

# **ROLE OF FORENSIC ACCOUNTING IN PUBLIC ADMINISTRATION**

**Subject Area:- Management**

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**ABSTRACT :-**

An increasing number of researchers are finding that effective public administration can play vital role in sustainable development of country. 'poor' governance is a leading factor in poor performance, manipulated financial reports, and unhappy stakeholders. Every country is focused on effective Public administration and management. In the current reporting environment, forensic accountants are in great demand for their accounting, auditing, legal, and investigative skills. Forensic accounting is the combination of the Accounting, Auditing and Investigation skills. Forensic Accountants are related with deterring, detecting and investigating frauds in financial reporting. Initially, forensic accountants were used by government agencies Developing countries need forensic Accounting for economic transformation, and for the quick development of the economy and the continual enhancement of the comprehensive national strength. Regular Practice of forensic Accounting, Auditing and Investigation skills in financial services, & Public administration in developing countries will create transparency in financial transactions and further it will become best practices and it will play vital role in the economic development.

*This exploratory research paper discusses on the Forensic Accountants significant contributions in the area of Public administration , fraud prevention and investigation, creating positive work environment, prospects of forensic accounting, as Regular practices in India & its important role for public administration. on the basis secondary data collected from various sources.*

**Keywords:** Public administration , forensic accounting, forensic accountant, global regulatory action

## ***INTRODUCTION :-***

**Public administration** is the implementation of government policy and also an academic discipline that studies this implementation and prepares civil servants for working in the **public** service. As a "field of inquiry with a diverse scope" whose fundamental goal is to "advance management and policies so that government can function" Some of the various definitions which have been offered for the term are: "the management of public programs"

**Public-administration** experts to ensure **good governance**. ... Highlighted in this year's session is the **importance** of building citizens' trust in government, including factors such as ethical leadership, accountable institutions, participatory **governance**, responsive **public** service delivery and nurturing innovation. Here forensic Accounting plays vital role.

Developing countries need forensic Accounting for economic transformation, and for the quick development of the economy and the continual enhancement of the comprehensive national strength, the accounting information is more and more important in the whole social and economic activity, and the amount of the civil action induced by the accounting information is increasing by the geometric series, which will all quicken the further integration of the legal domain and the accounting domain, and generate a new accounting domain, i.e. the forensic accounting.

Global incidences of fraudulent practices have led to the collapse of major businesses, public institution and governments. Fighting corruption requires the investigation, detection and prevention of frauds. Advancement in fraud detection process includes the use of forensic accounting and empirical studies reported its effectiveness in fraud detection process. However, there seems to be low adoption rate of forensic accounting by organization including anti-corruption agencies.

The fight against corruption has been declared a high priority by Prime Minister Man Mohan Singh & Prime minister Narendraji Modi . However, corruption remains widespread in the country and there have been many instances of political and bureaucratic corruption, public funds embezzlement, fraudulent procurement practices, and judicial corruption. High ranking officials have also been involved in major corruption scandals.

The sectors most affected by corruption include public procurement, tax and customs administration, infrastructure, public utilities, and the police. The latter has been identified as one of the most corrupt institutions by various surveys. The Government has put in place a well developed legal and institutional framework, with institutions including the Central Bureau of Investigation, the Office of the Comptroller and the Auditor General, and the Central Vigilance Commission.

The Supreme Court, in particular, has taken a firm stance against corruption in recent years and made several important rulings. Another achievement in the fight against corruption has been the enactment of the Right to Information (RTI) Act in 2005, which grants citizens access to government information and a mechanism to control public spending. In spite of progress, however, law enforcement remains weak and reforms have a long way to go.

The forensic accounting is the new accounting domain which was born in the west country of 1980s to adapt the development of the market economy and the perfection of the legal system. It is entrusted by the independent third party, and adopts certain procedures and methods to survey, compute, and analyze the management and financial items, and the part of economic loss, or the legal issues in the management in the conflict of economic benefit by the professional knowledge, and forms the forensic accounting report, and provides references for the court or the arbitration agency or the administration authority, and reduce or confirm legal responsibilities, or offers management advices.

**Forensic accounting, forensic accountancy or financial forensics** is the specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. "Forensic" means "suitable for use in a court of law", and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial. All of the larger accounting firms, as well as many medium-sized and boutique firms and various police and government agencies 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, anti-money-laundering, construction or royalty audits

## **CATEGORIES OF FINANCIAL FORENSIC ENGAGEMENTS**

- Economic damages calculations, whether suffered through tort or breach of contract;
- Post-acquisition disputes such as earn outs or breaches of warranties
- Bankruptcy, insolvency, and reorganization;
- Securities fraud
- Tax fraud;
- Money laundering;
- Business valuation; and
- Computer forensics/e-discovery.
- Professional Negligence Claims
- Marital And Family Law

Some forensic accountants specialize in forensic analytics which is the procurement and analysis of electronic data to reconstruct, detect, or otherwise support a claim of financial fraud. The main steps in forensic analytics are (a) data collection, (b) data preparation, (c) data analysis, and (d) reporting. For example, forensic analytics may be used to review an employee's purchasing card activity to assess whether any of the purchases were diverted or divertible for personal use.

### **THE MODUS OPERANDI OF FORENSIC ACCOUNTING :-**

The technique of forensic accounting includes, Benford's Law, Theory of relative size factor(RSF), Computer Assisted Auditing Tools(CAATs), Data Mining Techniques, the conventional accounting and auditing tools like ratio technique, cash flow technique, a standard statistical tool examination, sort and analyze, etc.

## **2. OBJECTIVES**

- To study the important role of Forensic Accounting in *Public Administration*
- To evaluate the impact of Forensic accounting, forensic accountancy or financial forensics on the Indian economy.
- To know the scope and modus operandi of Forensic Accounting.

## **3. HYPOTHESIS**

Regular Practice of forensic Accounting, Auditing and Investigation skills in Public Administration & financial services in developing countries will create transparency in financial transactions and further it will become best practices of good governance and it will play vital role in the economic development.

#### **4. RESEARCH METHODOLOGY :-**

The study is basically exploratory in nature and depends on secondary data. Secondary data are collected from various reports published by GOI, RBI, KPMG, Price Water house and other research papers on Forensic Accounting.

#### **IMPORTANT ROLE OF THE FORENSIC ACCOUNTING IN PUBLIC ADMINISTRATION :**

1. It will help to ensure accountability of public Administration.
2. It will Provide Reliability to public governance..
3. It boosts credit rating and value of good governance
4. It will provide complete report of financial position.
5. It helps to solve financial crimes and It helps businesses with their finances
6. It helps to control Frauds & corruption
7. It helps in selling your business and need an accurate valuation
8. It helps monitor professionals.
9. It helps in cost control and cost reduction.
10. It generates Fair & best practises in financial services provided by country
11. It helps to assess correct tax so as to help government to increase government revenue.
12. It helps to prevent white collar crimes.
13. It creates transparency and faith in financial practices.
14. It helps in economic transformation for developing countries.
15. Regular practices of forensic accounting will help in the quick development of the economy and the continual enhancement of the comprehensive national strength,
16. It will generate employment opportunities for commerce and management students.
17. It will provide scope for forensic accounting Educational institutions.. These institutions will briefly explain need for trained forensic accountants and set the educational standards for training .

#### **CONCLUSION**

The major concern of the developing countries is to create faith among public through good governance & to prevent white collar crimes which affect the very fabric of the society. Forensic accounting has come up as an effective tool for preventing this menace. It is still in a nascent stage and requires technological reinforcement on a continuous

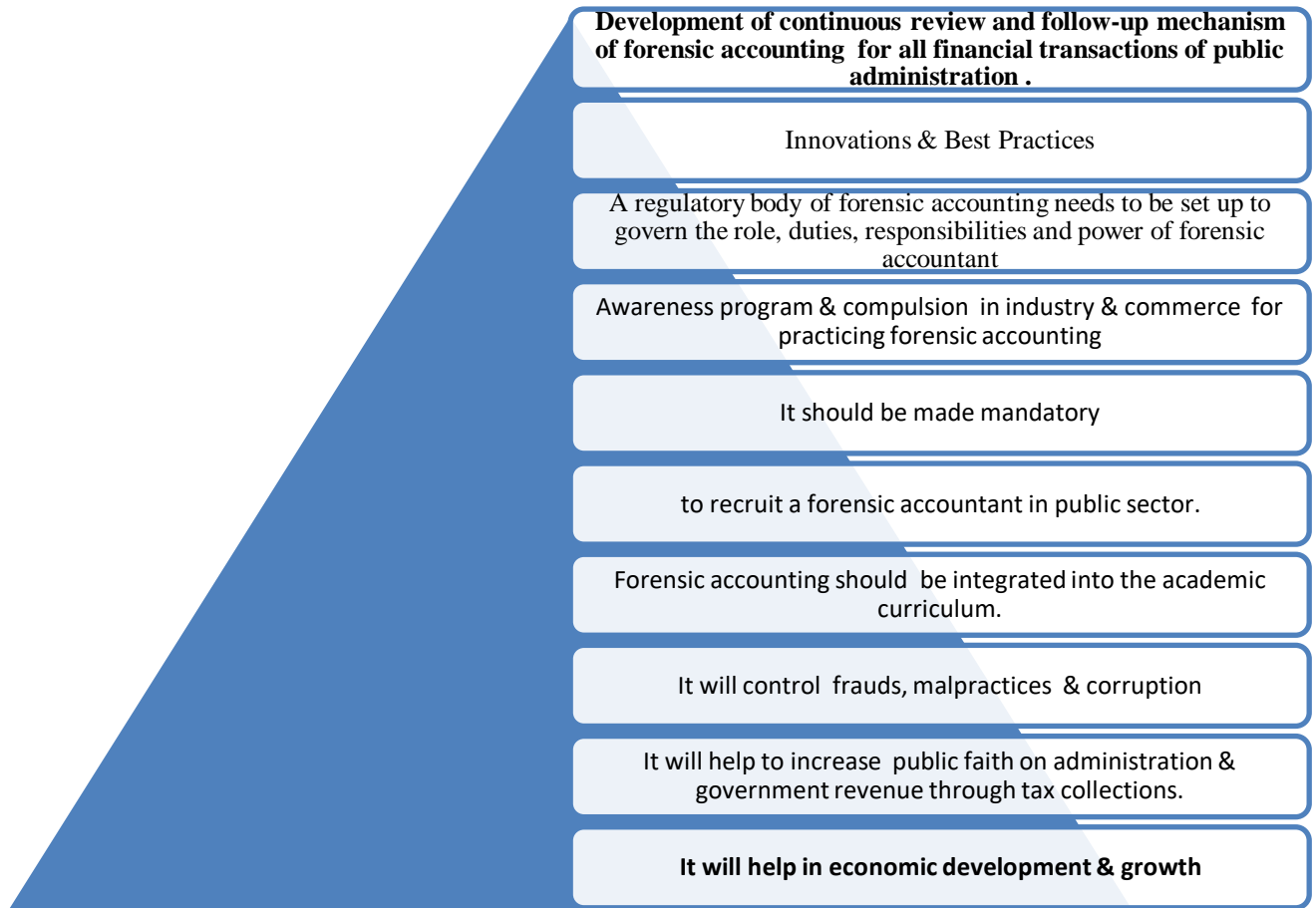
basis and global cooperation. It will develop as a specialized profession of accountancy and its importance to law enforcing agencies and also regulators will increase day by day. Lot of research is also needed and accountants will play a very significant role in this mission

Many are of the opinion that forensic accounting is an extension of investigative auditing. In India forensic accounting is still considered a new inclusion into the field of fraud detection.

Public administration in India must emphasized on forensic accounting as regular practices.

### **RECOMMENDED MODEL FOR DEVELOPING COUNTRIES :-**

Regular Practice of forensic Accounting, Auditing and Investigation skills in financial services in Public Administration in developing countries will create transparency in financial transactions and further it will become best practices further which will play vital role in the economic development. For this Public Administration in developing should adopt following model .( **Forensic Accounting For Public Administration in developing countries** )



**Source :- Researcher:- Forensic Accounting For Public Administration**

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