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| 6) In statutory audit if any adverse findings are n off balance sheet items, Negative opinion or qualified opinion expressed, with/ without quantification | 6) In forensic audit if any, adverse finding, legal determination of fraud and naming persons behind such frauds. |
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1.9 Detection Techniques of forensic Auditing

Forensic auditing should focus on significant transactions – both as reflected in financial statements and off balance sheet items The techniques mainly are ‘Critical Point Auditing’ and ‘Propriety Auditing’.

- (A) Critical Point Auditing: Critical point auditing technique aims at filtering out the symptoms of fraud from regular and normal transactions in which they are mixed or concealed. For this purpose, financial statements, books, records, etc. are analyzed mainly to find out:
- (i) Trend-analysis by tabulating significant financial transactions
 - (ii) Unusual debits/credits in accounts normally closing to credit/debit balances respectively
 - (iii) Discrepancies in receivable or payable balances/inventory as evidenced from the non reconciliation between financial records and corresponding subsidiary records (like physical verification statement, priced stores ledgers, personal ledgers, etc.)
 - (iv) Accumulation of debit balances in loosely controlled accounts (like deferred revenue expenditure accounts, mandatory spares account – capitalized as addition to respective machinery item, etc.)
 - (v) False credits to boost sales with corresponding debits to non-existent (dummy) personal accounts
 - (vi) Cross debits and credits and inter-account transfers
 - (vii) Weaknesses/inadequacies in internal control/ check systems, like delayed/non-preparation of bank reconciliation statements, etc.
- (B) Propriety Audit: Propriety audit is conducted by Supreme Audit Institutions (SAI) to report on whether Government accounts, i.e., all expenditure sanctioned and incurred are need-based and all revenues due to Government have been realized in time and credited to the government account. In conducting the propriety audit, “Value for Money audit” technique aims at lending assurance that economy, efficiency and efficacy have been achieved in the transactions for which expenditure has been incurred or revenue collected is usually applied. The same analogy, with modifications to the principles of propriety of public finance, applies in forensic audit to establish fraudulent intentions if any, on the part of the management. Financial frauds are results of wasteful, unwarranted and unfruitful expenditure or diversion of funds by the investigated entity to another entity.

1.10 Concluding Observation

Forensic auditing combines legalities alongside the techniques of propriety (VFM audit), regularity, investigative, and financial audits. The main aim is to find out whether or not true