Corporate Governance and Role of the Forensic Accountant: An Exploratory Study of An Asian Country

MADAN LAL BHASIN
KIMEP University, Almaty, Republic of Kazakhstan

INTRODUCTION

A corporation is a ‘congregation’ of various stakeholders, namely, customers, employees, investors, vendor-partners, government and society. The relationship between shareholders and corporate managers is fraught with ‘conflicting’ interests that arise due to the separation of ownership and control, divergent management and shareholder objectives, and information asymmetry between managers and shareholders. Due to these conflicting interests, managers have the incentives and ability to maximize their own wealth and are currently trying to analyze and correct any existing defects in their reporting system. The recent financial crisis has been a trigger for regulators, policy-makers, investors, and others to consider whether improvements could be made to the corporate reporting system.

The recent accounting scandals have induced a crisis of confidence in financial reporting practice and effectiveness of CG mechanisms. No doubt, fraudulent financial reporting can have significant consequences for the ‘organisation’ and its ‘stakeholders’, as well as, for ‘public confidence’ in capital markets. For instance, according to COSO Report (2010), “Periodic high-profile cases of fraudulent financial reporting raise concerns about the credibility of the US financial reporting process and call into question the roles of management, auditors, regulators, and analysts, among others.” According to a study of organizations world-wide, 30 percent of companies were victims of an economic crime (fraud) in the last year (Murphy and Dacin, 2011). From Enron, WorldCom, Madoff, and Satyam, it appears that corporate accounting fraud is a major problem that is increasing, both in its frequency and severity. According to The Association of Certified Fraud Examiners (ACFE) Report to the Nations, “the cost of fraud to the US organizations is extensive: 5 percent of annual revenues, despite increased emphasis on anti-fraud controls and recent legislation to combat fraud.” Indeed, 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. On a number of occasions, over the past few decades, major public companies have experienced financial reporting frauds, resulting in sudden turmoil in the US capital markets, a loss of shareholder value, and, in some cases, the bankruptcy of the company itself. During the recent series of corporate fraudulent financial...
reporting incidents in the US, “almost all cases of foreign corporate accounting frauds were committed by the entities that conducted their businesses in more than one country, and most of these entities are also listed on U.S. stock exchanges.” The list of corporate financial accounting scandals in the US is very extensive, and each one was the result of one or more “creative accounting” irregularities. For example, Table 2 identifies a sample of US companies that committed such fraud and the nature of their fraudulent financial reporting activities (Badawi, 2003). Overseas, nine major international companies, based in eight different countries have also committed financial accounting frauds. Table 3 identifies these nine international companies and the nature of the accounting irregularities they committed.

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

<table>
<thead>
<tr>
<th>Reporting Authority</th>
<th>Main Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ACFE &quot;Report to the Nations on Occupational Fraud and Abuse&quot; (2010)</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 the far 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 into a potential projected annual fraud loss of more than $3.5 trillion. The median loss caused by the occupational fraud cases in their 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>
</tr>
<tr>
<td>The COSO Fraud Report (2010)</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 1996 study, from a median of $41,000 in the 1996 study to $12 million in 2007. In addition, the median size of the company involved in fraudulent financial reporting increased approximately six-fold, from $15 million to $89 million in total assets, and from $13 million to $72 million in revenues.</td>
</tr>
<tr>
<td>The KPMG Survey (2009)</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 were concerned that fraud could occur in their company. The top reasons cited for concern were inadequate controls, lack of adequate training, and a culture that condones fraud.</td>
</tr>
<tr>
<td>Deloitte Forensic Center Webcast</td>
<td>Fifty-six percent of the approximately 4,100 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 (2012)</td>
<td>The scale of fraud losses in 2012, against all victims in the U.K., is in the region of £75 billion per annum. In 2006, 2010 and 2011, it was £13.30 and 30 billion, 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 U.K. economy.</td>
</tr>
<tr>
<td>The Ernst &amp; Young’s “India Fraud Report” (2010)</td>
<td>The losses suffered due to fraud amount to INR 66 billion. Deloitte 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 64 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 INR 37.8 billion (more than INR 20.1 billion in 2009-10).</td>
</tr>
</tbody>
</table>

### Table 2: A Sample of Cases of Corporate Accounting Frauds in the USA

| Adolphia Communications | Founding family collected $3.1 billion in off-balance-sheet loans backed by company. Earnings were overstated by capitalization of expenses and hiding debt. |
| AOL Time Warner | Barter deals and advertisements sold on behalf of others were recorded as revenue to keep its growth rate high. Sales were also boosted via ‘round-trip’ deals with advertisers and suppliers. |
| Bristol-Myers Squibb | Inflicted 2001 revenues by $1.5 billion by ‘channel stuffing’, by giving inappropriate incentives to wholesalers to accept more inventory than they needed, to enable company to meet its 2001’s sales targets. |
| CMS Energy | Executed ‘round-trip’ buy and sell trades to artificially boost energy trading volume and revenues. |
| Enron | The list of biggest US corporate collapses. Company boosted profits and hid debts totaling over $1 billion over several years by improperly using partnerships. It also manipulated the Texas power and California energy markets and bribed foreign governments to win contracts abroad. |
| Quest Communications | Inflicted revenues using network capacity “swaps” and improper accounting for long-term debt. The SEC is investigating whether the company was aware of his actions, and possible improper use of company funds and related-party transactions, as well as improper merger accounting practices. |
| WorldCom | To cover losses, top executives overstated earnings by capitalizing $9 billion of telecom operating expenses and thus overstating profits and assets over five quarters beginning 2001. Founder Bernard Ebbers received $400 million off-the-books-loans. |
| Xerox | Overstated earnings for five years, boosting income by $1.5 billion, by misapplication of various accounting rules. |

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 it is a significant risk to financial reporting procedures and the standards that govern the financial reporting process,” according to the SEC. This is clear when financial misstatements should be expected by a manager's worst fear of what a fraud-related nightmare. Undoubtedly, fraud is a world-wide phenomenon that affects all continents and all sectors of the economy. 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 issues 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. The recent accounting scandals have induced a crisis of confidence in financial reporting practice and the effectiveness of CG mechanisms. 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 frauds that have obstructed accurate financial statements. Second, public demand for change and subsequent regulatory action has transformed CG scenario (Bhaisin, 2012: 2007). Therefore, expand 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 transparency of 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 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.

In general, it can be claimed that the above accounting scandal occurred because of integrated factors; law enforcement, management, poor internal control and inability of CG mechanisms in monitoring top-management behaviors. The SOX 2002 imposes potentially severe 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 companies to tighten the internal controls over financial reporting (Barra, 2010). Unfortunately, it is also true that most frauds are perpetrated by people in positions of trust in the accounting, finance, and IT functions (Carpenter et al., 2011). 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 (Bhaisin, 2012). A consensus among experts is that the number of accounting frauds is increasing in India. Table 4 highlights some glaring examples of Indian companies practicing creative accounting from 1996-97 to 2008-09.

### Table 3: A Sample of Cases of Corporate Accounting Frauds Overseas

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adecco International</td>
<td>Switzerland</td>
<td>The world's largest international employment services company, it was formed in Switzerland in 1996. The company confirmed existence of weakness in internal control systems and accounting of Adecco staffing operations in certain countries. The company recognized uncollectible payrolls, bank accounts, accounts receivable and documentation in revenue recognition. These irregularities forced an indefinite delay in the company’s profit figures, which eventually caused a significant decline in the company’s stock prices in Switzerland and the U.S. and intervention of the SEC.</td>
</tr>
<tr>
<td>Ahold NV</td>
<td>The Netherlands</td>
<td>Company is the world’s third largest food retailer and food services group after Wal-Mart and Carrefour. Ahold U.S.A. is the regional office in the U.S. On July 27, 2004, the Dutch parent company announced that the SEC brought charges against four former executives of its U.S. food services operations relating to the sale of fraudulent revenue and accounting fraud. U.S. executives were accused by the SEC of orchestrating an accounting fraud that battered the food distributor and its Dutch parent company by inflating the company’s earnings by roughly $800 million over a two-year period. The misconduct continued through 2000 (Briscoe, 2010).</td>
</tr>
<tr>
<td>Asea Brown Boveri</td>
<td>Switzerland</td>
<td>The Swedish-Swiss firm Asea Brown Boveri was seen as “a paradigm of European capitalism at its best.” In 2002, it suddenly turned into a “Swedish version of Enron.” Company discovered that after CEO Percy Barlow retired, he secretly cashed in $18 million in shares for himself and his associates; Geran Lindvik,</td>
</tr>
<tr>
<td>Elan</td>
<td>Ireland</td>
<td>A pharmaceutical company listed on Nasdaq. In January 2004, company admitted improperly using off-balance sheet vehicles, placing it under SEC investigation. It also suffered a setback on a drug treated to Alzheimer’s disease. The CFO and Chairman left the company, but were retained as consultants.</td>
</tr>
<tr>
<td>Global Crossing Ltd.</td>
<td>Bermuda</td>
<td>One of the hottest telecom companies and only five years old, it engaged in “network capacity swapping” activities with other carriers to inflate revenues. It then shredded documents related to these accounting practices.</td>
</tr>
<tr>
<td>Nortel Networks Corp.</td>
<td>Canada</td>
<td>The Canadian company, headquartered in Ontario, is the largest telecom equipment maker and provider in North America. Company revealed in its financial results for 2001-2003, and the first half of 2004, due to material weaknesses in internal controls. Several top executives were fired as securities regulators performed investigations. In 2004, the company delayed restating its financial results for the third quarter, as it underwent investigations. Former executive sociales are suspected of committing accounting fraud, aimed at inflating earnings, which helped make the company the largest telecom equipment supplier. Under investigation is the appropriateness of the company’s revenue accounts, whether there was an intentional inflation of revenues, which would be released to earnings in later years and the company’s questionable bonus program.</td>
</tr>
<tr>
<td>Parmalat</td>
<td>Italy</td>
<td>Parmalat, a global food and dairy conglomerate, is Italy’s eighth-largest company and the No. 3 provider of dairy and other food (kakaus) in the US. In Dec. 2003, a bank account with Bank of America holding $9 billion was revealed to not exist. More than 50 individuals were investigated. They were suspected of committing fraud and falsifying financial accounting, which contributed to the company’s bankruptcy. The company acknowledged a $16 billion-dollar gap in its balance sheet accounts. Parmalat’s jailed founder estimated the size of deficiency in its finances at $10 billion, and admitted that he shifted $500 million from the company’s coffers to profitable travel businesses that were controlled by his father.</td>
</tr>
<tr>
<td>Royal Dutch/Shell Group</td>
<td>The Netherlands</td>
<td>Shell, the third-largest oil company, is a global group of energy and petrochemical companies, operating in more than 145 countries. In July 2004, the company reported paying a total of $315 million in fines to the SEC and its British counterpart, the Financial Services Authority, following investigations into the company’s record of fixing the price of oil and gas reserves. Since Jan. 2004, the company was subject to intense criticism and scrutiny when evidence came out that the firm had transacted related to its oil and gas reserves. Shell also noted FSA’s findings that it abused the provisions of the FSA’s Act. In fact, 17 million pounds in fines, in the largest the regulator has ever levied. Shell also agreed with an SEC order that finds that the company violated antitrust rules, near-crossing and internal control provisions of US federal securities laws. The company also was investigated by the U.S. Department of Justice and by Netherlands regulators.</td>
</tr>
<tr>
<td>Vivendi Universal</td>
<td>France</td>
<td>The SEC accused this Paris-based company of misleading investors in its news releases and financial statements. Management was engaged in misconduct to meet earnings goals and intentionally violated certain accounting principles to inflate profits. For 18 months, senior executives refused to acknowledge the company’s liquidity problems and earnings shortfalls. Its former CEO transformed the company from a water utility to a $18 billion media empire but sold it off with huge debts (31 billion), which were difficult to pay off. In Dec. 2006, 2007, the company agreed to pay $50 million to settle accusations by the SEC and did not have to revise any financial statements.</td>
</tr>
</tbody>
</table>
### Table 4: Creative Accounting and Fraudulent Practices followed by the Indian Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Years</th>
<th>Nature of Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAPRO Ltd.</td>
<td>1986-97 to 1999-2000</td>
<td>Transfer of land to stock creating capital reserve with the fair value and using it to neutralize the effect on profit of reduction of land value.</td>
</tr>
<tr>
<td>Bombay Dyeing &amp; Manufacturing Company Limited</td>
<td>2003-04 and 2004-05</td>
<td>Creating provisions for possible loss on firm purchase contract and subsequent write-back of such provision thereby converting operating losses into operating profit.</td>
</tr>
<tr>
<td>Larsen &amp; Toubro Limited</td>
<td>1996-2000 and 2001-02</td>
<td>Income recognition through transfer of loan liabilities at a lower consideration.</td>
</tr>
<tr>
<td>Apollo Tyres Ltd.</td>
<td>2004-05</td>
<td>Debiting profit and loss account with additional excise duty payable to the government and transferring equivalent amount from general reserve to neutralize the effect.</td>
</tr>
<tr>
<td>Oil and Natural Gas Commission, Mukund Ltd., Torrent Power ACE Ltd and Tata Motors Ltd.</td>
<td>2004-05</td>
<td>Capitalization of interest as well as other intangible assets to show fixed assets value upward and understating revenue expenses.</td>
</tr>
<tr>
<td>Tata Motors, Bombay Dyeing, Mahindra and Mahindra, Future Trading</td>
<td>2001-02</td>
<td>Direct write-offs from reserves.</td>
</tr>
<tr>
<td>Satyam Computers Services Limited</td>
<td>2006-09</td>
<td>Fraudulently incorporated a non-existent cash component by inflating the bank balances, fudging bills, accounts receivables, interest, and liabilities.</td>
</tr>
</tbody>
</table>


This paper is organized as follows. Section 2 summarizes the repercussions of the poor CG systems, leading to accounting frauds, and related problems, and by systems. Section 3 defines forensic accounting, and the core knowledge and personal skills required on the part of FA’s. Section 4 highlights the contribution which can be made by the FA’s to improve CG of a company. The review of literature that motivates this study is performed in section 5. Section 6 discusses the research methodology followed and procedures used in gathering and analyzing the survey data for the study. Section 7 presents the main findings, discussion and analysis of results, and implications of the study. Last section summarizes the conclusions.

**'POOR' CORPORATE GOVERNANCE, PROBLEMS WITHIN CG AND REPORTING SYSTEMS**

The interests of investors and other stakeholders are usually protected by a three-tier security system. At the top-level is the company’s "Corporate Governance Code," which is directed toward enforcing company policies, achieving company objectives, monitoring company performance, and ensuring adequate disclosure of the company’s activities. At the other end are the “reporting system,” which is regulated by various public and private institutions, such as, the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), and Financial Accounting Standards Board (FASB), Securities and Exchange Board of India (SEBI), etc. These regulatory agencies require public companies to follow various accounting and disclosure standards, such as, Generally Accepted Accounting Principles (GAAP), and their auditors to audit as per Statement on Auditing Standards (SAS) like independence, ethical, and quality control standards. Linking the two extremes, however, is a company’s “system of internal controls,” which provides reasonable “assurance” on the effectiveness and efficiency of operations, the ‘reliability’ of financial reporting, and ‘compliance’ with applicable laws and regulations. This system, however, seems to have been inadequate in many companies. As corporations scramble to realign their interests with those of their stakeholders, three main areas of weaknesses are emerging. They are summarized below.

- **Lack of a well-developed and Implemented Policy of Corporate Governance:** The primary goal of CG is to enhance the value of a company through ethical behavior, espousing a policy of openness and fairness and ensuring informed decision-making throughout the company. Unfortunately, the center of a corporate ethics (viz., board of directors) in certain cases became a magnet for unethical practices. Blinded by the glare of a rapidly growing stock market, pressured by stockholders for ever-increasing returns, and led by executives seeking to maximize bonuses based on stock performance, certain boards of directors and audit committees failed to constrain “creative” accounting to keep up their earnings numbers. It must have seemed to some directors that the investing public really did not care about issues (such as executive compensation) as long as they made their double-digit returns. The ratio of executive pay to that of the average worker ballooned to 600 to 1 in 2000, from 100 to 1 in 1990. Closed, entrenched boards magnified the problem as directors rewarded themselves for “quality” performance until, finally, the bubble burst.

- **Lack of Honesty and Transparency in Reporting:** The financial reporting standards in the U.S. are the most “highly specified” in the world. But falling stock markets, corporate failures, dubious accounting practices, abuses of corporate power, and criminal investigations indicate that the system is under stress. Some corporations have grown dramatically through acquisitions funded by high stock prices and promises of an even brighter future. In others, it seems as if the checks and balances that should protect shareholder interests were pushed to the side, driven by profit motives. It has traditionally been an auditor’s responsibility to express an opinion on whether financial statements are presented according to GAAP. Contrary to the expectations of many in the public, the auditor does not have an absolute duty to uncover fraud, although Statement on Auditing Standard (SAS-92) prescribes steps for auditors to take in order to ensure that they have planned and implemented their audits in a way that responsibly addresses fraud considerations.

- **An Inefficient and Ineffective System of Internal Control:** A good system of internal control will usually help a company to achieve its objectives of profitability and minimize loss of resources. Internal control cannot, however, change an inherently weak management system, or provide absolute assurance as to the reliability of financial reporting. Companies are now facing increasing legal, regulatory, and economic reporting requirements, because of the Sarbanes-Oxley Act of 2002 (SOA). Companies are spending millions of dollars examining their existing systems, are adopting or improving their CG and internal controls to meet the standards set by SOA sections 403 and 404. Undoubtedly, there will be lot of growth opportunities for various professionals to contribute to improve the corporate world. In today’s rapidly changing business landscape, it is now necessary for accountants and companies to step away from the traditional approach that emphasized more compliance with the GAAP.

---

This page is from the Amity Business Review Vol. 14, No. 1, January - June, 2013.
FORENSIC ACCOUNTING PROVIDES THE CONNECTING LINK

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.

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, ‘Kautiya’ was the first person to mention the famous forty ways of embezzlement in his book ‘Arthashastra’ 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 (Bhasin, 2007).

The definition of forensic accounting is changing in response to the growing needs of corporations, Bologna and Lindquist (1995) had defined forensic accounting as “the application of financial skills, and an investigative mentality to unresolved issues, conducted within a 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 workings of the legal system.” According to the definition developed by the AICPA’s Forensic and Litigation Services Committee (2011), “forensic accounting may involve the application of special skills in accounting, auditing, finance, quantitative methods, the law, and research. It also requires investigative skills to collect, analyze, and evaluate financial evidence, as well as the ability to interpret and communicate findings. FA encompasses litigation support, investigation, and dispute resolution and, therefore, is the intersection between accounting, investigation and the law.”

Forensic accounting includes the use of accounting, analytical, and investigative skills to help in legal matters. According to Golden (2011), “Forensic accounting consists of two major components: litigation services that recognize the role of an accountant as an expert consultant, and investigative services that use a forensic accountant’s skills and may require possible courtroom testimony.” This implies that the forensic accountant should be skilled not only in financial accounting, but also in internal control systems, the law, other institutional requirements, investigative proficiency, and interpersonal skills. Corporations can rely on these skills for developing a consistent system of CG, disseminating such information within and outside the company, ensuring that governance policies and objectives are interwoven into the internal control system, setting up fraud prevention systems, and investigating any existing fraud.

'CORE' KNOWLEDGE AND 'PERSONAL' SKILLS REQUIRED BY FORENSIC ACCOUNTANTS

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." Initially, Forensic Accountants (henceforth, FA’s) were used by government agencies (such as, the CJA, 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 (Bhasin, 2011). 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. Here, are some of the broad areas of useful expertise for FA’s:

- An in-depth knowledge of financial statements and the ability to critically analyze them. These skills help forensic accountants 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, informs 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 forensic accountants 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 forensic accountants to conduct interviews and obtain crucially needed information.

- Thorough knowledge of company’s governance policies and the laws that regulate these policies.
- Command of criminal and civil law, as well as, of the legal system and court procedures.

With this background, the FA is distinctly positioned to explore the design of CG systems, the role of the financial reporting system in corporate governance, the effect of the governance board on employee and managerial behavior, and the efficacy of the internal control system.

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, possessing 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
ROLE OF FORENSIC ACCOUNTANT IN IMPROVING CORPORATE GOVERNANCE

Companies need a centralized program and an established system to measure and monitor internal controls effectiveness and the alignment between CG, internal control, and external reporting activities. Many are setting up “Governance Officers or Governance Committees” to meet the demand for corporate integrity. The governance committee must be active in every area of corporate activity to ensure that the company is operating as a synergistic whole. As part of the CG Committee, 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, a forensic accountant can help to formulate and establish a comprehensive governance policy that: ensures an appropriate mix of management and independent directors on the board; ensures that 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: Forensic accountants 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 accommodates a positive work environment where highly motivated employees are not tempted to abuse their responsibilities. Forensic accountants 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 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 categorgically stated: “Effective communication must flow not just from the top to lower levels, but also across employee lines of responsibility.” Forensic accountants 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. A forensic accountant can monitor not only compliance at the top levels of corporate power, but also management procedures and employee activity. Information gathered can be 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 forensic accountant 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: A forensic accountant 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 will continue to evolve into a key component in the CG system.

All of the larger accounting firms, as well as, many medium-sized and boutique firms have ‘specialist’ forensic accounting departments. Within these groups, there may be further sub-specializations: some forensic accountants may, for example, just specialize in insurance claims, personal injury claims, fraud detection, construction, or royalty audits. Nearly 40 per cent of the top 100 US accounting firms are expanding their forensic and fraud services, according to “Accounting Today.” If this data is an indicator of Indian scenario, then the day is not far away when forensic accounting practice will contribute significantly to the total revenue of the Indian CA firms. In short, these services are in great demand and rendered at a premium in current context of flourishing business and rising instances of frauds and litigations.

THE LITERATURE REVIEW

The literature on forensic accounting and its adoption in accounting and finance curriculum is rather limited and they are US centric. However, our objective in this section is to highlight the core findings in the few relevant current studies rather than an extensive examination of tangential issues to forensic accounting and its adoption in accounting and finance curriculum. In fact, related literatures on the subject matter are briefly reviewed with a view to showing vividly the gap in knowledge. Many researchers have indicated that “technical skills are regarded as implicit in the skills base of a person entering an accounting career, but that it is a range of broader personal characteristics that facilitate career success and make accounting graduates more valuable to employers.” Furthermore, long back Lee
and Blaszczynski (1999) suggested that “employers expected accounting students to learn a multitude of skills, not simply how to generate and use accounting data; these skills include being able to communicate, work in a group environment, solve real world problems, and use computer and Internet tools.” Aderibigbe (2003) in his study suggested that “FA’s requirements high level of competence, integrity and honesty to perform his job.” Moreover, he is of the opinion that FA’s must be thoroughly trained, must prove his competence by passing all necessary exams and examinations to become a member of a recognized accountancy body, should always be outstanding in terms of integrity, honesty and probity, and must maintain a professional attitude in all performance of his responsibilities.

Similarly, Harris and Brown (2000) have identified “specialized skills and technical abilities of FAs.” FAs are usually familiar with criminal and civil law, and understands the courtroom procedures and expectations. These researchers also stressed investigative skills, including theories, methods, and patterns of fraud abuse. FA’s thinks creatively to consider and understand the tactics that a fraud perpetrator may use to commit and conceal fraudulent acts. Additionally, they need to clearly and concisely communicate findings to various parties, including those with less knowledge of accounting and auditing.

In 2002, Rezear examined a sample of undergraduate accounting students, and the results indicated that “the students believed that forensic accounting is a viable career option but is not getting the proper attention in Colleges and Universities.” However, Griggio and Box (2003) illustrated that “the most important skills of FA’s to come from experience in accounting and auditing, taxation, business operations, management, internal controls, interpersonal relationships, and in communication.” Furthermore, Aker and Porter (2003) advocated that “the AICPA and the Institute of Management Accountants recognize emotional intelligence skills as critical for the success of the accounting profession.” Similarly, Messmer (2004) stated that “successful FA’s must have analytical abilities, strong written and verbal communication skills, a creative mindset, and business acumen.

They must be able to interview and elicit information from potentially uncooperative people and possess a strong amount of skepticism.” The challenge of dealing with information and gaining access to necessary data is highlighted in a recent ‘European’ study (Hassall et al, 2005). Their research points to similar employer demands for non-technical skills, but reported at the same time that employers were unsympathetic with claims from Universities that they had limited capacity to deliver on these greater demands. Consequently, a special training process can be too time-consuming and accounting graduates an opportunity to acquire these special skills that will make them specialists.

Ramassamy (2005) believed that “FA’s are distinctively positioned to be able to uncover financial deceptions,” his prominent skills being an in-depth knowledge of financial statements, the ability to critically analyze them, and a thorough understanding of fraud schemes. However, he also believed that FA’s should have the ability to comprehend the internal control systems of corporations and be able to assess their risks. The knowledge of psychology helps FAs to understand the impulses behind criminal behavior that motivate and encourage financial deception. Also, interpersonal and communication skills that are essential in protecting information, forming the commitment, and the understanding of financial statements and the knowledge of criminal and civil law of the legal system and court procedures are skills that all FA’s should learn. Moreover, Rezear (2006) surveyed opinions of practitioners and academics regarding the importance, relevance, and delivery of forensic accounting education. Their findings indicated that “the demand for and interest in forensic accounting will continue to increase.” Their study further shows that both practitioners and academics viewed accounting information as important and beneficial to accounting students. However, the group differed in opinions regarding topical coverage of forensic accounting. In searching for the skill area of FA’s, DiGabriele (2008, 2009), in a US study found that “both academics and practitioners agreed that critical thinking, unstructured problem-solving, investigative flexibility, analytical proficiencies, and legal knowledge are important and core skills for FAs.”

Ahmad (2010) conducted a study in which he asked respondents to rate the skills expected of an accountant and the auditor. The results from his study showed that “access to a more extensive and special skill set is highlighted in a recent ‘European’ study (Hassall et al, 2005). Their research points to similar employer demands for non-technical skills, but reported at the same time that employers were unsympathetic with claims from Universities that they had limited capacity to deliver on these greater demands. Consequently, a special training process can be too time-consuming and accounting graduates an opportunity to acquire these special skills that will make them specialists.

Ramassamy (2005) believed that “FA’s are distinctively positioned to be able to uncover financial deceptions,” his prominent skills being an in-depth knowledge of financial statements, the ability to critically analyze them, and a thorough understanding of fraud schemes. However, he also believed that FA’s should have the ability to comprehend the internal control systems of corporations and be able to assess their risks. The knowledge of psychology helps FAs to understand the impulses behind criminal behavior that motivate and encourage financial deception. Also, interpersonal and communication skills that are essential in protecting information, forming the commitment, and the understanding of financial statements and the knowledge of criminal and civil law of the legal system and court procedures are skills that all FA’s should learn. Moreover, Rezear (2006) surveyed opinions of practitioners and academics regarding the importance, relevance, and delivery of forensic accounting education. Their findings indicated that “the demand for and interest in forensic accounting will continue to increase.” Their study further shows that both practitioners and academics viewed accounting information as important and beneficial to accounting students. However, the group differed in opinions regarding topical coverage of forensic accounting. In searching for the skill area of FA’s, DiGabriele (2008, 2009), in a US study found that “both academics and practitioners agreed that critical thinking, unstructured problem-solving, investigative flexibility, analytical proficiencies, and legal knowledge are important and core skills for FAs.”

Ahmad (2010) conducted a study in which he asked respondents to rate the skills expected of an accountant and the auditor. The results from his study showed that “access to a more extensive and special skill set is highlighted in a recent ‘European’ study (Hassall et al, 2005). Their research points to similar employer demands for non-technical skills, but reported at the same time that employers were unsympathetic with claims from Universities that they had limited capacity to deliver on these greater demands. Consequently, a special training process can be too time-consuming and accounting graduates an opportunity to acquire these special skills that will make them specialists.

Ramassamy (2005) believed that “FA’s are distinctively positioned to be able to uncover financial deceptions,” his prominent skills being an in-depth knowledge of financial statements, the ability to critically analyze them, and a thorough understanding of fraud schemes. However, he also believed that FA’s should have the ability to comprehend the internal control systems of corporations and be able to assess their risks. The knowledge of psychology helps FAs to understand the impulses behind criminal behavior that motivate and encourage financial deception. Also, interpersonal and communication skills that are essential in protecting information, forming the commitment, and the understanding of financial statements and the knowledge of criminal and civil law of the legal system and court procedures are skills that all FA’s should learn. Moreover, Rezear (2006) surveyed opinions of practitioners and academics regarding the importance, relevance, and delivery of forensic accounting education. Their findings indicated that “the demand for and interest in forensic accounting will continue to increase.” Their study further shows that both practitioners and academics viewed accounting information as important and beneficial to accounting students. However, the group differed in opinions regarding topical coverage of forensic accounting. In searching for the skill area of FA’s, DiGabriele (2008, 2009), in a US study found that “both academics and practitioners agreed that critical thinking, unstructured problem-solving, investigative flexibility, analytical proficiencies, and legal knowledge are important and core skills for FAs.”
basic skills needed for traditional accounting and auditing services, and the ones required for specialized services in the areas of fraud investigations, forensic accounting and forensic auditing.”

**RESEARCH METHODOLOGY USED**

The current study complements the two prior studies undertaken by Razae, Crumblie and Elmore (2004, 2006) by surveying “forensic professionals for their perceptions of the necessary skills and characteristics for FAs, as well as the education requirements.” We prepared and pre-tested our survey instrument before sending it out to all our respondents. Participants were asked the extent to which they agreed with statements addressing each of the nine competencies that were deemed by previous researchers to be important skills of FAs (FA). The agreement ratings were made on a 5-point Likert-type scale ranging from 0 (strongly disagree) to 4 (strongly agree). We asked the views of our respondents on what they think should be the ‘core’ skills of FAs. The responses from this aspect of the survey instrument enabled us to assess their views on the core skills of FAs and the extent of differences in views about these skills between current and previous research. Knowledge of what skills are important for success can help Universities in India (or elsewhere) to design and select courses to be completed by forensic accounting students.

In the present study, we have used a survey methodology “to investigate whether differences exist in the views of the relevant skills of FAs among accounting / professional accounting practitioners, accounting academics/educators, and users / potential users of forensic accounting services, which include lawyers.” Some Universities in India are currently considering incorporating forensic accounting courses to their curriculum. This evolution has unearthed an absence regarding the significant skill-set outcome that should accompany forensic accounting education. The main objective of this study is to examine the necessary skills that will be required by would-be FAs for the purpose of recommending them to Indian Universities for possible inclusion in their syllabi. To fully achieve this objective and to certify part of the conditions for empirical studies, a propositional statement is formulated, thus “special skills are not required for forensic accounting investigations.” This statement will either be proven or otherwise in our later discussions. During 2011-12, we conducted a survey in the NCR region (viz., Delhi, Gurgaon and Ghaziabad) of India using a random sample of 600 accounting academicians, potential FAs (all external auditors are used in this study), and potential users of forensic accounting services. For this study, we classified lawyers as the potential primary users of forensic accounting services. We asked 500 academicians, 100 forensic accounting practitioners, 50 forensic accounting academics, 50 users of forensic accounting services "nine questions that attempted to solicit their views about what skills are inherently important for being a FA”. Despite number of reminders and follow-up visits, just 200 respondents completed the questionnaire. Thus, a total of 200 respondents fully completed the survey instrument, of these 40 (20%) were professional, 40 (20%) were accounting academics, 80 (40%) were users of forensic accounting services. The overall response rate was 33 percent, which is slightly below average. We prepared and sent out the survey questionnaire by e-mails and/or by post, where respondents were asked the extent to which they agreed with the statements addressing each of the nine competencies that were deemed by prior literature, to be important skills of FAs. In fact, nine questions were asked to practitioners, academicians, and users of forensic accounting services that pertain to "eliciting their views on what skills are deemed inherently important to a forensic accountant.” Unfortunately, just 200 respondents completed the questionnaire, of these 40 (20%) were professional, 40 (20%) accounting academics, 80 (40%) users of forensic accounting services. The overall response rate was 33 percent, which is little below average.

The first question is: “An important skill requirement of a FA is Critical Thinking-the ability to discern between opinion and fact.” This question was asked to an expert witness to be able to perform the task of discerning fact from fiction in order to maintain a credible testimony. Critical thinking skills are essential to understanding, applying, and adapting concepts and principles in a variety of contexts and circumstances. The FA’s professional skepticism of questioning management’s responses involves critical thinking that entails an attitude of examining and recognizing emotion-laden and explicit and hidden assumptions behind each question. FA’s must master critical thinking skills because business organizations continue to evolve in important ones. Not surprisingly, 87.5% academicians and practitioners agreed that this is an important skill of FAs. In consideration of the barrage of recent financial reporting scandals across the globe, this skill appears to be necessary and essential for FAs to meet the objective of uncovering a potential financial fraud. Thus, forensic accounting courses taking aim at financial misrepresentations should incorporate course objectives to meet this ability.
Corporate Governance and Role of the Forensic Accountant: An Exploratory Study of An Asian Country

response to new IT and greater worldwide competition. Fundamentally, computer fraud is people fraud, and the required computer skills will vary greatly depending on the type of fraud being perpetrated. Frauds such as data dredging require only basic skills; on the other hand, theft of information in a secure database will require more advanced computer skills from the fraudster (Bowen, 2001). In addition to rendering of ‘traditional’ accounting services, FA’s are nowadays involved in fast evolving services, such as, attestation reviews, forensic accounting, and fraud examination. Forensic FAs must thus possess the knowledge to remain updated and the skills to critically analyze various problems. Courses developed in this area should emphasize to students the ability to remove any non-compiled opinions from expert reports and testimony. While critical thinking is necessary for FAs in today’s business world, cultivating students’ critical thinking skills in an accounting classroom can be a challenge (Camp and Schneider, 2010). Table 1 illustrates this skill was rated as one of the more important (100%) by all.

The third question is: “An important skill requirement of a FA is Unstructured Problem Solving: the ability to approach each situation (inherently unique) and be prepared to solve problems in unstructured approaches.” Academics and practitioners agreed (70%) that problem-solving is an important skill of a FA. Accounting education has been based around constructing on compliance with rules and procedures. However, forensic accounting is different because problem-solving becomes more of an ‘improved’ approach rather than a structured plan. This skill type is in direct opposition to the traditional accounting skills. It can be argued that a shortcoming of auditors is “not seeing the proverbial forest beyond the trees.”

The fourth question is: “An important skill requirement of a FA is Investigative Flexibility: the ability to move away from standardized audit procedures and thoroughly examined situations for a typical warning signs.” The results of this study indicate that practitioners and academics agree (80%) on the importance of this skill, thus, further illustrating the need in accounting for a more ‘open-minded’ skill set. The results of the present study indicate that potential practitioners and academics strongly agreed that FAs’ environment using a ‘narrow’ approach and applying a more ‘holistic’ technique. These findings further illustrate the need for a more open-minded skill set in accounting. Considering the post-financial-fraud regulatory environment, researchers can infer that the ability to solve a financial puzzle with an incomplete set of pieces is an extremely important characteristic for FAs. Practitioner and academics agree on the importance of this skill.

The fifth question is: “An important skill requirement of a FA is Analytical Thinking: the ability to examine for what should be provided rather than what is provided.” Analytics can be of use to FAs because they often reveal unusual relationships that need to be carefully examined. Consequently, the post-financial fraud regulatory environment, solving a financial puzzle with less than a complete set of pieces appears to be the direction the current business environment is heading. Practitioner and academics agree (75%) on the importance of this skill.

Question six is: “An important skill requirement of a FA is Oral Communication: the ability to effectively communicate in speech via expert testimony and general explanation; the bases of opinion.” Part of the job of the FA is to speak to the field to company personnel, who may or may not be involved with the suspected fraud. In addition, they are often called to be expert ‘witnesses’ and testify during litigation, presenting oral testimony to the evidence to the jury in an understandable manner (Sanchez and Trewin, 2004). Almost 95% of all respondents strongly agree that oral communication is an important skill of a FA.

The seventh question is: “An important skill requirement of a FA is Written Communication: the ability to effectively communicate in writing via reports, charts, graphs, and schedules; the bases of opinion.” Indeed, a FA needs to document their work. A well-written report by a FA can be a vital tool in litigation, and may help to impress the judge/jury (Crumbley et al., 2007). All groups ‘agreed’ (100%) on the importance of this skill, with 60% of all respondents ‘strongly agreeing’. Almost 95% of all respondents strongly agreed that FAs’ environment using a ‘narrow’ approach and applying a more ‘holistic’ technique. These techniques further illustrate the need for a more open-minded skill set in accounting.

Corporate Governance and Role of the Forensic Accountant: An Exploratory Study of An Asian Country

The sixth question is: “An important skill requirement of a FA is Specific Legal Knowledge: the ability to understand basic legal processes and legal issues including the rules of evidence.” Academics and practitioners agreed and strongly agreed (97.5%) that this is an important skill of FAs. One of the interesting results of this study is the fact that users of forensic accounting services did not view this as an important skill. The reason for this can only be speculated. Since the users were attorneys, they may have read too far into the question possibly thinking that they already possess or lack skills without professional licensing. However, the main point of the question was to emphasize the need for FAs to understand certain legal issues. Academics and potential practitioners agreed that FAs should have a working knowledge of the legal process and the rules of evidence. As pointed out by DeZoett, Harrison and Schnee (2012), “Despite a traditional advocacy role, tax professionals face growing pressure to help manage the tax-fraud problem.”

The ninth question is: “An important skill requirement of a FA is Computerized: the ability to maintain a calm attitude in pressured situations.” The groups did not differ in opinion of this skill. All groups ‘agreed’ (100%) on the importance of this skill, with 75% of all respondents ‘strongly agreeing’. The most prevalent area where this is necessary is expert testimony in either deposition or court. The composure of an expert can be an integral component in the ultimate case outcome. From our test of hypothesis, it has been discovered that agreed (100%) on the importance of this skill for FAs and fraud investigators. Perhaps, this is so in view of the prevalent nature of corruption and scandals in the country. The tenth question asked the participants to identify themselves as a practitioner, an academic, or a user of forensic accounting services. All the respondents agreed that maintaining composure is an important skill for FAs.

A total of 200 individuals completed the survey questionnaire after series of follow-up actions. Of these, 40 were practitioners, 80 were users, and 80 were academics. Descriptive statistics for the nine areas of competencies are shown in Table 6. The items rated as “the most important were critical thinking, written communication and composure (100%), followed by specific legal knowledge (97.5%), oral communication (95%) and deductive analysis (87.5%).” However, the items rated as the least important were “investigative flexibility (80%), analytical proficiency (75%) and unstructured problem solving (70%).” The findings of our study are, more or less, similar to a survey conducted by McMullen and Sanchez (2010), which concluded that “The skill ranked highest in terms of importance is analytical proficiency (95%), followed by written communication, problem-solving skills, and data analysis skills. The characteristics ranked highest in terms of importance are persistence and skepticism, followed closely by puzzle and people skills.” Thus, the identification of relevant skills of FAs illustrated in the results of this study would contribute to progress the literature in forensic accounting education by identifying the necessary proficiencies to be merged with the accounting course contents.
core skills are not enough requirements for forensic accounting practice. Most of the early researchers, such as DA Gabrielle (2008), who has researched in this area, focuses on the weaknesses of FAs. Firstly, our test of hypothesis clearly states that necessary skills of FAs, as identified by both academics and professionals, will hopefully meet employers’ expectations too. Employers, who include lawyers and anti-graft agencies, are the ultimate users of forensic accounting services, and if they concur with what accounting academics and professionals say should be the skill requirement of FAs, then academic and professional institutions should hesitate to incorporate these skills in their curricula.

Undoubtedly, there is a definite need for FAs in the business world today, but not everyone possesses the many characteristics and qualities that comprise high-quality FAs. To briefly recapitulate, FAs need to possess strong written and oral communication skills. In this profession, it is very much imperative to have a strong accounting background; a thorough knowledge of auditing, risk assessment, control and fraud detection; and of course, a basic understanding of the legal system. It is important for FAs to "possess the ability to interview and effectively elicit information from people who may not be willing to give truthful answers. Therefore, it is important for FA to be skeptical of those people that they deal with." Knowledge and experience in financial planning and management techniques, as well as advanced computer skills, including an ability to understand and apply various information technology and accounting systems, are also key characteristics of any FA. It is also recommended by Wells (2010) that "an accountant that wants to become a fraud expert should go and work for a law enforcement agency. The experience of working on complex fraud cases in law enforcement for several years offers invaluable knowledge."

CONCLUSION

In the 21st century, the corporate-sector all over the world is facing ‘rapidly’ increasing levels of regulatory and reporting requirements. They are ‘forced’ to spend millions of dollars annually examining their existing systems and improving their CG and internal control systems to meet the standards set by the Sarbanes-Oxley Act of 2002. It is, therefore, necessary for companies “to shift their focus from mere compliance approach to study and investigate the behavior of board of directors, CG practices, and financial reporting systems.” FAs are positioned to explore the design of CG systems, the role of the financial reporting system in CG, the effect of the governance board on employee and managerial behavior, and the efficacy of the internal control system. As part of the CG Committee, a FA can make a significant contribution in the areas of CG, fraud prevention and investigation, creating positive work environment, establishing effective lines of communication and vigilant oversight. Let us hope, these moves could ensure two important qualities of CG and corporate reporting: transparency and honesty.

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 to come of today’s most powerful investigative and intelligence tools available.” (Mauzil, Burnaby and Howe, 2012). 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 fact, comes 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 (within the themes listed above) is crucial to the success of entry-level FAs. In 2011, 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 due to increased globalization, litigation and regulatory enforcement during the same period." Moreover, DeLoach (2012) characterized forensic accounting as "something of a niche" because it requires multidisciplinary expertise that crosses the realms of accounting, criminal investigation, regulatory legislation and judicial litigation. FAs are expected to understand the way small and large enterprises operate, prepare valuations in commercial disputes and provide insight into the "darker side of business." We have seen growth in all areas of forensics, 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 FAs because the reach of the profession has spread to areas such as money laundering and even terrorism cases (Brooks et al., 2005). KPMG, a large accounting firm, believes that 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 forensic accounting departments.

The recent wave of corporate fraudulent financial reporting has heightened the demand for reforms in CG and financial reporting, by governments and accounting and auditing standard-setting bodies in the US and internationally. The enactment of Sarbanes-Oxley Act (SOX) of 2002 was the US 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 (SAS 99) has presented the current auditing environment with a new paradigm that makes finding fraud a priority. According to Wells (2011), "SAS 99 is unique because it claims that there is a risk of fraud in every business. The new standard describes specific steps that the auditors must follow in order to detect these risks. Educators and pre-audit training is thus a critical part of the education, and the educational programs have called for "more forensic accounting education for auditors" (Arens and Elder, 2006). In addition, the PCAOB has emphasized that the detection of fraud should be an important objective of an audit (Carpenter, 2007). Despite the depth and breadth of authoritative standards available to guide accountant and auditor conduct, numerous stories in the press, as well as, academic research indicate that these standards have not been completely effective in eliminating ethical violations by accountants. Because of these continued breaches, confidential reporting mechanisms have received significant attention in recent years. The increasing demands in the current regulatory, legal, and business environments should stimulate the demand to emphasize accounting for forensic accounting. This research surveyed in 2011-12, 200 potential practitioners, academics, and prospective users of forensic accounting services from NCR region (viz., Delhi, Gurgaon and Ghaziabad from India) to the representative of the entire country to determine whether there are differences in views of the relevant issues suggested in the literature. The results indicate that "potential practitioners and academic agree that critical thinking, unstructured problem-solving, investigative flexibility, analytical proficiency, and legal knowledge are more important skills of FAs. Potential practitioners of forensic accounting services rated analysis the more important than did academic staff. However, both groups agreed with prospective users, who viewed deductive analysis as very important. The groups did not differ on oral communication, written communication, or composite rankings." These results show that some skills are relevant and important to the outcome of forensic accounting. The audit and education programs should treat these skills as a goal to direct academic curriculum with the proper learning outcome objectives. Accounting students need to be familiar with the role IT and the digital environment play. Knowledge and application of technology is increasingly essential in effective forensic accounting, anti-fraud programs, and fraud investigations. Accounting students need to be aware of IT-based schemes and have skills to detect fraud. It is necessary for them to be aware of the needs to use specialized software to support the work of the accountant in auditing or investigating computer-based fraud and forensic accounting issues. Many higher education accounting programs are considering incorporating fraud examination and forensic accounting content in their curricula. Further research in this area could possibly examine fraud skills to identify courses. The auditing environment after the passage of SOA demands students with greater understanding of these standards and risk assessment (including business and fraud risks), forensic accounting skills, the ability to understand and document controls and link controls to assertions and audit evidence, and the competence to control with CG and other PCAOB requirements. Acquiring these skills will require changes in the basic auditing course and more advanced auditing courses as well as changes in the core business and accounting curriculum.

Particularly in this age of SOX, we require professional accountants to have curiosity and a healthy skepticism of the financial systems around them. They must be able to identify relevant facts, evaluate judgment and interpret intent; follow a clear, ethical and logical path when performing their work; and communicate their thoughts to peers and clients. No doubt, one must be competent in critical thinking to be effective in life, especially in a competitive business environment. Indeed, while critical thinking is necessary for accountants in today's business world, cultivating students' critical thinking skills in an accounting classroom can be a challenge. 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 (Bhansali and Shalik, 2012). By helping during the auditing process, the FAs' role in the 'positive' work environment, establish 'effective' lines of communication, and be vigilant as a corporate 'watchdog', the FAs' role can gradually evolve into a key component in the CG system. Let us hope that FAs, through their specialized knowledge, training and skills, will be able to improve CG scenario, still a work-in-progress, across the globe.

REFERENCES
Albadat, N. (2010), "Skills Necessary for a Successful Career in Accounting," Journal of the Department of Accounting, College of Business Administration, California State Polytechnic that these standards and risk assessment (including business and fraud risks), forensic accounting skills, the ability to understand and document controls and link controls to assertions and audit evidence, and the competence to control with CG and other PCAOB requirements. Acquiring these skills will require changes in the basic auditing course and one/more advanced auditing courses, as well as changes in the core business and accounting curriculum.

Particularly in this age of SOX, we require professional accountants to have curiosity and a healthy skepticism of the financial systems around them. They must be able to identify relevant facts, evaluate judgment and interpret intent; follow a clear, ethical and logical path when performing their work; and communicate their thoughts to peers and clients. No doubt, one must be competent in critical thinking to be effective in life, especially in a competitive business environment. Indeed, while critical thinking is necessary for accountants in today's business world, cultivating students' critical thinking skills in an accounting classroom can be a challenge. 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 (Bhansali and Shalik, 2012). By helping during the auditing process, the FAs' role in the 'positive' work environment, establish 'effective' lines of communication, and be vigilant as a corporate 'watchdog', the FAs' role can gradually evolve into a key component in the CG system. Let us hope that FAs, through their specialized knowledge, training and skills, will be able to improve CG scenario, still a work-in-progress, across the globe.

REFERENCES
Albadat, N. (2010), "Skills Necessary for a Successful Career in Accounting," Journal of the Department of Accounting, College of Business Administration, California State Polytechnic that these standards and risk assessment (including business and fraud risks), forensic accounting skills, the ability to understand and document controls and link controls to assertions and audit evidence, and the competence to control with CG and other PCAOB requirements. Acquiring these skills will require changes in the basic auditing course and one/more advanced auditing courses, as well as changes in the core business and accounting curriculum.

Particularly in this age of SOX, we require professional accountants to have curiosity and a healthy skepticism of the financial systems around them. They must be able to identify relevant facts, evaluate judgment and interpret intent; follow a clear, ethical and logical path when performing their work; and communicate their thoughts to peers and clients. No doubt, one must be competent in critical thinking to be effective in life, especially in a competitive business environment. Indeed, while critical thinking is necessary for accountants in today's business world, cultivating students' critical thinking skills in an accounting classroom can be a challenge. 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 (Bhansali and Shalik, 2012). By helping during the auditing process, the FAs' role in the 'positive' work environment, establish 'effective' lines of communication, and be vigilant as a corporate 'watchdog', the FAs' role can gradually evolve into a key component in the CG system. Let us hope that FAs, through their specialized knowledge, training and skills, will be able to improve CG scenario, still a work-in-progress, across the globe.

REFERENCES
Albadat, N. (2010), "Skills Necessary for a Successful Career in Accounting," Journal of the Department of Accounting, College of Business Administration, California State Polytechnic