misrepresentation.

Recent and popular form of audit is forensic audit, it helps the corporate to keep the required level of efficiency and value in the financial transactions. Forensic audit supports the corporate in maintain of Effective and Efficient filtration system. Forensic audit requires the knowhow of not only accounting and auditing procedures but the legal rules and regulation are equally important forensic auditor is required to understand numerous frauds and what evidence needs to be collected. Management has system of checks and balances to detect and prevent frauds, but this would not be enough to detect deep rooted fraud.

There is increasing demand for forensic audit service as the cases of fraudulent activities are increasing in the businesses and we need tools required to successfully investigate and prosecute the cases of fraud and also find those who are involved in the fraudulent activities in businesses., it requires very well investigated process to find the deliberate wrongdoings, for eg Lehman Brothers Scandal (2008) and), Satyam Computers (2009), Olympus (2011), Toshiba (2014) etc.

Eliezer Olukowade & Emmanuel Balogun (2015) in their study on role of forensic audit in detecting fraud in Nigeria found that role of financial accountant is very important in detecting and preventing frauds, government

should hire forensic auditors without any favoritism. Ozili(2015) in his study Forensic Accounting and Fraud: A Review of Literature and Policy Implications said that Forensic accounting should have an important role to inform practice (audit) and policy. The future of forensic accounting research will depend on its ability to inform policy. Nandini and Raju (2021) in their study on forensic audit found that forensic audit has improved corporate governances and strengthened external auditors work capacity. Madzivire et al (2020) found positive correlation between level of education and detection of frauds, litigation support services played very important role in forensic audit. Neetu Singh and Anjali (2022) in their article on integration of forensic accounting with corporate governance revealed that integration of forensic accounting will assist the organization to frame clear corporate governance policy and help in good internal control system.

II. OBJECTIVES OF THE STUDY

The study was conducted with the following objectives:

- To study the role of forensic auditing as tool and techniques used in finding the financial to prevent and detect frauds in India
- Analyze the most appropriate tools to be used in detecting and finding the financial crimes in the selected organizations
- To give appropriate suggestion for the best practices of forensic auditing system.

III. RESEARCH METHODOLOGY

A. Data Collection Method/Sources

The data was collected by questionnaire and conducting interviews, books, personal sources, journals, newspapers, websites, government records, etc were also referred in the study.

B. Sample Size:

The sample consists of 50 respondents which includes Chartered Accountants, Certified Public Accountants (CPA), Association of Certified Chartered Accountants (ACCA), and also the Accountants who are M.com, BBA and B.com Graduates.

C. Statistical Tools:

The collected data is analyzed through statistical tools and Techniques like Percentages, Mean Standard, Deviations and inferential tools like chi-square, F test.

IV. FINDINGS AND CONCLUSIONS

About 52 percent of the respondents used Forensic Audit and 48 percent of the respondents do not use Forensic Audit.

58 percent of respondents conduct forensic audit by their own and rest of the 42 percent of the respondents conduct the forensic audit on the demand of the client.

Majority of the Respondents agree that Forensic Audit helps to prevent and detect financial statement Fraud and the Misstatements of financial statements which is 94 percent.

49 percent of the respondents strongly agreed that fraud is a general phenomenon which exists almost in every organization, 24 percent were undecided while 27 percent of the respondents strongly disagreed.

51 percent of the respondents strongly agreed that the incidence of fraud affects the management and every worker of any organization when it occurs, 19 percent of the respondents were undecided. While the 30 percent of the respondents strongly disagreed.

65 percent of the respondent strongly agreed that there is relationship between fraud and business failures, 24 percent of the respondent were undecided while 11 percent strongly disagreed.

65 percent of the respondents strongly agreed that fraudulent activities that led to bank failures are done by insiders that are people within the organization. 24 percent of the respondents were undecided. While 11 percent of the selected population strongly disagreed.

76 percent of the respondents strongly agreed that most employees of an institution fail to report fraudulent activities when they occur. 17 percent of the respondents were undecided. While the 7 percent of the respondents strongly disagreed.

V. ACHIEVEMENT OF OBJECTIVES

- As per the researcher's study different tools and techniques of forensic auditing that has been adopted and used by the forensic auditor to prevent and detect the financial frauds.
- Researcher has identified that there are various internal control methods that has been applied in the organizations to prevent and detect the financial statement frauds.
- Researcher has analyzed that the Machine learning (ML), a subset of artificial intelligence (AI), plays a crucial role in the identification and prevention of financial crimes. ML algorithms can quickly analyze vast amounts of data, detecting suspicious patterns and anomalies that might otherwise go unnoticed.
- Researcher found that there is reduced chances of fraud cases using Forensic Accounting by the Auditors.

VI. CONCLUSIONS

There is actual need to frame comprehensive and exhaustive framework in using forensic auditing methodology particularly in the areas of audit planning and implementation. Fraud and white-collar crime have increased considerably over the past years, and experts believe that the trend is likely to keep on growing if adequate measures are not taken to curb this perfidy. So in the quest to combat this economic monster (fraud), the concept of forensic auditing was introduced. After carrying out this research study,

- Fraud gave birth to forensic auditing and the incessant occurrence of fraud in our financial or banking sector has become the major reasons behind bank failures in the country and that the effects of the fraud cuts across every sector is the economy, because the financial sector is the custodian and engine house of every nation's economy.
- Investors have less faith in the system, thereby having preference to making their investments abroad rather than risking their resources in the country where fraud perpetration is seen by most people as the easiest way to get rich and undue advantage quickly.
- Forensic audit has been playing a vital role in fraud detection and prevention and been regarded as a useful technique in unearthing and prevention of fraud in the business world.

Based on the findings, the researcher hereby recommends that forensic accounting is a better way to combat fraud in India. It will enhance accounting professional's success in their fight against corporate fraud and corruption. The internal control system of every institution must be strengthened to be able to check fraud occurrence. The fight against corruption and fraud must be sincere and purposeful.

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