

Regulation of Forensic Accounting : A Comparative Study

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Abstract

Forensic Accounting Services (FASs) are in higher demand due to an increase in fraud and cyber-crime. To deal with the current scenario, many accounting firms have established a distinct forensic accounting (FA) division and are proactively employing forensic accounting professionals (FAPs). However, the key concern in FA engagement is the absence of FA standards to ensure quality FASs. The majority of countries have not yet explicitly articulated the purpose of FA in the form of a standardized set of principles. To assure the quality and reliability of FASs, there are few countries namely Canada, Australia and United States of America and now India who have introduced specific standards on FA by their recognized professional bodies. This study explores the similarities and dissimilarities among the standards by applying qualitative content analysis. This study will enable the regulators to develop comprehensive regulation for the betterment of the quality of FAS.

JEL Code : M41, M42

Keywords : Forensic Accounting; Standards; Regulation; Profession; Fraud; Cyber Crime; Canada, Australia, USA, India

I. Introduction

THE CONSEQUENCES OF the global financial crisis and the collapse of major corporations such as Worldcom, Enron, Lehman Brothers, Satyam, Paramalat, HHH Group of Companies, OneTel, and so on have significantly changed the regulatory requirements worldwide. The role of accountants and auditors in several cases has become the centre point of scandals. It has shaken the confidence of different stakeholders in audit quality. The quality that is most valued in auditors, which is their "independence," has been brought into doubt due to their suspected involvement in some of the largest frauds. Specifically, the legal requirement for auditors has attracted particular attention. The introduction of the Sarbanes-Oxley Act in the USA in 2002 and the subsequent enactment of Statement on Auditing Standards No. 99

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Table I (Continued)

	conclusion by IFA practitioner on his/her independence.			
Occurrence of fraud	Regarding the opinion on the occurrence of fraud, the regulation is not strict as compared to USA. IFA practitioners are appointed in for synthesizing the illegal/misconduct practices, he/she can opine on the occurrence of fraud.	The opinion on the occurrence of fraud is prohibited. The decision regarding the same is on the part of court.	On a similar footing with Canada, the APES 215 has not provided any restriction on the opinion of the member.	FAIS 510: Reporting Results states that FAP should not draw a conclusion expressing guilty or innocent but can provide relevant circumstances and facts.
Quality Control	Not mentioned	Not mentioned	APES 320 Quality Control for firms needs to be adhered.	FAIS 610: Quality Control which includes two major aspect i.e. quality control review (QCS) and continuous professional education (CPE)

Source: Self Constructed

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