Forensic Audit: An Investing Audit Tool for Government Funded Industries & Projects

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Abstract

Forensic audit is the study of companies' financial records in order to find out the evidence of frauds. There has been urge for forensic audit in recent era which has seen the revaluation of digital world, ATMs, E-payments, E-commerce, and E-Wallet. The increase in use of E wallets, E commerce has led to also in increase in number of frauds real estate, financial services, telecom, hospitality, and tourism. This has caused not only huge loss to the concern industry but had also put its survival at stake. At the same time it has also caused a drain on the tax payer's money as most of these industries are having equity participation through governmental agencies. The study restricts itself to forensic audit as an investing tool for government institutions and thereby all the case studies presented below will be based on the basic assumption that the loans are from government banks. The study relies more on secondary data taken from various journals, reports & websites.

Keywords: Investigation, Audit, Auditing procedures, frauds, Inflated sales, Fictitious transactions, Related parties, Forensic

1. Introduction

1.1 What is a Forensic Audit and how is it Different from Statutory Audit?

A forensic audit is an in-depth examination of an individual's financial records in order to derive evidence that can be used for legal matters. It require the expertise of accounting and auditing procedures as well as expert knowledge about the legal framework of such an audit. It could also involve situations that do not involve financial fraud, for eg disputes related to business closures, divorces, etc. The difference between the normal statutory audit as required by the tax laws and forensic audit can be explained as below.

STATUTORY AUDIT	FORENSIC AUDIT
It is to check whether books of accounts show true and fair results	It is to verify whether any fraud has taken place.
It is normally for a particular accounting period	There is no such limitation in this.