

Perception and Effectiveness of Forensic Auditing Techniques in Detecting Corporate Fraud: A Study among Finance Professionals

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Abstract: Corporate fraud has emerged as a significant challenge for organizations worldwide, resulting in substantial financial losses and erosion of stakeholder trust. Traditional auditing mechanisms, though essential for regulatory compliance, often fail to detect sophisticated and well-concealed frauds. In this context, forensic auditing has gained prominence as a specialized tool that combines accounting, investigative, and legal skills to identify and prevent fraudulent activities. The present study examines the perception and effectiveness of forensic auditing techniques in detecting corporate fraud, focusing on finance professionals in the Indian corporate environment. Primary data were collected through a structured questionnaire administered to 100 finance professionals, including auditors, accountants, analysts, and compliance officers. Secondary data were sourced from academic journals, regulatory reports, and prior studies. The findings indicate that forensic auditing techniques such as data analytics, digital forensics, and fraud risk assessment are perceived as highly effective in fraud detection. However, challenges such as lack of expertise, high costs, and limited organizational support hinder their widespread adoption. The study concludes that increased awareness, training, and integration of forensic audits into regular audit frameworks can significantly strengthen corporate fraud detection and governance mechanisms.

Keywords: Forensic Auditing, Corporate Fraud, Fraud Detection, Digital forensics.

I. INTRODUCTION

Corporate fraud has become one of the most pressing issues affecting modern business organizations. Increasing globalization, complex organizational structures, and rapid technological advancement have created new opportunities for fraudulent activities. High-profile fraud cases such as Satyam Computer Services, Punjab National Bank, and IL&FS have exposed serious weaknesses

in traditional auditing systems. Conventional statutory audits are primarily designed to verify financial statements and ensure compliance with accounting standards; they are not specifically structured to uncover intentional fraud.

Forensic auditing has emerged as an effective response to these limitations. It involves the application of accounting knowledge, investigative skills, and legal expertise to examine financial records with the objective of detecting fraud and providing evidence suitable for legal proceedings. Unlike traditional audits, forensic audits focus on identifying red flags, tracing financial trails, and uncovering deliberate misstatements. With increasing regulatory scrutiny and emphasis on corporate governance in India, forensic auditing has gained relevance across industries, particularly in banking, financial services, and large corporations.

This study seeks to analyze the perception of finance professionals regarding forensic auditing and to evaluate the effectiveness of forensic auditing techniques in detecting corporate fraud. Understanding these perceptions is essential, as finance professionals play a critical role in financial reporting, internal control, and fraud prevention.

II. OBJECTIVES OF THE STUDY

The objectives of the present study are as follows:

1. Identify and analyze fraudulent activities within financial records.
2. Evaluate forensic auditing techniques used in fraud detection and prevention.

III. SCOPE OF THE STUDY

The study focuses on finance professionals working in corporate organizations, audit firms, and financial

institutions in India. It is confined to the perception and effectiveness of forensic auditing techniques related to corporate fraud detection. Individual-level frauds and cybercrimes unrelated to organizational fraud are excluded from the scope. The findings aim to reflect general trends rather than industry-specific conclusions.

IV. RESEARCH METHODOLOGY/RESEARCH DESIGN & METHODS

(I) Research Design:

The study adopts a descriptive research design to analyze awareness, perception, and effectiveness of forensic auditing techniques among finance professionals.

(II) Data Collection:

- **Primary Data:** Collected through a structured questionnaire administered to 100 finance professionals.
- **Secondary Data:** Collected from academic journals, books, regulatory publications (ICAI, SEBI, RBI), and online resources.

(III) Sampling Technique:

Convenience sampling was used due to accessibility and availability of respondents. The respondents are divided into strata based on professional roles and experience levels (such as auditors, accountants, analysts, and compliance officers). This technique helps reduce sampling bias and allows effective comparison of perceptions across different professional groups.

(IV) Sample Unit:

The sample unit of the study consists of finance professionals such as auditors, accountants, finance analysts, internal control personnel, and compliance professionals working in corporate organizations, audit firms, banks, and financial institutions. These professionals are directly or indirectly involved in auditing, financial reporting, and fraud detection.

(V) Sample Size – 100:

1. Out of 100 questionnaires sent, 64 responses were received. The chart indicates that the majority of respondents hold Professional Certifications (35.9%), followed by Postgraduates (25%) and Graduates (23.4%). Undergraduates account for 14.1%, while Ph.D. holders represent a very small proportion.

A sample size of 100 finance professionals is used for the study. This size is considered appropriate to maintain a balance between manageability and representativeness.

(VI) Research Instrument:

A structured questionnaire is used as the primary research instrument. It includes sections on demographic details, awareness of forensic auditing, perception of effectiveness, application of techniques, and challenges faced during forensic audits.

(VII) Data Analysis Tools:

Data were analyzed using percentage analysis, tables, Charts, and graphical representation with the help of MS Excel.

5. HYPOTHESIS OF THE STUDY

The hypothesis of the study is as follows:

H0: There is no significant relationship between forensic auditing and fraud reduction.

H1: There is a significant relationship between forensic auditing and fraud reduction.

H0: Forensic auditing techniques do not improve the accuracy of fraud detection.

H2: Forensic auditing techniques improve the accuracy of fraud detection.

6. DATA ANALYSIS AND INTERPRETATION

The analysis of survey responses shows that a majority of finance professionals are aware of forensic auditing and acknowledge its importance in fraud detection. Data analytics and digital forensic tools are perceived as the most effective techniques. Respondents with prior exposure to fraud investigations demonstrated higher confidence in forensic methods compared to those relying solely on traditional audits. Organizational support and training were identified as key factors influencing successful forensic audits.

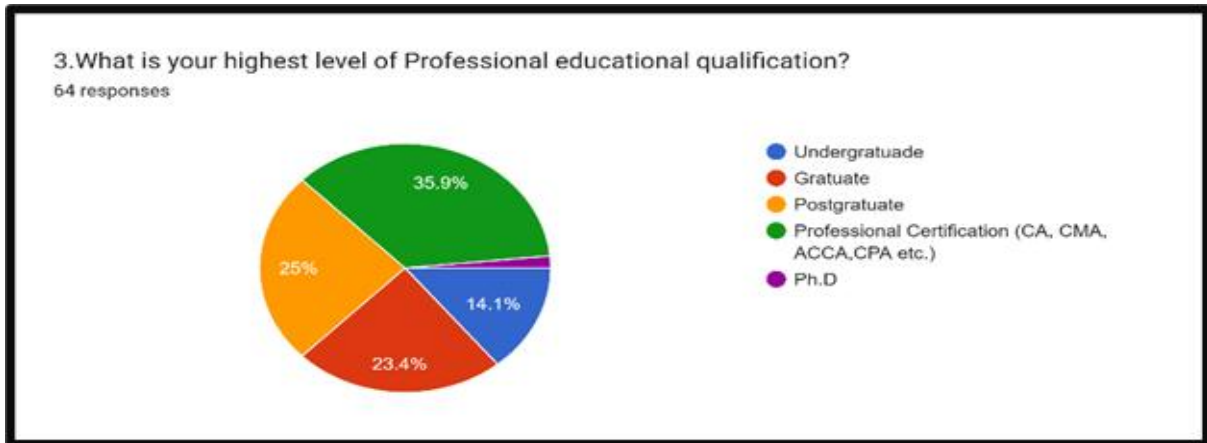


Fig 1.1

2. Out of 100 questionnaires circulated, 64 valid responses were received. The chart shows that “Other roles” (37.5%) constitute the largest category, followed by Auditors (31.3%) and Accountants (28.1%). A small proportion of respondents are Finance Analysts, while Internal Control/Compliance professionals form a negligible share.

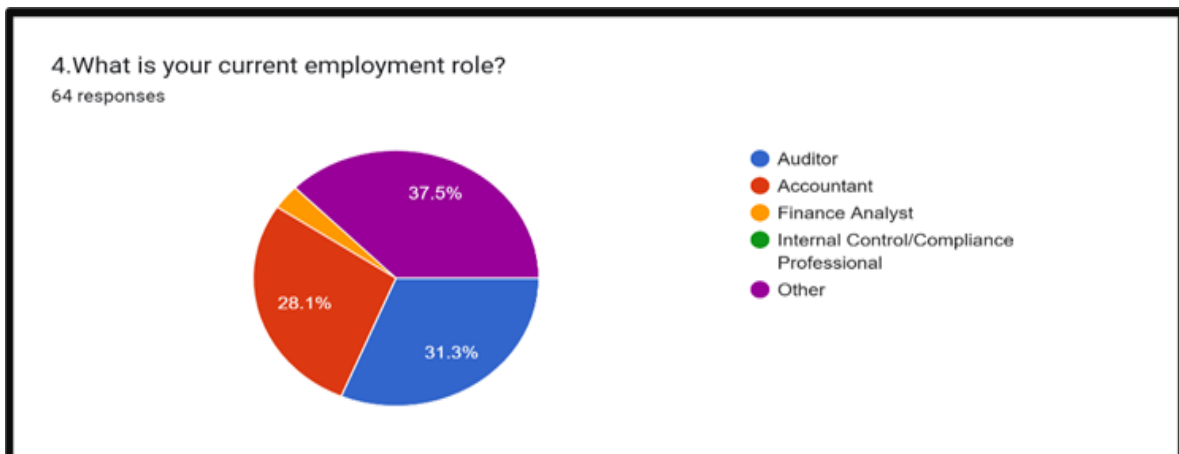


Fig 1.2

3. Out of 100 questionnaires circulated, 64 responses were collected. The chart indicates that a majority of respondents (60.9%) are aware of forensic auditing as a specialized audit function, while 39.1% reported that they are aware of it.

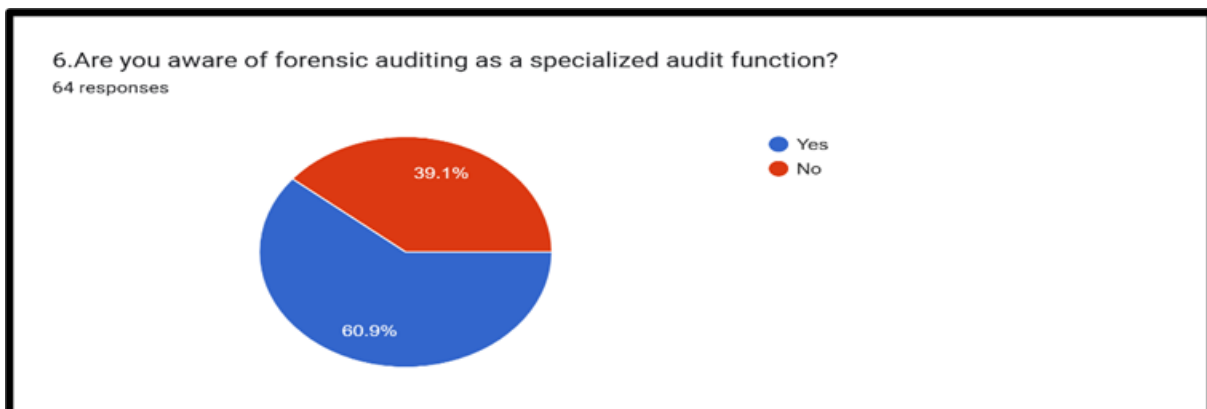


Fig 1.3

4. Understanding Of Forensic Auditing Techniques

Ratings	Percentage	Number of Responses (out of 64)
Very Good	28.1%	18
Good	28.1%	18
Average	28.1%	18
Poor	7.8%	5
Very Poor	7.8%	5

Fig 1.4

5. Out of 100 questionnaires sent, 64 responses were received. Most respondents consider Fraud Risk Assessment and Internal Controls Review as the most effective fraud detection technique, followed by Data Analytics and Digital Tools, while other methods received comparatively lower preference.

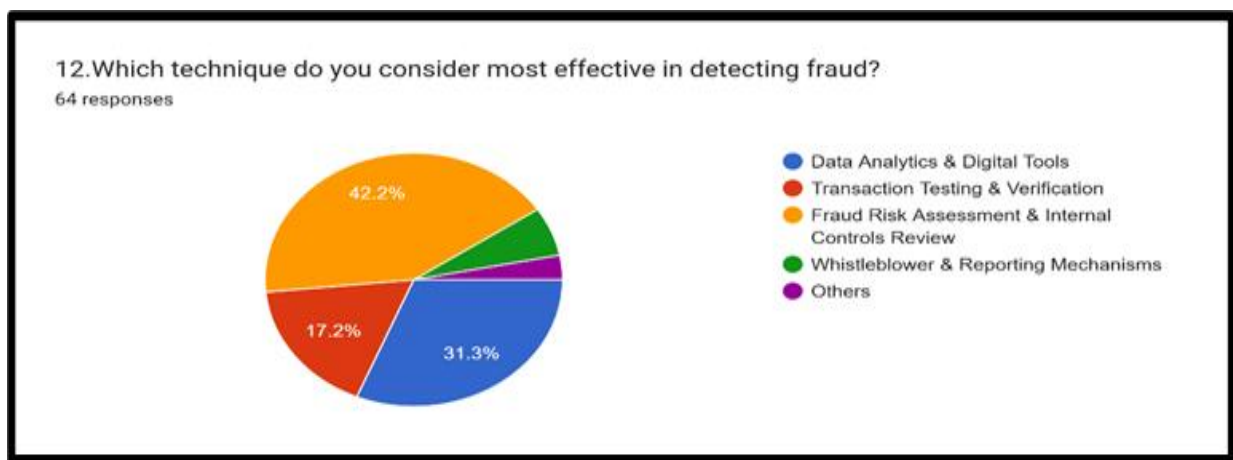


Fig 1.5

6. Out of 100 questionnaires circulated, 64 valid responses were obtained. The findings indicate that inadequate expertise and specialized training (51.6%) represent the most critical challenge in performing forensic audits. This is followed by time constraints (35.9%), limited availability of resources and tools (32.8%), and organizational resistance (31.3%). Additionally, the complexity of fraud schemes (23.4%) further complicates forensic audit engagements, while a smaller segment of respondents identified other operational challenges.

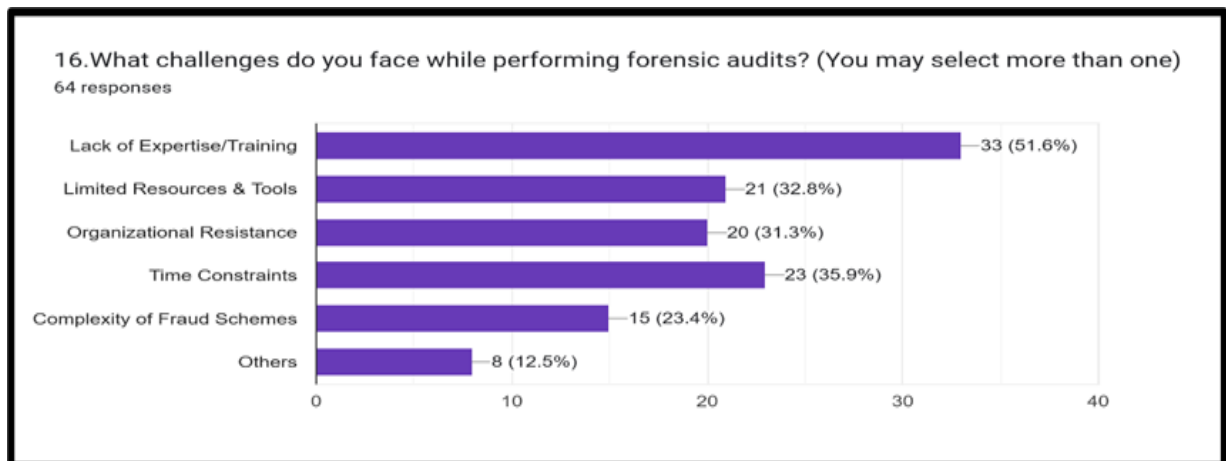


Fig 1.6

7. Out of 100 questionnaires distributed, 64 responses were received. The results show a strong consensus, with the majority of respondents either agreeing or strongly agreeing that regular updates, workshops, and exposure to fraud case studies significantly enhance the effectiveness of forensic auditing. A smaller proportion remained neutral, while no significant disagreement was observed.

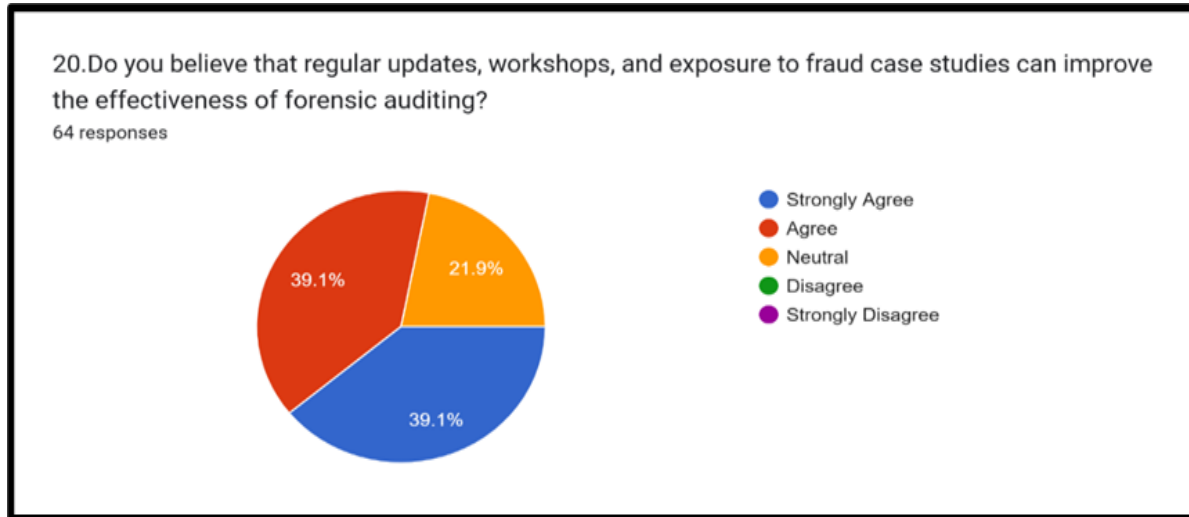


Fig 1.7

VII. REVIEW OF LITERATURE

Previous studies highlight the growing importance of forensic auditing in strengthening internal controls and detecting fraud. Researchers have emphasized that forensic techniques such as data analytics, digital examination, and transaction testing significantly enhance fraud detection capabilities. However, literature also indicates that the effectiveness of forensic audits depends on professional expertise, organizational support, and awareness levels. Several studies identify cost constraints, lack of trained personnel, and resistance from management as major barriers to implementation. The review reveals a gap in empirical studies focusing specifically on finance professionals' perception of forensic auditing effectiveness in the Indian context, which this study attempts to address.

Brooks, Button, and Frimpong (2009) examined fraud control mechanisms in the private sector and emphasized the importance of proactive fraud detection strategies. Their research indicated that forensic auditing plays a vital role in identifying early warning signs of fraud and strengthening internal control systems. The study suggested that organizations integrating forensic audits experience reduced fraud-related losses.

Kranacher et al. (2011) emphasized the role of forensic accountants in litigation support and fraud examination. Their study suggested that forensic auditing not only aids in fraud detection but also provides legally admissible evidence, making it an essential component of modern auditing practices. Mangala and Kumari (2017) studied auditors' perceptions regarding fraud detection methods and found that traditional auditing procedures are inadequate in identifying sophisticated frauds. Their study emphasized the need for forensic auditing tools such as analytical review, fraud risk assessment, and investigative techniques to enhance fraud detection capabilities. They also observed that auditors with forensic training showed higher confidence in detecting fraudulent activities.

The Association of Certified Fraud Examiners (ACFE, 2024), in its Report to the Nations, reported that organizations using data analytics and forensic techniques detect fraud faster and suffer lower financial losses compared to those relying solely on traditional audits. The report identified occupational fraud as a major global concern and emphasized forensic auditing as a key preventive and detective tool.

Zysman (2024) analysed the perceived value of forensic accounting in corporate fraud investigations and concluded that forensic audits significantly

improve the reliability of financial reporting. The study highlighted that forensic auditing combines accounting, legal, and investigative skills, making it more effective than conventional audits. However, lack of awareness and limited expertise were identified as major obstacles to its widespread adoption.

The Institute of Chartered Accountants of India (ICAI, 2025) outlined standards and practices for forensic accounting and investigation in India. ICAI highlighted the increasing demand for forensic audits in banking, corporate, and regulatory investigations. The report emphasized that forensic auditing enhances corporate governance, transparency, and accountability, especially in cases involving financial irregularities.

VIII.FINDINGS OF THE STUDY

1. Forensic auditing techniques are perceived as highly effective in detecting corporate fraud.
2. Finance professionals with training and exposure to fraud cases show greater confidence in forensic audits.
3. Data analytics and digital forensics are considered the most powerful tools for fraud detection.
4. High cost, lack of expertise, and limited organizational support restrict widespread adoption.
5. Regular training and awareness programs significantly improve the effectiveness of forensic auditing.

IX.CONCLUSION

The study concludes that forensic auditing plays a crucial role in detecting and preventing corporate fraud. Traditional audits alone are insufficient to uncover sophisticated fraud schemes. Forensic auditing, with its investigative approach and use of advanced analytical tools, provides a stronger mechanism for fraud detection and governance. However, for forensic auditing to achieve its full potential, organizations must invest in training, technology, and professional development. Integrating forensic audits into routine audit processes and strengthening regulatory support can significantly enhance corporate transparency and accountability.

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