

part of their normal audit and not by special one-off reviews.” Further it is concluded that there is a difference between what is expected of auditors and what auditors acknowledge as being their role in relation to fraud and corruption, the so called ‘expectation gap’.

1.3 Objectives of forensic audit-

Objective of forensic audit is to find whether or not a fraud has taken place. Forensic auditor shall have to examine voluminous and in totality, records and witnesses, if permitted by law. Proper documentation is vital in substantiating the findings. The outcome shall focus on the following, in case of frauds:

- Proving the loss
- Proving the responsibility for the loss
- Proving the method/motive
- Establishing guilty knowledge
- Identifying other beneficiaries

Forensic auditing focuses on detection of financial frauds by linking the data knowledge and insight together and prevention of fraud by establishment and placing the accounting system on right track at the same time Forensic Audit is not influenced with

- Faithful creation of ingenious theories.
- Blind acceptance of projected statements.
- Blind acceptance of circumstantial evidence without cross examination.
- Misguided intuitions.

1.4 Skills required by auditor for Forensic Audit

- (a) Knowledge of entity’s business and legal environment.
- (b) Awareness of computer assisted audit procedures.
- (c) Innovative approach and skeptic of routine audit practices.

1.5 Application of forensic audit.

Forensic Accounting and Audit may be applied in the following areas besides fraud detection:

- (a) Conducting due-diligence (especially for segment wise profitability analysis)
- (b) Business valuation
- (c) Management auditing
- (d) Assessing loss before settling insurance claims.

1.6 Examination methods under forensic audit-

(a) Tests of reasonableness:

- Check weaknesses in internal controls.
- Identify questionable transactions – indicating wide fluctuations from the normal ones and not, in general, related to main objectives.
- Review questionable transaction documents for peculiarities, like improper account, classifications, pricing, invoicing, or claims, etc

(b) Historical Comparisons

- Develop a profile of the entity under investigation, its personnel and beneficiaries, using available information.