THE MANAGEMENT ACCOUNTANT

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)

FORENSIC AUDIT: Tool for Fraud Detection & Prevention

Journal of
The Institute of Cost Accountants of India is a premier professional Institute and a Statutory Body established under an Act of Parliament under the administrative control of Ministry of Corporate Affairs (MCA). Government of India to regulate and develop the profession of Cost and Management Accountancy (CMA) in the country.

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- Enterprise Governance
- Finance Management
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- Benchmarking
- Financial Management
- Start-up
- Practice
- Service

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- Industry
- Academia

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Participating Companies in Campus Placement Drive 2021


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- to develop the body of members and properly equip them for functions
- to ensure sound professional ethics
- to keep abreast of new developments

Behind every successful business decision, there is always a CMA

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Institute Motto
From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

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Organisations typically face a variety of fraud and misconduct risks. Like a more conventional entity-wide risk assessment, a fraud and misconduct risk assessment helps management understand the risks that are unique to the organisation’s operations, identify gaps or weaknesses in control to mitigate those risks, and develop a practical plan for targeting the right resources and controls to reduce such risks. Management should seek to ensure that the risk assessment is conducted across the entire organisation, taking into consideration the entity’s significant business units, processes and accounts. Auditing and monitoring systems are important tools that management can use to determine whether or not the organisation’s controls are working as intended. They can also facilitate an effective governance process through the evaluation of other characteristics, including ethics and values, performance management, and the assessment and communication of risk.

In recent years banking processes are getting acquainted with the new digital technology domain. The risk of fraud and the cybersecurity threat is rising day by day. Banks and the Financial Institutions are becoming prone to the risk of numerous fraudulent activities. Banking sector regulators have been at the forefront of fraud mitigation strategies, prescribing frameworks that banks need to adopt to have a better view on fraud risks. Hence, Forensic Accounting is an attempt to achieve the goals for meeting the growing demand of the forensic accountants. The primary reason for choosing the banking sector is very simple. India has witnessed many frauds like Harshad Mehta, Ketan Parekh driven stock market frauds, CRB driven NBFC fraud and home trade driven rogue trading fraud. In the recent past, we have seen the frauds perpetrated by Vijay Mallya or Nirav Modi who have damaged an internal banking system a lot. Hence, banks need to set up a mechanism to curb these frauds and prevent them in the first stage itself.

The number of bank fraud cases of Rs 500 crore or higher, reported by public sector banks or financial institutions, till June 2021 stood at 13, said the Ministry of Finance citing information from the Reserve Bank of India (RBI). These cases counted to 79 in 2019-20 and 73 in 2020-21. The Ministry also stated that unscrupulous borrowers commit frauds through fund diversion methods, fraudulent disposal of hypothecated stocks, the fraudulent discount of instruments, and criminal neglect and managerial failure by the borrowers. The RBI circular has also observed frauds taking place through forged instruments, fictitious accounts, manipulated account books, and fraudulent foreign exchange transactions, among others. The government has issued a ‘Framework for the timely detection, reporting, investigation, etc., relating to large value bank frauds’ to Public Sector Banks (PSBs). This is for the systemic and comprehensive checking of the legacy stock of their non-performing assets (NPAs). The government has established the National Financial Reporting Authority as an independent regulator to enforce the auditing standards and ensure the quality of audits.

Regulations are being regularly tightened to ensure monitoring, vigilance and disclosure mechanisms including whistle blowers’ complaints. It is a universal truth that fraudsters are always a step ahead of regulators. We must accept that frauds are inevitable, and companies should lay down strong systems, processes, corporate governance practices and a robust recruitment process to ensure that the right people with integrity and value systems are hired. It is also important to create awareness among employees through rigorous training mechanisms, as to areas exposed to fraud and ensure that frauds are impartially investigated and culprits are punished, in time.

Forensic Audit is an important tool to manage risk. Risks are unanticipated events that may affect the organization’s ability to meet its key objectives. Thus, CMAs can apply Risk Mapping procedures to identify, analyze and quantify the risks interfering with the achievement of organizational objectives. They can set action plans to improve the risk management system to smooth the progress of the management. Since forensic accounting is a post-mortem approach, the CMAs have to measure output-input correlation, to find out the responsible input causing faulty/non-commensurate output. CMAs can play a major role in detecting and preventing corporate and banking frauds with their unique skills and emphasis on data analytics, technology, risk management and internal controls. They also play a role in establishing a culture where there is zero tolerance for unethical behaviour, through policies, practices and training. Indian Banks Association (IBA) has recognized Firms of Cost Accountants for Empanelment as Forensic Auditors for frauds. RBI has also given the power to CMAs for appearance as an Authorized Representative. The Board of Advanced Studies & Research of the Institute has recently introduced a Diploma Course in Forensic Audit for the capacity building of its members and students.

This issue presents a good number of articles on the cover story “Forensic Audit: Tool for Fraud Detection and Prevention” written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers will enjoy the articles.

Greetings and best wishes of the festive season ahead!!!
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Program Takeways
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  - CONDITIONS AND EXCLUSIONS
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  - BUSINESS INTERRUPTION
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MODULE - III
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  - TYPES OF CARGO
  - MARINE UNDERWRITING
  - MARINE CLAIMS

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  - PACKAGE POLICIES
  - MOTOR UNDERWRITING
  - MOTOR OWN DAMAGE CLAIMS
  - MOTOR THIRD PARTY CLAIMS

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Cover Stories on the topics given below are invited for *The Management Accountant* for the four forthcoming months

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*The above subtopics are only suggestive and hence the articles may not be limited to them only.*

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st week of the previous month.

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- On the right hand side of the web page (for new users) there is an option “click here to receive your J-Gate Login Credentials”, click on it and you will get a registration form. Fill out the form as indicated. And you will get the login details within 7 working Days.

Members & Students of the Institute are requested to kindly reach us at journal.hod@icmai.in for any problem related to e-library or J-Gate. You can also write to us in case if you need any training on J-Gate.
My Dear Professional Colleagues,

As informed in my earlier communique that I shall be handing over the baton to the next President on 20th September, 2021 but due to the postponement of the election of the President, I am duty-bound to continue and discharge my duties as President of the Institute until the election of the new President.

The month of October brings with it a season of vibrant festivities, starting from Durga puja till Diwali, there are various festivals which make our life colourful, enthusiastic and bring people together. Each of these festivals has its own significance in our life. I convey my best wishes to all students, members and their family. May this festival season bring joy, health and prosperity to all.

Merging of Intermediate and Final Examination for June and December, 2021 session.

The Institute has decided to postpone and merge the Intermediate and Final Examination of the Institute for June, 2021 session with the Intermediate and Final Examination for December, 2021 session, with due carryover of all relevant benefits already available to the students including fee payment and subject wise exemption. Link to the re-scheduled Intermediate and Final Examination June 2021 and December 2021: https://icmai.in/upload/Examination/Notification/Exam-Notification-Rechedule.pdf

Extension of last date of submitting the Cost Audit Report

I am pleased to inform that based on the representation of the Institute, the Ministry of Corporate Affairs vide its circular dated 27th September, 2021 has extended the last date of submission of the Cost Audit Report by the Cost Auditor to the Company / Board of Directors upto 31st October, 2021. Link to the circular: https://icmai.in/upload/Institute/Updates/MCA_Circular_2809_21.pdf

Events organised under Azadi ka Amrit Mahotsav (AKAM)

As you all are aware, the Institute is actively participating in the Azadi ka Amrit Mahotsav (AKAM) by organizing series of events to commemorate the 75 years of India’s Independence. I am pleased to inform that the Institute has organized a Child Literacy Program to commemorate the Azadi ka Amrit Mahotsav on 24th September, 2021 at New Delhi. More than 70 children participated in the program. CMA Kaushik Banerjee, Secretary of the Institute distributed kit to all participating children, containing educational materials, stationary items and personal protective items such as masks and sanitizer. With the active participation of all Regional Councils and Chapters, the Institute has successfully organised Swachhta Abhiyan by undertaking cleanliness activities in the office premises and its surroundings on 1st October, 2021.

Meetings with dignitaries

On 14th September, 2021, I along with CMA P. Raju Iyer, Vice President had an opportunity to meet Shri Arjun Ram Meghwal, Hon’ble Union Minister of State for Culture for a courtesy meeting and discussed the Institute’s representation for the name change of the Institute.

I am pleased to inform that I along with CMA P Raju Iyer, Vice President, CMA Kunal Banerjee, Past President, CMA Chittaranjan Chattopadhyay, Chairman BFSI Board & Indirect Taxation Committee
of the Institute and CMA B.B. Goyal, Advisor, ICWAI MARF & former Addl. Chief Adviser (Cost), Ministry of Finance, GoI met Dr. T.V. Somanathan, IAS, Finance Secretary to the Government of India, Ministry of Finance on 14th September, 2021 to discuss important matters related to the profession.

I am happy to share that CMA Chittaranjan Chattopadhyay, Director AAT Board and Member, Committee for Accounting Technicians (CAT) of the Institute met Dr. Subhas Sarkar, Hon’ble Union Minister of State for Education on 24th September 2021 and handed over the proposal for implementation of CAT course in various States for skill development of youth in India.

I wish to inform that CMA P. Raju Iyer, Vice-President along with CMA Neeraj Joshi, Council Member of the Institute and CMA B.B. Goyal, Former Addl. Chief Adviser (Cost), Ministry of Finance, GoI had a meeting with Shri Arun Goel, IAS, Secretary to the Government of India, Ministry for Heavy Industries on 1st October, 2021 and gave a detailed representation relating to Cost Audit in the notified PLI Scheme for Automotives and Auto Components. In addition, issues related to certification of Value Addition and Cost of Production by the Cost Accountants in both the PLI Schemes notified by the Ministry were also raised.

**Representation to Public Enterprises Selection Board**

I wish to inform the members that the Institute has submitted representation to Public Enterprises Selection Board (PESB) to provide equal opportunity to Cost Accountants for recruitment to the post of Director (Finance) and other similar positions in Central PSEs. In this regard, CMA P Raju Iyer, Vice President along with CMA Chittaranjan Chattopadhyay, Chairman of BFSI Board and Indirect Taxation Committee of the Institute and CMA B. B. Goyal, Former Addl. Chief Adviser (Cost), Ministry of Finance had a meeting with Secretary, PESB to discuss our grievance on 17th September, 2021. The Institute has also taken up the matter with Dr. Jitendra Singh, Hon’ble Union Minister of State for Personnel, Public Grievances and Pensions and submitted a detailed representation.

**Representation to NBFCs and UCBs regarding Risk Based Internal Audit**

I am pleased to inform that the Institute has submitted representation to various Non-Banking Financial Companies (NBFCs) and Urban Co-operative Banks to empanel and engage the services of Cost Accountants/ Firms of Cost Accountants to undertake Risk Based Internal Audit in their respective organization.

*I now present a brief summary of the activities of various Departments/Committees/ Boards of the Institute, in addition to those detailed above:*

**BANKING, FINANCIAL SERVICES AND INSURANCE BOARD**

I am pleased to share a brief note on the various activities of the BFSI Board under the Chairmanship of CMA Chittaranjan Chattopadhyay during the month of September 2021 as appended below:

**I) WEBINT**

BFSI Board in association with National Institute of Securities Markets (NISM, an educational initiative of SEBI) had organised a WEBINT on the topic of “How investors can analyse annual reports to detect both rogue companies who steal Money and identify great companies who create massive wealth”. Shri Saurabh Mukherjea was the Guest of Honour and Speaker who is the Founder and Chief Investment Officer, Marcellus Investment Managers. The other speakers of the same were Shri Salil Desai, Investments, Marcellus Investment Managers and Shri Rakshit Ranjan, Investments, Marcellus Investment Managers respectively. The WEBINT also highlighted the various facets of their new publication titled ‘Diamonds in the Dust’.

**II) Certificate Course on General Insurance in association with National Insurance Academy**

The BFSI Board would be soon launching the certificate course on general insurance in association with National Insurance Academy (NIA) to update the members about various facets of general insurance which are necessary for them to update their knowledge in insurance sector. The course would be for members and students to take the opportunity for skill development and knowledge dissemination for which the last date for admission is 15th October, 2021.

**III) Investment Management Course in association with NISM**

BFSIB and NISM has started the admission process for 7th Batch of Investment Management (Level-I), 4th Batch of Investment Management (Level-II) and 2nd batch of Investment Management (Level-III). The courses are likely to commence soon.

**IV) Banking Courses**

BFSIB started the 5th batch of Certificate Course on Credit Management of Banks from 12th September 2021. Shri Tauqif Alam, DGM, MSME, Punjab National Bank was the Chief Guest for the inaugural session.

I am sure members and students who take up the three certificate courses on Banking will greatly benefit towards their skill development and knowledge enhancement.

**V) Representation letters for inclusion of CMAs**

The BFSI Directorate has represented to various
COST ACCOUNTING STANDARDS BOARD (CASB)

I am glad to inform you that the CASB jointly with the CAT and AAT Board of the Institute is organising a Series of WEBINT on CAS on Saturdays from 11 am. The inaugural session was held on 4th September 2021 wherein I was invited to give the presidential address. It is a very informative and important initiative taken by the Institute for the capacity building of the members and students since there will be discussion on the practical aspects of the Standards and the queries of the participants will also be resolved by the speaker. There will be webint sessions every Saturday on each of the 24 Cost Accounting Standards issued by the CASB. The recording of the sessions is being made available on the YouTube account of the Institute. I urge the members to join the session and get benefitted by the deliberations. There is no participation fee for joining the session/s and CEP hours will be awarded as per rules to the participants.

I congratulate CMA (Dr.) Balwinder Singh, Chairman-CASB, CMA H Padmanabhan, Chairman-CAT & AAT Board (Coordinator of the Series) and CMA (Dr.) Ashish P Thatte, Chairman, CLC (Main Resource Person of the Series) for this significant initiative.

DIRECTORATE OF CAT

MOU with Maharashtra State Skill Development Society (MSSDS)

I am happy to share that the Institute has signed a Memorandum of Understanding (MOU) with Maharashtra State Skill Development Society (MSSDS), Government of Maharashtra on 7th September, 2021 at Mumbai in the august presence of Shri Nawab Malik, Hon’ble Minister for Skill Development and Entrepreneurship, Maharashtra, Smt. Manisha Verma, IAS, Principle Secretary, Skill Development and Entrepreneurship, Maharashtra, Deependra Singh Kushwah, IAS, CEO, MSSDS, CMA H. Padmanabhan, Chairman (CAT and AAT Board) of the Institute, CMA Rakesh Singh, Former President of the Institute, CMA (Dr.) Balwinder Singh, Immediate Past President of the Institute. The MOU will foster skill development of the youth of Maharashtra through Certificate in Accounts Executive course targeting to cover 3,00,000 students at Plus 2/Graduate levels of this state, over a period of 3 years. I congratulate Chairman, CAT on signing of this historic MOU.

E-Learning Classes for CAT Students

I am pleased to inform that the Directorate of CAT has started e-Learning Classes for CAT students from 4th October, 2021 to provide them subject-wise in-depth teaching through expert & experienced faculties. I congratulate CMA H Padmanabhan, Chairman CAT for this initiative taken for the benefit of the CAT Students.
MEMBERSHIP DEPARTMENT

I feel very privileged and happy to congratulate and welcome all the new 158 Associate members who were granted Associate membership and 62 Associate members who were upgraded to Fellowship during the month of September 2021. I would also like to again call upon all final passed students who are eligible to apply for membership to avail the members’ online application system for application of Associate membership at the earliest, the link for which is https://eicmai.in/external/ChooseApplicationType.aspx

To continue enjoying all the benefits of membership, this is a gentle reminder to members who are yet to pay membership fees for 2021-22, that membership fees for the current year has fallen due on 1st April 2021 and were required to be paid latest by 30th September 2021. Our records show that some members are yet to pay the membership fees and I call upon them to please avail the Institute’s online facilities to pay the dues from the comfort of their home or office by using any one of the following links at the earliest -

a. Link to pay membership fees without login: https://eicmai.in/MMS/PublicPages/UserRegistration/Login-WP.aspx.

b. Link to pay membership fees with login (login must to download receipt): https://eicmai.in/MMS/Login.aspx?mode=EU (preferred link).

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

I am glad to inform you that on Institute’s representation and regular follow-up, the Security Exchange Board of India (SEBI) has considered the practicing Cost Accountants to carry out share reconciliation audit of issuer companies under the Regulation 76(1) of SEBI (D&P) Regulations, 2018.


I would like to inform that the Institute has aligned the time limit for generating Unique Document Identification Number (UDIN) in accordance with the CAS-102 on Cost Audit Documentation and the Guidance Manual for Audit Quality by the Quality Review Board of the Institute and amended the time limit of generating UDIN to 60 days for more details please refer the UDIN portal of the Institute.

PD Directorate has started the registrations for 4th Batch of Online Mandatory Capacity Building Training (MCBT) through the link: https://eicmai.in/MCBT_140721/Home.aspx. Last date to complete the registration is 20th October 2021. I request the practicing members to avail this opportunity to complete their MCBT, as you are already aware that Institute has granted the extension of time for successful completion of MCBT upto 31st December, 2021 to the practicing members who have taken Certificate of Practice (COP) during the period 1st February, 2019 to 31st March, 2021 and have not undergone the MCBT and desirous of renewing their COP for the year 2021-22.

PD Directorate submitted representations to various organizations for inclusion of cost accountants for providing professional services.


During the month, the Professional Development and CPD Committee organised webinar on “Balance Score Card” and “EPC Contract-Accounting Perspective”. Further, the Committee also associated with the PHD Chamber of Commerce and Industry and conducted webinars on “Recent Changes in Tax Implications of Restructuring of Business” and “How to prepare and Face Audit & Assessment by GST Department”.

During the month, around seventy five webinars were organised by the different committees of the Institute, Regional Councils and Chapters of the Institute on the topics of professional relevance and importance. I am sure our members are immensely benefited from the deliberations in the sessions.

REGIONAL COUNCIL & CHAPTERS COORDINATION COMMITTEE

WEBINTs

The committee under the Chairmanship of CMA (Dr.) K Ch A V S N Murthy organized 2 WEBINTs during the month of September 2021. Both the WEBINTs were attended in large numbers and were very well received.
The Management Accountant - October 2021

Presidential Communication

by all.

a. WEBINT on 4th September, 2021 was organised jointly with the Information Technology Committee under the Chairmanship of CMA Ashwin G. Dalwadi on the topic “Blockchain Technology: Impact on Accounting and Taxation” for which the speaker was CMA Guruprasad V. I, along with CMA P Raju Iyer, Vice President, CMA (Dr.) K Ch A V S N Murthy, Chairman, RC & CC Committee and CMA Ashwin G. Dalwadi, Chairman IT Committee also addressed the participants.

b. WEBINT on 8th September, 2021 was organised jointly with the Professional Development Committee under the Chairmanship of CMA Vijender Sharma on the topic “Execution of a Metro Railway Project- A Case Study of Hyderabad Metro Rail” for which the speaker was CMA D. Surya Prakasam, General Manager (F&CA), Hyderabad Metro Rail Ltd. CMA (Dr.) K Ch A V S N Murthy along with CMA Chittaranjan Chattopadhyay, Council member, also addressed the participants.

tega NEW CHAPTERS

I am happy to announce that based on recommendation of the Regional Council & Chapters Coordination Committee under the Chairmanship of CMA Vijender Sharma 2 new chapter has been approved by the Council both in the state of Telangana under SIRC, namely –

a. Sathavahana Chapter of The Institute of Cost Accountants of India covering the area of Karimnagar district.

b. Warangal Chapter of The Institute of Cost Accountants of India covering the area of Warangal district.

Two numbers of Notifications, both dated 28th April 2021 have been issued accordingly.

TAX RESEARCH DEPARTMENT

I am happy to inform that the third batch of the workshop on “Filing of Return of Income - provisions, procedures and how to address issues” was successfully conducted by the tax research department in the month of September, 2021. Like earlier batches, this batch also received great response from the participants. The department also conducted a webinar on the topic ‘E-Return Intermediary’ which was well received by the members. The admissions for the Taxation Courses are open and students from all across the country are participating in the courses. Further, some leading corporates have also approached the department to conduct customised courses for their employees which is now been worked upon. The department have also released the 95th and 96th edition of Tax Bulletin.

ICMAI REGISTERED VALUERS ORGANISATION (RVO)

I am pleased to share that ICMAI RVO has successfully organized the 12th Online COP program for RVs, 10th Online Batch of seven days program on Land & Building and Plant & Machinery, 16th Online Batch of seven days program on Securities or financial Assets, 4 batches of Master Class on Valuation, 3 Days Learning Session on Case Studies, Master Class on Practical Aspects on Valuation, Learning Session for Registered Valuers, Master Class on Best Practices in Valuation and Valuation Standard Conclave during the month.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF THE INSTITUTE

I am pleased to inform you that Insolvency Professional Agency of the Institute of Cost Accountants of India (IPA ICAI) has taken various professional development initiatives during the month of September: Master Class on Emerging Scenarios under IBC from 10th to 12th September 2021, IP Conclave jointly by IPA ICAI, ICSIIP & IIPI which was organised in Kolkata and was attended by Dr. MS Sahoo, Chairperson IBBI, Dr. Navrang Saini, Whole time member IBBI on 18th September 2021, Two days learning session on How to handle CIRP as a Project was also organised on 25th & 26th September 2021 which has received overwhelming response from the participants, IPA ICAI was a logo partner in a program organised by ENQUBE collaborations on 28th September 2021. IPA ICAI has published Au-Courant (Daily Newsletter) and monthly E- Journal which is on the website of IPA ICAI.

I wish prosperity and happiness to members, students and their family.

Be safe and healthy!

With warm regards,

CMA Biswarup Basu

October 7, 2021
CMA Biswarup Basu, President of the Institute along with CMA Chittaranjan Chattopadhyay, Chairman BFSI Board & Indirect Taxation Committee of the Institute met Shri Arjun Ram Meghwal, Hon’ble Union Minister of State for Culture on 14th September, 2021 for a courtesy meeting and to discuss the Institute’s representation for the name change of the Institute.

A delegation led by CMA Biswarup Basu, President of the Institute met Dr. T.V. Somanathan, IAS, Finance Secretary to the Government of India, Ministry of Finance on 14th September, 2021 to discuss important matters related to the profession. CMA Biswarup Basu, President was accompanied by CMA P Raju Iyer, Vice President, CMA Kunal Banerjee, Past President, CMA Chittaranjan Chattopadhyay, Chairman BFSI Board & Indirect Taxation Committee of the Institute and CMA B.B. Goyal, Advisor, ICWAI MARF & former Addl. Chief Adviser (Cost), Ministry of Finance, GoI.

CMA Chittaranjan Chattopadhyay, Chairman BFSI Board & Indirect Taxation Committee of the Institute met Dr. Subhas Sarkar, Hon’ble Union Minister of State for Education on 24.09.2021 and handed over the proposal for implementation of CAT course in various States for skill development of youth in India.

CMA Chittaranjan Chattopadhyay, Chairman BFSI Board & Indirect Taxation Committee of the Institute extending greetings to Shri S.K. Gupta, CMD, MSTC Limited during a meeting with him and Shri Subrata Sarkar, Director Finance, MSTC Limited on 23.09.2021.

Glimpses of the Child Literacy Program organised by the Institute to commemorate Azadi Ka Amrit Mahotsav on 24.09.2021 at CMA Bhawan, New Delhi.
Training Programme on 
“FINANCIAL ACTIVITIES”
for
OFB EMPLOYEES

In tune with a decision by the Union Cabinet, the Ordnance Factory Board (OFB) will stand dissolved with effect from October 1, 2021 and its assets, employees and management are being transferred to seven newly established defence public sector undertakings (DPSUs), according to an official order by the defence ministry to improve its accountability, efficiency and competitiveness. At this outset, an urgent need has been felt to create a pool of personnel of OFB organization trained in finance and accounts for performing financial activities.

Hence, Ordnance Factories Institute of Learning (OFIL), Ishapore, one of the eight premier training institutes under the Ordnance Factory Board, Dept. of Defence Production, Ministry of Defence, Government of India, organized a Training Programme on
“Financial Activities” to upgrade technical and managerial skills of Group ‘B’ & ‘C’ officers / employees from September 13 to 25, 2021 in the premises of OFIL, Ishapore. The Directorate of Advanced Studies of The Institute of Cost Accountants of India has provided Academic Support for the event.

The Faculties who conducted the Training sessions were: CA Arijit Basu, Practising Chartered Accountant; CMA (Dr.) Joydip Dasgupta, Associate Professor, Dept. of Commerce, Nabadwip Vidyasagar College and CMA Krishnendu Prasad Ray.

CMA Biswarup Basu, President, The Institute of Cost Accountants of India was the hon’ble Chief Guest in the Valedictory Session of the event. Other dignitaries who graced the dais as honoured guests were: Shri K Basu Roy, Principal Director, Ordnance Factories Institute of Learning, Ishapore; Shri Surajit Bit, Course Director and CMA Krishnendu Prasad Ray, GM (Finance) & Head, Internal Control & Audit (Retd.), NEEPCO Ltd., Shillong.

OFIL expressed their earnest gratitude for the initiatives taken by CMA (Dr.) Debaprosanna Nandy, Senior Director (Studies, Training & Education Facilities and Placement & Career Counselling, Advanced Studies) and CMA Sucharita Chakraborty, Additional Director (Journal & Publications) under able guidance of CMA Debasish Mitra, Council Member and Chairman, Board of Advanced Studies & Research, The Institute of Cost Accountants of India for successful conduct of the training programme.

The event was concluded with the Valedictory Address delivered by CMA Biswarup Basu. The participants expressed their utmost satisfaction and seemed to have acquired a good perception of the course in general; they evaluated the course and the material provided as highly beneficial.
Abstract

Fraud can inflict severe damage on companies by weakening stakeholder confidence, lowering employee morale, decreasing profits and damaging company reputation. And by the time fraud is detected and reported, it is usually too late, as most organizations recoup none of their losses. To protect against the threat of fraud, risk management leaders should establish a strong fraud risk management program. Having such a program can help stop fraudulent behavior before it happens.

Defining Fraud

Fraud is defined as any illegal act characterized by deceit, concealment or violation of trust. Such acts do not depend on the application of threat of violence or of physical force. Fraud is perpetuated by individuals and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Occupational fraud, more specifically, is the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.

Three major factors can increase the likelihood of fraud risk (see Figure 1):

- **Opportunity** is the circumstance that allows an employee to misappropriate cash or other organizational assets.
- **Pressure** is the motive or incentive for an employee to commit fraud.
- **Rationalization** is the frame of mind that allows employees to intentionally misappropriate cash or other organizational assets. This frame of mind causes employees to justify their actions.

Fraud risk is an organization’s vulnerability to individuals with all three elements — opportunity, pressure and rationalization — of the fraud triangle.

Figure 1:

Fraud Types

There are three main fraud categories:

1. **Corruption fraud** includes conflicts of interest, bribery, illegal gratuities and economic extortion.
2. **Asset misappropriation** usually occurs through cash thefts, false sales and shipping, and unconcealed larceny.
3. **Financial statement fraud** includes net worth or income overstatements and understatements.

Causes and Consequences of Fraud Risk

Several factors lead to an increase in fraud risk. The most

Fraud risk is an organization’s vulnerability to individuals with all three elements — opportunity, pressure and rationalization — of the fraud triangle.
common drivers are:

- **Technological advances** — Innovative technologies increase the number of employees with access to corporate systems, increasing companies’ vulnerability to misuse.

- **Complex business environments** — Organizations’ growing complexity increases the opportunities for fraud, as increased complexity makes oversight more difficult.

- **High workforce turnover** — Rapid workforce turnover means anti-fraud initiatives take longer to be effective, as the organization must continually train new employees on fraud risk.

- **Changing economic outlook** — Periods of slow economic growth make it harder for employees to deliver on objectives, creating incentives to “cheat” to meet goals.

The enterprise-level consequences of fraud are manifold and can significantly harm the company. These consequences include:

- **Weaker stakeholder confidence** — Fraudulent activities undermine an organization’s ability to be profitable, creating panic among investors.

- **Poor employee morale** — Employees who witness fraudulent activities and a lack of effective anti-fraud methods demonstrate lower morale and engagement levels.

- **Lower profitability** — Failure to effectively detect fraudulent activities may lead to significant financial losses.

- **Reputational damages** — Fraudulent activities, especially if leaked to the media, can significantly deteriorate an organization’s public image.

### How to Build an Effective Fraud Risk Program

An effective fraud risk management has five key components:

1. Fraud risk governance
2. Fraud risk assessment
3. Fraud control activity
4. Fraud investigation and corrective action
5. Fraud risk monitoring activities

### Fraud Risk Assessment

The case for a robust fraud risk assessment is rooted in the COSO Internal Control-Integrated Framework and the IIA’s International Standards for the Professional Practice of Internal Auditing, which explicitly call on audit to assess the fraud risks that may threaten the organization.

Our Fraud Risk Assessment is a survey-based tool that allows chief audit executives to collect feedback from a wide range of stakeholders to identify and assess their organizations’ key fraud risks. This turnkey solution provides a fast and cost-effective way to build out a core component of your fraud risk management strategy.

Our Fraud Risk Assessment survey results help leaders to:

- Build a complete view of fraud risks in the organization.
- Inform risk mitigation activities (e.g., strengthen controls, create greater risk awareness in the organization).
- Uncover possible blind spots by identifying differences in risk perception between different segments of your organization.
- Better customize risk communication to different segments of the organization.
- Assess the strength of your current fraud risk management program.

### Goal: To measure employee perceptions of:

- Environmental factors which affect the risk of fraud
- Likelihood of specific schemes

### Sample Fraud Risk Assessment Tool – Fraud Conditions & Fraud Scenario Questions for the Fraud Survey

#### Fraud Conditions: 11 questions focus on the effectiveness of the conditions which affect the likelihood of fraud or misconduct. (5-point rating scale from strongly disagree to strongly agree)

1. Executive Management (CEO & Presidents) set a strong tone on ethics and compliance through their words and actions.
2. Local (Regional or Site) Management set a strong tone on ethics and compliance through their words and actions.
3. I understand the Code of Business Conduct & Ethics Policy and how it relates to my role.
4. I am familiar with the policies that are applicable to my job.
5. Pressure to achieve my goals and targets does not create a conflict with the Code of Conduct.
6. If employees commit fraud at the company, will it likely be discovered.
7. Employees who commit fraud or misconduct receive appropriate discipline.
8. My direct manager has spoken to me about the importance of ethics & compliance in the last 6 months.
9. I feel comfortable to speak freely with my manager about the pressures I face at work.
10. Is the Ethics & Compliance training at the company effective?
11. My coworkers are honest and
would not commit fraud even if the opportunity arose.

**Fraud Scenarios: 14 questions**  
describe the common fraud scenarios in the company (5-point rating scale from very unlikely to very likely), and 1 question of free form comment.

1. Purchasing fraud & conflict of interest, such as accepting kickbacks, bid rigging, awarding business to friends or relatives.
2. Stealing or mis-using company assets (e.g. inventory, cash, equipment, false expense claims).
3. Falsifying working hours to earn additional wages or overtime.
4. Stealing confidential information belonging to the company or our customers (e.g. product designs or BOM data).
5. Offering gifts or entertainment to government officials to influence a decision.
6. Financial misreporting of revenue (recording revenues at an incorrect amount, or in the wrong period).
7. Financial misreporting of expenses (recording expenses or accruals at an incorrect amount, or in the wrong period).
8. Adjusting accounting estimates in order to meet financial goals such as bonus targets.
9. Other financial misreporting (recording other balances, assets or liabilities incorrectly).
10. Providing false or manipulated information to customers (e.g: Purchase Price Variance, Test results, Withholding Rebates).
11. Inappropriate behavior, management misconduct or discrimination (e.g. failing to treat people with dignity and respect, bullying).
12. Operating under unsafe conditions which could lead to worker injuries, including blocked exit doors or lack of personal protective equipment.
13. Polluting the environment (e.g. through handling of waste or hazardous chemicals).
14. Malicious damage to network and information systems leading to business disruption.
15. Please list any other types of fraud or misconduct that you believe are likely to occur in your organization (Free Form Text).

*Results of the survey can be plotted using any of the visualization tools.*

**Who can benefit from the Fraud Risk Assessment Survey results:**

- **Corporate Leadership Team:** know the overall fraud risks and the tone at the top.
- **Regional/ Functional/ Site Management team:** Result comparison by regions/functions/sites help to identify the weaker areas. Site specific analysis shared to the site Management to improve the site awareness and to minimize the likelihood of certain fraud risk.
- **Audit and Compliance team:** One of the predictive data points during the planning stage for the Annual Audit Risk Assessment. Testing steps can be customized to address the fraud scenarios with higher likelihood. Better assurance in the audit project.

**Conclusion**

Given the severe consequences of fraud, it is vital for organizations to effectively manage fraud risk. Fraud recovery is difficult, and more often than not, organizations recover nothing.

A complete fraud risk program can help protect the organization from the financial, employee, stakeholder and reputational costs of fraud.

**References**

1. https://na.theiia.org/
2. www.acfe.com
FORENSIC ACCOUNTANT: A NEW FRONTIER IN THE ACCOUNTING PROFESSION

Abstract

The collapse of Corporate giants due to white collar crimes & frauds results economic downfall and pushes the investors and the Government in unpleasant situation. Once frauds happened in any organization, the accountants & auditors are facing lot of criticism and litigations due to failure in detecting and plugging frauds. The management struggles to safeguard themselves by introducing internal control system that maintains the transparency in all transactions and adequacy of good Corporate governance practice. The accountants are trying to tighten the loopholes in accounting and auditing system, procedures and building up adequacy in safeguard measures. In this situation, the forensic accountants play a major role in cracking down the white-collar crimes and frauds because of their investigative skills and to go beyond the routine audit and focused attention on detecting the fraudulent transactions. The demand of the Corporate world is to engage the forensic accountants who are responsible in detecting frauds and financial crimes and to report and advise for remedial measures in order to protect against financial loss out of these unscrupulous activities.

Forensic Accounting: Introduction

The landscape of the Corporate scenario has changed dramatically in the last couple of years. With the increasing business activities, the fraud and financial crimes have also been increased to a larger extent. Unless the same are cracked down, economy of the country will collapse. Our country witnessed various financial scams which involved huge public funds and invited a lot of criticism from various corner. To control over the financial crimes, the accountants’ responsibilities have also been increased to a greater extent. With the increase in white collar crimes and fraud, the accountants’ responsibilities have been redefined.

This is apart from routine audit and examination of various compliances, adherence to various accounting policies, rules and practices, financial derivatives, international stock tracking etc. It needs a new set of skills that is required to detect the fraudulent transactions in an organisation.

Auditor’s limitations: Internal & External

i. The frauds and financial crimes in high level is very complex in nature and it involves million and billions of rupees resulting to invite catastrophic failure of the corporates. These incidents raised many questions and the most important one is: Where were the auditors, it may be either external or internal auditors?

The following are the main reasons for failure by the auditors in detecting the frauds:

1. It is the deference to senior management especially relating to high value complex financial transactions and its processing model;
2. The scope of job responsibilities that is designed by the management,
3. The information provided to the auditors are limited and restricted too,

ii. In every organisation, the management have full control over the organization’s each transaction, related assets, liabilities etc. The auditor can exercise their activities up to that extent. Moreover, it is the management’s responsibility to present financial statements and the...
Forensic accountants: Characters & Nature

Forensic accounting is the field which covers the issues like investigation, detection and prevention of white-collar crimes in an organisation. It is called investigative accounting which covers the jobs like accounting, auditing, and application of investigative skills and assisting courtroom testimony etc. Two major areas are important in forensic accounting i.e.:

a) The application of the investigative skills is meant for the following purposes:
   i. Offer expert opinion based on investigation;
   ii. Give courtroom testimony, if required.

b) The investigative skills are required to do the following activities:
   i. Collect the records required for investigation,
   ii. Interview the related people;
   iii. Analyse the records collected and in-depth examination of all relevant records etc;
   iv. Evaluation of the financial records & assess the extent of frauds & crimes;
   v. Preserve the evidence of the organisation under investigation;
   vi. Interpret and communicate the findings after examination and evaluation;
   vii. Preparation of report;

So, the forensic accounting covers the fraud allegations from inception to disposition. It is the integration of the following skills:

1. Accounting skills;
2. Auditing skills;
3. Investigative skills,
4. Legal skills and,
5. Report presentation skill,
6. Recommendations & advisory skill,

Forensic accountant serves the role as an investigator to litigation support manager. As the role is investigative in nature, it helps to assess and understand the magnitude of the financial frauds and crimes happening and affecting the economy. The services of the forensic accountants are more essential in sectors where huge public money is involved i.e., financial institutions, banks, insurance companies, stock market and the various departments where huge public fund is involved etc. It also helps to identify the failure of the Corporates where huge public deposits are invited and collected. The regular surveillance by the forensic accountants helps to regulate the white collar crimes. Once, their service is engaged timely that can save the organisation from any unforeseen catastrophic situation.

History of Forensic Accounting:

It is almost 200 years; the necessity of the services of the forensic accountant was felt. In the year 1824, in Glasgow, Scotland, the services of special category of accountants were needed in the court proceedings. During 1800, both the accountant and the legal profession used to work closely.

In the beginning of 20th century in USA, the institutions who provided first the services of such investigative accountants was the Internal Revenue Service. It is well-known fact about famous tax evasion scheme by Al Capone, a famous mobster. Mr. Frank Wilson was the first IRS who was the first forensic accountant in the USA and was assigned the investigation of the said tax evasion. In fact, forensic accounting continued to grow as a profession only during the latter half of the century due to the introduction of GAAP and tax laws.

During 3300-3500 BC in Egypt, it was observed that auditors only examine the same based on the available data and records.

In the judgement of Bily v. Arthur Young & Co (1992), the Supreme Court opined that: “An auditor is a watchdog, not a bloodhound... As a matter of commercial reality, audits are performed in a client-controlled environment. The client typically prepares its own financial statements; it has direct control over and assumes primary responsibility for their contents... The client engages the auditor, pays for the audit, and communicates with audit personnel throughout the engagement. Because the auditor cannot in the time available become an expert in the client's business and record-keeping systems, the client necessarily furnishes the information base for the audit. Thus, regardless of the efforts of the auditor, the client retains effective primary control of the financial reporting process.”

Defining Frauds:

There are different types of fraud. The following are the broad categories of frauds:

i. Employee’s fraud: Fraud committed by employee for personal benefits, ii. Management fraud: Fraud committed by the management in the financial statements who rely on those statements with an intention to defraud various stakeholders, iii. Investment scams: In this case, the entrepreneurs or individuals who to trap the interested investors by putting their money in scams, iv. Vendor’s fraud: The vendors overcharge or falsely charging a company for their services or sub-contract, v. Customer’s fraud: The customers committed that trick and trap the organizations, vi. Identity theft: In such cases, individuals collect the personal information of another and use the same to purchase goods or services, vii. E-commerce fraud: It is a fraud committed by using the electronic media, the customers commit fraud, viii. Extortion or robbery: Obtain possession by force or compulsion. ix. Criminally misappropriated fund by breach of trust: Misappropriates dishonestly in violation of any lawful direction, x. Counterfeiting: Forge or copy etc
without any right, xi. *Cheating, Forgery & Falsification: Possession of property by reason of false representation etc.*

**Significance of the Forensic Accountants:**

It is now a practice to various organisation who engages forensic accountants. These experts are entrusted to analyse, interpret, summarize and present the complex financial and business-related transactions & statements & report in a simple and concise manner. The requirements of each offices are different in nature but ultimate object is almost same i.e., to detection and prevention of fraudulent transactions.

Since independence, our country has witnessed hundreds of scams which involves loss of huge public fund. It is worth mentioning a few of the scams happened in our country as narrated below.

<table>
<thead>
<tr>
<th>Sl</th>
<th>Year</th>
<th>Description</th>
<th>Nature of fraud</th>
<th>Amount involved (Rs. / cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1992</td>
<td>Harshad Mehta</td>
<td>Stock Exchange</td>
<td>4000</td>
</tr>
<tr>
<td>2</td>
<td>2008</td>
<td>VP NHRM</td>
<td>Siphoned fund for rural immersion</td>
<td>10000</td>
</tr>
<tr>
<td>3</td>
<td>2008</td>
<td>Ketan Parekh</td>
<td>Stock Exchange</td>
<td>1500</td>
</tr>
<tr>
<td>4</td>
<td>2009</td>
<td>SATYAM</td>
<td>Fabricated revenue</td>
<td>8000</td>
</tr>
<tr>
<td>5</td>
<td>2010</td>
<td>2G Spectrum</td>
<td>No auction in issuing license</td>
<td>175000</td>
</tr>
<tr>
<td>6</td>
<td>2010</td>
<td>Common Wealth Game</td>
<td>Misuse of funds for infrastructure</td>
<td>10000</td>
</tr>
<tr>
<td>7</td>
<td>2012</td>
<td>Fodder Scam</td>
<td>Embezzlement of expenses falsified</td>
<td>950</td>
</tr>
<tr>
<td>8</td>
<td>2012</td>
<td>Coal Allocation</td>
<td>No auction in allotment of coal blocks</td>
<td>186000</td>
</tr>
<tr>
<td>10</td>
<td>2013</td>
<td>VVIP Chopper deal</td>
<td>Irregularities in procurement of Choppers</td>
<td>3600</td>
</tr>
</tbody>
</table>

In our country, the nature of frauds and the estimated volume in percentage may be classified as follows:

<table>
<thead>
<tr>
<th>Sl</th>
<th>Nature of frauds</th>
<th>% in volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Money laundering</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Occupational frauds</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>Cyber frauds</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Bank frauds</td>
<td>30</td>
</tr>
<tr>
<td>5</td>
<td>Stock Market Frauds</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>BPO Frauds</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

**Role of the Government in curbing fraud & corruption In India:**

In order to detect, to curb & to control over the increasing financial frauds & scams etc, the Government of India has established the following agencies in our country:

1. **Serious Fraud Investigation Office (SFIO):** The Companies Act, 2013, provides the establishment of Serious Fraud Investigation office. Vide Notification No. S.O.2005 (E) dated 21st July, 2015 of the Ministry of Corporate Affairs, Government of India, the office of SFIO starts functioning. This office is based on a multi-disciplinary approach consisting of experts from the various fields like accountancy, auditing, management accounting, forensic accounting, banking, law, capital markets, taxation, information technology, corporate law, Civil & Criminal law etc that helps the department for detection, recommendation and prosecuting the person or persons who are involved in frauds and white-collar crimes in the country. The sections 210, 211, 212 and 213 of the Companies Act, 2013 which deals with investigation by Serious Fraud Investigation Office.

2. **Central Bureau of Investigation (CBI):** It was originally established in 1942 as a Special Police Establishment in Delhi with a primary object to investigate against the bribery and corruption in the government department. In the year 1965, this office has been reconstituted and revised its role & responsibilities. It is at present premier investigation agency under the administrative control of the Ministry of Personnel, Public Grievances and Pensions, Govt of India. The jurisdiction, role and responsibilities of this office has been expanded and has been entrusted to investigate the violation of various laws of the country, organised crime, various economic offences, cases of corruption, frauds and scams etc. The office of ‘economic offenses wing’ has been established which is a specialized wing in order to deal with the financial frauds etc

3. **Central Vigilance Commission (CVC):** Vide the Government of India ‘s Resolution in 1964, the office of CVC has been constituted and set up. It is accorded as an independent statutory authority established by the Central Vigilance Commission Act,2003. The basic objective of this office is to take care of anti-corruption laws & regulations with the intention to minimise scope of corruption in the country.

**Scope of Forensic Accountants:**

With the increasing trends in financial crimes, frauds and white-collar crimes, the scope of forensic accountants has been increased to a large extent. A forensic accountant can render the services in the following areas:

a. Shareholder, partnership or corporate disputes: specially the minority shareholders’ conflict of interest;
b. Personal injury claims or substantial or fatal accident insurance claims;
c. Business interruption;
d. Identification of frauds committed by employees with personal gain;
e. Detection of White-collar crimes in the organisation;
f. Settlement of the challenging claims;
g. Divorce or matrimonial disputes;
h. Professional negligence i.e., negligence of standard auditing practices while engaged in professional responsibilities;
i. Financial statement fraud;
j. During legal proceedings,
k. Enforcement dept. of the government;
l. Banks and financial institutions’ frauds i.e. embezzlements of loan extended to the borrower and the companies;
m. Bribery;
n. Extortion;
o. Asset’s misappropriation;
p. Revenue manipulation for avoiding taxes;
q. Irregularities in financial statements and fraud;
r. Ponzi scheme;
s. Various commercial disputes i.e. negligence of essential Contract clauses cause damages, various claims during construction work and any other breach of contract etc;
t. Infringement of Patents rights, Copy rights and Trademarks;
u. Arbitration, Law and criminology,
v. Security manipulation;
w. Reverse Merger scheme & Business evaluations;

Apart from the above areas, a forensic accountant also needs to extend services to the corporate sector in financial planning and management and suggests the remedial measures and recommends the corrective actions including changes required in the various control system, accounting system and governance practice and policies and other necessary actions as and when required.

Qualifications & Skills required for a Forensic Accountant:
1. Qualifications:
To be a Forensic Accountant, apart from the basic educational qualification preferably in the field of Accountancy or Laws, it is necessary to undergo a specialised course which cover a comprehensive knowledge on the following subjects. The brief guideline is narrated below:

i. Expert knowledge on the preparation of financial statements, structure of financial statements, financial Statement Analysis and accounting standards and practices,

ii. In depth knowledge in Ratio analysis,

iii. Fund management: Cash flow, fund flow etc;

iv. Business mathematics & application of statistical tool;
v. Business laws & taxation laws: Both direct & indirect tax laws,

vi. A thorough Knowledge in various regulatory matters,
vii. SEBI Laws, Corporate laws & Governance;
viii. Major acts: Criminal laws, India Penal Code, Evidence act, Cyber laws etc;
ix. Information Systems Audit & Data processing system,
x. Business Valuation,
xi. Science of human behaviour;
xii. Business ethics,
xiii. Business Communication: Strong communication skill both writing and oral and ability to conduct interviews and expert testimony in court.

xiv. Research Methodology.

2. Skills required for the Forensic Accountant:
In order to make the investigation process effective, the forensic accountants should study and be aware of the company’s characters, its operational and functional activities etc. Each company is highly identical and distinct from one to another due to its ownership structure and organisational structure; governance style; nature of industry; products and services nature; size and volume of its business, geographic position; organisational objectives, risks factors of the product and the organisation; key business processes and its supports, various systems in practice; relationships with their customers & suppliers and as well as with other partners; style, attitudes & approach of various management; experience and competency; internal control & audit system; accounting policies, Management Information System etc.

The following skills are identified that the forensic accountants require to build up which are necessary in conducting forensic audit or investigation.

i. Mathematical Analysis of business-related data;
ii. In-depth and Critical review of records and information;
iii. Exposure / experience to handle unstructured data;
iv. Flexible to Investigative job nature;
v. Proficiency in Analytical job;
vi. Expert in communication both oral and written;
vii. Considerable knowledge in handling various related acts, laws & rules of the country;
viii. In-depth knowledge about the internal control system of the organisation;
ix. Ability to follow up persistently;
x. In-depth knowledge in criminology;
xii. Computer operation skills;
xiii. High level of Confidence building;
xiv. High level of honesty;
xv. High level of courage;
xvi. High level of sensitivity;
xvii. High level of Communication;
xviii. High level of decision making;
xix. High level of pragmatism;
x. High level of stealth;
xx. Ability to take interview;
xxi. Statistical analysis skills & xxii. Ratio analysis skills.
Tools & Techniques in forensic audit:

The fraud examination involves examination of considerable volume of data, the forensic accountants use the scientific technology to collect the data, sort and analyse the same data with the object to assess the magnitude of corruption, quantify the same and arrange to put the results through computerised audit techniques and other skills. The tools & techniques available to the Forensic Accountants to examine the frauds are narrated below:

1. **Benford’s Law:** It is also called New Comb-Benford Law or the law of anomalous numbers or First Digit Law. In 1938, it is named after Mr Frank Benford who used it although it was first discovered by Mr. Simon New Comb in 1881. A simple mathematical and statistical tool is used in assessing and identifying the variables under study. The Excel tools are needed to apply this law. It is used specifically to identify whether it is a mistakes or error and whether the same is intentional or unintentional or it is fraud. It can be segregated into three stages: i.e.
   - i. First, identify the field of financial importance and extract the variables which requires examination,
   - ii. The summarize the data collected and process the same which is done by the following ways:
     - a. classify the first digit field and;
     - b. calculate its observed percentage. Then, the Benford’s law is applied,
   - iii. Z-Test: It is called parametric test. It is used to measure the significance of variance between the two populations, i.e.,
     - a. Find the percentage numbers of the first digit and then;
     - b. Find the percentage of first digit for a particular level of confidence.

Once, the data confirms the percentage of Benford’s law, it indicates that the data is Benford’s set. Once the same set is almost 2/3rd or 70 % then there is chance of no error or fraud.

The most disadvantage of this tool is, it can recognise only high likely or high unlikely frequency of numbers in a data set.

2. **Theory of relative size factor (RSF):** It is an effective tool uses to test the highlights all the possible fluctuations in a given set of figures. It is used to calculate the ratio of largest number to the second largest number. There is a chance of fraud or error once the difference is higher in the ratio measurement. The formula is used as stated below.

\[
\text{Relative Size Factor} = \frac{\text{In the subset, the Largest record}}{\text{Second largest record in the subset}}
\]

3. **Computer Assisted Auditing Tools (CAATS):**

It is a common tool used to assist the audit process. The same are as follows:

- a. Verification & examination in depth of various transactions and book balances,
- b. Identify, if there are any inconsistencies or any significant fluctuations in any figures,
- c. Verify the computer control systems;
- d. Collect the sample programs and sample data which are necessary for audit testing,
- e. Check the calculations of the accounting systems.

4. **Data mining techniques:**

It is a technique that is designed to extract and to process the huge volume of data automatically. There are three ways to process the data:

- a. **Discovery:** Identification and discovery of the data by usual knowledge without any application of pre-defined hypothesis,
- b. **Predictive modelling:** It is a model that is used to predict the outcome from the data base.
- c. **Deviation and Link analysis:** It is also called deterministic graphical techniques and Bayesian probabilistic casual networks. It helps to detect or to identify the unusual items. The Link discovery analysis helps to detect a suspicious pattern. This technique involves “Pattern matching” algorithm with the object to ‘extract’ any rare or suspicious cases.

5. **Ratio Analysis:**

The ratios analysis technique is commonly used by the forensic accountants in detecting the frauds. The forensic accountants follow mainly the three ratios analysis techniques in order to identify the possible symptoms of fraud and for reporting on the fraud status.

- a. Calculate the ratio of the highest to the lowest value or the maximum value to the minimum value;
- b. Calculate the ratio of the highest value to the second highest value;
- c. Calculate the ratio of the current year to the previous year.

**Difficulties in implementing Forensic Accounting:**

With the increasing trends in white collar crime and recurrences of fraud, it is now important to engage forensic accountant on regular basis to prevent financial scams happening in India. But there are limitations in implementation, the same are narrated below.

- a. The economy is sluggish & fluctuating and struggling stock market situation;
- b. Difficulty in maintaining the accounts and audit trail on account of digitalisation of records;
- c. Due to complex Judicial and political System that is a hindrance in collecting the records etc;
- d. The most of the companies are not fully aware of the value and importance of forensic accounting;
- e. Lack of Model that will help to identify fraud and
COVER STORY

fraudsters;
f. Lack of effective Internal Financial Control system;
g. Absence of necessary guidelines for adoption of Forensic Accounting;
h. Availability of forensic accounting expert,

Conclusion:
The services of forensic accountants are very useful in identification, monitoring and minimising frauds, scams and other irregularities in business and other commercial sectors. It is also very useful where huge volume of Government fund is invested or incurred. The forensic accountants help in building up confidence among the investors too and it will help to improve in building stable economic environment in the country. With the intention of minimising frauds and scams, the Government of India constituted Serious Fraud Investigation Office and this is apart from the offices of CBI and CVC. The SEBI also has set up a forensic accountant cell for examination of the quality disclosure of the financial information by the various corporates that assist in detecting the financial irregularities. The RBI is stringent on banks and other financial sectors and advised these sectors to include forensic auditing practices.

Till today, the forensic accountants of our country are being used mostly as an investigative tool but once it is used the same as a preventive tool, it helps more. In all financial and corporate sectors, the appointment of the forensic accounting is to be made compulsory rather it should be engaged mandatorily, then only, many of the scams involving thousands of crores can be saved.

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ROLE OF FORENSIC AUDIT AS A TOOL FOR FRAUD DETECTION AND PREVENTION IN MICRO FINANCE INDUSTRY

Abstract

Microfinance plays an important role in ensuring financial inclusion among the poor. However, commercialization of microfinance in conjunction with weak regulations in the Micro Finance Industry has created a fertile ground for perpetrating fraud which is detrimental to the sustainability of Microfinance Institutions in our country. The present paper is an attempt to highlight the significance of Forensic Audit as a potent tool for fraud detection and prevention in the Microfinance Industry.

Introduction

Microfinance provides access to credit and a plethora of financial services to the poor people who remain outside the trajectory of the conventional banking services. The popularity of Microfinance as an effective strategy to ameliorate poverty has led to large scale proliferation of the Microfinance Industry in our country. Through Micro financing, micro credit could be made available to the poorer sections of the society. However, increased cases of frauds and scams are increasingly being reported from the Microfinance Industry, denting seriously the efficacy of microfinance as a tool of financial inclusion. Therefore, Forensic Audit has an important role in detection and prevention of fraud in our country’s Micro finance Industry.

Forensic Audit

Forensic Audit may be defined as a technique to ascertain legally the matching of accounting transactions with various accounting, auditing and legal requirements and to ultimately ascertain the occurrence of fraud, if any. Forensic Audit, therefore, is a mixture of accounting, auditing and investigatory qualities.1

The purpose of Forensic Auditing is to determine whether, actually, a fraud has occurred and apply appropriate techniques in prevention of fraud. Forensic Auditing adds more teeth to the auditing process by gathering evidences of fraud and applying the necessary skills to prevent it.

Differences between General Audit and Forensic Audit

<table>
<thead>
<tr>
<th>General Audit</th>
<th>Forensic Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on expression of “True and Fair” presentation opinion</td>
<td>Identifies whether fraud has occurred in books of account</td>
</tr>
<tr>
<td>Sample based</td>
<td>In depth investigation</td>
</tr>
<tr>
<td>For a specific accounting period</td>
<td>No such stipulations</td>
</tr>
<tr>
<td>Based on verification of samples and representation of the management</td>
<td>Independent verification of selected items which are suspected of being misappropriated</td>
</tr>
<tr>
<td>Objective is arithmetic accuracy and compliance with procedures of off Balance Sheet items</td>
<td>Regulatory and propriety of off Balance Sheet items are examined</td>
</tr>
<tr>
<td>Expression of opinion without quantification</td>
<td>Legal perspectives of fraud and identification of perpetrators</td>
</tr>
</tbody>
</table>

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The process of Forensic Audit involves the following steps:

1. **Initialization** – In the initialization stage of Forensic Audit, it is important to be clear about the motive and objective of the audit task. Also the Forensic Auditor must meet the concerned client to understand the nature of the problem.

2. **Developing a Plan** – A proper plan should be devised by the Forensic Auditor to go about the auditing job based on the information with the client. The objectives and methodology should be set out.

3. **Obtaining Relevant Evidence** – The Forensic Auditor should gather the necessary evidence to understand the nature of fraud that has been committed. The necessary evidence could be documents, economic information, etc.

4. **Performing Analysis** – The Forensic Auditor does the necessary analysis to identify the culprit based on computerized application and data analysis.

5. **Reporting** – The Forensic Auditor prepares the report based on the evidence collected. The report should be objective in nature based on assimilation of facts and not on the opinion of the auditor.

6. **Proceedings of Court** – The culmination of the Forensic Auditor’s investigation is the possibility of legal proceedings against the suspect. The findings may have to be produced before the law enforcement authorities and/or before court. The Forensic Auditor must explain their work and findings to the law enforcing authorities and/or court.

Frauds in Micro Finance Institutions

The wide spread proliferation of Micro finance Institutions fuelled by popularity of micro credit among the poor has brought with it the evil of fraud in the Microfinance Industry. Some common types of fraud perpetrated in the Microfinance Institutions are as follows:

1. **Padding of receipt / paying vouchers** – The cashier enters the correct amount in the original voucher for money received from the customers but intentionally understates the amount in the duplicate copy, thus fraudulently taking away the excess cash for personal gain.

2. **Conversion of cash collected in the field** – The Manager who goes to the field visits and makes collection enters the correct amount in the original voucher but understates the amount intentionally in the duplicate copy, thus appropriating the difference in amount for personal gain.

3. **Cash in vault malpractice** – This kind of fraudulent practice arises when the co-safe custodian in the Micro Finance Institutions carelessly hands over the second key of the safe when he is on leave. This allows the Manager to have control of both keys of the safe and giving him an unrestricted opportunity to pilfer cash from the safe.

4. **Ghost loans** – This involves creation of loan by the manager/ loan officer in the name of customers of the bank and converting the amount for personal gain.

5. **Staff and Customer Loan Collusion** – In this kind of fraud there is a collusion between the customer/s and loan officer in matters of loan. The loan officer convinces the customer/s to access loans that is jointly shared between them. Although the customer pays back the loan amount according to his share, the loan officer is found to default.

6. **System Manipulation** – This is a kind of fraud where the MIS Officer in collusion with the staff manipulates the database of the customer’s account. The culprit withdraws the amount from the customer’s account by falsifying the customer’s signature.

7. **Improper and inadequate segmentation of duties**

8. **Conversion of deposits, Share purchases, and loan repayments** – This is an act of fraud perpetrated by the Customer Service Officer who takes undue advantage of the trust of the customers in matters of filling with drawl and deposit slips for payment in respect of shares, loan repayments and deposits and converts the cash for personal benefits.

9. **Manipulation of financial data** – This kind of fraud is perpetrated by hiding double posting of the
debtor figure.

10. **Income General Ledger manipulation** - This kind of fraud is perpetrated by immoral accountant in conjunction with MIS Officer who does not have understanding of banking transactions.

11. **Kickbacks in the loan administration** - It involves kickbacks received by loan officers for grant of loans to the customers.

**Andhra Pradesh Micro Finance Crisis**

The Andhra Pradesh Microfinance crisis of 2010, which is an outcome of blatant, unregulated commercialization of Microfinance services brings to light the painful consequences which the loan defaulters had to experience in the State of Andhra Pradesh. Many of the loan defaulters had to commit suicide. This incident is a culmination of various unethical practices of Microfinance Institutions in recovery of loans from the customers, bringing to light the consequences of unregulated commercialization of Microfinance. The crisis which led to the enactment of Andhra Pradesh Microfinance Institutions (regulations of money lending) Act, 2010 has had far reaching consequences on availability of credit to the poor and stifling the operations of Microfinance Institutions (MFIs).  

There have been several incidents of fraud in Microfinance Institutions even after the Andhra Pradesh Microfinance crisis pointing to the need for adoption of strict regulations and equally strict monitoring of the operations of the Microfinance Institutions in our country.

**Debt Stress among Microfinance Borrowers in Assam**

A significant event in the context of commercialization of Microfinance and its myriad negative consequences in the post Andhra Pradesh Microfinance crisis is the Microfinance crisis in the State of Assam. Microfinance borrowers have had to experience debt stress resulting in high level of delinquency. Women borrowers had to face harassment for non-repayment of dues leading to large scale protests and social tension leading to the passage of “The Assam Microfinance Institutions (Regulation of Money Lending) Bill 2020” by the State Government with the objective of protecting poor borrowers from microfinance institutions (MFI) and money lenders. The Assam Microfinance crisis is yet another episode of the evils of commercialization of microfinance which has also been observed in the Andhra Pradesh Microfinance Crisis.

**Role of Forensic Audit**

Microfinance is extremely important for ensuring financial inclusion among the poor. However, incidents of fraud perpetrated in the Microfinance Institutions (MFIs) seriously dents the sustainability of MFIs in accessing credit to the poor. Frauds occur in MFIs for reasons such as weak regulations, weak internal control system, etc. Therefore, in this context, Forensic Audit can play an important role in detecting and preventing frauds in MFIs. We know that the objective of Forensic Audit is to unravel fraud and expose the perpetrators of fraud. Moreover, the perpetrators of fraud in Microfinance Institutions should be brought to book by initiating legal proceedings against them so that they cannot get away with their crime. Therefore, the techniques of Forensic Audit can be extremely useful to MFIs to excavate and prevent incidents of fraud, thereby strengthening the sustainability of MFIs.

**Conclusion**

The imperatives of accessing credit to the poor through Microfinance Institutions (MFIs) cannot be ignored. However, unbridled commercialization of microfinance coupled with laxity in regulations has created myriad opportunities for perpetrating fraud in the Microfinance Industry. The Covid-19 pandemic has put a serious challenge before the Microfinance Industry. Incidents of fraud erode the credibility of Microfinance as a mechanism to create financial inclusion and leave the poor borrowers vulnerable. Therefore, to protect millions of poor customers who are dependent on the Microfinance Industry, Forensic Audit can play a powerful role to ensure sustainability of Microfinance Institutions.

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ROLE OF FORENSIC AUDITORS IN TIMES OF MOUNTING NPAs

Abstract

Indian banks, more particularly the public sector banks, are plagued with continuously increasing amount/rate of non-performing assets. This has adversely been affecting their ability to credit recycling leading lower business and dwindling of their profits. In this backdrop, the present paper makes an attempt to examine and show the role of forensic auditors in addressing the growing NPAs of public sector banks.

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Introduction

Indian banking industry is plagued with incessantly increasing amount/rate of non-performing assets (NPAs). The reasons are many and varied, and they include both controllable and uncontrollable, both internal and external, and both micro and macro environmental factors. However, what is irrefutable is the continuously increasing NPAs. The fact that, India occupies fifth rank in terms of NPA Ratio (in descending order) among 39 countries is a reflection of the severity of the problem.

The amount of Gross NPAs (GNPAs) of Scheduled Commercial Banks (SCBs) in India increased from Rs. 515.57 Billion (bn) as at 31 March 2004 to Rs. 8,960.83 bn by 31 March 2020 accounting for an increase by Rs. 8,445.26 bn during this 17-year period. This increase works out 16.38 times with a compound annual growth rate (CAGR) of 18.29%.

On the other hand, the amount of gross advances by these SCBs (during this 17-year period) increased from Rs. 7,102.62 bn to Rs. 1,09,189.18 bn accounting for an increase by Rs. 1,02,086.56 bn working out to an overall growth rate of 14.37 times and CAGR of 17.44%.

From the above, it is unambiguous that the rates of increase in GNPAs are higher than that in gross advances. Further, the amount of GNPAs reached the highest level of Rs. 10,361.87 bn by 31 March 2018 with GNPA Ratio of 11.18% which is also highest in the 17-year period. Of course, during the last two years (2018-19 and 2019-20), it (i.e., GNPAs) declined marginally but continuously and reduced to Rs. 8,960.83 bn by 31 March 2020 which is appreciable. However, it is not clear as to the extent to which this reduction was caused by write-offs (of loss assets), loan restructuring and loan recovery.

Although the GNPA Ratio registered a continuous decrease during the initial years, it increased incessantly during the later years. On the other hand, the amount of GNPs, as already stated, increased perennially followed by reduction during the last two years. These aspects become clear from the following figure (Figure – 1).
It may be noted here that the presence of NPAs requires higher amount of provisioning and capital, reducing the credit recycling capacity of banking companies which in turn reduces their business leading to dwindling of their profits.

**PSBs and NPAs**

Among four ownership groups of SCBs, PSBs occupy an important place from the point of view of market share they enjoy in terms of deposit mobilization, provision of loans and advances, branch network, manpower, etc. However, these PSBs, in the recent years, are losing their dominance and the major beneficiary (of market share lost by PSBs) is the PVSBS. In spite of this reduction in the market share, the NPAs of PSBs are much higher compared to the aggregate of other three ownership groups of SCBs. The fact that the GNPA of PSBs as at 31st March 2020 stood at Rs. 6,783.17 bn out of total for all four categories of SCBs of Rs. 8,960.83 bn substantiates this conclusion. Besides, the share of PSBs in the GNPA of SCBs is higher than their (i.e., PSBs) share in gross advances. As at 31st March 2020, the PSBs have provided 60.58% of gross advances by all four groups SCBs whereas they (i.e., PSBs) account for 75.70% of GNPA of SCBs. These figures for PVSBS work out to 34.55% and 22.97% respectively. This brings the point to the fore that the problem of NPAs is more serious with the PSBs.

**Factors Responsible for alarming level of NPAs**

As already stated, many factors are responsible for the current alarming size/rate of NPAs of PSBs. The reasons are diverse differing from one bank to another, from one loanee to another, from one purpose of loan to another, etc.

The macro-economic factors cause increase in the amount of NPAs of lender-bankers. Global economic/trade recession (leading to slowdown in exports), downturn in commodity price cycles, etc., are examples to macro-economic factors. It is also contended that major portion of today’s NPAs is attributed to liberal lending by banking during mid-2000s i.e., the period during which Indian economy was booming and the business confidence was buoyant. Therefore, the lender-bankers did not take comprehensive and objective due-diligence seriously for some of large corporate loans. As is known, this boom was followed by stagnation in economic growth (during the post-2008 global financial crisis) forcing most of genuine corporate borrowers unable to service their debts besides their inability to repay the principal loan amount (widely recognised as, twin balance sheet problem). It is also estimated that about 40% of debt lies with the corporate enterprises whose Interest Coverage Ratio is less than ‘1’ (called, ‘IC1’ companies).

Besides, political factors including crony capitalism have also contributed substantially to the mammoth NPAs of banking companies in India. A few high-profile (corporate) borrowers, using their proximity to high profile politicians, borrowed huge sums of money from banking companies without bothering to repay the borrowed money nor to service their debts (called, wilful defaulters). As is known, the wilful defaulters have liability towards the banking companies and have the ability to repay but not repaying. There are 8,915 wilful defaulters (as at the end of 2016-17) with Rs. 923.76 bn due from them – according to the Ministry of Finance, Government of India.

In addition, even the internal factors such as, (i) improper credit appraisal, (ii) failure to obtain adequate collaterals for the loan sanctioned, (iii) sanction of higher loan amount than required for the project, (iv) failure to monitor the funded project to ensure that the loan amount is used for the purpose for which it was sanctioned/dischursed and to ensure that the work on the project is progressing satisfactorily in accordance with the proposal, (v) sanction loan for fictitious/non-existing projects/parties, etc., have contributed substantially to the NPAs of SCBs more particularly to that of PSBs.

**Role of Forensic Auditors in addressing Growing NPA Menace**

As pointed by the former Governor of RBI, Dr. Raghuram G Rajan, in his ‘Note to Parliamentary Estimates Committee on Bank NPAs’ on 6 September 2018, a few unscrupulous promoters who inflated the cost of capital equipment through over-invoicing were rarely checked by PSBs. Not only this, the PSBs continued to finance promoters even while PVSBS were getting out, suggesting their monitoring of promoter and project health was inadequate. Too many bankers put yet more money for additional ‘balancing’ equipment, even though the initial project was heavily underwater, and the promoter’s intent suspect. Too many loans were made to well-connected promoters who had history of defaulting on their loans. Further, Dr. Rajan observed that the size of frauds in PSBs has been increasing. It may be noted here that the number of advances-related frauds has been increasing together with the associated amounts - increasing from 3,603 frauds in 2018-19 with Rs. 645.39 bn involved to 4,609 frauds in 2019-20 with Rs. 1,819.42 bn involved – although the number of frauds increased by 1,006 working
Realizing the gravity of NPA problem and also the valuable service of forensic auditors, the apex bank of the country, RBI, has made forensic audit mandatory for large advances and restructuring of loan accounts involving Rs. 50 crore and above

out to 27.92% increase, the amount involved with the frauds increased by Rs. 1,174.03 bn accounting for an increase by a whopping 181.91%. Further, the amount involved with loan-related frauds accounts for as high as 98.10% of total amount involved with all kinds of frauds. As is known, ‘frauds’ differ from the normal NPAs in that the loss is because of a patently illegal action (either by the borrower or by the banker or by both) – said, Dr. Rajan.

On the lines of the above, there are many more reasons/factors responsible for the clogging NPAs of PSBs. In this type of situation, auditing plays an important role – both corrective/curative and preventive roles. As is known, there are many types of audit such as financial audit, cost audit, management audit, environmental audit, social audit, etc. However, in the recent years, one more kind/type of audit called, ‘forensic audit’ is drawing the attention of all stakeholders.

Forensic audit is carried out by the forensic auditors who specialize in forensic accounting and auditing. Although both ‘forensic accounting’ and ‘forensic auditing’ are used synonymously, there is a difference. This difference stems from the nature of frauds they investigate. As pointed out by Sarang Khatavkar, forensic accounting is about the ‘frauds against business’ by employees, vendors/suppliers, clients or in connivance of all these parties. On the other hand, forensic auditing deals with the ‘frauds for business’ by promoters and shareholders of business entities to deceive the banking companies, tax authorities, regulators, etc.

Although there are a few similarities between forensic auditors and financial auditors, they (i.e., forensic auditors) differ from other auditors at-least on two counts - (i) they possess certain special skills such as investigative mind, expertise in law, analytical proficiency, ability to solve unstructured problems, etc., that enable them to investigate and detect frauds, and (ii) the way in which they prepare and present their audit reports. Forensic auditors try to derive evidences which can be used, if necessary, in the court of law. On the other hand, the focus of other audits such as financial audit is to verify and report whether the financial statements present a true and fair view of financial position/performance of reporting entities. Contrarily, the forensic auditor tries to unearth the weaknesses in the system and also the persons who exploited these weaknesses for their own benefits at the cost of their banks/institutions. Further, he attempts to examine the financial transactions through the borrower’s bank account. Besides, the forensic auditor makes an endeavour to ascertain the possibility of collusion for illegal gains between bankers (i.e., the employees/officers of banking companies) on the one hand, and the corporate borrowers and/or promoters of corporate enterprises on the other to deceive the banking companies.

The uniqueness of forensic auditing is that, its output (in the form of report) can be presented to the court of law in support of a case. The Canadian Institute of Chartered Accountants, therefore, noted that ‘investigative and forensic accounting engagement’ are those that, (i) require the application of professional accounting skills, investigative skills and an investigative mindset, and (ii) involve disputes or anticipated disputes or where there are risks, concerns or allegations of fraud or other illegal or unethical conduct.

The scope of forensic audit is very wide covering, among others, bankruptcy, defaulting on debts, economic losses/damages, embezzlement/financial theft by bank employees and/or bank customers (white collar crimes), litigations pertaining to mergers and acquisitions, securities fraud, etc. In this type of cases, the forensic auditors help the banking companies to reduce their NPAs. This is because of the reason that the forensic auditor undertakes a comprehensive examination of relevant documents such as bank records, correspondence, court filings, memos, tax returns, real estate records, loan application, employment of borrowed funds, credit reports, collaterals offered, etc. Based on this, he quantifies the amount of losses, estimates the damages caused and the misappropriation of assets, and includes them in his report. Most importantly, he also identifies, in his report, the person/s (either internal or external or both) responsible for the fraud. This report is used in the court as an important legal document. If necessary, he (i.e., forensic auditors) also appears, as an expert witness, in the courts.

Conclusion
As the forensic audit unearths the reasons for and/or persons responsible for the bad loans or NPAs, it is of great help to the banking companies to recover their NPAs and also to deter them in future. Realizing the gravity of NPA problem and also the valuable service of forensic auditors, the apex bank of the country, RBI, has made forensic audit mandatory for large advances and restructuring of loan accounts involving Rs. 50 crore and above. Even the Public Accounts Committee of Parliament (2018) recommended for forensic audit of defaulters of PSBs. Therefore, it is concluded that the forensic auditors provide valuable service for the banking companies including PSBs.
in resolving their spiralling NPA problem.

Notes
1. This ranking is based on the study results published by the CARE Ratings.
2. SCBs, here, comprise four ownership groups of banking companies viz., public sector banks, private sector banks, branches of foreign banks and Small Finance Banks. This interpretation about the composition of SCBs is used throughout this paper.
3. To be a Certified Forensic Accountant in India, one should have the necessary educational qualification – a graduation with at least three of years of experience and cleared CFAP (Certified Forensic Accounting Professional) examination successfully or a chartered accountant who has successfully completed a certificate course in Forensic Accounting and Fraud Detection. Besides, ICSI (The Institute of Company Secretaries of India) offers a certificate course in Forensic Audit.

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Abstract

Financial fraud is a pervasive concern that impacts all. It can also entail the loss of an asset for the scam victim, but it also has the ability to disrupt the cultural and/or economic underpinnings of “respect” and “trust.” As a result, governments and other policymakers continue to be concerned about such threats. The law-making authorities pass legislation with the sincere goal of defending the general public interests and the country’s overall reputation in the international community. However, in recent years, numerous financial scams have been reported in countries all over the world, resulting in the loss of credibility, confidence, and capital. Forensic auditing is one of the techniques used to combat fraud and malpractice. While forensic auditing is a relatively new field, the rise in the number of frauds in recent years, as well as the establishments’ vulnerability to coping with them, has thrust the Forensic Audit into the mainstream. Unfortunately, in India, forensic audit is mostly used as an exploratory and investigative tool than a preventive tool. In this research paper an attempt has been made to evaluate various international and Indian standards, laws, and precedents that form the foundation for forensic auditing.

INTRODUCTION

Maurice E. Peloubet coined the word “forensic accounting” in his 1940 paper “Forensic Accounting: Its Place in Today’s Economy.” The Journal of Forensic Accounting, Auditing, Fraud, and Taxation (A USA Periodical) was recognised in the year 2000 as making a significant contribution to the field of forensic auditing and accounting. In India, Kautilya was the first to use forensic audit in his popular book “Kautilya Arthashastra,” where he coined the phrase “40 ways to misappropriation.”

Forensic auditing entails examining and evaluating a company’s or individual’s financial statements in order to obtain information that can be used as evidence in a court of law. Forensic auditors must have extensive expertise in accounting and auditing procedures, as well as expert knowledge of the regulatory structure governing forensic auditing. Forensic auditing consists of systematic tests carried out in order to gather and deliver evidence in court. The audit evidence gathered is not only relevant in a court of law, but it may also explain the accused’s motivation and occasion for committing a scam or fraud, whether the fraud involved several offenders, and what efforts were made to remove evidence of the fraud. If forensic auditors find anomalies, the forensic auditor’s task is to investigate and determine the cause of the fraud, as well as the amount of money involved, the parties involved, and the benefits
The audit evidence gathered is not only relevant in a court of law, but it may also explain the accused’s motivation and occasion for committing a scam or fraud. As fraud are U.K Bribery Act, 2010, U.S Foreign Corrupt Practice Act, 1977, Australian Anti-Corruption Laws, Anti-Corruption Laws in Canada (Corruption of Foreign Public Officials Act, 1999)

OBJECTIVES OF THE STUDY

1. To Evaluate various international standards, laws, and precedents that form the foundation for forensic auditing.
2. To Evaluate different Indian laws, and precedents that form the foundation for forensic auditing

I. International statute and case law

- Al-Yamamah arms deal and United Kingdom Bribery Act 2010

During the investigation into the al-Yamamah weapons deal, shortcomings of UK Bribery Law came to light. Bribery legislation in the United Kingdom were outdated and dates back to before World War I. It has never been consolidated and includes grammatical and conceptual contradictions. At the time, the then-Attorney-General, Lord Goldsmith, blamed the Serious Fraud Office (SFO) inquiry into the al-Yamamah weapons deal between BAE Systems and the Saudi Arabian government on the difficulties of arguing that such commission payments were made “corruptly”. The UK Bribery Act, which was not only difficult for the general public to recognise at the time, but also for prosecutors and courts to apply. Following that, the UK government asked the Law Commission to study and make recommendations for modernising the existing bribery and corruption laws. As a result, on July 1, 2011, the United Kingdom Bribery Act 2010 came into effect. This is one of the most stringent anti-bribery laws ever enacted. If an organisation fails to discourage bribery, it will be charged with a crime under this statute. The four sections of this rule include bribing another citizen, being bribed, bribing a foreign public official, and failing by a commercial organisation to prohibit bribery. The punishment under this act may be increased to an indefinite amount, with a maximum imprisonment of ten years.

- USA in 1970s and Foreign Corrupt Practices Act 1977, USA

In the 1970s, paying remuneration and compensating foreign officials for expediting legal procedures or contract procurement was a standard business activity all over the world. Bribes were mostly written off as ordinary business expenses as businesses filed their tax returns in certain countries. The United States Senate declared in 1977, “corporate bribery is bad business” In 1977, the Foreign Corrupt Practices Act (FCPA) was enacted as a result of this. It is US law federal legislation that criminalises bribery and corruption throughout the world. The law prohibits companies and individuals from bribing foreign officials. This Act of 1977 applies

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Enron was formed in 1985.

The Enron Scandal

Enron was a major energy company that became one of the largest corporations in the United States. The company was formed in 1985 through the merger of Houston Natural Gas Company and Inter north Ince. Andrew Fastow became the Enron Company’s CFO in 1998, and he established a Special Purpose Vehicle (SPV) to cover the company’s financial losses. In the year 2000, Enron’s stock was trading at $90.56 per share. The company’s Broadband segment recorded a large loss of $137 million between 2001 and 2002, and the stock’s market price fell to $39.05 per share. In October 2001, the CFO’s legal experts recommended them to destroy Enron’s archives and maintain just the “utility” or “essential” information, and the business reported a $618 million loss and a $1.2 billion write-off. The stock’s value dropped to $33.84 per share. The Securities and Exchange Commission launched an investigation into Enron on October 22, 2001. As a result of this news, in November 2001, the stock price fell to $20.75. Enron confessed for the first time that it has been exaggerating earnings by $586 million since 1997. The company filed for bankruptcy on December 2, 2001, and the stock price plunged to $0.26 per share. The Department of Justice ordered a criminal investigation into the business on January 9, 2002, and the New York Stock Exchange suspended Enron on January 15, 2002. The accounting firm, together with Arthur Andersen, was convicted of tampering with evidence on January 15, 2002.

The Enron fraud has substantial ramifications, such as the creation of a Special Purpose Vehicle to disguise financial losses and debt. The Mark-to-Market method of accounting was used, which resulted in the company’s demise. Corporate Governance was non-existent in the business. The Scandal explains why good corporate governance is important and how accounting policies can be implemented. Enron’s accounting firm produced complicated financial statements in order to cover massive losses.

The WorldCom Fraud

Many investors were sceptical of Ebbers’ (CEO of WorldCom) tale after the Enron Scandal in 2001. At a time when the technological boom was slowing and businesses were cutting back on telecom services and equipment, WorldCom was still able to increase profits using accounting tricks. In 2001, WorldCom overstated its net profits and cash flow by classifying expenditures as savings. It exaggerated earnings by about $3 billion by capitalising on expenditures. Instead of a net loss, the company reported a $1.4 billion profit in the first quarter of 2002. Meanwhile, Arthur Andersen, who was also the auditor for WorldCom, was found guilty in the Enron case on June 16, 2002. In June 2002, WorldCom confessed to a roughly $4 billion accounting fraud. Finally, WorldCom filed for bankruptcy on July 21, 2002.

Sarbanes-Oxley Act 2002

The Sarbanes-Oxley Act (SOX) was enacted by the US government in 2002 in response to major corporate scandals such as WorldCom and Enron, which tightened transparency provisions and increased fines for fraudulent accounting, raising consumer trust in US financial markets and public companies. The Act also included tough provisions like requiring businesses to change audit partners every five years, expanding the use of audit committees, requiring internal controls for public companies, banning more than two Board members from being CPAs, rising criminal penalties for securities fraud, and prohibiting more than two Board members from being CPAs.

U.N. Convention against corruption

One of the legally binding and universally recognised anti-corruption instruments is the United Nations Convention against Corruption. On October 31, 2003, the United Nations General Assembly passed the United Nations Convention Against Corruption, and came into effect on December 14, 2005. The Convention’s broad approach and the fact that many of its rules are mandatory make it a one-of-a-kind tool for developing a holistic response to the global issue of corruption.

Preventive measures,
criminalization and law enforcement, international collaboration, asset recovery, and technical aid and knowledge sharing are all covered by the Convention. Bribery, influence peddling, misuse of power, and numerous acts of corruption in the private sector are all covered by the Convention. The penalty levied under this convention will be in compliance with that country’s rules.

II. Indian Laws and Case Laws

- **Sahara Group Scam, Satyam Company Scam, Companies Act, 2013.**

Subrata Roy, the chairman of the Sahara Group, has been accused of not repaying over 20,000 crores to the company’s over 30 million tiny investors, which it raised through two unlisted firms. These businesses were not listed on any Indian or international stock exchanges. Since the issue did not meet the criteria for public offerings of shares, the Securities and Exchange Board of India (SEBI) ordered Sahara to refund these funds to investors, plus interest, in 2011. However, because Sahara Group was unable to repay investors, Roy was arrested on February 28, 2014. Both the court and SEBI turned down his offer to settle the case.

B Ramalinga Raju, the founder of Satyam Computers, got into hot water after admitting that the company tried to inflate its sales, profit, and profit margins for every quarter from 2003 to 2008. In this case, the sum misappropriated was estimated to be about Rs. 7,200 crores. Ramalinga Raju and his brothers were sentenced to seven years in prison and a fine of Rs. 5.5 lakh in April 2015. Satyam Computers was a victim of governance issues, including unethical behaviour by the founders, the preparation of false books and bogus accounting, and the uninvolved involvement of independent directors and the audit committee. The accounting company of PricewaterhouseCoopers (PwC) has performed a dubious audit. The SEC (Securities and Exchange Commission of the United States) fined PwC India $6 million for failing to follow the standards and auditing requirements while performing its duties as auditors for Satyam Computer Services. SEBI also barred PwC from auditing any publicly traded firm in India for two years. However, the SAT later ruled that SEBI’s ban was unconstitutional under the statute, and that only the ICAI, the national auditor watchdog, has the authority to take action against auditing firms. On those engaged in the case, the ICAI had issued the maximum punishment of permanent exclusion from membership as well as a financial penalty. Prior to the introduction of the new Companies Act in 2013, fraud was seen as a broad legal term. The old Companies Act also had provisions for fraud penalties in some parts, but the new Act has more precise and explicit provisions for fraud and fraud reporting. Unlike the Companies Act of 1956, the reach and coverage are extremely broad. The Companies (Amendment) Act, 2015 foreshadows promising trends in Indian companies’ ease of doing business. This post focuses on Section 143 of the Companies Act of 2013, which governs the powers and duties of auditors, as well as its amendment.

Auditors have always played a critical role in improving the trustworthiness of financial data. The Central Government appears to be seeking the cooperation of auditors in introducing greater accountability and discipline into the corporate world in order to protect the interests of shareholders as well as the general public with the implementation of Section 143 (12) of the Companies Act, 2013.

According to Section 143 (12) and Rule 13 of the Companies Act 2013, “if an auditor has reason to believe that the client is committing fraud while performing his audit, the auditor must notify the board or audit committee within two days of becoming aware of the fraud, and the report must include the nature of the fraud, the approximate amount, the parties involved, and an explanation is also required to include some specific information in the board’s report, such as the extent of the fraud, its description, the parties involved, and the remedial action taken, among other things.” The auditor must additionally submit the problem to the Central Government, along with any comments from the board, if the fraud includes or is expected to involve an amount of one crore or more. The ICAI has issued a guidance note on reporting fraud that addresses who is covered under section 143 (12), how to report, and the position of the Auditor.

The Serious Fraud Investigation Office (‘SFIO’) was founded by the Ministry of Corporate Affairs to investigate and prosecute white-collar crimes. The aim was to establish a multidisciplinary
The Indian Penal Code 1860

The Indian Penal Code is our nation’s important criminal code. It encompasses all facets of criminal law. The code does not describe the word “fraud,” but it does define terms like “fraudulently” “dishonestly,” and “wrongful benefit and wrongful loss.” Impersonation, counterfeiting, incorrect measuring and calculation, misappropriation, criminal breach of confidence, cheating, dishonest trading of land, mischief, and other similar offences. If a public servant engages in unlawful or unauthorised trade/commerce that he is not otherwise allowed to engage in, he will be punished by simple imprisonment for a period up to one year, or imprisonment of either description for a period up to one year, a fine, imprisonment in jail, or both, according to Section 168 of the Indian Penal Code 1860. The provisions and punishments for bribery are explained in Section 171 B of the Indian Penal Code 1860, and the provisions for cheating are explained in Section 417.

Indian Evidence Collection Act, 1872

In 1872, the Imperial Legislative Council of the British Raj passed the Indian Evidence Act, which includes rules and related issues regulating the admissibility of evidence in Indian courts. In layman’s terms, proof literally implies the ability to be recognised in court as a legal indication to prove anything. Relevancy (Logical Relevancy and Legal Relevancy), Admissibility, and Weight must all be present in the proof. Oral testimony is used in the Evidence Act of 1872. Documentary evidence is made up of all papers, including electronic records, provided for the Court’s inspection.

ICSI Anti Bribery Code.

The Institute of Company Secretaries of India’s Corporate Anti-Bribery Code is a voluntary code that companies should enforce on their own. If the Company adopts the Code, it will apply to the Company and its Board of Directors, Employees (full-time, part-time, or by some third-party contract), Agents, Associates, Consultants, Advisors, Representatives, and Intermediaries, as well as Vendors, Subcontractors, and Suppliers of products and/or services. The Code’s goal is to ensure that neither the corporation nor any of its staff, executives, or authorised members engage in bribery in the course of any economic, financial, or commercial activity.

PNB Scam and Fugitive Economic Offenders Act (2018)

The PNB scam is a case of financial fraud perpetrated by Nirav Modi, his associates, and Punjab National Bank employees. At PNB’s Brady House branch in Fort, Mumbai, bankers used forged Letters of Undertakings. The Letter of undertaking were unlocked in favour of Indian bank branches for the import of pearls for a period of one year, with a total time period of 90 days from the date of shipment as per Reserve Bank of India guidelines. Employees of that branch of PNB compromised the SWIFT network to send messages. PNB later filed a complaint with the CBI, alleging that fake Lou’s were released. Finally, the fraud has amassed a total value of over Rs 14,000 crore.

The government passed the Fugitive Economic Offenders Act (2018) in reaction to the massive bank fraud, which took effect on April 21, 2018. The Act was enacted to prevent economic criminals from fleeing India. Courts are allowed under this Act to seize all assets and properties of wrongdoers charged with evasion of more than 100 crores of rupees, as well as all who attempt to evade the charges by wilfully remaining outside the jurisdiction of the Indian judiciary. The property and other intangible properties of a fugitive economic offender are seized under this Act.

Enforcement Directorate (ED)

The Directorate of Enforcement, which is a dedicated financial investigation agency operating under the Department of Revenue, Ministry of Finance, Government of India, is currently enforcing the Foreign Exchange Management Act, 1999 (FEMA) and the Prevention of Money Laundering Act, 2002 (PMLA). The Prevention of Money Laundering Act of 2002 is an essential part of India’s legal system for combating money laundering.
In India, the ED is also in charge of enforcing economic laws and combating economic crime. Officers from the Indian Revenue Service, the Indian Police Service, and the Indian Administrative Service make up the group. Following an increase in money laundering and wilful default cases that are troubling the banking industry and the country’s economy and credibility, the ED, in collaboration with the Serious Fraud Investigation Office, has gradually demonstrated the need for and relevance of forensic audits. The ED was the one who suggested and investigated a forensic audit into the recent Vijay Malaya PMLA case. In the recent case of the Panama Papers, the ED turned up and confiscated mutual funds worth Rs 10.35 crores from a company owned by former IPL chairman Chirayu Amin.

If frauds are discovered before they happen, the economy, credibility, and money will be saved significantly

**Conclusion**

Technology is beneficial, but how it is used is dependent on the individual’s goals. Any nation faces a significant challenge when malicious intent is coupled with technology and different channels. Various regulations, such as those mentioned above, are in place to reduce, prevent, or capture financial frauds and fraudsters.

However, no one should be held responsible for the intentions and greed of others. Penalizing fraudsters should set an example for those who are considering doing something nefarious, and this is something that should be done. In the global economy, the country is indeed a disgrace. No fraud is committed in a single day; it takes time, often years, as in Satyam’s case. If frauds are discovered before they happen, the economy, credibility, and money will be saved significantly. Annual statutory audits are required, but they are subject to certain limitations. Since the qualified specialist goes beyond just numbers, forensic audit is one of the best methods for early detection of any fraud.

In terms of individual intentions, a more thoughtful emphasis on moral values through education at an early age as well as later stages is needed, rather than treating moral values as a moral science test. The laws and regulations listed above are also excellent tools for reducing such frauds, and they are already stringent enough.

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Abstract

Every new concept and activity requires clarification. Therefore, Government and other regulatory bodies will prepare Acts, rules, regulations and standards to concretize the idea and ensure transparency in its application. Forensic Accounting is rather a new term which needs uniform application. The purpose of the Forensic Accounting and Investigation Standards is to create such a uniformity in the Forensic Audit. The Institute of Chartered Accountants of India has published a Compendium of Forensic Accounting and Investigation Standards as on February 1, 2021. It contains 13 important Forensic Accounting and Investigation Standards. It is the base of the Forensic Accounting and Investigation. Hence, the researchers want to understand the perception of Commerce Graduates of Kerala State about Forensic Accounting and Investigation Standards.

Introduction

Forensic Accounting and Investigation Standards are principle based ones like Ind AS and IAS. They are not the rule based ones and they provide direction to the professional community while dealing with digital transactions and similar ones. Each Forensic Accounting and Investigation Standard contains six sections namely Introduction and scope, Objectives, Requirements, Explanatory Comments, Documentation of work procedures and effective date. Institute of Cost Accountants of India is one of important external stakeholders related with Forensic Accounting and Investigation Standards. Therefore, all members of the Institute of Cost Accountants of India should be aware of the Forensic Accounting and Investigation Standards.

Statement of the Problem

Forensic Accounting is discovery and evaluation of evidence by a professional to interpret and communicate findings suitable for a Court of law. To satisfy the above objective, critical examination of books of accounts in necessary. Forensic accounting helps to identify the following types of irregularities:

a. Accounting violations
b. Regulatory deviations
c. Contractual breaches
d. Frauds.

The objective of investigation is to examine facts and circumstances and discover evidence to prove or disprove hypothesis formulated regarding alleged legal violations, unethical conduct or the possibility of a fraud by suspected individuals. Even though both Forensic Accounting and Investigation are a new concept, its familiarization among public especially among the commerce people is the need of the hour. Hence, the researchers want to understand the perception of Commerce Graduates of Kerala State about Forensic Accounting and Investigation Standards.

Objectives
1. To understand the perception of Commerce Graduates of Kerala State about Forensic Accounting and Investigation Standards.
2. To understand about Forensic Accounting and Investigation Standards.

Hypothesis
1. H0: There is no significant difference between the age of commerce Graduates and their perception towards Forensic Accounting and Investigation Standards.
2. H0: There is no significant difference between the gender of commerce Graduates and their perception towards Forensic Accounting and Investigation Standards.
3. H0: There is no significant difference between the Employment Status of commerce Graduates and their perception towards Forensic Accounting and Investigation Standards.

Review of Literature.
Bhasin (2013)¹, in his study “Survey of appropriate skills required by forensic accountants: empirical evidence from a developing economy” suggested that forensic accountants require training in communication, accounting, business, auditing, technology, psychology, criminology, courtroom behavior and meta-thinking.

Chukwunedu and Okoye (2011)² conducted a study on “Forensic Accounting and Audit Expectation Gap: the Perception of Accounting Academics,” tells that the abilities of the auditor to detect fraud was increasing by injecting forensic accounting techniques to an audit and by giving cost benefit consideration. It helps to bridge the audit expectation gap. It has implications on accounting education and accounting practice.

Sample size of the Study
This research paper is based on primary data and secondary data. In order to address the research problem, a primary survey was conducted in line with demographic variables of the commerce Graduates in different parts of Kerala with a total sample size of 72 and for this a structured questionnaire was developed covering a variety of inter related aspects, such as respondent’s gender, age, education, experience and annual income. Google forms are developed and circulated to get the data.

Methodology of the Study
Data obtained through survey were analyzed using suitable statistical tools and testing of hypothesis (One-Way Analysis of Variance). Second data is collected from the website of Institute of Chartered Accountants of India. SPSS Software is used for data analysis.

Data Analysis.
Secondary data in respect of the following Forensic Accounting and Investigation Standards has been selected for analysis and interpretation. The Institute of Chartered Accountants of India has so far published 13 important Standards for public domain. The details are available in the website. Like Ind AS, Forensic Accounting and Investigation Standards are read in conjunction with Frame work and Basic Principles.

### Table 1

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Forensic Accounting and Investigation Standard</th>
<th>Description of the Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FAIS110: Nature of Engagement</td>
<td>This standard gives insight to the professionals about their nature of engagement and the necessary skills to be acquired for providing their maximum during the execution of the engagement</td>
</tr>
<tr>
<td>2</td>
<td>FAIS 120: Fraud Risk</td>
<td>This standard helps the professional to understand about Fraud Risk. Besides, it gives insight to deal with those risks</td>
</tr>
</tbody>
</table>

The abilities of the auditor to detect fraud was increasing by injecting forensic accounting techniques to an audit and by giving cost benefit consideration.

Forensic Accounting and Investigation Standards
3. FAIS130: Laws and Regulations
The professional should understand about the laws and regulations which are applicable for its engagement and he should act within the legal Framework.

4. FAIS 140: Applying Hypothesis
The professional shall apply the concept of hypothesis during its engagement.

5. FAIS 210: Engagement Objectives
The professional should understand about the expected outcome related with his / her appointment by the client.

6. FAIS 220: Engagement Acceptance and Appointment
This standard deals with procedure of Appointment of professionals by the client.

7. FAIS 230: Using the work of an Expert.
This standard gives insight to the professional about under which circumstances he / she can receive the assistance of expert to discover the evidence.

8. FAIS 240: Engaging with Agencies
This standard gives insight to the professional about dealing with Regulatory Agencies and Regulatory bodies.

9. FAIS 310: Planning the Assignment
This Standard helps the professional to plan its activities based on the contract between him / her with the clients.

10. FAIS 320: Evidence and Documentation
Discovery of Evidence and the documentation is the key of forensic accounting and investigation.

11. FAIS 330: Conducting work Procedures
How can the professional involve various work procedures during his assignment? This standard gives answer to the above question.

12. FAIS 340: Conducting Interviews
How can conduct interviews with different persons? This standard gives answer to the above question.

13. FAIS 350: Review and Supervision
How much care and diligence should be applied by the professionals during forensic Accounting and Investigation? This standard gives answer to the above question.


Testing of Hypothesis

Table No. 2
ANOVA for Age and Perception of Commerce Graduates towards Significance of Compliance of important Forensic Accounting and Investigation Standards as part of Forensic Accounting.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Sum of Squares Between Groups</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
</tr>
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<tr>
<td></td>
<td>28.6154</td>
<td>70</td>
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<td>28.6575</td>
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<tr>
<td></td>
<td>45.8182</td>
<td>70</td>
<td>0.6453</td>
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<tr>
<td></td>
<td>46.0274</td>
<td>71</td>
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<td></td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
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<td>28.1096</td>
<td>71</td>
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</tr>
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</table>

Table 2 revealed that One-way ANOVA was applied to find whether the mean scores vary accordingly to the age of Commerce Graduates towards perception about Significance of Compliance of important Forensic Accounting and Investigation Standards as part of Forensic Accounting. The P value is greater than 0.05 in all the above cases. Therefore, the result is not significant and hence the null hypothesis is accepted in all the above cases. Therefore, it is inferred that there is no significant difference between the age of commerce graduates and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting.

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<th>2.17863</th>
</tr>
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<td></td>
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<td>70</td>
<td>0.3841</td>
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<td>0.0523</td>
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<td>Within Groups</td>
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<td>0.5839</td>
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<td></td>
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<td>41.4545</td>
<td>70</td>
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</tr>
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<td>0.3841</td>
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<tr>
<td>FAIS 330: Conducting work Procedures</td>
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<td>FAIS 340: Conducting Interviews</td>
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<td>70</td>
<td>0.5839</td>
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<td>Total</td>
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</table>

(Source: Primary Data)

Table No. 3

ANOVA for Gender and Perception of Commerce Graduates towards Significance of Compliance of important Forensic Accounting and Investigation Standards as part of Forensic Accounting.

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
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<th>Mean Square</th>
<th>F</th>
</tr>
</thead>
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<td></td>
<td>Total</td>
<td>51.4079</td>
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</table>
Table 3 revealed that One way ANOVA was applied to find whether the mean scores vary accordingly to the gender of Commerce Graduates towards perception about Significance of Compliance of important Forensic Accounting and Investigation Standards as part of Forensic Accounting. The *p* value is greater than 0.05 in the cases of FAIS110: Nature of Engagement, FAIS 120: Fraud Risk, FAIS130: Laws and Regulations, FAIS 210: Engagement Objectives, FAIS 240: Engaging with Agencies, FAIS 310: Planning the Assignment, FAIS 320: Evidence and Documentation, FAIS 330: Conducting work Procedures, FAIS 340: Conducting Interviews and FAIS 350: Review and Supervision. Therefore, the result is

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<tr>
<th>FAIS 120: Fraud Risk</th>
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<th>0.5558</th>
<th>1.34635</th>
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<td>Total</td>
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<td>FAIS130: Laws and Regulations</td>
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<td>Within Groups</td>
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<td>1.7857</td>
<td>3.14748</td>
</tr>
<tr>
<td></td>
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<td>0.5673</td>
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<td>FAIS 310:Planning the Assignment</td>
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<td>1.7857</td>
<td>3.14748</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>39.7143</td>
<td>70</td>
<td>0.5673</td>
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<td>Total</td>
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<td>71</td>
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<td>FAIS 320: Evidence and Documentation</td>
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<td>0.11968</td>
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<td>0.6936</td>
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<td></td>
<td>Total</td>
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<td>FAIS 330:Conducting work Procedures</td>
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<td>0.083</td>
<td>0.11968</td>
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<td>Total</td>
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<td></td>
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<td>Total</td>
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<td>FAIS 350:Review and Supervision</td>
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<td>71</td>
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</tbody>
</table>

(Source: Primary Data).
not significant and hence the null hypothesis is accepted in the above cases. Therefore, it is inferred that there is no significant difference between the gender of commerce Graduates and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting in the above cases.

The P value is less than 0.05 in the cases of FAIS 140: Applying Hypothesis, FAIS 220: Engagement Acceptance and Appointment and FAIS 230: Using the work of an Expert. Therefore, the result is significant and hence the null hypothesis is rejected in the above cases. Therefore, it is inferred that there is significant difference between the gender of commerce Graduates and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting in the above cases.

Table No. 4
ANOVA for Employment status and Perception of Commerce Graduates towards Significance of Compliance of important Forensic Accounting and Investigation Standards as part of Forensic Accounting.

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<th>Mean Square</th>
<th>F</th>
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</thead>
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<td></td>
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<td></td>
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<td>FAIS 120:</td>
<td>Fraud Risk</td>
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<td></td>
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<tr>
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<td>1</td>
<td>0.0171</td>
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</tr>
<tr>
<td></td>
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<td>48.594</td>
<td>70</td>
<td>0.6942</td>
<td></td>
</tr>
<tr>
<td></td>
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<td>71</td>
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<td></td>
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<tr>
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<td>2.8983</td>
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<td>0.4822</td>
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<tr>
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<tr>
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<td>33.7545</td>
<td>70</td>
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<td></td>
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<td>0.04957</td>
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<tr>
<td></td>
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<td>31.8524</td>
<td>70</td>
<td>0.455</td>
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<tr>
<td></td>
<td>Total</td>
<td>31.875</td>
<td>71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAIS 230:</td>
<td>Using the work of an Expert</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td>0.0226</td>
<td>1</td>
<td>0.0226</td>
<td>0.04957</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>31.8524</td>
<td>70</td>
<td>0.455</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
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<td>71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAIS 240:</td>
<td>Engaging with Agencies</td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>0.0226</td>
<td>1</td>
<td>0.0226</td>
<td>0.04957</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>31.8524</td>
<td>70</td>
<td>0.455</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>31.875</td>
<td>71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAIS 310:</td>
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<td></td>
<td>Between Groups</td>
<td>0.0171</td>
<td>1</td>
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<td>0.02459</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>48.597</td>
<td>70</td>
<td>0.6942</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>48.6111</td>
<td>71</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4 revealed that One way ANOVA was applied to find whether the mean scores vary accordingly to the Employment Status of Commerce Graduates towards perception about Significance of Compliance of important Forensic Accounting and Investigation Standards as part of Forensic Accounting. The P value is greater than 0.05 in the cases of FAIS110: Nature of Engagement, FAIS 120: Fraud Risk, FAIS130: Laws and Regulations, FAIS 240: Engaging with Agencies, FAIS 320: Evidence and Documentation, FAIS 330: Conducting work Procedures, FAIS 340: Conducting Interviews, FAIS 350: Review and Supervision, FAIS 220: Engagement Acceptance and Appointment and FAIS230: Using the work of an Expert. Therefore, the result is not significant and hence the null hypothesis is accepted in the above cases. Therefore, it is inferred that there is no significant difference between the Employment status of commerce Graduates and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting in the above cases.

Findings
1. It is found that there is no significant difference between the age of commerce Graduates of Kerala State and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting.
2. It is found that there is no significant difference between the gender of commerce Graduates in the study area and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting.
3. It is found that there is no significant difference between the Employment Status of commerce Graduates in the study area and their perception towards Forensic Accounting and Investigation Standards as part of Forensic Accounting.

Conclusions
Forensic Accounting should include in the Graduate and Post Graduate Syllabus of Universities. Nowadays, Diploma in Forensic Accounting is offered by Various Institutions by charging big amount as fees. It is not good for the Forensic Accounting and Investigation. Various dimensions of Forensic Accounting and Investigation is to spread among masses to control /reduce elements of frauds in the business and society.

References:
EMERGING NEEDS OF FORENSIC AUDIT IN CORPORATE AND BANKING FRAUDS IN INDIA

Abstract

“When we discuss about good corporate governance we always have to address the matter of frauds which acts as an obstacle for comprehensive growth and development. Corporate and banking frauds are very significant and rampant issue as they have irreversible and traumatic impact on stakeholders and reputational impact on corporate and banks. Thus there is an emerging need to cope up with this menace and forensic audit is considered as a powerful weapon which is used for corporate and banking fraud detection, mitigation and prevention. Forensic audit is comparatively a new term for a country like India, but with growing number of white collar crime, forensic audit professionals are in considerable demand. This paper explains the concept of corporate and banking fraud in India and role of forensic audit as a Brahmastra (Brahma weapons) against this economic devil. Relevant Secondary data from various publications has been reviewed and synthesized for this research paper”

Introduction

We often read and see various corporate and banking frauds in India which involve huge quantum of money and have serious consequences on individuals and compounding adverse effect on corporate and banks. Fraud cases of IL & FS, DHFL, Satyam, PMC Bank, Nirav Modi –PNB, Shri Lakshmi Cotsyn Ltd, Armapali Group, Religare, Bhusan Steel, Cox & Kings, Spot Exchange of India, Kwality products, Kingfisher Airlines and numerous other corporate fraud has trembled the entire country and has compelled us to think that when there is an internal control system coupled with independent audit mechanism why all this happens.

As per the 2020-Report-to-the-Nations (Association of Certified Fraud Examiner)1 out of 103 occupational frauds in southern Asia 77 occurred in India.

Corporate Fraud cases by country in Sourthen Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>4</td>
</tr>
<tr>
<td>India</td>
<td>77</td>
</tr>
<tr>
<td>Nepal</td>
<td>1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total cases</strong></td>
<td><strong>103</strong></td>
</tr>
</tbody>
</table>

Source: 2020-Report-to-the-Nations (ACEF)

1 https://www.acfe.com/report-to-the-nations/2020/
According to a combined study conducted by ASSOCHAM and Grant Thornton, money laundering, window dressing, corruption, financial reporting fraud, tax evasion and bribery are the most prevalent corporate frauds happening in India. The study divulge that nearly 52% of corporate frauds occur in real estate in the last two years followed by financial sectors witnessing 34% frauds.

It is clear from the above fact that if substantial actions are not taken on time, then more such events at a massive magnitude can occur. Establishment of SFIO (Serious Fraud Investigation Office) which comes under Ministry of Corporate Affairs is considered as landmark step in the direction of detecting and preventing corporate frauds.

However enormous scams in last 2 decades indicate the regulatory failure and raises question on independent auditors and investigating agencies that whether they are equipped to handle complex accounting frauds.

To mitigate and prevent these financial crimes we need a stringent fraud detection mechanism, just by giving an opinion on the affairs of company will not solve the problem. According to Reserve Bank of India Annual report for Financial Year 2020-2021 India has witnessed bank related fraud of Rs. 1,38,422.00 crore comprising of 7,363 cases of fraud. There is decline in number of frauds in India relating to banks by 25% in term of value in financial year 2020-21 in comparison to financial year 2019-20, the share of public sector banks in total frauds deescalated while that of private banks escalated during the same period. In terms of area of functioning, frauds have been occurring mostly in the loan category, both in terms of number and value.

<table>
<thead>
<tr>
<th>Bank Group/Institution</th>
<th>2018-19</th>
<th></th>
<th>2019-20</th>
<th></th>
<th>2020-21</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Frauds</td>
<td>Amount Involved</td>
<td>Number of Frauds</td>
<td>Amount Involved</td>
<td>Number of Frauds</td>
<td>Amount Involved</td>
</tr>
<tr>
<td>Public Sector Banks</td>
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<td>64,207</td>
<td>4,410</td>
<td>1,48,224</td>
<td>2,903</td>
<td>81,901</td>
</tr>
<tr>
<td></td>
<td>54.5%</td>
<td>89.80%</td>
<td>50.70%</td>
<td>79.90%</td>
<td>39.40%</td>
<td>59.20%</td>
</tr>
<tr>
<td>Private Sector Banks</td>
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<td>5,809</td>
<td>3,065</td>
<td>34,211</td>
<td>3,710</td>
<td>46,335</td>
</tr>
<tr>
<td></td>
<td>31.60%</td>
<td>8.10%</td>
<td>35.20%</td>
<td>18.40%</td>
<td>50.40%</td>
<td>33.50%</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>762</td>
<td>955</td>
<td>1026</td>
<td>972</td>
<td>521</td>
<td>3,315</td>
</tr>
<tr>
<td></td>
<td>11.20%</td>
<td>1.30%</td>
<td>11.80%</td>
<td>0.50%</td>
<td>7.10%</td>
<td>2.40%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>28</td>
<td>553</td>
<td>15</td>
<td>2,048</td>
<td>25</td>
<td>6,839</td>
</tr>
<tr>
<td></td>
<td>0.40%</td>
<td>0.80%</td>
<td>0.20%</td>
<td>1.10%</td>
<td>0.30%</td>
<td>4.90%</td>
</tr>
<tr>
<td>Small Finance Banks</td>
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<td>8</td>
<td>147</td>
<td>11</td>
<td>114</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>1.70%</td>
<td>0%</td>
<td>1.70%</td>
<td>0%</td>
<td>1.60%</td>
<td>0%</td>
</tr>
<tr>
<td>Payments Banks</td>
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<td>2</td>
<td>38</td>
<td>2</td>
<td>88</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>0.60%</td>
<td>0%</td>
<td>0.40%</td>
<td>0%</td>
<td>1.20%</td>
<td>0%</td>
</tr>
<tr>
<td>Local Area Banks</td>
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<td>0.02</td>
<td>2</td>
<td>0.43</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td>Total</td>
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<td>71,534</td>
<td>8,703</td>
<td>1,85,468</td>
<td>7,363</td>
<td>138,422</td>
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<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: RBI Annual Report FY 2020-2021

We need an audit mechanism which combines financial skills with detective vision, and answer to this is of course forensic audit. Though it is in budding stage in our country there is a prominent necessity to identify the prospects of forensic audit.

The word forensic comes from a Latin word “Forensis” which means “of or before forum”. If we put it simple forensic means suitable to be used in the court of Law or in any legal proceeding. Conventional audit only provides reasonable assurance about the financial statement that they are free from any material misstatement, these audit reports are only opinion which might not be acceptable in court of law in case of any dispute but when we talk about forensic audit, the whole idea behind this to perform the audit in such a way that the audit evidences are acceptable in any court of law. During forensic audit, auditor does not rely upon the representation given by the management rather he used to collect conclusive evidences and

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2 https://www.assocham.org/newsdetail.php?id=4837
Forensic audit is a specialty practice area within accounting and auditing domain which examines the financial information of any entity in order to determine whether any fraud has taken place or not and findings of this type of audits are used as expert’s testimony in court of law.

Forensic audit has various elements including technical facet and could include any or all of the following:-
- Digital Forensics
- Third Party Investigation
- Financial Analysis
- Accounting Interpretation
- Data mining techniques
- Interviewing
- Technical aid relating to handwriting, Call data records.

Objective
This paper aims at describing the need of forensic audit for mitigating corporate and bank fraud risk and provides basic understanding of fraud and trigger points to commission forensic audit.

Research methodology:
The paper is based on secondary data from various available resources like reports of the RBI, reports and documents from association of certified fraud examiners, journals, books and web materials related to the study. Simple tabular analysis has been used for analysis.

Nature of Corporate Fraud
Corporate fraud consists of affairs undertaken by an individual or company that are done in a corrupt or illegal manner, and are designed to give an advantage to the performing individual or company.

At the highest level, there are three primary categories of corporate fraud:-
1. Corruption
2. Asset Misappropriation
3. Financial Statement Fraud

What triggers forensic audit: -
Though RBI mandates forensic audit for NPA’s above a particular exposure, there are various other early warning signs commonly known as red flags which signals impending danger of fraud and these should not be ignored. Some of the red flags for bank frauds are:
1. Delay observed in payment of outstanding dues.
2. Persistent change in the purview of the project to be undertaken by the borrower.
3. High value RTGS payment to unrelated parties.
4. Dispute on title of collateral securities
5. Significant reduction in the stake of promoter/director or increase in the encumbered shares of promoter/director

Not only red flags but there are green flags which create false sense of comforts and they are indicators of something deleterious to an entity’s Interest.
1. One-way mistake such as situation where there is always surplus stock but never any deficit.
2. Careless employee straight away turn very responsible
3. An employee pays from his own pocket to make up for a fault.
4. Employee does not take advances to settle company expenses
5. Uttermost behavior of employee of being very acquiescent or very grating

*Dalal,C, (2012) Novel and conventional methods of audit, investigation and fraud detection*
Need of forensic audit:

1. Lacuna in conventional audit mechanism to detect and examine fraud as their scope is limited to form opinion surfaced the need of forensic audit for corporate and banks.

2. Evidences collected during conventional audit are compliance based which might not be acceptable in legal proceedings and fraudster may walk free in absence of concrete evidence, this gap is filled by forensic audit as evidences gathered during forensic audit are conclusive and it is resultant of in-depth investigation.

3. With growing use of technology and complexity of business, there is a need of forensic auditor to detect and identify potential areas of fraud because now frauds are done using composite technological resources.

4. As most of the white collar and occupational frauds are not done by inept but by adept, so we need an expert who not only understands the finance, accounts and audit but also uses professional skeptics, out of the box thinking and creativity to curb the fraudster.

5. Forensic Lens view would facilitate to verify whether Due Diligence exercise is carried out by the person, authorities or Service Providers, as warranted by the situation as no straight jacket approach of audit would yield result.

6. There is a growing demand of transparency and accountability for healthy corporate culture which highlights the role of forensic audit.

7. Voluntarily commissioning of Forensic audit in any corporate or bank enhance the trust and bring a sense of satisfaction and comfort among stakeholders that their interest is secured.

Conclusion:

Corporate and banks are undergoing a rapid change in terms of operation and technology. In this context laws and regulations are equally required to be updated in accordance with the environment. So, role of forensic audit and its adoption in India is also to be reviewed. No sector of the economy is secure from delinquency, deceitfulness, deception. There are many ground and types of corporate frauds. Present accounting and auditing branch of knowledge is not able to cater all the needs of good corporate governance and this circumstance has developed a new discipline of forensic accounting and auditing across the globe. India is falling behind in following this swing but has lately begun thinking about the need for forensic auditors. These professionals will play pivotal roles and will be contributor in investigating and preventing corporate and banking frauds. There are establishment in the country, which have commenced education, training and empanelment in this field. India should encourage forensic auditing discipline and should make necessary legal amendments to make it effective for the amelioration of individual, society and economy as a whole.

APPLICATION OF ARTIFICIAL INTELLIGENCE IN FORENSIC AUDIT

Abstract

Artificial Intelligence (AI) is nowadays an emerging technology growing rapidly. Since forensic audit and accounting is itself a new concept in India so the use of Artificial intelligence in forensic audit can be proved as a game-changer. This article discusses about the introduction of Artificial intelligence & forensic audit and, the need of AI in forensic audit and the tools of AI used in the forensic audit. At last, we can clearly say that artificial intelligence has a very important role in detecting fraud and preventing fraud.

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Introduction

In today’s scenario, the number of fraudulent activities is increasing day by day. The statutory auditor has to check the overview of the financial reports of the firm and he is only concerned with the material fact of the statement. But sometimes it is seen that the fraudster by using non-materialistic things commits fraud and gives birth to financial scams. In the case of public sector banks when NPA crosses more than 50 crores they must implement a forensic audit1. A forensic audit is a process of detailed investigation of a firm that is suspected of fraud to find out the evidence related to fraud that can be presented in the court of law. A forensic audit is far different from the other audit. The normal audits are designed to verify whether the financial statement of the company is presented as per the principle of GAAP. They are not designed to detect the fraud and uncover the fraud. The techniques used in the forensic audit are very different from the statutory audit. The three necessary skill sets required for the forensic audit are accounting skills, capability to do some audits, ability to apply common sense by performing an investigation. If anybody has these three skills then he is already a forensic auditor. A forensic auditor will check each and everything whether it is material or immaterial and try to find out fraud.

Artificial means something made by humans and intelligence means which have the power to think like humans. So in short Artificial Intelligence is a program or a machine made by humans which can think and work like humans(ICSI, 2020). Artificial Intelligence is much better than humans in case of working on big data or heavy data. Human intelligence is the key requirement for a forensic audit. With Artificial Intelligence the forensic audit can be done more perfectly and accurately. As per the report published in 2018 by the Association of Certified Fraud Examiners (ACFE), more than $7 billion of total losses was faced by the 125 countries due to occupational fraud.


2 https://www.grfcpa.com/2019/02/forensic-auditing-and-artificial-in-
Objectives
The objectives of this article are
a. To understand the need of Artificial Intelligence in the process of the forensic audit and
b. To discuss about the tools of Artificial Intelligence that can be used in the forensic audit.

Need of AI in Forensic Audit
Nowadays, the forensic audit has come to light as a distinguished field in the industry that helps the management to detect the fraud. Along with the increase in complexities and volume of business, the chances of fraud has also increased. Following are the reasons for which we require forensic audit in business:

(a) Size of Data
Corporates companies and banks have thousands of transactions daily recorded in their book of accounts. When a forensic auditor starts his investigation he has to go through all the transactions recorded in the books of accounts of the companies. It became near to impossible to check all the lakhs of transactions, in this case, the auditor must have to use the AI-based software and programs that can filter the red flags and green flags transaction among the lakhs of transactions, then the auditor has to check only filtered transaction(Soni, 2017). As per the recent research of Forbes, nearly 64% of data collection, 80% of physical work and 70% of data processing get automated after implementing Artificial Intelligence to their organization1.

(b) Speed of Data Generation
The MNCs have the thousand of transaction daily. With the normal speed it is not possible for the auditor to verify all the transactions at the usual time because the speed of data generation is much more than the speed of the auditor to check the data. To keep an eye on the ongoing transaction the auditor can use the AI-based software that can verify the data in real-time and can give the red warning signal if any transaction doesn’t satisfy the defined criteria. It means the speed at which data is generated the AI tool is working at the same speed.

(c) Large No of Dimensions
We can not conduct a forensic audit without using Artificial Intelligence (AI) or we can say that forensic audit without artificial intelligence is near to impossible. The human mind has the capability to analyze 2-3 factors at a time but in forensic audit there any lots of factors at a time to be considered. When an auditor investigates any transactions he has to give attention to all the dimensions of the transaction. With the help of AI, the auditor and companies can easily keep an eye on all the dimensions of the transaction. For example, in the case of Satyam company, lots of fake companies have been created and lots of fake invoices have been generated and lots of and large no of the transaction have been deleted. Since the entire data was in the digital form it became nearly impossible for the human mind to capture all these things at a time.

Tools of AI used in Forensic Audit
In the digital world, all the traditional methods of recording the transaction have been abolished and its place has been taken by modern technologies. When AI is used for forensic audit analytics that intellect has to be given by an expert, which means to a larger extent the expert can combine its knowledge and expertise with the artificial intelligence software to generate the red flag and information which require for decision making. There are lots of different tools of AI which can be used in the forensic audit for the detection of fraud and prevention of fraud. Some of the important tools are presented below-(1) Case ware Auditing Tool IDEA, (2) Tableau Public- Popular Big Data Analytic Tool, (3) SAS Business Intelligence Tool

(a) Case ware Auditing Tool
Integrated Development Emulation and Analysis (IDEA)
IDEA is an AI-based software used for improving external and internal audit functions. By using Benford’s law and Gap detection IDEA delivers the more than 100 Audit functions. By implementing the software we can not only track the data of one company but we can track the data of multiple companies throughout the world with a single click. Group of Comercial Control (GEC) owns a large number of stores, boutiques and restaurants in the USA, by using this tool they were able to prevent overpayment by 100% and reduce operating expenses by 80%(Arora, 2020). Another company Energex an electricity provider company in Australia uses Caseware Auditing Tool IDEA and detects potentially erroneous payments.

(b) Tableau Public- Popular Big Data Analytic Tool
Tableau creates a data-driven work culture. It analyses the data in such a manner that the manager who is hungry for the answers can now find the answer with the help of this program4. Tableau provides robust security for the data contained. This program can easily prepare the reports at a much lower cost. Tableau can detect abnormal payments and crimes related to finance, track misutilization of assets and threats through predictive models, text mining techniques and pattern recognition. A leading multinational bank and financial service-based company in USA JP Morgan Chase & Co used Tableau as its core self-service data intelligence-help-detect-fraudulent-activity/

1 https://online.maryville.edu/blog/big-data-is-too-big-without-ai/

4 https://www.tableau.com/solutions/big-data-
data governance tool taking care of business aspects like data access, data analysis, IT governance and business priorities. Finds the fault in the business at the financial level and customer support level. Another multinational company in computer manufacturing Lenovo also used Tableau as its data analyst tool for its growth and increased its efficiency by 95%. Another company Global Aviation Co. used Tableau and increased its efficiency by 30% (Arora, 2020).

(c) SAS Business Intelligence Tool

SAS is a statistical data analysis tool that has the facilities of information management, scientific marketing. The main objective of the SAS is to analyze and report the statistical data in an efficient manner. This tool can be used for anti-money laundering, Customer Due Diligence, Fraud Management, Fraud network analysis. For fraud management, the SAS of the software has behavioral detection technologies, a Transaction monitoring system and a KYC management system. HSBC an international bank implemented a SAS for fraud management and reduce credit card fraud.

Conclusion

In the present scenario, the number of frauds is increasing at an increasing rate due to weak internal controls. It is seen that 50% of the frauds happen due to weak internal control and sometimes the managers or upper management of the company are also involved in fraud. As per the research, 11% of the fraud is done by top-level management. So it is most important for the company to improve the internal control system. Forensic accounting no doubt is a game-changer for the internal control system. Forensic auditor can put command in the AI-based software to filter the data transaction to detect fraud efficiently. Finally, it can be said that if we apply AI tools in the forensic audit then the auditing job will be much accurate, simple and efficient.

References

1. Arora, N. (2020). FORENSIC AUDIT & FRAUD DETECTION. https://www.youtube.com/watch?v=P3mswZrMQRg&t=3827s


RISE IN NPAs
VIS-À-VIS
FORENSIC AUDIT

Abstract

Forensic Audit is now being resorted as the most productive tool to unfold many complicated issues w.r.t Financial Statements to ascertain the real intention behind every transaction.

Through its comprehensive investigative approach, the gaps in the Internal Financial Control mechanisms are eliminated and makes the entity future ready.

The importance of Forensic Audit is in a rising trend that the regulators have decided to analyze its result as a yard stick to measure the competitiveness and integrity of a Financial Institution.

Rather than investigation, Forensic Audit has become Stakeholder friendly tool to ensure Corporate Governance put in place by the entity.

Incarnation of Forensic Audit into the Financial System

The Term Audit encompasses scrutiny of files to validate the authenticity whereas the scope of Forensic Audit is an investigation process to find the root cause on observation for a deviation in standards. Forensic Investigation is normally used for cracking various intricate cases with technical analysis which cannot be determined or resolved with normal investigation modus operandi. Forensic Analysis is thus a scientific investigation carried out by a technical expert where in the processes of Collection, Identification, Preservation and Examination of various records and evidences is involved.

Though the concept of examination of fraud and Internal audit prevailed much earlier, only in the late 80s the concept of forensics was brought to the scope of Financial Statements and Banking Transactions. The Forensic approach uprooted the unethical practice of showing boosted profits to improve market price, bringing down the profits to lessen the tax liability, showing transactions to misuse the privileges available for the Company etc. Earlier the Forensic Audit was brought in only for exceptional circumstances when there are deceptive practices which could not be proved otherwise. However, when time changed, the technology intervened and substituted the human tasks and the entire operations under this post Covid digital era. The entire management of the Company including the decision making aspect was taken over by uncontrolled and heavily relied technical aspects, even in many large cap companies, where there is no system for manual intervention/check is possible. This had a huge impact on the Company where the public money is under stake, especially, Banks/Financial Institutions and other unorganized sectors where there is funding being made without any source or cannot be traced subsequently on account of defaults. Many scams that have hit the Banks, Chit Companies and other co-operative and unstructured sectors are the end results of excess mechanization in the areas where manual intervention was curtailed. These high impact events have made Forensic Audit indispensable.

The snippet of the amounts lost over the last decade by fraud in the Financial Institutions are as follows;

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Bank</th>
<th>Amount lost (In Crs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>9,014</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Baroda</td>
<td>8,999</td>
</tr>
<tr>
<td>3</td>
<td>Central Bank of India</td>
<td>3,944</td>
</tr>
<tr>
<td>4</td>
<td>India Overseas Bank</td>
<td>3,339</td>
</tr>
<tr>
<td>5</td>
<td>ICICI</td>
<td>2,584</td>
</tr>
</tbody>
</table>

CMA (CS) R.Ram Ganesh
Company Secretary
Kerala State Backward Classes Development Corporation Limited
Thiruvananthapuram
rg0801@gmail.com
Forensic Audit- Modus Operandi

Unlike any other audits, the scope of Forensic Audit is infinite, wide, undefined and varies case to case. There is no thumb rule for conducting Forensic Audit, wherein the previous experience in conducting Forensic Audit in a previous company may not help the Auditor technically, since the commission of fraud by the fraudster or the act of commission itself will have a different perspective entirely on a different environment with different intention and hence for each case, the auditor has to apply different methodologies.

However, broadly the Forensic Audit go through the following procedures;

1. Commencement of Due Diligence
2. Comprehensive Internal/Social/ Environmental Audit Process
5. Preparation of Impact report.
6. Report on Internal Financial Control weakness/reason for departure of standards
7. Advisory on the remedial measures to the management
8. Discussion with the Audit Committee.Management on the Forensic observation.

Who can be a Forensic Auditor and its gaining Importance

There are many accredited certification programs to transform a Professional to a Forensic Auditor, in India. Though standard qualifications to be a Forensic Auditor has not been prescribed, it is the experience a person has w.r.t analysis of Financial Statements and Banking Transactions with investigative mindset determines and makes a person from a routine auditor to a successful Forensic Auditor. The Forensic Auditor has to analyse the Fraud Triangle viz; Rationalization ie:- Justification of Dishonest Actions, Opportunity ie:- the avenues available to do mischiefs, and Pressure to motivate the dishonest actions. The need for Forensic Audit is not only felt by the Management and the Stakeholders, it also felt by Reserve Bank of India on the Financial Institutions having looked upon the concerns over deteriorating asset quality and public money involved in large advances. Since there has been a multifaceted growth in Digital Banking and the ever increasing sophisticated technologies in Banking, the need and opportunity for a Forensic Auditor is always in the rise.

Nexus between NPA & Forensic Audit

There are various reasons for a loan account in Financial Institutions to become Non Performing Asset (NPA), the reason which varies from individual uncertainties to force-majeure economic conditions. The event of loan account becoming NPA, earlier, was considered as part and parcel of funding business and the management used to ear mark provisions for doubtful or loss assets as per the prudential norms. Only the proportion of NPA to Standard Assets were given importance and this also was ignored since the percentile got eclipsed on the ever expanding turnover in Billions by these financial institutions. This ignorance of the management of the financial institution for not analyzing the reason for NPA and not bringing the remedial measure was a blessing in disguise for the increase in the number and amount involved in financial frauds. Normally, there will be a Cyber Attack, Impersonation, Abuse of Dominant Position etc be a major reason of fraud. However, the employees as well the fraudsters utilized this unfair gain on the weaknesses in the Internal Control Financial System of the entity and it gave rise to the untraceable, technical and intricate manipulation in the system, wherein even the fraud committed could not even be ascertained. When the frequency of these kinds of frauds multiplied, the perspective of the Management of entities towards NPA turned overleaf. When Peer Review was made on these financial entities, Pandora’s box was unleashed on the scam based upon on NPA alone. It was observed by the Management that the usual audit process will not suffice to crack the NPA mystery and hence Forensic Audit measures were introduced.

Most common Internal Control Weaknesses in NPA Loan accounts

As mentioned earlier, frauds do play a greater role on loans making it an NPA and many times it will have its camouflage on through many processes. The reason for NPAs can be both Internal and External, wherein, in the former, the lack of supervision by the employees and willful misrepresentation are major reasons and for the latter, intentional non remittance and other economic related factors lead to NPAs. Major deceptive actions on NPA loan accounts are as follows;

1. Making the Loan amount limited that it will not get escalated to be reviewed by the higher authorities.
2. Enabling Manual interventions or edit log at the approval levels of loans quashing all the system driven mechanisms.
3. Making the discretionary approvals unlimited and bypassing MIS database.
4. Irregular and improper reporting of NPA to management/reviewing authorities.
5. Absence of centralized monitoring of NPA loan accounts.
6. Gaining unfair confidence of the authority and putting undue influence to disburse unworthy loans.
7. Administration Monopoly
wherein no other employees are aware on the technical side of programming and internal weakness to detect fraud or revenue leakage.

8. Making the process so sophisticated and lengthy that critical paths are crossed without any burden and the intended fraudster misusing the complication.

Late realization of NPA scams in Financial Sector

Before the 2018 Nirav Modi scam, many of the Indian banks had only reasonable check mechanism and review processes in their dashboard and failed to give due importance to take actions on NPA except giving provisions as per RBI Regulations. The Banks had over confidence on their system giving timely MIS and maintained a huge gap in analyzing the NPA and finding their reasons thereof. Since the Financial Entities have outsourced customized software for their transaction processes, because of the immense workload and lack of consciousness w.r.t scams, the NPA frauds were not in the scanner.

However, when the aforesaid scam in the nature of fraud for Rs 12,400 Crores was first reported by Punjab National Bank in the Bombay Stock Exchange on January 2018, the entire banking sector strangled with the after effects. As expected, scams in Dena Bank & Oriental Bank of Commerce was also exposed for around Rs. 450 Crores and Forensic Audit was initiated in these banks to uncover the mishaps and penalize the guilty. The Banks then made cautious efforts to tighten the supervisory mechanism especially in NPA areas and firm actions were taken by the authorities irrespective of the amount involved. The IT Infrastructure was immediately reengineered by all the Financial Entities to monitor the NPA on a daily basis and appointed Chief Risk Officer to ensure Asset Liability Management and alert the management in case of suspicious and fraudulent transactions.

Role of Forensic Audit to eliminate/supervise NPA

The sub committees of the Board, special committees as per RBI Directions, routine audits and supervisions has a tailor made approach towards inspection and only has a remote chance of exposing scams or frauds. However, Forensic Audit having a comprehensive and elaborate scope with wide dimension of investigative analysis can both prevent and detect fraud especially in the banking sector.

- Forensic Audit’s deep down approach makes the information gateway devoid of any ambiguous entry and ensures authenticity.
- It also assists in framing guidelines and audit oriented processes and make the organization system driven.
- Forensic Audit does not compromise on inadvertent manual intervention and ceases the probability of manipulation.
- Unlike other Audits, Forensic Audit collects evidences and takes all the legal course of action of an investigation and fixes responsibility for any breach or violations.

Summary

The need for Forensic Audit has increased over the years and is now been very critical in unfolding many scams and frauds. Forensic Audit is also acting a preventive mechanism which has brought complicated financial camouflage in the purview of the regulators and the Management. The importance for forensic audit is also now felt by the Stakeholders and is now resorted as a regular mechanism to uphold the accuracy in operations and managerial efficiency of an entity. It is imperative to have a sound technical knowledge on the Information System and Control for a Forensic Auditor to make his role more productive and forward looking, for an entity.

Reference: NA
Forensic accounting is a branch of study that combines knowledge of fraud with financial abilities as well as an in-depth understanding of corporate realities and the operation of the legal system to produce a highly specialised professional. It is possible that forensic accounting will prove to be the most successful and cost-efficient technique of reducing and eradicating accounting fraud. Companies must have robust internal control systems in place to gather and verify the various types of information required for these disclosures. This will ensure that issuers and their boards of directors make complete, accurate, and timely disclosures of both financial and nonfinancial information to the public. The disclosures made by issuers are used to inform investment decisions by both investors and management, making these internal controls essential.

**Introduction**

Financial statement manipulation is a sort of accounting fraud that continues to be an issue in many countries, but particularly in developing countries like India. Although the Securities and Exchange Board of India has taken numerous steps to mitigate this type of corporate misconducts, the incentive structure of management, the enormous latitude provided by Generally Accepted Accounting Principles (GAAP), and the ever-present financial statement manipulation is a sort of accounting fraud that continues to be an issue in many countries, but particularly in developing countries like India.
conflict of interest between the independent auditor and the corporate client continue to create the ideal environment for such acts.

As a result of these variables, investors who purchase individual stocks or bonds must be aware of the risks, red flags, and instruments available to them to mitigate the negative consequences of these concerns.

In 2008, India forensic collaborated with one of the accounting bodies to conduct research to discover early warning signs of corporate fraud. According to the study, around 1200 organizations in India may be engaging in innovative accounting methods. When evaluated these companies in 2020, the study discovered that many of those categorized as high risk had ceased operations and the majority were trading for less than Rs.10.1

Necessity of Forensic Accounting

Internally, some information will be accessible, while externally, it will not. Therefore, given the likelihood of information including doubtful information, some information will require reworking to be valuable, while others may be unavailable entirely. Certain parties may recount events that bore little similarity to reality. Then there is the demand for someone to monitor all of this, which necessitates the hiring of an investigative bookkeeper, also known as a forensic accountant.

Forensic accounting is the application of financial skills and an investigative mindset to unresolved issues, conducted in accordance with the rules of evidence. The discipline of forensic accounting encompasses fraud knowledge, financial expertise, and a firm grasp of business reality and the legal system’s operation. Forensic accounting may be the most effective and efficient method of reducing and eliminating accounting fraud. At the moment, forensic accounting is gaining popularity on a global scale. Forensic accounting significantly improves the quality of fraud detection and prevention.

Forensic Accounting Impact on Stock Market

Financial statement fraud harms investors, markets, and society. Insider trading is one kind of fraud. Insiders are executives. Buying or selling a company’s common or preferred stock is trading. Usually, the stock acquired has been authorised but not yet issued.

The new stock dilutes the value of the existing outstanding stock. To avoid dilution caused by an increase in the number of shares representing an unchanged corporation net worth, management sold the new stock at its current market price before informing current stockholders. Insiders or management are aware of news regarding the firm before the financial accounts reflect it. Managers use this data to choose whether to buy or sell stock.

Stock options are used to reward and motivate managers. Options are contracts that allow the holder to purchase common or preferred stock at a set price. Options are contracts that allow the holder to purchase common or preferred stock at a set price. Managers would wait for the stock price to rise, then claim to have bought it at a lower price days or weeks earlier. A corporation could easily record a transaction earlier than the actual date due to stock purchased directly from the corporation and included in authorised but unissued shares.

Back dating is the process of determining a date prior to the transaction. The managers would then sell the stock to profit personally. Existing stockholders were hurt financially. This resulted in severe losses for current stockholders.

How Financial Statements Manipulated

- Executive pay is typically linked to a company’s financial performance. As a result, they have a direct incentive to provide a positive financial picture of the company to exceed performance targets and boost personal income.
- Accounting provisions and procedures are subject to substantial interpretation by the Financial Accounting Standards Board (FASB), which sets GAAP standards. These GAAP guidelines do allow for some flexibility in how corporate management presents the company’s financial situation.
- Investors are unlikely to identify financial manipulation due to the impartial auditor-client relationship. As a result, auditors may be tempted to break accounting standards to please clients and retain business.

Main Reasons behind Financial Statements Manipulation / Frauds

- To raise stock prices.
- To outperform analysts’ expectations.
- To raise capital from banks and other financial entities.

### Table – 1

<table>
<thead>
<tr>
<th>Types of Crimes &amp; Fraud</th>
<th>Frequency in Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Fraud</td>
<td>35%</td>
</tr>
<tr>
<td>Cyber Crime</td>
<td>34%</td>
</tr>
<tr>
<td>Asset Misappropriation</td>
<td>31%</td>
</tr>
<tr>
<td>Bribery and Corruption</td>
<td>30%</td>
</tr>
<tr>
<td>Accounting and Financial Statement Fraud</td>
<td>28%</td>
</tr>
<tr>
<td>Procurement Fraud</td>
<td>19%</td>
</tr>
<tr>
<td>Human Resources Fraud</td>
<td>17%</td>
</tr>
<tr>
<td>Deceptive Business Practices</td>
<td>16%</td>
</tr>
<tr>
<td>Anti-Competition/Anti-Trust Law Infringement</td>
<td>13%</td>
</tr>
<tr>
<td>Money Laundering and Sanctions</td>
<td>11%</td>
</tr>
<tr>
<td>Intellectual Property Right Theft</td>
<td>11%</td>
</tr>
<tr>
<td>Insider / Unauthorized Trading</td>
<td>10%</td>
</tr>
<tr>
<td>Tax Fraud</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

1 https://indiaforensic.com/certifications/forensic-rating-model/
As may be seen from the preceding table (table -1) According to the Price Waterhouse Coopers (PWC) global economic crime and fraud survey report, 14 different types of fraud were identified. Accounting and financial statement fraud currently stands around 28% globally, regardless of developed or developing country status. We can see from this research how critical it is to place a premium on accounting and financial reporting, as well as the importance of forensic accounting systems.

Table - 2
Types of Stock Market Fraud Experienced in India

<table>
<thead>
<tr>
<th>Intermediaries Fraud</th>
<th>Trading Frauds</th>
<th>Company Frauds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unauthorized Trading</td>
<td>Insider Trading</td>
<td>Unlawful fund-raising</td>
</tr>
<tr>
<td>Front-running</td>
<td>Market Manipulation</td>
<td>Initial Public Offering Fraud</td>
</tr>
<tr>
<td>Dabba Trading</td>
<td>Price/Volume Rigging</td>
<td>Ponzi Schemes</td>
</tr>
<tr>
<td>Colocation Fraud</td>
<td>Circular Trading</td>
<td>GDR Accounts</td>
</tr>
<tr>
<td>Fraudulent Investment Advice/Research Report</td>
<td>Synchronized Trading</td>
<td>Manipulation &amp; Poor governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from various SEBI reports

The above table (table -2) summarises the primary categories of stock market frauds/scams and also details the impact of stock market frauds/scams on the economy in the broad categories listed below.

Impact of Stock Market Frauds in Economy
- Fraudulent abuse of public finances - A public offence
- As seen by their failure to return to the market, investors’ confidence has been damaged.
- Due to a poorly formed Equity Cult, markets have not attained their full potential.
- Loss of the country’s total economy - A weak stock market has a detrimental effect on the economy.
- The notion of stock markets as dens of speculation and gambling undermines investor’s perceptions of the market.
- Revenue Gaps - The stock market has been misused to facilitate tax avoidance.

Legislative Reforms in Relation to Fraud
- SEBI has been recognised by legislation.
- The regulations of trading have shifted.
- Electronic trading has largely taken the place of ring trading.
- Physical shares have been phased out in favour of digital ones.
- A mechanism for resolving disputes has been established. More quickly and without a face
- Corporate governance became a requirement under the law.
- SEBI’s Regulatory Thrust on Corporate Disclosures/Reporting and Monitoring has invested in cutting-edge monitoring technologies.
- Introduced legislation to prohibit Ponzi/Fly-by-Night Schemes
- Strengthened the Code of Conduct for Market Intermediaries
- Justification for Securities Issuance Regulations Strict legislation aimed at preventing and penalising insider trading.
- SEBI’s authority to investigate, compel disgorgement, bar individuals from the securities market, and perhaps arrest has been expanded.

Table - 3
The Top 10 Accounting Scams that have occurred in the last 25 years

<table>
<thead>
<tr>
<th>Company Name &amp; Year</th>
<th>Description of Accounting Fraud</th>
<th>Effect on Stock Market / Loss to Investors</th>
<th>Present Status of Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Management Inc.</td>
<td>Reported $ 1.7 billion fake earnings</td>
<td>Estimated losses around to $457 Million to Investors</td>
<td>Continuing</td>
</tr>
<tr>
<td>(USA) (1998)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enron Corporation (USA)</td>
<td>Used Accounting Loopholes hide Estimated around $ 75 Billion as Bad debt</td>
<td>Estimated losses around to $74 billion to investors. (price collapsed from $ 90 to $1 within a year time)</td>
<td>Ceased Operation (2007)</td>
</tr>
<tr>
<td>(2001)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tyco Inc. (USA) (2002)</td>
<td>Inflated company earnings by over $500 million</td>
<td>Estimated losses around to investors $2.92 billion</td>
<td>Merged with Johnson Controls Plc (2016).</td>
</tr>
</tbody>
</table>
Table 3 shows that accounting frauds have happened in the past, some of the most frequently encountered frauds were related to the following elements, which were used to inflate revenue and profits, as well as misappropriate asset value, by referring to the following errors or manipulation: cost of manufacturing, products, receivables from related parties, cost of goods sold, selling fees, administrative costs, general and administrative costs, and other costs that were not directly related to the manufacturing process.

Accounting frauds have clearly demonstrated the financial impact on investors, and abrupt market drops such as this one can test the mental fortitude of some investors while also unsettling and rousing their faith in carefully constructed investment strategies.

Table – 4

<table>
<thead>
<tr>
<th>Year of Suspension</th>
<th>No. of Companies</th>
<th>Sum of Listed capital (No. of shares)</th>
<th>Minimum Face Value</th>
<th>Maximum Face Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1</td>
<td>28470645</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2016</td>
<td>2</td>
<td>221404669</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2017</td>
<td>2</td>
<td>372551000</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2018</td>
<td>12</td>
<td>2036594267</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2019</td>
<td>15</td>
<td>1002952281</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2020</td>
<td>18</td>
<td>3421598498</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2021</td>
<td>15</td>
<td>2351327703</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>9434899063</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total No. of Promoters in the Suspended Companies 746

Source: Compiled and estimated using data from the NSE website: https://www1.nseindia.com/invest/content/regulatory_actions.htm (Note: Minimum and maximum face value are calculated based on the total number of suspended companies.)
We could understand based on relating (Table 4 and 5) regulatory measures taken by the National Stock Exchange (NSE) in the form of trade suspensions and delisting of corporations. Additionally, we witnessed a drop in the rate of compulsory delisting in 2019 and 2020. The number of enterprises suspended is expected to be significant in the years 2019, 2020, and 2021. Voluntary Delisting is increasing as a result of the SEBI and stock exchange’s stringent laws and regulations. There is a link between accounting disclosure and stock exchange management in the form of appropriate rules and regulations imposed on firms as mandates.

We could interpret (Table 6) as regulatory actions taken by the Bombay Stock Exchange (BSE) in the form of corporate trade suspensions. Additionally, we can note that over 100 businesses were suspended in 2015 as a result of penal and surveillance measures.

We could interpret (Table 7) as data compiled and estimated using data from the SEBI website: https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=1&ssid=7&somid=0

### Table – 5

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compulsory Delisting</td>
<td>0</td>
<td>14</td>
<td>55</td>
<td>48</td>
<td>1</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Delisting - Liquidation</td>
<td>0</td>
<td>33</td>
<td>11</td>
<td>37</td>
<td>10</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Exit from ITP platform</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Voluntary Delisting</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4</td>
<td>56</td>
<td>75</td>
<td>95</td>
<td>19</td>
<td>24</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Compiled and estimated using data from the NSE website: https://www1.nseindia.com/invest/content/regulatory_actions.htm

*Note: Data As per 30-August-2021 status from the Beginning i.e. 1-January to 31-August-2021.

### Table – 6

<table>
<thead>
<tr>
<th>Year</th>
<th>Due to Penal Reasons</th>
<th>Due to Surveillance measure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>185</td>
<td>0</td>
<td>185</td>
</tr>
<tr>
<td>2002</td>
<td>137</td>
<td>0</td>
<td>137</td>
</tr>
<tr>
<td>2003</td>
<td>148</td>
<td>0</td>
<td>148</td>
</tr>
<tr>
<td>2004</td>
<td>114</td>
<td>0</td>
<td>114</td>
</tr>
<tr>
<td>2005</td>
<td>58</td>
<td>0</td>
<td>58</td>
</tr>
<tr>
<td>2006</td>
<td>39</td>
<td>0</td>
<td>39</td>
</tr>
<tr>
<td>2007</td>
<td>27</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>2008</td>
<td>9</td>
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<td>2009</td>
<td>10</td>
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<td>10</td>
</tr>
</tbody>
</table>

Source: Compiled and estimated using data from the BSE Website: https://www.bseindia.com/corporates/Susp_Comp.aspx

### Table – 7

<table>
<thead>
<tr>
<th></th>
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</tbody>
</table>

Source: Data Compiled and computed from https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=1&ssid=7&somid=0
In the form of protection for investors, The Securities and Exchange Board of India (SEBI) communicates with all segments of stakeholders on a periodic basis through circulars and master circulars. Rules and regulations have been adopted/amended to protect investors’ interests, as well as required Legislative Acts where necessary. As shown in Table -7, the year 2020 will see an increase in the number of circulars addressed to various functional authorities, enterprises, stock exchanges, and investors. Circulars are contained in the relevant of awareness/information/procedures to numerous difficulties, including accounting and financial reporting, corporate governance, and market intermediaries.

**Conclusion**

Generally, a public issuer has declined to disclose facts that an investor would wish to know before to investing. Recent fraud prosecutions established that these issuers’ financial and non-financial statements concealed their true obligations. Regulators assert that in the majority of cases, issuers gave materially false information about their financial prospects in order to mislead investors.

These alleged offences were credible in light of the fact that the majority of securities authorities now regulate on a transparent basis. Risk tolerance and time horizons of investors differ. Additionally, the risk and maturity of public business securities vary. Investors are best equipped to determine whether the potential rewards of an investment surpass the risks they are willing to take. Almost all securities authorities now require issuers to post financial disclosures that fully disclose an issuer’s potential risks and opportunities.

Investors can compare the performance of various organisations using these generally accepted accounting standards. However, relying exclusively on an issuer’s financial statements frequently results in a misleading view of the issuer’s financial prospects. Due to the difficulty of standardising non-financial statement disclosure across accounting rules, issuers must declare a variety of categories and types of occurrences.

To ensure that issuers and their boards of directors report all essential financial and non-financial information, issuers must have robust internal control processes in place that gather and validate the necessary data. Both investors and management rely on issuer disclosures to assist them in making investment decisions.

**References**

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11. NSE Regulation https://www1.nseindia.com/invest/content/regulatory_actions.htm
IMPORTANCE AND USEFULNESS OF THE FORENSIC AUDIT:
A CRITICAL REVIEW

Abstract

The article aims to highlight the importance and usefulness of forensic audits. The methodology employed for the study is a systematic review of the literature. The study findings revealed that forensic audit plays a critical role in minimizing and preventing financial fraud. The forensic audit has established itself as a strategic tool for the success of the business.

1.0 Introduction:

A forensic audit is one of the key practice area of accounting that intends to investigate the fact whether a firm’s financial report is showing any kind of misconduct or not. The term ‘forensic’ means suitable for producing the information in front of the court. In simple terms, a forensic audit is an integration of accounting, auditing, and investigative skills to address the legal matter. Forensic auditors are the investigators of legal and financial documents. The forensic audit is carried to examine possible suspicions of fraudulent activity within the organization. Akinadewo and Akinkoye (2019) stated that forensic audit is a process that involves analysis and examination of the fraudulent issue and anti-fraud control measures. A forensic audit targets to uncover suspicious financial activities that result in fraud, embezzlement, and financial malpractice. Eiya et al. (2013) pointed out that financial audit aims to uncover material deviation in financial data from the applicable accounting and auditing standards, on the other hand, forensic audit looks beyond the transactions and focuses on the substances of the transaction. Similarly, the study of Okoye and Gbegi (2013) advocated that forensic auditors should replace the external auditor. This is required to reduce any kind of fraud. In addition, the study revealed that those public sectors, which has forensic audit department has reduced the financial fraud largely. While conducting a forensic audit, an auditor strives to look for such pieces of evidence, which can be presented in court. For untying the knots, relating to financial malpractice the intervention of forensic audit proves handy in the context of deposing in courts. For carrying out the forensic audit the auditor heavily, depend upon interview and investigation. Information is gathered from the victims, accused, and collaborative witnesses.

1.1 Purpose and significance of the study

The present paper aims to examine the importance and usefulness of the forensic audit by review of literature on the topic. The study intends to find out how the knowledge of forensic auditing could help in preventing fraud and improve the performance of the entity. The methodology...
employed for the study is the review of the literature (Metadata analysis). The study is relevant because of the growing importance of forensic audit on account of the incessant increase of corporate fraud.

1.2 Organization of the study

The article is broadly divided into three sections. The first section gives an introduction regarding the forensic audit. The second section discusses the different works of literature relating to a forensic audit. The third section concludes the study and the last section highlights the references.

2.0 Literature Review

Smith and Crumbley (2009) asserted that the traditional auditing method is under constant scrutiny because of its inherent limitations. The forensic audit is a sophisticated tool to overcome the limitations associated with the traditional auditing method. Gaikwad and Varade (2017) highlighted that forensic audit is the key enabler to provide a conducive working environment and designing a comprehensive corporate governance policy. Several studies are conducted to examine the role of forensic audit in preventing financial fraud. The study conducted by Enofe et al. (2015) is a stranded piece of literature in this field. The researcher examined the impact of forensic audits on corporate fraud in Nigeria. The findings revealed that frequent utilization of forensic audit services could help in the early detection and prevention of fraud incidences. Further, the study recommended that forensic audit should be made compulsory for the business. Taking Enofe et al. (2015) study findings as a base Adesina et al. (2020) examined the importance of forensic audit for those business houses that are completely ravaged because of financial fraud. The findings of the study revealed that implementing forensic audit would not only contribute to reducing the financial frauds in Direct Money Banks (DMB) but also help in maintaining sanity in the banking sector of Nigeria. Asaolu et al. (2020) found in their study that the implementation of forensic audits drastically reduces the problem of tax evasion. The researcher employed a quantitative research design for the study. The sample size used for the study is 301. The study concluded that forensic audit is a key factor to minimize financial fraud. The study of Nandini and Ajay (2021); Oluwapelumi (2021) stated that forensic audit is a key enabler for enforcing corporate governance policies and reducing corporate failure. In addition, forensic audits increase the satisfaction level of the investor. There exist a significant relationship between the faithful presentation of the financial statement and forensic audit. Public confidence in statutory audit is constantly declining because of its inability to prevent fraud. Kutus et al. (2018) acknowledged that forensic audit practice has a significant relationship with public confidence. Besides that, the study findings revealed that there exists an inverse relationship between statutory audit and public confidence.

A forensic audit has evolved itself into a dynamic and strategic tool for preventing fraud and error. The importance of forensic audit is growing manifold because of the increasing complexities of business activities. Despite the growing importance of forensic audit, many countries across the globe are not able to realize its significance. The study of Mojsoska and Dujovski (2015) revealed that the Republic of Macedonia still does not recognize the branch of the forensic audit. The recognition of forensic accounting and audit is important to train the people in the field who can help reduce and prevent fraud. Likewise, the study of Temitope et al. (2016) pointed out that the awareness level of forensic audit is very low in the corporate world. The study findings revealed a negative relationship between forensic audit and people’s expectations from forensic audit whereas, the study conducted by Nzauke (2009); Okoye and Obialor (2020) asserted that forensic audit plays a key role in detecting and preventing fraudulent practices. The federal ministries in Anambra State employed forensic audits to curb the malpractices. The study recommends that to promote honesty, fairness, and transparency in reporting it is essential to prioritize the forensic audit in the ministry. Amah (2018) suggested that every department of the Government and its agencies must be supported by the forensic audit department. The forensic audit department would help the Government agencies to improve their performance and productivity. To judge the significance of forensic audit Ekechukwu (2018) conducted a study in the Nigerian National bank to explore the nexus between forensic audit and banks profitability. The researcher used multiple regression techniques to study the relationship between independent and dependent variables. The forensic accounting was treated as dependent variable and profitability indicator like net profit margin, earning per share, and profit after tax (PAT) was treated as a predictor variable. The result revealed that there exists a significant relationship between forensic audit and banks’ profitability indicators. Likewise, Okoroyibo and Omorogie (2019) conducted a study to judge the impact of forensic audits on the performance of the banking industry of Nigeria. The study adopted the
ex-post facto research design and research findings showed the positive relationship between forensic audit and net profit margin of selected Nigerian banks. Therefore, it can be concluded that forensic audit has a significant influence on productivity and performance.

3.0 Conclusion

There is a growing demand for forensic audits in recent years. Forensic audit got its popularity because of the incessant increase in the number of financial fraud cases. From the review of literature, it is concluded that forensic audit is an indispensable tool to curb corruption in the organization. Besides curbing corruption, a forensic audit helps in improving the performance and productivity of the organization. Many countries across the globe found that forensic audit is a panacea to prevent fraud and error. The various agencies dealing with corruption are using the forensic audit to address corruption. The forensic audit would supplement the efforts of different agencies to curb financial malpractices in business. Besides this, the forensic audit has the potential to establish a fraud-proof internal control system in the organization. Therefore, it can be concluded that the usefulness and importance of forensic audits will increase in near future.

References

APPLICATION OF FORENSIC AUDIT: AN INVESTIGATIVE TOOL TO COMBAT WITH BANKING FRAUDS

Abstract

This paper examines the trend of frauds and the various causes plaguing the Indian banking sector. The study endeavors to throw light on the introduction of the forensic audit for the investigation of the banking frauds and quantify the financial loss of the banking institutions.

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1. BACKGROUND OF THE STUDY

“Forensic” is the word usually related to law enforcement agencies. But that is not the case here. Here, the word “Forensic” is used to uncover the different kinds of fraud like Bank frauds, Corporate frauds, Insurance frauds, Securities frauds, and also Cyber frauds regarding their financial manipulation. The economic growth and development of a country are dependent on a strong financial system to ensure the financial stability of the emerging economy. Of late, the gradual rise of fraud in the banking sector has become a general phenomenon. Time and again, it has been established that these financial frauds are one of the major hindrances to the inclusive growth of the economy. In any economy, the rise in financial frauds is directly proportionate to the fall of the economy because the victims of financial sectors are general people and in the long run banking sector also. In spite of being an in-house accountant and internal auditor to monitor and minimize any irregularities or complications that may arise throughout the regular business, different instances of fraudulent activity are becoming increasingly day-by-day. To overcome these problems’ introduction of a Forensic audit is needed. A Forensic auditor is called upon to use his accounting skills to investigate fraud, embezzlement, and other irregularities hidden in the financial transactions. Forensic audit is the integration of Accounting, Auditing, and Investigation Science that helps to assess the risk through different mathematical techniques and try to gather pieces of evidence and clues through scientific and latest investigation techniques for legal proceedings. Figure-1 reflects the basic elements of forensic Audit that jointly help to combat fraud.

Figure-1: Relationship among Accounting, Auditing and Assurance, Investigation Science with Forensic Audit.

This research work tries to highlight the trend of frauds plaguing the banking sector in India and set out the need to introduce the application of forensic audit skills for the
mitigation of financial crimes so that existing legal and regulatory obligations can be redefined and structured in a good manner.

2. OBJECTIVES OF THE STUDY
The study is based on the following objectives-
1. To understand and analyze the trend of frauds plaguing the banking sector in India.
2. To review the applicability of the forensic audit in controlling financial frauds in the banking sector.

3. RESEARCH METHODOLOGY
The study is explorative and qualitative in nature and based on secondary sources of data. The researcher has logically analyzed various facts and figures available from reliable sources such as websites & reports and compiled and presented as per need of the study. Financial Stability Reports of RBI have analysed to understand the present scenario of the banking sector in India.

4. ANALYSIS OF THE STUDY
In contemporary times, instances of banking fraud in India are on a steady rise. It is increasing with time in every operational area in banking sectors like in Bank Deposits, loans, inter-branch accounting, Forex transactions, etc. During the post- liberalization, the frequency of banking frauds, complexity and the inherent costs of frauds has created a very alarming situation on the banking sector as well as on the Indian economy.

Table-1: Frauds in Indian Banking Industry from 2015-16 to 2019-20.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of frauds</th>
<th>Quantum of Fraud (In Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>4,690</td>
<td>18,698</td>
</tr>
<tr>
<td>2016-17</td>
<td>5,071</td>
<td>23,928</td>
</tr>
<tr>
<td>2017-18</td>
<td>5916</td>
<td>41,167</td>
</tr>
<tr>
<td>2018-19</td>
<td>6799</td>
<td>71,543</td>
</tr>
<tr>
<td>2019-20</td>
<td>8707</td>
<td>185,644</td>
</tr>
</tbody>
</table>

Sources: RBI Annual Report.

Table-2 - Percentage of Frauds in Various Banking Operations

<table>
<thead>
<tr>
<th>Area of Operation</th>
<th>2017-18 (%)</th>
<th>2018-19 (%)</th>
<th>2019-20 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances</td>
<td>54.8</td>
<td>90.2</td>
<td>98.1</td>
</tr>
<tr>
<td>Off-balance sheet</td>
<td>39.5</td>
<td>7.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Forex Transaction</td>
<td>3.5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Card/Internet</td>
<td>0.3</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Deposits</td>
<td>1.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Inter-branch accounts</td>
<td>0.0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Cheques/demand drafts, etc</td>
<td>0.1</td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td>Clearing, etc accounts</td>
<td>0.0</td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0.6</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Total (%)</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Sources: RBI Annual Report.

Table-2 depicts that the proportion of frauds in different banking operations for the fiscal year 2017-18, 2018-19, and 2019-20. Data reveals that frauds have been predominantly occurring in the advances category. As per RBI annual report fraud in the advances category is 54.8%, 98%, and 98.1% in the year 2017-18, 2018-19 and 2019-20 respectively. In fact, a total fraud in terms of the value of amount involved in an advance category is much higher in 2019-20 in comparison with previous years. On the other hand, the amount involved in frauds relating to off-balance sheets, Forex Transaction cards, and internet banking, clear accounts, and others have decreased over the years. The major percentage of banking frauds relate to advances which is a very alarming situation especially because of their size and far-reaching implications to their financial soundness and integrity. There have been several banking frauds occurred in the last few years due to unlawful and unethical loan sanctioned by the different banking institutions out of them most publicised alleged frauds in India’s banking history are liquor baron Vijay Mallya, Nirav Modi for defrauding Punjab National Bank, Punjab and Maharashtra Cooperative (PMC) Bank scam, Lakshmi Vilas Bank scam and Maharashtra State Cooperative Bank scam IDBI Bank loan scam. In the banking sector, the detection of fraud takes an unusually long time. Normally, banks tend to report for banking frauds only when they think that the chances of recovery are the least.
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**COVER STORY**

**Table:3- The average lag between the Date of Occurrence of Frauds and their Detection by banks**

<table>
<thead>
<tr>
<th>Year</th>
<th>Below Rs.100 Crore</th>
<th>Rs 100 crore and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>22 Months</td>
<td>55 Months</td>
</tr>
<tr>
<td>2019-20</td>
<td>24 Months</td>
<td>63 Months</td>
</tr>
<tr>
<td>2020-21</td>
<td>23 Months</td>
<td>57 Months</td>
</tr>
</tbody>
</table>

*Sources: RBI Annual Report*

Table-3 depicts when the amount below Rs.100 crore, the average lag between the date of occurrence of frauds and its detection by banks was 22 months, 24 months, and 23 months during the year 2018-19, 2019-20 and 2020-21 whereas in large frauds, i.e., 100 crores and above, the average lag was period was 55 months, 63 months and 57 months respectively for the same period. This annual report reflects the weak implementation of Early Warning Signals (EWS) by banks during the internal audit procedures.

**Applicability of Forensic Audit System in Banking Sector-**

All financial institutions including the banking sector should have a clear outline of their policies and procedures regarding their financial planning. To combat fraud, a financial audit procedure follows by the banking institutions to verify the financial statements to ensure timely detection of asset misappropriation, financial statement fraud, diversion of funds, and try to verify whether the banking concerns are following the law and compliance or regulatory. Generally, the banking sector follows three types of banking audit like Concurrent Audit, Internal Audit, and Statutory Audit. In spite of the three tiers of verification banking frauds are rapidly increasing. In recent times we have seen frauds damaged the internal banking system a lot. So, there is a need of audit programs that may reduce the frequency of frauds in the banking sector. Here, the introduction of Forensic Audit is needed for the financial stability in the banking sector. It is primarily concerned with the detection of willful defaults and window dressing of financial statements and the prevention of financial fraud and other forms of economic crime. Generally, three types of frauds like corruption, asset misappropriation, and financial statement fraud are investigated by the Forensic auditor to ensure the commercial health of the financial sectors. Forensic auditors should be cautious about deception techniques during the review of documents. Auditors should alert regarding red flags i.e. unusual circumstances which are varying from the normal activity. It is symptoms or indicators of the situation for which an investigation is needed. To detect fraud Forensic auditors may use some mathematical techniques. There are some popular mathematical techniques used for Forensic Auditing like -

I. **BENFORD’S LAW**: This mathematical tool is used to determine whether the field under the study is free from any unintentional errors or fraud. Detailed scrutiny is done after detecting the fabricated figures which is an indicator of the fraud. Generally, fabricated figures differ from random figures. A parametric test is used to measure the significance of the variance.

II. **THEORY OF RELATIVE SIZE FACTOR (RSF)**: This is used to determine the unusual data which may be caused due to fraud or genuine errors. Firstly it determines a certain range or a limit as a normal range for each entity if there is any record that are falling outside the prescribed range then there is a need for an investigation to find out frauds.

III. **RATIO ANALYSIS**: Ratio analysis is a very useful technique for fraud detection. It is used for measuring the relationship between two different financial statement amounts that are very useful in detecting red flags for fraud examination. Through the Ratio analysis auditor can identify the possible symptoms of the fraud.

**5. CONCLUSION AND RECOMMENDATIONS:**

Forensic Audit is going to grow exponentially as it is found that internal as well as the statutory audit system is too weak to control the banking frauds and there is a dire need to redefine the role of auditors in the banking sector. The coordination among the managerial personnel, regulatory authorities, and bank employees are very poor that’s why after every fraudulent activity there is a blame game. The date of the occurrence of frauds and their detection policy in due time is missing. A strong audit procedure like a Forensic audit should be used to implement Early Warning Signals (EWS) by banks to monitor properly. It should be made mandatory to introduce the forensic audit to restrict the scams at an early stage and raise the level of security awareness in the banking system to combat fraud.

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6. www.rbi.org
7. www.forensicaccounting.com

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Abstract

With the development in technological and digital innovation in recent years, there has been a rise in fraudulent activities in the banking and corporate sectors. Hence, the relevance of forensic audit in the recent scenario is of immense importance to detect such frauds that will protect the interest of the shareholders. Therefore, an attempt has been made in the study to find out the importance of forensic audit in the current scenario.

INTRODUCTION

Forensic Audit is simply the evaluation and examination of a company’s financial records such that an evidence or proof can be generated which can be used in the court of law for future references. With the rise in banking and corporate frauds, the role of forensic auditors is becoming more crucial. From banking regulators to corporate personnel, everybody wants to retain the services of a forensic audit in the recent scenario since it is a key weapon specifically in a situation where one smells a fraud or corporate scam and the power of forensic auditing is unleashed to great effect. Forensic audit not only prevent a fraud, scam or a wrongdoing; but it also protects the investors and shareholders indirectly and the thereby the SEBI now wants the listed companies to make disclosures about their forensic audit to stock exchanges. The rising banking and corporate frauds can be made negligible with the help of forensic auditors who have the perfect knowledge, skills and experience to detect frauds beforehand. Forensic auditors were not given much importance in our country, but the sooner the regulators and the corporate ecosystem understand the importance of forensic audit, the better it is for all stakeholders.

RESEARCH OBJECTIVES

The following research objectives have been identified by the researcher based on the importance of the study:

- To study the importance of Forensic Audit to detect Banking Frauds in India.
- To understand the relevance of Forensic Auditors in protecting the interest of the shareholders.

RESEARCH METHODOLOGY

The current study is based on secondary sources of information which is descriptive and explorative in nature. The secondary sources of the available information have been collected from various research works, news reports, journals, working papers and published information. To fulfill the objectives of the study, various websites have also been visited by the researcher such that to understand the need and relevance of the forensic audit in detecting banking frauds and corporate thefts largely to protect the interest of the shareholders. At the first instance, the researcher collected desired and available information related to the study and based on that the relevant information was analyzed to understand the importance of the forensic auditors for detecting banking frauds and to protect the shareholders.
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From corporate scandals. Based on the clear and conceptual analysis of the study, suitable and logic conclusion has been given by the researcher such that the forensic auditors can play their concrete role to minimize the rise in fraudulent activities for the effectiveness of the system and stakeholders in general.

ANALYSIS

In the age of digital revolution, the banking system of our country is getting acquainted with the recent technological innovation and more number of banks are opting for the digital technological domain such that to provide adequate services to their customers. With the rise in use of technological tools in the banking sector, there is also an increase in the number of fraudulent activities in the sector. Thus, there is an increase in the number of forensic auditors in India to detect such frauds and thereby to safeguard the interest of the shareholders.

The rise of Forensic Audit in India

The rise of banking frauds in India lead to a need in the professionals who are skillful and can effectively mitigate the threat and risk caused in the banking sector by evaluating the risk assessments and such threats can be identified by the forensic auditors in our country. A forensic auditor is a professional who has undergone through specific training and thus they are experts in forensic auditing related to the banking sector and its frauds domain. They have specific qualities and skills through which they can detect frauds in an organization.

There has been considerable rise in the number of forensic auditors in our country and the reason being the increase in frauds in our country. The forensic auditors in recent times are not only investigating to find the reasons behind the frauds but they are also setting a risk mitigation and management framework for the banking sector. The rise of forensic audit is also due to the fact that the investigations made by such auditors will act as future evidence and record keeping to justify the fraudulent activities. Forensic auditing being made mandatory by the RBI for the loan accounts in banks above a particular exposure which have turned non performing is also one of the reasons for the rise in forensic auditing in our country. The importance of forensic audit is rising day by day since it is a6 key weapon for detecting any corporate wrongdoing, unethical practices or a scam such that the powers of the forensic auditors are then unleashed.

Importance of Forensic Audit to detect Banking Frauds

Banking frauds in India has been common now a day, especially in the era of technological and digital innovation. Since the nationwide banks are shifting towards digital realm, there is a rise in risk of fraudulent activities and cyber security threats in the sector. The rise in the risk of frauds in the banking sector leads to seek forensic auditors to mitigate the threat and risk. According to the recent reports of the Reserve Bank of India, it was found that the banking frauds in our country have doubled in the year 2020 as compared to the year 2019. Therefore, it is very important on part of the banking sector to judiciously utilize the forensic auditors such that to prevent the banking frauds in the first stage through setting up several definite mechanisms. Any frauds happened in a particular bank can damage the internal banking system of the country which is not suitable for the entire sector at large knowing how important the banking sector for any economy is for the overall economic growth and development of the Nation.

The certified professionals in the form of forensic auditors who are experts in the subjects of litigation support, forensic auditing and accounting for investigation; do have an accurate skill set in the field of fraud investigation can thereby reduce the banking frauds that are taking place. The forensic auditor plays a crucial role by establishing evidence and facts such that the criminal and fraudulent activities that are happening in the banks can be detected. In the modern era of industrial revolution, there is also a risk associated with cyber security threat in the banking sector and that can be effectively mitigated by conducting thorough risk assessments by the forensic auditors. The role played by the forensic auditors in a banking sector is highly challenging and sensitive such that they have to combat frauds and fight crimes with their competent professional knowledge and skills. Effective forensic audit can help banks in eliminating financial conflicts which prevent the sector from substantial losses to sustain profitability. Therefore, forensic audit is immensely valuable for the banks of our country since it not only detect frauds but also makes the sector feel a sense of belongingness and security in the era of cyber thefts and frauds.

Relevance of Forensic Audit to the Stakeholders

The importance of forensic audit in the corporate world can largely be justified by the crucial roles that the forensic auditors play to detect frauds and criminal activities. The cost of frauds for any sector is much more than what one may think of, such that the after affects of the frauds can make a company or a sector reeling for a long time that can make a shareholder loose from the devastating effects on different sectors. The rise in the number of frauds in the banking sector and corporate world is directly or indirectly affecting the interest of the shareholders and thereby the importance of forensic audit comes to protect such shareholders by detecting frauds and mitigating risk from different possible threats.

Fraudulent activities in a particular company can tarnish the reputation of that company in no point of time which can result in instant market value decimation by changing the perception of the stakeholders. Hence, the role of forensic auditors is very much crucial to detect such fraudulent acts in the first instance itself such that the interest of the shareholders can be protected along with saving the reputation of the company, making it a win-win situation for both the parties. Forensic audit can also help the management to disprove the allegations that are harmful for the company and its shareholders, and they can also provide concrete evidence of a fraud that is useful to
the regulators and stakeholders of the company. A shareholder must watch out that a particular company is disclosing and sharing its reports after commencing the forensic audit or not and accordingly they can protect themselves from the banking and corporate frauds that are taking place in the market.

CONCLUSION

The relevance of forensic audit is inherited in the banking system and the corporate world. As per the analysis, it can be observed that the role of forensic auditors is much beyond just detecting frauds and identifying threats. It was studied that a forensic auditor must have some adequate skills, experience and knowledge through which they can evaluate risk along with identifying fraudulent activities and thus in a way they can protect the interest of the shareholders in the market as well. The banking sector in India contributes much to the development of our economy, but the rising banking frauds is not only deteriorating the sector but also affecting the reputation of the system in general. The development in technological innovation in recent years lead to increase in cyber theft and banking frauds in our country, and thereby there is a rising need of forensic auditors; who will not only identify the thefts, errors and frauds in the system but they will also gather evidence and proof for further future references. Forensic auditors are also involved in effective planning and executing strategies such that the frauds can be prevented in the first instance itself and the nature of job they do is not easy since they have to enhance in due diligence and mitigation effectiveness. The role of forensic audit is not rigid such that their decisions and end results are the final outcomes to many different systems. The importance of forensic audit is much beyond just auditing and therefore they should maintain their quality work such that the fraudulent activities can be minimized for the effectiveness of both the banking sector and the shareholders.

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FORENSIC INVESTIGATION FOR CYBER SPACE:
IMPORTANCE OF CYBER FORENSICS IN BUSINESS AND GLOBAL ECONOMY

Abstract

Cyber forensics is a technique of electronic finding used to identify and disclose technological criminal evidence. The current study was an attempt to add to the emerging body of knowledge about the inherent problems of cyber forensics. This paper provides an overview of cyber forensics, including recent and future advances in the area. The specific subjects covered included the importance of computer forensics and how new technology enables the development of computer forensics in a business and global economic context.

Introduction

As computers have grown more common, the concept of cybercrime has gained greater awareness and threat in people’s minds, because a criminal sitting in one location may attack or conduct a crime in any part of the world (Tomar, 2014). Initially, cyber forensics was limited to computers, particularly personal PCs. As computers have become more connected through tiny local networks and eventually the greatest network of them all, the Internet, during the last 20 years or so, the phrase computer forensics has become too narrow to describe the complete discipline.

Forensics is a very recent discipline and cyber forensic is much newer than that. There are many areas of cyber forensics and it is quite tough to practice each topic alone. However, in modern times, particularly spatial legislation, artificial intelligence, and the Internet of Things (IoT) cannot diminish the relevance of cyber forensics. India has developed technology-driven programs such as the National E-Governance Plan (NeGP) or Digital India etc. Cyber-forensics will play an important role from basic cases of broadband theft to advanced cases of satellite hack. India is a novice in this sector; thus, we need to begin with cyber forensics fundamentals. There is, therefore, vital that we balance the need for a safe cyber-space and the rights of the people to information against the need to protect the community against severe and organized crimes.
and cyber-security interests. This issue has severe consequences for capacity of government to prevent serious and organized crimes from their population. But possibly due to the multidisciplinary problems particular to this theme this remains an under-researched field. Therefore, it is necessary to combine social science and computer techniques to answer the key modern forensic issues to achieve theoretical clarity with real-world applicability. In this context, this paper tries to explore the fundamentals of cyber forensic and also analyze the role of cyber forensics in business and global economy.

**Methodology**

The main objective of this study is to examine critical problems relating to cyber forensics such as digital forensics and crimes qualitatively in the context of business and global economy. The research is organized into two main themes: cyber forensics, and its importance on the economic and business environment and it is qualitative in nature. Qualitative research is concerned with qualitative phenomena, that is, phenomena involving or pertaining to quality or type. The research is based on secondary data that is both descriptive and exploratory in character. Various periodicals, news reports, published material, working papers, and research works were used to gather secondary sources of available information depending on the study goals. Clear and conceptual analysis was then used to conclude. The study has been concentrated on the objectives of describing the insights about cyber forensics and examine the role of cyber forensic in the business environment and global economy.

**Discussions**

Forensics is the application of science to the legal process. Digital forensics is a forensics branch focusing on the recovery and examination of evidence found in digital criminal equipment. The phrase forensics digital

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### Digital forensics is a forensics branch focusing on the recovery and examination of evidence found in digital criminal equipment

has been used originally as a synonym for computer forensics. It has been grown to include the examination of every piece of equipment that may hold digital data. In comparison to other popular forensic sciences, digital forensics, a relatively new subject of forensics, is a technique of collecting evidence of a kind of incident or crime that involves computer systems and their related networks (McKemmish, 1999; Martini & Choo, 2012). The digital footprint is the information about an individual on the system, including the URLs he viewed, when he was active and which device he or she had used. The investigator retrieves facts that are important to solve the crime case by using the digital traces. Some of them - Matt Baker, in 2010, Krenar Lusha, in 2009, Larry jo Thomas in 2016, Mikayla Munn in 2016, Ross Compton in 2017, and more cases were resolved using digital forensics.

**Cyber Forensics and Business**

Businesses also employ computer forensics to track information linked to a system or network penetration, which may be utilized to identify and punish cybercriminals. In a more sophisticated setting, cybercrime is the development of conventional crimes, but has more business risk. The effect of cybercrime on jobs, innovation, growth and investment is immediate and considerable. Businesses can also utilize digital forensic specialists and techniques to assist with data recovery in the case of a system or network failure caused by a natural or other calamities. A business can minimize the risk of sampling by using digital forensics. While a company may always hire external auditors or cyber forensics experts, there are certain advantages to having an on-staff forensic team. The method allows the team to compare pertinent data gathered from various sources or symptoms. When researching a cybercrime case, this comparison helps to complete the full picture. The team can learn about the trends in the relevant data by investigating them. The patterns might also aid in the comprehension of the variations. In addition, the team may assess potential risk factors and false positives. The average yearly cost of cybercrime attacks in the U.S. in 2018 was USD 27.37 million. Japan in second place averaged US$13.57 million in damages per year to targeted enterprises. As a result of the increase in phishing and social engineering attacks in 2019, 63.8 percent of businesses have become victims of cybercrime. Digital forensics has unearthed crucial data that will enable cybersecurity firms to build technologies that would prevent hackers from gaining access to a network, website, or device. In a business environment, digital forensics might be utilized as a part of the company’s incident response procedure, assisting in determining exactly what happened and pinpointing what or who was responsible, whether for prosecution or merely internal knowledge.

**Cyber Crime and Global Economy**

Computer forensics is being employed rapidly in many different fields of criminal investigations. Computers are well known to be used for crimes, but now they have turned to the tables and forensics utilize computer forensics to catch criminals who think they don’t leave a hallmark when they do certain crimes. There are numerous variables that might be attributable to the effects of cybercrime in business. These include an easy access to instruments to penetrate financial systems, the growth of new cybercrime centres etc. The latest research by the Center for Strategic and International Studies (CSIS) and
McAfee shows that cybercrime costs more than 1 trillion dollars for the world economy, or just more than 1 percent of world GDP, which amounts to over 50% of a 2018 research that estimated world losses around 600 billion dollars. New technology and connectivity imply new challenges and new possibilities for some countries. According to the CV-HG-2019 Official Annual Cybercrime Report, cybercrime was causing unprecedented harm to both private and public companies, as well as increasing IT security investment. Spending on information security (a subset of the wider cybersecurity industry) goods and services will exceed $114 billion (USD) in 2018, a 12.4 percent rise over the previous year.

Source: Black Belt Consulting

According to recent statistics, cybercrime is on the rise at a monumental rate. It has already reached 1.5 trillion dollars each year. Cybercrime is the greatest danger to every industry in the world, as well as one of mankind’s most serious challenges. The figures represent the influence on society. Cybercriminals are employing more sophisticated and scalable technologies to violate user privacy, and they are seeing success. In 2017, two billion data records were hacked, while over 4.5 billion records were breached in the first half of 2018. Furthermore, according to a World Economic Forum report, the top cybercrime trends for 2019 include sophisticated phishing kits, remote access assaults, smartphone attacks, vulnerabilities in home automation and the Internet of Things, and the use of artificial intelligence.

**Future Insights and Conclusion**

It is vital to remember how digital forensics operate to safeguard the existence of businesses and privacy. Digital forensics enhances cyber safety every day and there are limitless opportunities to improve it. With the knowledge that digital forensics has uncovered, it has never been simpler to use cybersecurity to an advantage. Cyber forensics has become increasingly essential as science and technology have progressed. Furthermore, as the number of cybercrimes such as hacking and ATM card fraud etc. has increased, the demand for cyber forensics has grown. As a result, numerous tools and procedures have been created for tracing the crime, creating a precise report, and making it admissible in a court of law. Computer forensics has a bright future ahead of it. With the advancement of technology, the industry will continue to grow, bringing with it new advantages and challenges. Use only equipment and procedures that have been thoroughly tested and assessed for accuracy and dependability. The evidence gathered by the specialist must be handled and kept appropriately so that it may be presented to the court in its entirety. Any failure in the procedure or approach used to perform cyber forensics will put the case at risk.

**References**

Segment reporting is one major component of corporate financial reporting. The book “Segment Reporting Practices under IFRSs” authored by Dr. Satyajit Ghorai is undoubtedly a valuable addition to the body of knowledge on accounting research. The book is enriched by a strong foreword by CMA (Dr.) Debaprosanna Nandy, Sr. Director of The Institute of Cost Accountants of India. The book is originally based on the Ph. D. thesis of Dr. Ghorai which was produced under the able guidance of Professor Ram Prahlad Chowdhary of University of Calcutta.

The author accomplished an adorable work in making an extensive study to capture the changing financial reporting environment globally and at the same time intensive research on the progress in India to converge with global standards with particular focus on segment reporting.

The study has both theoretical and empirical parts. The theoretical parts are presented in chapters II, III, IV and V and the empirical part in chapter VI, while introduction and conclusion are presented in chapter I and chapter VII respectively.

The theoretical parts include in-depth discussion on theoretical framework of segment reporting, global scenario, regulatory framework in India and convergence with IFRS.

In the empirical part the author took 10 companies from Nifty 50. Out of 10 companies 5 companies are also listed in NYSE/NASDAQ and they prepare two sets of segment reports: one, based on Indian GAAP and the other based on IFRS. The other 5 companies made segment reporting based on Indian GAAP only. The author examined whether IFRS has any impact on segment reporting in India. By empirical analysis he found some impact particularly on the number of reported segments but no such impact was observed on other parameters.

The period of study is restricted to five years, i.e., from 2010-11 to 2014-15. One interested to know the financial reporting environment in this critical time of transition from Indian GAAP to IFRS convergence, will have a broad overview with extensive coverage in this book. One will get enough research inputs for any study on segment reporting in the vast expanse of US GAAP, IFRS, AS of India and Ind AS.

However, the readers need also to keep in mind that the segment reporting practices under IFRSs have been empirically tested for five companies only and that they were compared to segment reporting under AS only, loosing its relevance a bit in the present Ind AS regime.

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The first ever aerial vehicle without a human navigator was innovated by Joseph Michel and Jacques-Étienne Montgolfier in 1783 when they demonstrated flying capabilities of a hot air balloon (HAB). However, its direction of flying was left to be controlled by flow of wind. The place of landing also could not be controlled from ground. In 1849 an Austrian army lieutenant Franz Von Uchatius conceived the idea of a HAB Bomb for war operations. In 1858 Gasper Felix Tournachonthe attempted the first aerial photography from a HAB in Paris. After a long forty years Nikola Tesla could first demonstrate in 1898 that a boat could be controlled by radio signal. Perhaps that is the genesis of all modern unmanned aerial vehicles (UAV) which can be controlled from ground through radio signals.

A UAV is synonymously known as a Drone because it continuously makes dull and monotonous humming sound emanated from its fast rotating wheels fitted with tiny wing type plates. Therefore, in this article these two acronym and word would be used without intending any variation in features of such flying machines. Readers may know more about Drones from the research work of David Daly, a licensed pilot, professional manager and oceanographer about the evolutionary process of UAVs through the 20th century. Birth of the first version of modern drones could be traced in 1935 when a DH.82B Queen Bee aerial vehicle was constructed for hitting aerial targets. A quantum leap in drone technology was achieved in 1973 when Mastiff and IAA Drones were developed by Israel for surveillance and scouting in battlefields. Thus, weaponised raider drones were brought to warzones.

With the advent of more powerful radio technology, sensors, digital cameras, GPS, IoTs, actuators and cognitive technologies, AR, and VR, aeronautical engineers kept on crafting Drones with more capabilities for multivarious applications. In 2008 when the hurricane Katrina caused devastations in the USA Drones were allowed to fly in civilian.
air space for disaster management and surveillance. In 2010 Parrot introduced the first of its kind Drone powered by a smart phone and with capabilities for capturing sounds, photography, and videography. Such a Drone is flown by a ground pilot using a remote controller and can feed receiving devices. Such continuous ‘innovative’ evolution of UAVs encouraged startups around the world to construct drones for rendering various services for common business organisations, government administration and individual hobbyists.

Objectives
Drone technologists and digital scientists worldwide are relentlessly experimenting for innovative applications of Drones. They are working for digital transformation of VAV based service deliveries and integration with other digital devices like robots and IoT based networks. Keeping that in view the primary objective of this article is to delineate the present state of the UAV ecosystems and related digital technologies excluding those used for defence and military operations. The recent regulatory provisions announced by the government of India will briefly be reviewed to understand how startups and investors will be benefitted in their quest for making India as one of the major drone manufacturing hubs of the world. This article will also bring out certain major applications of drones, including a few dreams, and related solutions and processes for digital transformation of this wonderful UAV technology. A few hurdles and challenges that are to be resolved for faster progress of this multi-purpose technology will also be discussed.

Drone Policy of Government of India
The Ministry of Civil Aviation of Government of India (GoI) first announced the Rules for Unmanned Aviation Systems (UAS, i. e., for UAVs) in March 2021. Policy analysts and stakeholders found those to be riddled with many scope limitations from the perspectives of ‘startupians’, investors and end users. Manufacturing and flying of Drones were subjected to many permissions and control. Within a few months those Rules were rescinded and the Liberalised Drone Rules, 2021(LDR)2 was announced by GoI in August 2021. Its predominant objective is to usher in a new era for applications of drones for multivariable services and positioning India as the global manufacturing hub.

The LDR has thirty key enabling features for stakeholders and startups aimed at encouraging all concerned to move ahead with ease at an accelerated pace. These features are based on the foundation of ‘Trust and self-certification’. All these have significantly reduced hurdles for startups and investors to enter this industry sector by decreasing number of approvals as well as compliance requirements for subsequent operations”. The provisions of LDR are also expected to accelerate the process of both fundamental and applications research, enhancement of payload carrying capacity and encourage all stakeholders for setting up manufacturing facilities by leveraging innovative/creative minds of India’s youth and their strong technological capabilities.

The approval/compliance requirements that have been abolished by the LDR include¹, those for “…unique authorization number, a prototype identification number, certificate of manufacturing and airworthiness, certificate of conformance, certificate of maintenance, import clearance, acceptance of existing drones, operator permits, endorsement of R&D organization, student remote pilot licence, remote pilot instructor authorization and drone port authorization”.

Drones Flying Above Digital Ecosystem
The world is incessantly experiencing accelerated expansion of connected networks with explosion in usage of Internet of Things (IoTs), Industrial Internet of Things, (IIoTs), Internet of Robotic Things (IoRTs) and Internet of Body (IoBs). The author in many of his previous articles, published under this column, has written about applications of all these unique things powered by Microchips, Sensors, Actuators, Bluetooth, and tools for conversion to / display of numeric data. Some of these, which are edible and biodegradable, are used for IoBs for medical service delivery. Several research based predictive analyses have prophesied that by around 2030 an average human being will live life under direct influence of five and indirect influence of twenty internet of things.

Drones technology has joined as an important and unique digitally enabled member for these group of connected networks. More and more integrations of other digital technologies, e.g., like AR, VR, AI & ML and edge-computing with Drone technology are enhancing the power of performing localised analytics and faster service delivery. Such combination of technologies helps harnessing the power of social, mobile, analytics and cloud (SMAC).

In its survey-based research paper published in August 2019² covering smart Drones and IoTs, IEEE has mentioned that: “Smart cities contain intelligent things which can intelligently, automatically, and collaboratively enhance life quality, save people’s lives, and act as a sustainable resource ecosystem…. advanced collaborative technologies such as drones, robotics, artificial intelligence, and IoTs are required to increase the smartness of smart cities. ..... collaborative drones and IoT play a vital role in supporting a lot of smart-city applications such as those involved in communication, transportation, agriculture, healthcare…. ”
Applications of UAV technology have added the much wanted third dimension to all digital technologies by approaching, viewing, sensing, and sending data/information as well as images and videos of all objects surveyed with minutest level of precision. Several more benefits of using a drone are ease of reaching and accessing with precision of places at a distance and/or at higher altitude with obstructions around. Unlike airplanes and helicopters, drones can glide down much nearer to the objects for capturing improved photographs, video recording and temperature/moisture sensing, etc. Information about all such surveyed atmospheric conditions, objects, images, and videos can be mapped to a location with the help of GPS coordinates that can further help big data analytics and identifying location specific problems. This in turn helps formulation of strategies and tactics for solution building and service deliveries.

Presently drones are powered by electricity from the built-in battery banks which are to be charged at specific time intervals. Days are not very far when drones will come fitted with highly powerful solar photovoltaic cells for electricity generation while flying in daytime and then store for flying at night or times of cloudy sky. It could be possible that in course of time the rotating blades of UAVs would be able to produce electricity using the kinetic energy created by air in motion. Then a drone will achieve self-sufficiency and no longer be dependent on electric power from any external source.

**Global Drone Market**

Statista in one of their publications has estimated the global commercial Drone market size in 2021 as USD 27.4 Bln. and predicted its growth to USD 58.4 Bln. by 2026. In another publication they have assessed the following worldwide distribution of services by UAV based service providers, excluding usage for defense activities:

<table>
<thead>
<tr>
<th>Drone based Services</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspection, maintenance, and monitoring</td>
<td>36</td>
</tr>
<tr>
<td>Mapping</td>
<td>25</td>
</tr>
<tr>
<td>Photography and Filming</td>
<td>16</td>
</tr>
<tr>
<td>Surveying</td>
<td>15</td>
</tr>
<tr>
<td>Spraying and Seeding</td>
<td>4</td>
</tr>
<tr>
<td>Other Services</td>
<td>4</td>
</tr>
</tbody>
</table>

They have also predicted that by 2023 usage share of cellular connected drone market by regions would be 34% in Asia-Pacific, 29% in North America and 24% in Europe. Rest 13% would be in other regions.

**Services for Defense and Warfronts**

UAVs are used by defense personnel of many countries for aerial surveillance, videography, combating flying objects, carrying warheads and precision bombing, etc. Drones are also used for providing logistics management services for reaching arms, ammunition and other goods required by soldiers to border areas/war fronts at higher altitudes which cannot be accessed by surface transports and helicopters. Soon Drones with high payload capacity may be used as air-ambulance for lifting sick/injured personnel.

**Health Care Services**

Drones are being used for many types of health care related services. The first group of those is speedier and
safe deliveries of medicines, surgical equipment/devices, blood, human organs for transplantation, without the need for any green corridor like in case of surface transport. Days may not very far when Drones will be used as air-ambulances for speedier movement of patients. Drones are also being used for surveillance and monitoring of crowded areas for controlling Covid-19 Pandemic and sanitization of affected areas. Certain municipal corporations are using drones for sprinkling liquid antidotes for mosquito breeding and spreading of diseases. Case in point is Indore Municipal corporation in Madhya Pradesh, India.

**Agriculture**

In his article of last month, published under this column, the author has written about tiny drones like honeybees which can pollinate flowers over vast agricultural fields. Drones can carry sprayers and sprinklers, with piped link to pressurised containers, for seeding, spreading gases and fertilizers, drizzling water for irrigation, applications of pesticides, insecticides, etc. Such drones can also be used for surveillance and monitoring of crop growth, assessing crop health, and sending clicked images/videos of standing crops affected by diseases, attack of pests/insects, damaged by floods and untimely rain, etc.

Source: https://www.mixerdirect.com/blogs/mixer-direct-blog/how-drones-are-changing-agriculture

In another article the author has recommended integration of such farmer friendly Drones with the ‘Kishan Blockchain Platform’ ideated by him for authorized/supervised use of those and successful collation and use of data and images with segmentation of fields according to GPS coordinates. All these information would help agronomists for further analyses and recommending remedial measures. Insurance companies would be able quickly settle crop insurance claims at reduced costs for survey etc.

**Logistics Services**

UAVs like any other moving vehicle can carry and drop payloads without much of hassles at pre-programmed locations with almost zero error. Readers may be aware that Drones are presently being built with payload carrying capacity of even 500 Kgs. Small robots can also be placed and made to work inside the closed chamber of a Drone that move deliverable objects within a pre-defined area and return into the Drone. Thus, integration of UAV technology with robotic process automation and Robots have increased versatilities of drones in logistics management of FMCGs and other items in areas with defined peripheries. In course of time Drones would perhaps be used for long hauling of goods with speed and least carbon emission.

**Construction Industry**

UAVs have started being used by construction industry in very many ways for aerial land surveying and mapping, inspection of project sites, surveillance and safety of workmen and materials, movement of essential items and so on. Irina Jaychenko et. al. in their research paper has concluded that, “3D models of large areas or objects can be quickly created using drones and combined with laser scanning and standard topographic survey. Usually, the calculation of the volume of excavation requires a lot of time from the engineer-surveyor….. the solution of this problem will require minimal actions from the engineer-to specify the area on the construction plan with the mouse and wait for the completion of the shooting.”

**Fire Fighting Services**

Firefighting service professionals use drones for accessing the parts of
high-rise building affected by inferno, jet-spraying water, rescuing human beings, and retrieving valuables.

Photography Videography and Hobbyists
Use of Drones by professionals for aerial photography, videography, cinematography and live telecast of sports events like football matches etc., are now widely known to common people. Young and talented students are also conducting various experiments using drone technology as a matter of their passion and hobby which have potentials for finding many more usage and applications of Drones leading to unique benefits accruing to humanity.

Dream Applications of UAVs
Study of several project summaries by the present author have revealed many ongoing experimentations for unique applications of Drones. Including brief narratives about two of those may not be out of place here.

Garbage Collector from Space
The European Space Agency (ESA) has commissioned a startup for developing a Drone which would be able to fly high into space and catch garbage like dead satellites and rockets which are orbiting the earth after completion of respective missions, or even failing to achieve so. According to a report of ESA, “ClearSpace-1 will be the first space mission to remove an item of debris from orbit, planned for launch in 2025. The mission is being procured as a service contract with a Startup-led commercial consortium, to help establish a new market for in-orbit servicing, as well as debris removal.” David Szondy wrote about such debris stating that, “These range in size from tiny particles of solid rocket residue to dead satellites the size of a bus. As the 2009 collision between the Iridium 33 and Kosmos 2251 satellites demonstrated, this debris can result in collisions that can create additional thousands of fragments that can cause even more damage in a cascade effect.”

Hanging Warehouse
Startups in the USA and Europe are also working on projects for positioning large stationary and/or moving UAVs in sky which will operate as hanging warehouses. Large Drones would deliver goods to such warehouses for storage and safe keeping of inventory. Smaller drones will collect packets from such hanging drones for delivering goods to nearby retails shops and other consumers with the help of Robots.

Giant retailers like Amazon and Walmart are already working on pilot projects for managing their large warehouses, on ground with the help of UAVs which would deliver goods to thousands of stores throughout the USA. These UAVs are largely serviced by robots for handling physical inventory of goods at the warehouse and loading onto those flying carriers. The entire process are digitally programmed using RPA technology and run with precision with the help of Artificial Intelligence. Such projects, when implemented throughout the world, would help reducing dependence on surface transport for logistics management.

Hurdles and Challenges for Applications of UAVs
Experimentations for innovative applications of UAVs driven by overwhelmingly advanced digital technologies are not free from hurdles and challenges. In the present transformation phase of UAV technologies startups are more and more identifying needs for many enablers. They need help and support from different agencies to become successful with pioneering applications and dream-like solutions for delivery of multifarious services with speed and precision at a much lower cost. Their objectives also include energy efficiency and conservation of environment by reducing greenhouse gases. Some of those hurdles and challenges can be listed in the following points:

- Well defined policies and processes for allocation of exclusively defined airspace in terms of altitude, flying path and direction, peripheral boundaries, time slots, management of emergencies, etc.
- Appropriately laid out systems and process, without any ambiguity for collaboration and exchange of information and signals with official Air Traffic Controllers around the pre-designated places from where drones would be flown and their flying path.
- Minimum interference into operations of authorised pilots/controllers at ground for approved purposes and least possible surveillance to monitor their activities by government agencies.
- Extreme precision with technological excellence to ensure near zero instance of failure in operating processes developed with aero-dynamic, mechanical, electrical, electromagnetic, electronic, and robotic engineering.
- Achieving near zero-error precision/reliability and extreme confidence for navigation through the allotted airspace for averting any collision.
- Uninterrupted participation in and communication with the integrated network of IoTs and the supervising blockchain platform, if so connected,
- Physical safety and security of Drones while flying and resting in hangers.
- Saving the drone from being hacked and hijacked during flight and ground operations.
- Saving of the drone from terrorist activities, sudden deterioration in weather and atmospheric conditions,
DIGITAL TRANSFORMATION

collision with birds and high-rise structures, human errors, etc.

Safety and security of inventory of items being carried while flying.

Continued success of UAV technology in the present Industry 4.0 era is dependent on the success of overcoming these hurdles and challenges. This technology has generated overwhelming excitement and enthusiasm with enormous potentials for value creation. Time is here and now for putting up concerted efforts by all stakeholders for converting the excitement into tangible realities in terms of objectively measurable values.

Conclusion

Much more could have been written about this unique technology and its innovative applications if there would not have been any limitation of writing space under this column. However, readers might have been convinced by this brief article that that humanity needs digitally controlled airborne services which will help minimising value destructions by reducing wastages of time, money, and energy. UAVs would also help conserving the planet. The author is of the view that more empirical research should be done for understanding and appreciating what all ‘innovative’ applications are there in the prototype manufacturing laboratories of startups in India and elsewhere in the world. There is an immediate need to understand what the ultimate impacts of UAV technology would be on employment market of a hugely populated country like India, albeit employment opportunities will be there for technicians in manufacturing and flying of Drones.

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Abstract

This article focuses on various facets of Risk culture of institutions and more specifically the financial institutions engaged in risk intermediation and risk taking, in the context of their risk management activities. The term ‘Risk Culture’ refers to the values, beliefs, knowledge and understanding about risk shared by a group of people engaged in common pursuit ideally in the spirit of camaraderie. Great risk management cannot flourish in stinking risk culture. Instances are not few wherein notwithstanding robust risks management system in place institutions were failed by prevalent toxic risk culture. Intelligent risk culture is sin qua non for effective risk management to create and deliver sustained values. Competitive advantage would accrue to institutions that would be successful in demonstrating better culture, better conduct, in terms of better client reputation and ability to attract and retain skilled staff and attract investors. Of late institutional risk culture has been receiving greater attention of financial sector regulators and supervisors across the world.

Introduction

The word culture has ramified contextual connotations. Concept of culture is rather amorphous! Culture involves behaviours and attitudes of human beings operating in groups or individually in organisational or social engagements. Definitions of culture are many. Some people say that culture is ‘what is done when no one is seeing or what is done when all are watching’! Right things are done even when there are no rules therefor! Culture may be seen as ensemble of attributes delivering values and behaviours influencing conduct and contribute to building of trust and good reputation among the stakeholders of an organisation.

Every individual brings to the job a unique perception of risk. Every group and organisation have its own approach to risk - its risk culture - that may or may not be helpful in successful management of risk. The risk culture will influence the mechanisms and techniques that the organisation employs to manage risk and is also in turn gets influenced by them.

In this article our focus will be on various facets of Risk culture of institutions and more specifically of financial institutions engaged in risk intermediation and risk taking, in the context of their risk management activities.

Dimensions of Risk Culture

Risk culture is the “set of encouraged and acceptable behaviours, discussions, decisions and attitudes toward taking and managing risk within an institution”.

The term ‘Risk Culture’ refers to the values, beliefs, knowledge and understanding about risk shared by a group of people engaged in common pursuit ideally in the spirit of camaraderie. Risk culture may be defined as the standards of behaviour for individuals and groups within an organisation that governs the collective ability to recognise and appreciate, openly discuss and act upon the current and future risk facing the institution. It is the “set of encouraged and acceptable behaviours, discussions, decisions and attitudes toward taking and managing risk within an institution.” Risk culture is the binding force that embeds risk management principles to the core of the decision making and operating processes in the organisation.

Risk culture of a group evolves from the repeat behaviours of group members over time in the realm of risk management. Behaviours individually or in group are governed by individual attitudes, faith, beliefs and knowledge circumscribed by individual cognitive, emotional and heuristic biases. While individual behaviours are partly innate, they are susceptible to changes through a cyclic two-way feedback loop via the influence of persisting organisational risk culture which may build upon itself into vicious or virtuous cycle! Risk Culture
RISK MANAGEMENT

Risk culture may be defined as the standards of behaviour for individuals and groups within an organisation that governs the collective ability to recognise and appreciate, openly discuss and act upon the current and future risk facing the institution

effective risk appetite frameworks and compensation practices that promote appropriate risk-taking behaviour. An effective risk appetite framework integrated within the overall business strategy, reinforced by befitting risk appetite statement(s) underpinning the financial institution’s risk management strategy should be in place. Priority and importance accorded by the Board and the top management to effective monitoring, scrupulous adherence thereto and revealed degree tolerance to deviations/breaches as and when arise, would tend to mark the standard of risk culture in the eyes of the stakeholders.

Importance of Risk Culture

The continuing occurrences of organisational disasters tend to point out that ability of an institution to effectively manage risk and meet the strategic objectives rest not only on its risk management frameworks, processes and standards but also on how the individuals, groups and the organisation behave. Culture drives and influences the actions and decisions taken by the individuals to shape the institutional attitude towards its stakeholders. Enquiries into the causes of failure of corporate standards often found cavalier and trust abusing organisational/risk culture was the root cause. Weaknesses in risk culture have been considered as the primary cause of the global financial crisis, headline risk and compliance events.

Detoxification of Risk Culture

Great risk management cannot flourish in stinking risk culture. Instance are not few wherein notwithstanding robust risks management system in place institutions were failed by prevalent toxic risk culture.

Risk culture flow from the top and gets implemented at bottom levels. Risk culture should pervade consistently across the entire organisation without any disconnect between the top and the bottom via the middle level. The Board should ensure that tone from the top has clear and consistent echo from the bottom. It is indeed a challenge to effectively diffuse uniform culture in true letters and spirits form the top to the bottom permeating the silos, without noise and distortion while percolating through intermediate layers.

Business line management should shoulder the responsibility for delivering the values and conduct. Robust system and process need be put in place to periodically reiterate and reinforce to the employees as to what the desired values and conduct mean in practice and what is expected of them. Visibility of top management in patronising the desired values and conduct is essential. It need be demonstrated that the top

Weak and unacceptable risk culture of any financial institution more particularly of a bank, would cause damage to both its reputation and stakeholders’ trust. Lack of trust and confidence in the financial institutions entail social cost. Without a culture that champions highest standard of values and conduct it would be difficult to create and sustain trust and reputation which are the basic foundation of safe, vibrant and effective financial system.

Financial institutions are expected to have in place an efficient and responsive framework to formulate their strategy and build their business plan, the models and systems to measure and aggregate risks. Ability to effectively execute the strategies and business plans to meet the organisational objectives with least possible deviations within its defined risk appetite, depends substantially, among others, on soundness of the prevailing risk culture of the institution.

Risk has two main ingredients viz., uncertainty and exposure. Organisation to be vibrant and agile should be able to proactively recognise both emerging opportunities and lurking threats and quickly act upon to seize the opportunity, as early mover, to optimise organisational values and built up the needed competency, ability and wherewithal to mitigate the possible negative impacts in the eventuality of the threats and/or black swan events actually hitting the business. Appropriate risk culture would create conducive organisational climate and befitting attitudinal DNA to engender and impart requisite motive force to make such things to happen continuously within the perimeter outlined based on risk appetite, risk tolerance and risk-return trade off preferences of the organisation within which the strategic and business goals are set. Activities of the organisation entailing risks in various forms have to revolve ideally within this boundary. Through the lens of risk culture one can peep into the soul of an organization to gauge how inviolable is risk/reward trade-offs within this boundary, in its decision making and operations. It is expected that individuals in all parts of the institution must conduct business in a legal and ethical manner within this boundary. Therefore, an environment should be created which would promote and nurture integrity without losing focus on fair outcomes for all stakeholders.

Inculcation of corporate climate promoting integrity would encourage and motivate the employees of the institution to be self-disciplined to conduct businesses adhering to applicable rules/laws/regulations and in ethical manner focusing on fair outcomes for all the stakeholders.

The common basic elements that would go a long way to support and nurture a sound risk culture within an institution are effective risk governance,
management face serious consequences in the eventualities of high-profile conduct and value breaches!

The performance management framework in place should ensure that individuals are not incentivised or rewarded if they do not conform and adhere to minimal standard of organisational values and conduct expected of them. There need be appropriate and consistent compensation adjustments in the eventualities of proven failures.

The whole of the organisation should unequivocally speak uniform and consistent risk language using same risk vocabulary, particularly in regard to the definition and identification of risks and interpretation of risk metrics vis a vis the risk appetite as outlined by the Board. A key value that should be espoused is the expectation that staff should act with integrity (doing the right thing) and promptly escalate observed non-compliance. The leadership of the institution should steadfastly promote, monitor, and assess the risk culture of the financial institution; consider the impact of culture on safety and soundness; and make changes where necessary.

Risk is caused more often due to complex people related causes. Therefore, for great risk culture to evolve, design of risk management function need be people focused not process only. If risk management is perceived as a technical matter or a regulatory exercise, the focus on people is lost in ‘minutia’ of the process. People focus include training around risk management, rewards/ motivation around risk, people in decision making in risk, hiring for appropriate risk management attitude etc.

Risks mostly devolve despite everyone’s best intentions and despite the resilience of the risk management system in place. While good happenings may be celebrated, attitude should be to learn from bad risks events to become smarter and nimbler. This need be embedded in risk culture and internalised.

System of punishing occurrence of bad risk, unless it was found to be deliberate and wilful act, would trigger a negative risk outcome. Often the culture dictates that if one is identified as the cause for a bad risk to hit, the consequences would not be nice for him. This breeds the environment of fear and antipathy towards risk management leading to tendencies to hide the events from authorities. The hidden risk and mistakes often tend to grow bigger and faster to reappear later with more grievous consequences and outcomes. Therefore, prudence lies in embedding in risk culture an element of tolerance for bad risk events and acceptance thereof as learning and teachable events for improvements.

Customers of financial institutions tend to be financially not literate enough to pierce the veils of product opacity and often product mis selling occurs.

Often risk management function carries the stigma of being the ‘spoilt sport’ or ‘avoidable party pooper’; with legs always on the brake to dampen the business tempogushing in quest for fatter top and bottom line. Such notions and beliefs need be banished to render the organisational climate conducive for a positive risk culture to evolve and flourish.

Ideally in a risk intelligent culture individually people would assume ownership of organisation’s risk strategy, appetite, tolerance and approach in alignment with the organisational goals and objectives. Risk management would be integral part of every one’s role in the organisation. Risk considerations shall be embedded in every activity all over the organisation. People in their collective pursuit in risk management would continuously learn and improve their ability to understand, identify, measure and control risk. The organisational climate should be conducive to open and candid discussions and fearless constructive criticism of higher authorities on risk using common risk lexicon enriching shared knowledge.

Conclusion

White collar crimes are becoming increasingly ubiquitous in the financial sector in particular, entailing substantial cost. Incidents of embezzlement, bribery, corporate corruption and frauds are often hitting the headlines. All these have been happening in increasing frequency and magnitude notwithstanding periodic strengthening of governance, systems and control to prevent white colour crimes. These happenings are attributable not solely to weak systems and control but to a significant extent to weak management and flawed corporate culture driving employees to generate numbers at all costs. Greed and ego factors often drive the people to see them successful! Only by intensifying compliance deploying additional resources to prevent wrongdoing would not suffice. Much of prevention comes down to organisational culture. Culture of respecting rules, regulation, customers and societies need be inculcated and nurtured by top management. A clear message of policy of zero-tolerance for wrong doing need pervade the organisation with demonstrable emphasis of the policy of no dilution of stance depending upon the status of the wrong doers. Active discouragement of winning at any cost tends to cultivate higher engagement and generate greater value. ‘Ends justify the means’ principle must be eschewed. Top management should walk the talk. It is the expectation of the regulators across the world that ‘institutions should have ‘strong’ and not merely ‘good’ risk management, and that high standard of risk management should be fully integrated into an institution’s culture and compensation practices.

Intelligent risk culture is sin qua non for effective risk management to create and deliver sustained values. The supervisory expectation is that risk management system of financial institutions should be of high standard fully integrated into an institution’s risk culture and compensation practices. Intelligent, robust, responsive and dynamic risk culture, if in place in
financial institutions, would be an added self-correcting and protective layer. This layer will be exerting a centripetal force to pull any discernible tendencies towards compliance breaches or wrong doings, promptly to the corrective anvil for action intended to pre-empt/mitigate regulatory/supervisory actions. This layer acting as self-correcting mechanism would also provide an element of comfort to and ease concern of the regulators and supervisor for possible regulatory/supervisory breaches entailing reputational impairments. Assessment of the quality of risk culture is, therefore, forming an integral part of supervisory process!

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GOVERNANCE CODE
FOR
MANAGING “FAMILY”
IN INDIAN FAMILY BUSINESSES

Abstract

Most family business are designed to fail as they do not address governance issues. In this paper we present family business code (FBC) for Indian family business, listed and unlisted, that helps them address all facets of governance and sustainability.

Introduction

India has a rich business history with a significant number of businesses still being controlled and managed by families. Without adequate governance family businesses are at high probability of exit. Without clear demarcation between personal and business areas and expectations and responsibilities in the business many of the family businesses fold. Poor Successor planning, lack of an accepted leadership, compensations to family benefits not aligned to their role and contribution to the business, lack of conflict resolution mechanisms, and a host of many other issues can cause a family business to fail.

Several countries instituted committees to formalize a code of practices for listed and unlisted family businesses as a corner stone for the creation of sustainable and profitable growth. European countries including Germany, Switzerland, Italy and others have announced family business governance code for non-listed and listed companies operating in their market (AIDAF, 2017, Cuomo, et al. 2016, FB Ned 2003, FRC 2018). The family business code (FBC) is a list of mechanisms and rules (or expectations) to which everyone adheres to in a family business. Family business code assists family-owned businesses to adopt a holistic approach to balance family and business interests and successfully preserve the business for generations to come.

Indian family business owners lack a formal and standardized code that defines boundaries and rules for family and business interactions, and help preserve long-term
ownership of the businesses. Lack of a standardized family business code is also limiting GRC professionals in their assessments of a family business and identifying what areas need improvements i.e. environment, social and governance (ESG) data. Towards filling the above gaps, we have attempted to a family business code for Indian family-owned businesses.

Method

We first analysed the family business codes of different countries to generate an exhaustive list of variables. We adopted a survey to reach out to members of ICMA, ICAI, ICSI, family business owners, academicians, legal professionals across India eliciting their response on the appropriateness of each variable and its relevance to family business governance for Indian environment. We also conducted telephonic interview with board members, chartered accountants, family business advisors to get their views and insights on the measures and family code.

Results

Based on the interviews and survey, we present 12 dimensions that emerged as family business code measures for Indian family businesses.

Family business goals refer to the family unwritten and written objectives of doing business and include vision, core values and practices that are embedded in family business and family interests.

European countries including Germany, Switzerland, Italy and others have announced family business governance code for non-listed and listed companies operating in their market

Family governance processes includes number of board representation amongst different siblings, voting rights, nominations, decision rights, meeting rules, accountability of FBC, removal of members from FBC, decision-making, intra-family buying & white knight limitations, if any (restricting one family to buy shares of one family tree and vest complete control) and financial reporting and proprietary audits (both internal and external).

Conflict and dispute resolution include conflict resolution mechanisms that sets means and processes for resolving conflicts amongst family members and the businesses owned by the family. This may include advisory and dictatorial roles, formal and informal dispute resolution mechanisms within FBC and amongst family members, internal member’s mediation mechanisms, third party professional involvement, and options on when to litigate.

Family ownership control refers to the legal structures and mechanisms that are adopted to protect the business and family from opportunism and guile. This includes separation of the CEO and chairperson role for the business units, choose or select to positions for business units owned by family, rotation or stability amongst family members on FBC, inheritance of shares of companies whenever a separation or marriages affects the business, issuance of dual-class stocks to control family ownership and ward off any potential hostile takeover.

Family Communications includes formal communications through FBC or respective business groups on business and other areas, code of conduct in formal meetings, communication protocols for sharing and receiving feedbacks through formal mechanisms only, communication codes for FBC or any of its members seeking information from a business unit, FBC Media policies among others.

Family rituals and preserving identity refer to the assets and allocations family businesses make to preserve their identity (cultural or religious grants and activities). Rituals such as all annual family meet, back to root celebrations, founder’s oath ceremony, among others have a symbolic meaning to the family and show cultural, religious and ethnic practices of the family. Traditions and routines are choice-based events such as village fest or cultural meet or dinner meet to encourage informal getting together and discussions about the business and family.

Corporate governance of family business units includes number of family and independent directors on board, occupation and professional expertise of independents, advisory board composition (insiders vs professionals), women directors, separation of chair (FBC chairperson or nominee) and CEO (professional), formal audit, remuneration and risk committees, performance review of boards (inclusion of FBC or nominees or self-managed) and adoption of robust GRC tools to track and report ESG.

Family member assessment and assimilation includes formal structures and process through FBC or other informal mechanisms reporting to FBC to support each family member to see their fitment with business, periodic assessment of family members in business, remuneration benchmarks, family member replacement policies from business units, family member career management policies in non-business
Succession Management refers to who the next successor is, their method of appointment or election and induction, mode of succession on cases of adopted children, no children or heir, and step-children, Succession on emergency, marriage, pre-nuptial or divorce implications on the succession, Restrictions and Inclusion of gender, first-born bias, in-laws into business, Method of transfer of ownership, succession mechanisms (intrapreneurship, education, learn from shop-floor), involvement of insiders and non-family professionals in identification, grooming, evaluation and continual mentoring of successors, succession tenure, number of attempts and exit options.

**Family wealth management** includes creation of corpus, family office set-up, involvement of family in Family Office or professional managements, profit sharing or royalties to family trust, management of corpus, percentage to be reinvested into existing business, allocation areas and risk preferences, buy-backs, M&A, reporting and review of wealth growth.

**Philanthropy and CSR** include the family business commitment to social causes, focus areas for investment and continued support. Mechanisms to involve family members, options to create Section 8 or Section 25 Companies or foundations headed by family members and its relationship and governance by FBC, alignment of causes to vision and values, reporting and review of CSR.

**Application of Family Business code**

For family business owners, the code works as a checklist to self-rate and identify the gaps. This assessment serves as a starting point for their board to realize the best practices and the gaps. Family businesses and GRC consultants can also use the family business code to develop a family business governance maturity model.

We have used family business code (FBC) to assess current state of governance maturity and what changes must the family pursue to strengthen governance dimensions of the “family side” of business. Table 1 presents family business maturity assessment.

**Table 1: Family Business Governance maturity model**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Maturity Stage 1</th>
<th>Maturity Stage 2</th>
<th>Maturity Stage 3</th>
<th>Maturity Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family business goals</td>
<td>Weak vision, value, and goals</td>
<td>Well defined business and family goals</td>
<td>Clear goals, Family charter, council and business units</td>
<td>Well aligned goals, objectives and outcomes for both family and business</td>
</tr>
<tr>
<td>Family governance processes</td>
<td>Limited Governance structures and mechanisms</td>
<td>Presence of a family council to manage business and family interests</td>
<td>Presence of a family council or other forms to manage business and family interests with complete professionalization</td>
<td>Clear structures and mechanisms to manage business and family interests including equal representation amongst all family branches or otherwise, women Succession rights of wife and daughters.</td>
</tr>
<tr>
<td>Conflict and dispute resolution</td>
<td>No-formal resolution</td>
<td>Broad Conflict resolution</td>
<td>Formal conflict resolution mechanisms</td>
<td>Clear conflict resolution with inclusion of internal and external mediators</td>
</tr>
<tr>
<td>Family ownership control</td>
<td>Limited mechanisms to protect the family and the business</td>
<td>Broad Mechanisms present to protect the family and the business</td>
<td>Clear legal structures and mechanisms to protect the business and family</td>
<td>Well defined legal structures and mechanisms to protect the business and family</td>
</tr>
<tr>
<td>Family Communications</td>
<td>Limited communication within the family members</td>
<td>Informal communications within business groups, poor documentation</td>
<td>Family structures to facilitate formal communications within respective business groups on business and other areas.</td>
<td>Code of conduct in formal meetings, communication protocols for sharing and receiving feedbacks through formal mechanisms</td>
</tr>
<tr>
<td>Identity Preservation</td>
<td>Little or no importance is provided towards family’s business legacy</td>
<td>Members broadly aware of the business legacy, ad hoc measures</td>
<td>Mechanisms preserve family identity and culture</td>
<td>Mechanisms regularly reinforce the culture to balance personalities and self-interests across generations using rituals, traditions and routines among other forms.</td>
</tr>
</tbody>
</table>
In conclusion, the family business code (FBC) presented here presents a governance framework that helps family businesses to survive and grow across multiple generations. Stage-wise maturity helps family businesses to invest and support appropriate structure, process and systems to drive superior governance and effective risk controls.

The authors would like to thank family business owners, trustees of the board, academicians, members of ICMA, ICAI, ICSI and legal professionals who supported and actively contributed to this study. Authors would like to thank CA Ajay Simha, A R Parthasarathy, FCA, Amar Kakaria, FCA, V Venkataraman, FCA, CA Rakesh Sud, D.K. Prahalada Rao, FCA, Arvind Agarwal, FCA, N. Ravi, CMA, Omprakash Bagadia, FCS and L S Ram, FCA for their active encouragement, support and valuable feedback.

### References


<table>
<thead>
<tr>
<th>Governance of family business units</th>
<th>Limited governance within the family Business units</th>
<th>Broad governance over business units no formal structures to facilitate feedback</th>
<th>Presence of formal structures to outline major details, women directors, separation of ownership and management.</th>
<th>Performance review of boards, adoption of robust GRC practices.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member assessment and assimilation</td>
<td>Limited evaluation</td>
<td>Irregular performance evaluation</td>
<td>Formal structures present to periodically assess family members in business, remuneration benchmarks and family member replacement policies from business units</td>
<td>Assessment of members with their fitment in business and family member career management policies in non-business areas</td>
</tr>
<tr>
<td>Succession</td>
<td>Weak succession planning</td>
<td>Succession plans with emphasis on a first-born male restrictions</td>
<td>Succession plans with gender bias but no restrictions on the first born</td>
<td>Succession planning without any limitations</td>
</tr>
<tr>
<td>Wealth management</td>
<td>Informal wealth management</td>
<td>Broad wealth management structure</td>
<td>Presence of Family office and a formal Wealth Management mechanism</td>
<td>Efficient Investment council and a Family office with regular reporting on the same</td>
</tr>
<tr>
<td>Philanthropy and CSR</td>
<td>Limited Philanthropy and compliance to CSR</td>
<td>Irregular philanthropic duties with compliance to CSR</td>
<td>Presence of Philanthropy, and reputation management</td>
<td>Formal &amp; clear public engagement, political donations and Philanthropy</td>
</tr>
</tbody>
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AGRICULTURE

IMPACT OF CONTRACT FARMING ON SMALL FARMERS’ INCOME – LEARNINGS FROM A META - ANALYSIS

Abstract

The role of contract farming in increasing the economic condition of farmers is a focus area for the government, academics and media, particularly in the context of developing countries for some time. Several studies have been conducted but there is no consensus on this debatable issue. These studies are mostly single study. Campbell collaboration recently has conducted a meta-analysis considering large number of systematic reviews and single studies conducted across several countries. The report has been critically reviewed and the present paper is based on this critical review findings. The report indicates that contract farming is beneficial for large farmers but to what extent the small farmers are affected is not clear.

Introduction

Government of India has identified Contract Firming as one of the enabling initiatives to double farmers’ income and has come out with the contract farming act in 2018. Since then, the topic is in the forefront of academic deliberations and attention from media. While there is a general agreement on the contribution of contract farming in increasing the farmers’ income in case of large land holders but its effectiveness in the case of small land holders is always questionable. Some of the studies have mentioned that small holders are not included in the contract farming (Praveen Kaur and Naresh Singh (2018). In India, as per Agriculture Census 2015-16, 86 percent of the total holdings are small and marginal holdings with less than 2 ha and only 0.57 percent are large holdings with greater than 10 ha. In such a context any arrangement that does not benefit the small land holders significantly the aim of doubling farmers income will be an illusion. Though plethora of papers that exist in the extant literature are very important and relevant but mostly they are based on single limited filed study.

Campbell Collaboration’s meta-analysis report

In 2017, Campbell Collaboration* published, “The effectiveness of contract farming for raising income of smallholder farmers in low- and middle-income countries: a systematic review” (Ton, Giel; Desiere, Sam; Vellema, Wytse; Weituschat, Sophia; D’Haese, Marijke (2016), The effectiveness of contract farming for raising income of smallholder farmers in low- and middle-income countries: a systematic review Campbell Systematic Reviews 2017:13 DOI: 10.4073/csr.2017.13). The present article is based on the findings of this review report. The review report is based on meta-analysis, which is a statistical analysis that combines the results of multiple scientific studies, of 22 systematic review papers from 13 developing countries, one from Peru and twelve from Asia and Africa. And has been carried out as per the rigorous protocol defined by the Campbell and Cochrane Collaboration (Higgins & Green, 2011). A Meta-analysis is a quantitative, formal, systematic review study design used to systematically assess previous research studies to derive conclusions about that body of research (A B Haidich,2010). As the Campbell’s report summarises the effect size from large number of studies from different countries of similar economic status - low and middle-income, it examines the issue from wider relevant perspectives. In this context the publication of the present paper may be justified.

Findings from the meta-analysis report

The average land per household of the samples used in the meta-analysis was about 2.26 ha, varies from 0.5 ha to 5.6 ha. The production of the sample firms is: annual crop, perennial crop and animal husbandry. The 22 papers considered in the meta-analysis cover 26 empirical cases. Out of 26 cases there are three cases where there are no significant effects
on farmers’ household income. Five studies reported that contract farming raised the farmers’ income more than doubled. The largest effect of contract farming reported by the Indian study and it is 17-fold increase in income from broiler chicken farming. This has pooled the average effect towards higher side. Excluding this outlier, the average effect on response ratio comes out to be 1.50 with high variances. Therefore, the result is not statistically significant. In case of Annual crop, it is 1.47 (1.29 -1.68 CI).

In 52% of the studies contracted farmers have significantly higher landholding though this group belongs to the small scale in absolute terms and only 17% of the cases the contract farmers have relatively small landholding in the range of 0.5 to 3ha. This is because relatively larger farms participate in the contract farming. The result also indicates that the smaller farms get substantially lower income benefit (response ratio) from contract farming.

Though it appears that the effect size, in terms of response ratio, of contract farming is high but the results are not beyond question due to survival and publication biases, reported by the authors. The results are upwardly flawed. Several individual studies included in this review stated that “failed attempts to establish contract farming arrangements with smallholder farmers are quite common”.

One most important point, which may be noted that the cases considered in this review have the option to step in and out of the contract.

**Conclusion**

In the end it may be concluded that contract farming has the potential to increase the economic condition of the relatively higher landholding farmers from the small farmers’ group and it is not clear as to how it will affect the economic condition of the very small and marginal farmers. But this extensive review does not rule out the possibility of uplifting the economic condition of the small and marginal farmers through contract farming. It may be tried with caution and on experimental basis in different geographical areas of India with different crops as the type of crop has a role to influence the income benefit.

The policy makers and the researchers working in this area should go through the original review report for getting a big picture view of contract farming.

**References**

EFFICIENCY OF INDIAN LIFE INSURANCE COMPANIES IN THE AFTERMATH OF ECONOMIC GLOBAL RECESSION: A DATA ENVELOPMENT ANALYSIS

Abstract

The paper seeks to analyse the trend in efficiency of life insurance companies operating in India since economic global recession in 2007-08. The paper also makes an attempt to rank individual life insurance company based on their relative performances in the years following economic global recession. Hence, the study covers the period during 2008-09 to 2016-17. Life insurance companies operating during this period have been identified and Data Envelopment Analysis (DEA) technique is used to estimate their efficiency. In view of this, it is concluded that economic recession affected the sector as a whole, though some of the companies with large clientele still managed to uphold their performance during the turbulent time.

1. Introduction

Malhotra Committee Report (1994) recommended gradual liberalisation of Indian insurance sector. Prior to that Life Insurance Corporation of India Ltd. (LICI) enjoyed an absolute monopoly in Indian life insurance market (Saha, 2013). Regulations were implemented to separate the businesses of life and non-life companies and to control their capital adequacy and solvency positions. During this tenure, Insurance Regulatory and Development Authority (IRDA) was set up as per provisions of IRDA Act, 1999 (amended in 2002) to protect the interests of the policy holders; to ensure an all round growth of insurance industry and to deal with the emerging issues in insurance business. Competition was infused in the life insurance market with the entry of four private players (ICICI Prudential Life Insurance Company, Birla Sun Life Insurance Company, Max New York Life Insurance Company and HDFC Standard Life Insurance Company) in 2000-01. In the next 15 years (2001-02 to 2016-17), another 20 private life insurance companies entered the market (Sinha & Chatterjee, 2011). In the last few years, all the insurance companies have made steady progress in terms of profitability.
The business of life insurance was originally designed to hedge the financial risk arising to the immediate family member of a person at the event of his/her death. Over time, rise in disposable income, savings mentality, investment need in the country have led to the growth of life insurance business all over the world (Das, 2012). In India, the market once was controlled by LICI. But entry of private players following the reform in end-1999 actually infused competitiveness resulting in innovative product development and more savings mobilisation. Hence, it will be interesting to see the performance of life insurance companies in the aftermath of economic recession in India. The paper seeks to estimate the trend in their performance in the post-global recession era.

2. Past Studies

Researchers and scholars across the globe have contributed in the study of efficiency of life insurance sector long time since. A few of such representative works are reviewed in this segment. In one of the earlier studies, Carson & Ingves (2000) identified microeconomic and macroeconomic indicators of prudential sector performance in an economy. In this respect, the researchers studied the recent developments taking place based on initiatives taken by International Monetary Fund (IMF), World Bank and other global organisations. A research by Eling & Luhnen (2008) thoroughly studied the technical and cost efficiency of 3555 insurers across 34 nations. They applied SFA to evaluate the efficiencies. It was observed that on an average the life insurers are 86% technically efficient and 76% cost efficient. Diversification in the line of business did not improve efficiencies of the insurers, while size of the company is positively correlated with their efficiency. Some different approaches of efficiency were observed in the works of Bikker & Leuvensteijn (2008). They measured overall efficiency, efficiency due to managerial capabilities and scale efficiency of Dutch insurance companies. In calculating these efficiencies stochastic frontier analysis (SFA) was used. Chen, et. al. (2009) in their study analysed the structural changes in the Chinese insurance market. They actually studied the change in efficiency of Chinese insurers due to increasing foreign participation. In one of the recent studies, Hsiao, et. al. (2011) looked into the cost efficiency of Taiwanese life insurance companies during the period of 1997 to 2000 and identified the underlying factors governing cost efficiency. They used DEA and tobit truncated regression analysis to fulfil the research objectives Sinha & Chatterjee (2011) used window analysis to evaluate and compare their efficiencies instead of simple DEA that evaluate the efficiency of a DMU in a single period. They with the help of window analysis compared the performances of 13 life insurance companies operating in India during 2002-03 to 2006-07. Keeping the gap in existing literature in view, it is imperative to study the relative performances of Indian life insurance companies in the backdrop of economic recession in India occurred in 2007-08. In light of this research gap, specific objectives of the current study are set.

3. Objectives

The objective of the current study is to examine the trend in the efficiency of life insurance companies operating in India since economic global recession.

4. Methodology

4.1 Data unit and period

The study is an attempt to explore the performance of life insurance companies operating in India since the time of economic recession. Global economic recession took place in 2007-08. Life insurance companies operating in India from 2008-09 to 2016-17 are identified and their efficiencies are evaluated. Currently there are 24 life insurance companies operating in India. However, among these companies, two companies, IndiaFirst (operating since 2009-10) and Edelweiss Tokio (operating since 2011-12) did not serve the entire study period (2008-09 to 2016-17). Hence, their data is not available for all the nine years under study.

4.2 Selection of input and output variables

Efficiency is the quantity of output generated by an organisational unit [also known as Decision Making Units (DMUs)] per unit of input. Selection of appropriate input and output variable from a wide range of financial and non-financial variable pertaining to a particular DMU is the first step for evaluating their efficiencies. According to Cooper, et. al. (2007), the product of the number of input and output should never exceed number of DMUs.

\[ n \geq (p \times q) \]

Where, \( n \) = number of units, \( p \) = number of inputs, \( q \) = number of outputs.

The minimum number of DMUs in a year during the study period is 22 (2008-09). Hence, a two input - two output situation is considered, so that the product of the number of input and output always remain below the number of DMUs. Now, based on existing literature the inputs and outputs selected for the current study are:

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Operating Expense (Ennsfellner et. al., 2004)</td>
<td>(b) Benefits Paid (Cummins et. al., 1999)</td>
</tr>
</tbody>
</table>
4.3 Collection of data

The yearly data of aforesaid input and output variables of the life insurance companies operating during the study period (2008-09 to 2016-17) are collected from Handbook on Indian Insurance Statistics published by the Insurance Regulatory and Development Authority of India (IRDA) (IRDA, 2017).

4.4 Analysis of collected data

The data collected for each year are considered separately and the efficiencies of the competing companies in each year during the study period are calculated by applying Data Envelopment Analysis (DEA) being the most coveted tool to estimate efficiencies of financial institutions (Berger & Humphrey, 1997). It is a mathematical approach that estimates a frontier using linear programming optimisation using the data of input and output variables of the competing DMUs to find out their relative efficiency score.

4.5 Analytical tool

DEA Solver, an MS Excel based analytical package is used to estimate the efficiencies of life insurance companies in the individual years during the study period. The package is also used to rank the competing life insurance companies based on their OTE scores.

5. Analysis and Discussion

The OTE scores based on input oriented CCR model for all participating life insurance companies (DMUs) during the study period (2008-09 to 2016-17) are estimated and presented in Table 1. The trend in the efficiency scores of individual life insurance companies are analysed here in fulfilling the first objective of the study.

Table 1: OTE Scores of DMUs from 2008-09 to 2016-17

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Aegon</td>
<td>0.574 (IE)</td>
<td>0.488 (IE)</td>
<td>0.553 (IE)</td>
<td>0.390 (IE)</td>
<td>0.526 (IE)</td>
<td>0.343 (IE)</td>
<td>0.278 (IE)</td>
<td>0.510 (IE)</td>
<td>1.000 (E)</td>
</tr>
<tr>
<td>Aviva</td>
<td>0.593 (IE)</td>
<td>0.546 (IE)</td>
<td>0.725 (IE)</td>
<td>1.000 (E)</td>
<td>0.755 (IE)</td>
<td>0.770 (IE)</td>
<td>0.691 (IE)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
</tr>
<tr>
<td>Bajaj Allianz</td>
<td>0.577 (IE)</td>
<td>0.643 (IE)</td>
<td>0.635 (IE)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>0.863 (IE)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
</tr>
<tr>
<td>Bharti AXA</td>
<td>0.416 (IE)</td>
<td>0.386 (IE)</td>
<td>0.628 (IE)</td>
<td>0.692 (IE)</td>
<td>0.521 (IE)</td>
<td>0.307 (IE)</td>
<td>0.270 (IE)</td>
<td>0.294 (IE)</td>
<td>0.350 (IE)</td>
</tr>
<tr>
<td>Birla Sunlife</td>
<td>0.489 (IE)</td>
<td>0.498 (IE)</td>
<td>0.522 (IE)</td>
<td>0.678 (IE)</td>
<td>0.648 (IE)</td>
<td>0.695 (IE)</td>
<td>0.609 (IE)</td>
<td>0.668 (IE)</td>
<td>0.952 (IE)</td>
</tr>
<tr>
<td>Canara HSBC</td>
<td>0.168 (IE)</td>
<td>0.288 (IE)</td>
<td>0.476 (IE)</td>
<td>0.761 (IE)</td>
<td>0.897 (IE)</td>
<td>0.870 (IE)</td>
<td>0.924 (IE)</td>
<td>0.932 (IE)</td>
<td>0.973 (IE)</td>
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<tr>
<td>DHFL Pramerica</td>
<td>1.000 (E)</td>
<td>0.328 (IE)</td>
<td>0.307 (IE)</td>
<td>0.195 (IE)</td>
<td>0.141 (IE)</td>
<td>0.207 (IE)</td>
<td>0.489 (IE)</td>
<td>0.742 (IE)</td>
<td>0.782 (IE)</td>
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<tr>
<td>Edelweiss Tokio</td>
<td>*</td>
<td>*</td>
<td>0.143 (IE)</td>
<td>0.128 (IE)</td>
<td>0.094 (IE)</td>
<td>0.169 (IE)</td>
<td>0.232 (IE)</td>
<td>0.323 (IE)</td>
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<tr>
<td>Exide Life</td>
<td>0.594 (IE)</td>
<td>0.524 (IE)</td>
<td>0.418 (IE)</td>
<td>0.482 (IE)</td>
<td>0.545 (IE)</td>
<td>0.464 (IE)</td>
<td>0.412 (IE)</td>
<td>0.302 (IE)</td>
<td>0.444 (IE)</td>
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<tr>
<td>Future Generali</td>
<td>0.302 (IE)</td>
<td>0.179 (IE)</td>
<td>0.235 (IE)</td>
<td>0.253 (IE)</td>
<td>0.317 (IE)</td>
<td>0.362 (IE)</td>
<td>0.389 (IE)</td>
<td>0.463 (IE)</td>
<td>0.445 (IE)</td>
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<td>HDFC Standard</td>
<td>0.593 (IE)</td>
<td>0.596 (IE)</td>
<td>0.670 (IE)</td>
<td>0.670 (IE)</td>
<td>0.837 (IE)</td>
<td>0.971 (IE)</td>
<td>0.922 (IE)</td>
<td>0.807 (IE)</td>
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<td>ICICI Prudential</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>0.957 (IE)</td>
<td>1.000 (E)</td>
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<tr>
<td>IDBI Federal</td>
<td>0.936 (IE)</td>
<td>0.536 (IE)</td>
<td>0.430 (IE)</td>
<td>0.387 (IE)</td>
<td>0.419 (IE)</td>
<td>0.461 (IE)</td>
<td>0.485 (IE)</td>
<td>0.506 (IE)</td>
<td>0.545 (IE)</td>
</tr>
<tr>
<td>IndiaFirst</td>
<td>*</td>
<td>0.507 (IE)</td>
<td>0.933 (IE)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
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<tr>
<td>Kotak Mahindra</td>
<td>0.529 (IE)</td>
<td>0.701 (IE)</td>
<td>0.711 (IE)</td>
<td>0.968 (IE)</td>
<td>0.762 (IE)</td>
<td>0.640 (IE)</td>
<td>0.421 (IE)</td>
<td>0.467 (IE)</td>
<td>0.519 (IE)</td>
</tr>
<tr>
<td>LICI</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>0.984 (IE)</td>
<td>1.000 (E)</td>
<td>0.947</td>
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<td>Max Life</td>
<td>0.446 (IE)</td>
<td>0.460 (IE)</td>
<td>0.412 (IE)</td>
<td>0.413 (IE)</td>
<td>0.527 (IE)</td>
<td>0.610 (IE)</td>
<td>0.600 (IE)</td>
<td>0.628 (IE)</td>
<td>0.530 (IE)</td>
</tr>
<tr>
<td>PNB Metlife</td>
<td>0.323 (IE)</td>
<td>0.424 (IE)</td>
<td>0.889 (IE)</td>
<td>0.707 (IE)</td>
<td>0.634 (IE)</td>
<td>0.554 (IE)</td>
<td>0.439 (IE)</td>
<td>0.358 (IE)</td>
<td>0.511 (IE)</td>
</tr>
</tbody>
</table>
**Inferences**

- Aegon was operating at 57.4% efficiency at the beginning of the study period. However, it moved through volatility in their efficiency position during the study period finally attaining its ‘efficient’ status in 2016-17.
- During the study period, Aviva attained efficiency in 2011-12, 2015-16 and 2016-17. It’s efficiency never gone below 50% during the study period.
- Bharti AXA never achieved efficiency during the study period. Its efficiency position is very volatile. It ranges within 27% to 69.2%.
- Birla Sunlife too, never became efficient during the study period. However, its efficiency position is slightly better than that of Bharti AXA. The company is marginally inefficient in 2016-17 with an efficiency score of 0.952.
- In the aftermath of economic recession, the efficiency of Canara HSBC was really low. However, during the study period, its efficiency gradually increased finally reaching a level of 97.3%. If the trend continues, it may attain efficiency in the forthcoming years.
- DHFL Pramerica was an efficient company after the economic recession. However, unlike Canara HSBC, its efficiency took a downward trend reaching to 14.1% in 2012-13. However, the efficiency is improving since then. Right now, the company is operating at 78.2% efficiency.
- Edelweiss Tokio started its operation in 2011-12 with an efficiency of 14.3%. While in the initial years of its operation, it faced difficulty in gaining ground, its efficiency started increasing from 2015-16.
- Efficiency of Exide Life was volatile during the study period with efficiency score ranging within 0.302 to 0.594.
- Future Generali is one of the worst performers during the study period. It never attained even 50% efficiency following economic recession.
- While HDFC standard never achieved ‘efficient’ status during the study period, its efficiency rose from 59.3% in 2008-09 to 97.1% in 2012-13. However, recently the efficiency of the company is taking a downward move.
- ICICI Prudential remained efficient throughout the study period with a minor exception in 2015-16.
- Just in the following year of economic downturn, IDBI Federal was operating at 93.6% efficiency. But then, its efficiency started falling and reaching to a level of 38.7% efficiency. However, since then it is trying to regain its previous position.
- IndiaFirst started its operation in 2009-10. It quickly penetrated the market and achieved efficiency. Since then, it maintained its efficient status.
- Efficiency of Kotak Mahindra is very volatile with efficiency scores ranging 0.421 to 0.968.
- LICI is the market leader enjoying the maximum share in life insurance market. Even then, its efficiency fell below 100% in 2014-15 and 2016-17 probably due to continuous entry of new players and change in the people’s perception towards private life insurers.
- Max Life operated with moderate efficiency throughout the study period with efficiency scores ranging within 0.412 to 0.628.
- PNB Metlife also projected volatility in their efficiency during the study period. It ranges within 32.3% to 88.9%.

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</thead>
<tbody>
<tr>
<td>Reliance Nippon</td>
<td>0.403 (IE)</td>
<td>0.494 (IE)</td>
<td>0.461 (IE)</td>
<td>0.559 (IE)</td>
<td>0.711 (IE)</td>
<td>0.577 (IE)</td>
<td>0.571 (IE)</td>
<td>0.485 (IE)</td>
<td>0.652 (IE)</td>
</tr>
<tr>
<td>Sahara India</td>
<td>0.497 (IE)</td>
<td>0.608 (IE)</td>
<td>0.549 (IE)</td>
<td>0.452 (IE)</td>
<td>0.691 (IE)</td>
<td>0.835 (IE)</td>
<td>0.734 (IE)</td>
<td>0.503 (IE)</td>
<td>0.806 (IE)</td>
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<td>SBI Life</td>
<td>0.931 (IE)</td>
<td>0.958 (IE)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>1.000 (E)</td>
<td>0.969 (IE)</td>
<td>1.000 (E)</td>
</tr>
<tr>
<td>Shriram</td>
<td>0.477 (IE)</td>
<td>0.496 (IE)</td>
<td>0.703 (IE)</td>
<td>0.699 (IE)</td>
<td>0.595 (IE)</td>
<td>0.491 (IE)</td>
<td>0.326 (IE)</td>
<td>0.347 (IE)</td>
<td>0.452 (IE)</td>
</tr>
<tr>
<td>Star Union Dai-</td>
<td>0.350 (IE)</td>
<td>0.756 (IE)</td>
<td>0.908 (IE)</td>
<td>0.830 (IE)</td>
<td>0.679 (IE)</td>
<td>0.470 (IE)</td>
<td>0.490 (IE)</td>
<td>0.477 (IE)</td>
<td>0.666 (IE)</td>
</tr>
<tr>
<td>ichi</td>
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</tr>
<tr>
<td>TATA AIA</td>
<td>0.521 (IE)</td>
<td>0.494 (IE)</td>
<td>0.515 (IE)</td>
<td>0.774 (IE)</td>
<td>0.823 (IE)</td>
<td>0.929 (IE)</td>
<td>0.921 (IE)</td>
<td>0.856 (IE)</td>
<td>0.538 (IE)</td>
</tr>
</tbody>
</table>

**Note:** E: Efficient / IE: Inefficient stated in the parenthesis

**Note:** OTE for cells marked with ‘*’ are not available as the concerned companies have not been incorporated in those years.

(Source: Compilation of Secondary Data from Handbook on Indian Insurance Statistics 2016-17)
In the beginning years, Reliance Nippon projected a lower efficiency. However, its efficiency continuously rose till 2012-13 when it achieved 71.1% efficiency. But again it took a hit in the following year. At the end of 2016-17, it was operating at 65.2% efficiency.

Sahara India is a company with high volatility in their efficiency. They achieved maximum efficiency (83.5%) in 2013-14. However, just two years back, their efficiency was only 45.2%.

SBI Life is also one of the market leaders in Indian life insurance market. In most of the years during the study period, it has operated efficiently with a few exceptions in the beginning years and 2015-16.

Shriram was 47.7% efficient in 2008-09. It was slowly gaining its efficiency till 2010-11. After that, its efficiency took a downturn and reached a level of 32.6%. However, right now, it is in a recovery stage.

Another company with high volatility in efficiency in Star Union Dai-Chi. Range of their efficiency score is 0.35 (2008-09) to 0.908 (2010-11). Right now, the company is operating at 66.6% efficiency.

TATA AIA never achieved ‘efficient’ status during the study period. However, from 2012-13 to 2015-16, it was marginally inefficient and could efficient status by better utilisation of their resources. But, in 2016-17, its efficiency position came down to 53.8%.

6. Conclusion

Global financial crisis changed the landscape of business and economy all over the world and made the investors sceptic about the stability in the financial system. Life insurance companies being one of the important constituent of financial system was also badly hit by the global economic downturn. However, the existing studies showed that not all companies in India were susceptible to the risk. Some had survived the problem with a large client base and innovative products. It is observed that the LIC, being the market leader maintained their efficiency in most of the years. Other prominent private players, such as ICICI Prudential, SBI Life were also able to operate efficiently. India First that started its operation after the crisis period quickly attained efficiency and surprisingly maintained their efficiency. However, the same did not happen for another new company, Edelweiss Tokio.

References

IS BANK LOCKER THE SAFEST OPTION?
(NEW GUIDELINES OF RESERVE BANK OF INDIA ON BANK SAFE DEPOSIT LOCKERS)

Abstract

Regulated Entities (REs) are instructed by Reserve Bank on “Safe Deposit Locker Facility” which are provided by Commercial Banks. Due to the recent technological developments in the banking industry which in turn simplified the process of various products offered by the Commercial Banks.

Considering the Complaints and Grievances that are filed / approached with various Judicial Authorities (including Banking Ombudsman) and the Feedback received from all stakeholders, the Reserve Bank of India had reviewed the existing Guidelines on ‘Safe Deposit Lockers (SDL)’ and communicated the revised instructions to the Commercial Banks.

This review also took into consideration, the principles enumerated by Hon’ble Supreme Court of India in the case of ‘Amitabha Dasgupta vs United Bank of India’, (Judgment dated 19th February, 2021 in CA No. 3966 of 2010).

These Revised Instructions are to be implemented by Commercial Banks from January 1, 2022 and the same are applicable to Both (New and Existing Customers) who propose to avail or availed the Facility provided by the Banks.

Safe Deposit Lockers (SDL) are cabinets which are generally kept inside strong rooms that are built specially for keeping the valuable of Hirer. In India these are available in most of the Commercial Bank Branches / Private Entities and it is a Non-financial Product offered by the Commercial Banks to their Customers. These Lockers in different sizes like A, B, C, D where ‘A’ is being Small Size and ‘D’ being Extra Large locker etc.

These are manufactured by reputed manufacturers like Godrej etc. with BIS license confirming the IS Standards and are manufactured as per needs of requirement of the Banks.

Customers of Safe Deposit Lockers:

Lockers are the value-added service provided by most of the Commercial Banks to their Customers and this facility can be availed by:

- Individuals (Singly or Jointly).
- Partnership Firms.
- Limited Companies.
- Clubs.
- Associations.
- Trusts.
- Societies etc.

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**BANKING**

**Relationship (Bank and Locker Hirer):**

RBI had clarified vide circulars that the relationship between the hirer of the locker and the Bank is similar to the nature of a 'Bailee and Bailor' and though the Bank has No Knowledge regarding the Contents that are put inside by the Locker Hirer. Banks have to exercise necessary precautions and utmost care for the protection of the Lockers provided to the Locker Hirer.

**Charges (Locker Hiring):**

The rent charged by Banks for the lockers may not be uniform across all the Banks and they vary depending upon Size of the Locker and in some Banks on the ‘Place or Location of the Lockers located’ are leased such as rent may be more in the metros and cities and the premium localities when compared to the rural areas, due to the premises rental costs.

‘Fixed Deposit’ to Hire a Locker:

RBI vide its Circular DBOD. No.GC.BC.27/C.408C (L)-84 dated March 27, 1984 clarified that the Public Sector Banks should not insist on any kind of ‘Fixed Deposit’ as a prerequisite in order to allot lockers to the customers. However, Banks are permitted to seek a Deposit but not as a prerequisite for allotment of locker and the interest on the same may cover the Advance Locker Rent for Three Years.

**Safe Deposit Lockers (KYC Guidelines):**

All Banks are required to update KYC details of their customers periodically under Prevention of Money Laundering Act (PMLA), 2002.

In case of Customers of Medium Risk or Risk Category attributable to their Bank Account whichever is Higher, it is recommended that Banks carry out periodic updating and verification of KYC Documents.

If the locker is non operative for 1 Year and 3 Years respectively in case of ‘High’ and ‘Medium’ Risk Category customers, then Banks should contact the customer and inform them to surrender the Locker allotted though there are no dues and rent is paid regularly. Banks can approach police to break open such lockers if the hirer does not surrender the same even after providing sufficient time through notice.

**Locker ‘Operation Process’ at the Bank Branches:**

If the customer wishes to operate the Locker Hired, he is required to enter the details such as Date and Time duly signed by him in a ‘Locker Access Register’ which is documented at the Branches in order to get access to the Safe Deposit Locker (SDL).

The officer-in-charge of SDL will accompany the Customer to the ‘Locker Room’ and both Bank’s Master Key and Customer Key will be required to open the locker slot allotted to the customer. Once the Locker slot is opened the Bank Official will leave the place and Customer can operate the locker and close the same with Customer Key after any addition or removal of valuables.

**Terms and Conditions (Hiring of Lockers):**

- The rent for the SDL are charged on annual basis and the rent is payable by the locker hirer in advance for at least one year and up to three years.
- In case the Hirer of the locker is having a ‘Fixed Deposit’ with the Bank, the same can be marked ‘lien’ for the rental amount so that the ‘interest’ covers the locker rent which can be used as an alternative for locker rent collection.
- In case of any default in locker rent payment, the hirer should not be allowed to operate Locker till the rent arrears are paid to the Bank. In some Banks, they put Red Colour Stickers on Lockers to distinguish the Hirer who is default in rent.
- Banks can charge Interest in case of any rent overdue, on the overdue amount.
Revised Guidelines:

- Banks are expected to put in place an approved policy by its Board. This policy should outline their responsibility in case of any damage or loss of the contents in the Lockers due to the negligence of Bank.

- Banks are allowed to obtain a Term Deposit at the time of allotment which would cover Three Years Rent. However, Banks shall not insist on such deposits from the existing Locker Holders or those who are having a satisfactory Operative Account. Any allotment of the locker facility with Term Deposits beyond that which is permitted as mentioned above will be considered as a “Restrictive Practice”.

New Reserve Bank of India Guidelines on Lockers:

Reserve Bank of India had issued revised guidelines with respect to the Hiring of Lockers under which it is clarified that the Bank’s liability is limited to “100 Times of Locker Annual Rent in case of incidents such as Theft/ Fire/ Structural Collapse of the premises or due to any frauds committed by the Bank employees”.

“These principles are enumerated by the Hon’ble Supreme Court in ‘Amitabha Dasgupta vs United Bank of India’, (Judgment dated February 19, 2021, in CA No. 3966 of 2010)”
rent has not been paid by the Customer for three consecutive years and the Charges for Breaking Open the Locker in case of such cases are to be recovered from the locker hirer.

✓ In case of surrender of the locker allotted to the hire, Banks shall refund the proportionate amount of the rent collected in advance.

✓ In case of closure/ merger/ shifting of the branch to alternate premises which requires a physical relocation of the Lockers, the Bank shall give a public notice in a vernacular language in at least two newspapers which includes one local daily in this regard and the Customers shall be provided with at least two months’ advance notice and provide an option to ‘Change or Close’ the facility. In case of exigencies and unplanned shifting due to Natural Calamities, Banks shall make efforts to inform their Customers suitably at the earliest.

✓ Banks will have a well-defined and marked “Point of Entry and Exit” for Locker Room /Strong room and the place where the Lockers are installed must be secured enough to protect against any hazard of Rain / Flood Water entering and damaging the Lockers in contingent situations. It is necessary that the Fire Hazard Risks of the area shall also be assessed and addressed if any. The Banks, as per their Policy, shall conduct necessary “Safety Verification of the Premises” regularly to identify the Risks and carry out necessary Rectification.

✓ All the ‘New Mechanical Lockers’ which are installed by the Banks shall conform to Basic Standards / Benchmarks for safety and security as prescribed by ‘Bureau of Indian Standards (BIS)’ and IS Specifications which are applicable in this regard.

✓ If the Banks are providing “Electronically Accessed Lockers”, they should be fully aware of the Safety and Security Features of such Lockers satisfying appropriate industry standards.

✓ In the above instances where lockers are operated and accessed through an electronic system, the Bank shall take reasonable steps to ensure that the “System is Protected” against Hacking or any Breach of Security. The Customer’s Personal Data, including their Biometric Data shall be protected under Data privacy rules and shall not be shared with any third parties without the consent of the customer.

✓ Further, Banks will ensure that the Electronically Operated Lockers are compliant with the “Cyber Security Framework” prescribed by the Reserve Bank. Banks should ensure that such systems are capable of maintaining “Unalterable Log of Locker” activities. The Banks will comply with the relevant Statutory / Regulatory Guidelines and the requirements which are applicable as per IT / Data Protection norms.

✓ Further, the Banks will also devise a “Standard Operating Procedure” for issue of “New Password” in lieu of “Lost Passwords” to Customers in a Safe and Secure manner in case of “Electronically Operated Lockers”.

✓ Banks will ensure that “Unique Identification Code of the Bank / Branch” is embossed on all the Locker Keys in order to facilitate the identification of Lockers / Locker ownership by law enforcement agencies in case of need.

✓ The ‘Custodian of the Locker’ will, Regularly / Periodically, Check the Keys maintained in the Branch to ensure that they are in Proper Condition.

✓ Banks will permit the Locker-Hirer to Operate the Locker only with the Key provided by the Bank, although there is “No Restriction” in allowing the Customer to use an ‘Additional Padlock’ of her / his own if there are such provisions in Lockers.

✓ Bank’s Officer authorizing the Locker-Hirer to access the Locker, after unlocking the “First Key / Password” shall “Not Remain Present” when the Locker is opened by the Locker-Hirer. The Banks will ensure that there is ’Adequate Privacy’ to the Locker-Hirers in the Operations when ‘Customers Access’ the Lockers at the same time.

✓ Banks will send an “SMS and Email Alert” on the Registered Mobile Number and Email Id of the Customer before the “End of the Day as a Positive Confirmation Intimating the Date and Time of the Locker Operation” and the redressal mechanism available in case of unauthorized Locker access.

✓ Bank will ensure that any Nomination or Survivorship made by the locker hirer in the agreement would facilitate expeditious release of Articles in Lockers to Hirer’s Nominee(s).

To Conclude, All Commercial Banks offer this facility to customers for Annual Charges of ₹1,000 to ₹10,000 depending upon the Size and Location and the Locker facility provided by the Banks are supposed to be ‘Safer than a Home’ for customers for safe keeping of their valuables with all the ‘Multiple Layers of Securities and Surveillance’
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Ms. Shiela Sagwan, Member & Special Secretary, MoF, Govt. of India, responding to the queries of Members at the Seminar on “Indirect Taxation” held at Bengal Club, Kolkata on 24.10.2011. Also seen (from L to R) and Shri A.K. Das, Chief Commissioner, Central Excise and Service Tax, (formerly Chief Commissioner of Customs); Shri M.S. Badhan, Member CBEC (formerly, Chief Commissioner, Central Excise & Service Tax); Shri S.C. Mohanty, Council member and Shri J. Kennedy, Director-TRU.

Programme on “XBRL” held on 14.10.2011. Seen (from L to R) Shri Vijender Sharma, Secretary, NIRC of ICWAI; Shri Ravi Sahni, Member, NIRC; Shri B.L. Jain, Chairman, NIRC of ICWAI; Shri Rakesh Singh, Vice President, ICWAI; Shri S.K. Bhatt, Member, NIRC; Shri M. Gopalakrishnan, President, ICWAI; Shri K.L. Jai Singh, Past President, ICWAI; Shri Sanjay Gupta, Council Member; Shri Arvind Kumar, Treasurer, NIRC and Shri S. Srivastava, Member, NIRC of ICWAI.

V.V. Deodhar, President & S. Ramanathan, CCM seen in the group photo of the representatives of countries present in the 58th CAPA Executive Committee Meeting in Sydney, Australia during 8-9 October 2001.

Sanjay Bhargave, Treasurer, WIRC; B.R. Fernandes, Chairman, Pune Chapter; Dhananjay Joshi, CCM, ICWAI; P.D. Parkhi, Past President, ICWAI seen with Shri Arun Jaitley, hon’ble Union Minister of Law, Justice & Company Affairs and Shri Arun Firodia, noted Industrialist and President, MCCIA.

V.V. Deodhar, President, ICWAI meets Ms. Jayantiben Mehta, Hon’ble Union Minister of State for Power at Taj Mahal Hotel, Mumbai.
Shri P.D. Phadke, President, ICWAI, alongwith a few delegates during the Third Asian Pacific Conference on International Accounting Issues held in Honolulu from October 16 to 19, 1991. From left to right: Shri P.D. Phadke, President, ICWAI; Dr. Bhagwan S. Khanna, Victoria University of Wellington and Dr. Sankaran Venkateswara of Trinity University.

Shri R. Ganapathi, Chairman, Board for Industrial Finance & Reconstruction (BIFR) delivering the Inaugural address.

Dr. G.B. Rao, Vice-President, ICWAI received an award as Noted Finance Executive from Telegu Academy in Delhi on 12th November, 1991.

Seminar on “Understanding Profits on 18th October 1981. Sitting L to R: Prof. Ramesh Gupta, IIM, Ahmedabad; Shri Prafulla Anubhai, Chairman, Rustom Mills & Industries Ltd.; Prof. D.T. Lakadawala, Economist; Shri Kiran J. Mehta, Chairman; Shri G.R. Kulkarni, Chairman, WIRC. Standing: Shri B.C. Desai, Hon.Secy; Miss Ila Patel, Jt. Secy.

Source: Extracted from the various issues of The Management Accountant Journal
GLOBAL RECOGNITION OF CMA QUALIFICATION

Benchmarking of Intermediate and Final Course of The Institute of Cost Accountants of India by UK NARIC*

With the objective of enhancing the recognition and professional opportunities for its students and members across the globe, the International Affairs Committee and Professional Development & CPD Committee of the Institute had engaged UK NARIC (National Recognition Information Centre in United Kingdom) to conduct an independent benchmarking study for evaluating the comparability of the CMA Intermediate and Final Course in the context of the UK and UAE education systems.

UK NARIC is the designated national agency in the United Kingdom for the recognition of international qualifications and professional skills. As the National Agency, managed on behalf of the UK Government, UK NARIC is the internationally respected voice in qualification recognition offering impartial, trusted judgement on international qualifications. UK NARIC has the largest database of international qualifications in the world, with over 3,000 qualifications from more than 200 countries.

UK NARIC has made the following comparability levels recommendations in the context of the UK & UAE education system:

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<td>CMA Final Course</td>
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This independent benchmarking of the CMA qualification would ensure widespread, international acceptance of CMA qualification. The benchmarking results would strengthen the position of CMA members and help corporates gain a better understanding on the relevance and standing of the CMA qualification. It would also provide opportunities for higher studies and enhanced professional opportunities for CMA members/semi qualified professionals in UK, Middle East and other foreign jurisdictions accepting NARIC evaluation.

*Due to the United Kingdom leaving the European Union, the UK NARIC national recognition agency function was re-titled as UK ENIC on 1st March 2021, operated and managed by Ecttis Limited. From 1st March 2021, international benchmarking findings are published under the Ecttis name.
NEWS
FROM THE INSTITUTE
A meeting among the Faculties of the Chapter has been conducted on 05.08.2021 at Chapter office. CMA Ashwini Kumar Patro, Chairman, CMA Rajkiran Padhi, Secretary chaired the meeting. 75th Independence day celebration on 15.08.2021 was held at the chapter amidst students, members, Faculties & Staff at the premises of the Chapter. CMA Ashwini Kumar Patro, Chairman of the Chapter spoke about importance of Independence Day.

Considering Pandemic Covid-19 guidelines, students of the Chapter celebrated “Teachers Day” through virtual platform on 05.09.2021. On the occasion CMA Santanu Kumar Rout, Vice Chairman Cum Treasurer and Chairman, Coaching Committee of the Chapter, CMA Himoj Mishra, Chairman, CMA Surya Narayan Tripathy, Secretary and some Faculties addressed and blessed the students for their bright professional career. The Chapter organized a Career Awareness Programme at IAP Academy on 23.09.2021. CMA Surya Narayan Tripathy, Secretary of the Chapter highlighted about the Course Curriculum and Career Prospects in CMA Course. The Chapter organised a WEBINT on the theme “Cost Accounting Record Rules and Cost Audit” on 26.09.2021.CMA S.Venkanna, M/s Venkanna & Co., Cost Accountants, Bangalore and CMA S.S.Sonthalia, M/s Sonthalia & Co, Cost Accountants and IBC Professional, Bhubaneswar delivered on the topic as “Resource Person”. CMA Saktidhar Singh, Chairman, PD Committee and Past Chairman of the Chapter introduced the guests, CMA Himoj Mishra, Chairman of the Chapter delivered the welcome address and CMA Surya Narayan Tripathy, Secretary of the Chapter extended formal vote of thanks.

A Members Meet was organized by the Chapter on 5th September, 2021. CMA Biswarup Basu, President, ICAI was the main attraction of the meet. CMA Harijiban Banerjee, CMA Amal Kr. Das and CMA Kunal Banerjee, all past President, ICAI joined the Meet. CMA Ashis Kr. Banerjee (Sr.), CMA Dinesh Bhattacharjee, all Founder Members and Past Chairman of Chapter and CMA Chittaranjan Chattopadhyay, Founder Member of the Chapter and CCM were felicitated. CMA Dilip Kr. Mondal, CMA Ashish Banerjee (Jr.), CMA Pradyut Kr. Bhandary and CMA Prabir Kr. Dutta, all Past Chairman of Serampore Chapter were greeted by Chapter’s Managing Committee Members. CMA Biswarup Basu, President, ICAI in his speech mentioned the recent development of the Institute for the benefit of professionals.
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
KOTA CHAPTER

The Chapter organized Independence Day Programme on 15th August 2021. CMA Ashok Kumar Jethalia, Chairman of the chapter and all other members of managing committee and other members and students participated in the program. The Chapter inaugurated the Oral Coaching session for the period June term on 3rd September 2021. CMA A.K.Jethalia, Chairman, CMA Tapesh Mathur, Vice-Chairman, CMA S.N. Mittal, CMA M.B. Sonkhiya, CMA R.P Vyas, CMA J.P Sarda, CMA Poorva Agarwal and other members and students participated the inaugurated session.

SOUTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
TRIVANDRUM CHAPTER

CMA Pramode Chandran PG, Chairman of the Chapter and CMA Pranav Jayan (Secretary, ICAI-Trivandrum Chapter) visited the Chairman, Public Sector Restructuring and Internal Audit Board(RIAB) of Govt. of Kerala, Trivandrum on August 13, 2021 and requested for modification of selection criteria in the Notification inviting applications from Chartered Accountants / Cost Accountant firms for empanelling as Internal auditors of PSU’s in Kerala and also requested for engaging Intermediate / Final Passed /CMA undergoing students as Management Trainees in Public Sector Under taking/s (PSU’s) Coming under RIAB.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
BENGALURU CHAPTER

The Chapter organized Dhee - Vikasa Students Study Circle Programme Webinar on - “GST Registration of Company and Entrepreneur” through online Webinar on August 21, 2021. CMA CMA Ranjith A R, CMA Kumar H N – Chairman BCCA, CMA Satish R – Vice Chairman BCCA, CMA Ragavendra B K – Treasurer BCCA and CMA Vijayalakshmi K R – Chairperson, Students Guidance Bureau were the speakers of the programme. Interview Conducted for CMA Students - REGISTER OF COMPANY at the Chapter on September 19, 2021. CMA Kumar H N – Chairman BCCA was the speaker of the programme. A Book Releasing Function – Indian Constitution – An enlightening Overview organized at the
Chapter on September 20, 2021. Dr. P. Anantha Krishna Bhat, Retd. Professor, Mangalore University was the author, Chief Guest, CS Nagendra D Rao, President – ICSI, CMA Kumar H N – Chairman BCCA, CMA Jayarama AV – Secretary BCCA, CMA Vishwanath Bhat - Secretary SIRC, CMA Satish R – Vice Chairman BCCA, CMA Ragavendra B K – Treasurer BCCA, CMA Manjula B S – Chairperson PD BCCA, CMA Sreepada H R – Member attended the programme.

Chairman of the chapter, CMA D. Kalaichelvan signed MOU with GTN Arts College, Dindigul on 24.09.2021.

“Refresher Course on Direct Tax Law Session 1 – Basic concepts, Rates and Exemptions under Income Tax Law” was organized by the chapter on August 1, 2021. CMA Vijay Kiran Agastya Regional Council Member –SIRC was the chief guest and CMA Kedarnath Potnuru Faculty, was the speaker of the session. MDF Draft Guidelines and FAQ issued by the Institute on August 6, 2021. Special Invitees were CMA S. Papa Rao, Chairman – SIRC & Central Council Member, CMA Dr. K.Ch. A.V.S.N. Murthy Central Council Member and Moderator , CMA A.V.N.S. Nageswara Rao Past Chairman – SIRC & Practising Cost Accountant, Panelists CMA N.S.V . Krishna Rao Practising Cost Accountant CMA P. Krishna Reddy, Practising Cost Accountant. On 07.08.2021 courtesy visit by CMA P. Chandra Sekhara Reddy Chairman CMA K. Someswara Babu Secretary, CMA M. Venkateshwarlu Immediate Past Chairman & Staffs attended the programme. On 15.08.2021 “Refresher Course on Direct Tax Law Session 3 – Income from House Property”. CMA Vijay Kiran Agastya Regional Council Member –SIRC, chief guest, Speaker CA Samavedam Rathnakar attended the session. On 08.08.2021 “Refresher Course on Direct Tax Law Session 2 – Income from Salaries Vis a Vis New IRT Forms”. Chief Guest, Sri M.N. Murthy Naik, IRS, Commissioner of Income Tax, Hyderabad, Guest of Honour CMA B.V . Ramana Murty, Past President of the Institute, Speaker CA Lakshmi Nallamilli, Practising Chartered Accountant. On 12.08.2021 Recent Changes in GST Law and Latest Notifications & Circulars issued by the CBIC. CMA S. Papa Rao Chairman – SIRC & Central Council Member CMA Dr. K.Ch. A.V.S.N. Murthy, Central Council Member, Speaker CA V.S. Sudhir, Practising Chartered Accountant were the special invitees. On 15.08.2021 75th Independence Day Celebrations organized by the chapter. CMA P. Chandra Sekhara Reddy Chairman CMA K. Someswara Babu Secretary, CMA M. Venkateshwarlu Immediate Past Chairman & Staffs attended the programme. On 15.08.2021 “Refresher Course on Direct Tax Law Session 1 – Basic concepts, Rates and Exemptions under Income Tax Law” was organized by the chapter on August 1, 2021. CMA Vijay Kiran Agastya Regional Council Member –SIRC was the chief guest and CMA Kedarnath Potnuru Faculty, was the speaker of the session. MDF Draft Guidelines and FAQ issued by the Institute on August 6, 2021. Special Invitees were CMA S. Papa Rao, Chairman – SIRC & Central Council Member, CMA Dr. K.Ch. A.V.S.N. Murthy Central Council Member and Moderator , CMA A.V.N.S. Nageswara Rao Past Chairman – SIRC & Practising Cost Accountant, Panelists CMA N.S.V . Krishna Rao Practising Cost Accountant CMA P. Krishna Reddy, Practising Cost Accountant. On 07.08.2021 courtesy visit by CMA P. Chandra Sekhara Reddy Chairman CMA K. Someswara Babu Secretary, CMA M. Venkateshwarlu Immediate Past Chairman, CMA Dr. R. Chandra Sekhar Past Chairman attended the meeting. On 18.08.2021 Student Orientation Programme – Inauguration of Oral Coaching Classes – December 2021 Batch had been organized. Chief Guest was Prof. R. Nageswar Rao Dept. of Business Management, Osmania University. On 28.08.2021 Valuation is all about Costing. Chief Guest was CMA V.V. Ravi Kumar, Executive Director & Chief Financial
INSTITUTE NEWS

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
SALEM CHAPTER

Officer Laurus Labs Limited. Special Invitee was CMA Dr. K.Ch. A.V.S.N. Murthy Central Council Member and Speaker was CMA D. Zitendra Rao, Practising Cost Accountant.

The Chapter conducted a seminar on 31st August 2021 titling ‘Valuation Exam for Cost Accountants’ and the seminar was handled by CMA Dr K Nagarajan, Practicing Cost Accountant, Namakkal. The speaker in his speech explained who can become the valuer, pattern and syllabus for examination, scope for valuers, code of conduct for valuers, valuation models etc. The seminar concluded with an interactive session followed by vote of thanks by Secretary CMA Krishnakumar.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
THRISSUR CHAPTER

The Chapter conducted webinar on Foreign Trade Policy on 27th August, 2021. CMA Praveen Kumar addressed the audience. Mr. K.M Harilal, ITS, The Joint Director General of Foreign Trade conducted the technical session. Vote of Thanks made by CMA Jagadish A.D. The Chapter conducted webinar on Insolvency and bankruptcy Code-2016 on 8th August, 2021. CMA Praveen Kumar, Chairman of the chapter delivered welcome speech. The resource person was CMA Sivakumar A, Assistant professor of Commerce-Sree Neelakanta Govt. college, Pattambi. The presence of CMA H Padmanabhan, the Central Council member of ICAI, made the event graceful. Vote of thanks was done by CMA Anoop N.G, Vice Chairman of Thrissur Chapter. Online classes for Intermediate students were inaugurated by CMA Praveen Kumar, chairman of the Chapter on 11th August, 2021. Felicitation Speech was carried out by CMA Anoop. N.G, Vice Chairman and CMA Jagadish A.D, Secretary of the Chapter.
INSTITUTE NEWS

Office. The Speaker of the Program was CMA Neeraj Joshi- Central Council Member-The Institute of Cost Accountants of India. The Chairman, CMA Nanty Shah (Chairman) presented a welcome address, CMA Kishor Vaghela (Treasurer) gave introduction of the Speaker to the members. CMA Nanty Shah felicitated the speaker with the Sapling and CMA Bharat Savani (Vice Chairman) felicitated CMA Neeraj Joshi with the memento. The Speaker commenced the session and discussed about drafting new rules of the Multi-Disciplinary Partnership and asked for the suggestions from members.

CMA Rakesh Verma (Member of the Chapter) presented formal vote of thanks to the speaker and participants. The Chairman of the Chapter CMA Nanty Shah along with the Vice Chairman CMA Bhanwar Lal Gurjar, CMA Kishor Vaghela (Treasurer) and Past Chairman CMA Brijesh Mali represented the Chapter at The South Gujarat Co-operative Banks Association Ltd., Surat. The Committee members met cooperative bank association President and Vice President and handed over information of BFSI courses, gave BFSI Material on lending to MSME, gave representation to include our members and students in professional and career opportunities, and also handed over list of PCMAs currently in chapter limits. The Chapter celebrated 75th Independence Day at the Chapter’s campus, CMA Bhawan. Chairman of the Chapter CMA Nanty Shah along with the Member of the Chapter CMA Ashwin Ambaliya represented the Chapter at The South Gujarat Co-operative Banks Association Ltd., Surat. The Committee members met cooperative bank association President and Vice President and handed over information of BFSI courses, gave BFSI Material on lending to MSME, gave representation to include our members and students in professional and career opportunities, and also handed over list of PCMAs currently in chapter limits. The Chapter celebrated 75th Independence Day at the Chapter’s campus, CMA Bhawan. Chairman of the Chapter CMA Nanty Shah along with the Member of the Chapter CMA Ashwin Ambaliya represented the Chapter at Akhand Anand bank and met hon. MD of the bank, and submitted list of practicing CMAs in our chapter boundary, for any professional opportunity. CMA Nanty Shah- Chairman along with WIRC Chairman CMA Dinesh Birla and with the Vice Chairman CMA Mahesh Bhalala- Secretary represented the Chapter at Surat Mayor’s office and WIRC Chairman felicitated Surat City Mayor Smt. Hemali Boghawala and got the privilege to brief the Mayor about The Institute of Cost Accountants of India. CMA Nanty Shah- Chairman along with WIRC Chairman CMA

WESTERN INDIA REGIONAL COUNCIL

WIRC has organized a Felicitation Programme for December 2019 & 2020 Final & Intermediate Pass Students from Mumbai on 3rd & 4th September, 2021 respectively at WIRC office. CMA Debasish Mitra, CCM was the Chief Guest for the felicitation programme on 3rd September 2021 for Final passed students. CMA Dinesh Kumar Birla, Chairman WIRC, CMA Harshad Deshpande, Immediate Past Chairman & Chairman P.D. Committee, WIRC & CMA Arindam Goswami, Chairman, Students Members Coordination Committee WIRC were present on the occasion. All the students present were felicitated by the dignitaries.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

SURAT SOUTH GUJARAT CHAPTER

By taking all necessary safety precautions & following the Government & HQ guidelines, the chapter hosted a Press Meet for declaration of the scholarship program at the Chapter’s campus on 5th August 2021. CMA Nanty Shah (Chairman), CMA Keval Shah (Vice Chairman) CMA Mahesh Bhalala (Secretary), CMA Kishor Vaghela (Treasurer), CMA Bharat Savani (Immediate Past Chairman), CMA Brijesh Mali (Past Chairman) joined the Meet. The chapter organized a Seminar on “Decoding Multi-Disciplinary Partnership (MDP) Guidelines and Collection of Suggestions from Members” on 7th Aug. 2021 at Ritz Square- Surat Chapter
Dinesh Birla and with the Vice Chairman CMA Bhanwar Lal Gurjar CMA Mahesh Bhalala- Secretary CMA Bharat Savani (Immediate Past Chairman), and felicitated newly appointed CFO at URDC CMA Brijesh Mali who is also a committee member at the Surat Chapter-ICAI and Past Chairman at Chapter during 2019-20. CMA Nanty Shah- Chairman along with WIRC Chairman CMA Dinesh Birla and with the Vice Chairman CMA Bhanwar Lal Gurjar CMA Mahesh Bhalala- Secretary CMA Bharat Savani (Immediate Past Chairman), represented the Chapter at “The Southern Gujarat Chamber of Commerce.” And felicitated the Chamber’s president Shri Ashish Gujarati and briefed about CMA. The chapter organized a Seminar on “Stock Audit” on 28th Aug. 2021 at Ritz Square- Surat Chapter Office. The Chapter has got the privilege to have WIRC Chairman CMA Dinesh Birla as the Chief Guest for the Program. The Speaker of the Program was CMA Fenil Shah and CA Gopal Dhakan. CMA Mahesh Bhalala- Secretary of the Chapter did the official Welcome of the Dignitaries and Members. CMA Bhanwar Lal Gurjar- Vice Chairman introduced the dignitaries to the members. CMA Nanty Shah- Chairman of the Chapter felicitated the Hon. Chief Guest CMA Dinesh Birla, CMA Mahesh Bhalala- Secretary felicitated CA Gopal Dhakan and CMA Kishor Vaghela felicitated CMA Fenil Shah. After the Chairman’s and Vice Chairman’s address, The Chief Guest graced the event by addressing the gathering and sharing his journey and future prospects and possible developments to be done. The first speaker CMA Fenil Shah commenced the session on the topic “Introduction and Planning of Stock Audit.” and briefed the members about the initial stages of conducting Stock Audit with the case examples. Followed with the second session by CA Gopal Dhakan on “How to conduct Stock Audit”. Both the sessions have been informative and interactive. The program CMA Kishor Vaghela gave the formal Vote of Thanks to the Dignitaries and Members. By taking all necessary safety precautions & following the Government & HQ guidelines, the chapter hosted a Teachers Day celebration program to felicitate the faculties involved in oral coaching at the Chapter’s campus, at Ritz Square, Ghod Dod Road, Surat, on 5th September 2021. The Guest of Honor for the program was Dr. Upendra T. Desai- Educationist and Chief Guest were – Sant Shree Nityaswaroopdasji was present through virtual mode and on his behalf Sant Shri Vedant Swamiji was present physically. CMA Mahesh Bhalala (Secretary) officially welcomed all the members, students and dignitaries. CMA Kishor Vaghela (Treasurer) gave formal introduction of the dignitaries to the gathering. CMA Nanty Shah (Chairman) felicitated the Chief Guest, CMA Keval Shah (Vice Chairman) addressed the Gathering, and Chairman of the chapter CMA Nanty Shah addressed the gathering. The guest of Honor addressed the gathering. Chief Guest Shree Nityaswaroopdasji addressed the gathering through google meet and Sant Vedant Swamiji who was present physically addressed the gathering and blessed everyone. The felicitation ceremony begin with The Chairman, Vice Chairman, Chief Guest, Guest of Honor felicitated the Oral Coaching Faculties Dr. Dhaval Pandya, Dr. Sanjay Patel, CMA Kenish Mehta, CMA Bharat Savani, CA Manoj Makhania, CMA Dr Ravi Patel, CMA Ankit Kagalwala, CMA Nirav Shah, CMA Moh. Soeb Shaikh, CMA Keval Shah, CMA Harsh Gulgulia, CMA Jay Mehta, CA Ravi Modi, CMA Sejal Shah, CMA Kinjal Gajera, CMA Jalpa Solanki. Some of the faculties also shared their experience and their journey as a faculty and the Chairman Sir also discussed the possible planning and future prospects with the faculties. To conclude the program CMA Kishor Vaghela- Treasurer gave the formal vote of thanks.
Ahmedabad & Baroda chapter had organized CEP webinar on MOOWR & RODTEP Schemes, Features, Benefits & Eligibility on 6th August, 2021. CMA Kartik Vasavada, Chairman of Baroda Chapter, welcomed present members and CMA Ashish Bhavsar program Co-coordinator welcomed & introduced speaker CA Bhadresh Vyas and participants. CA Bhadresh Vyas gave detailed presentation and explained about MOOWR and RODTEP Schemes, features, Benefits & Eligibility. There was detailed and healthy discussion between all the participants on the subjected topic. More than 90 participants were present in the webinar. CMA Malhar Dalwadi, Chairman of Ahmedabad chapter proposed vote of thanks. Ahmedabad & Baroda chapter had organized CEP webinar on Export Benefits & Schemes – A tool to Maximize Profitability on 7th August 2021. CMA Malhar Dalwadi, Chairman of Ahmedabad Chapter, welcomed present members and CMA Ashish Bhavsar program Co-coordinator welcomed & introduced speaker CA Minal Mehta Buch and participants. CA Minal Mehta Buch gave detailed presentation and explained on subject of webinar in very lucid manner. CMA Priyank Vyas proposed vote of thanks. Ahmedabad chapter celebrated its 10th anniversary of Chapter premises on 7th August’21. Ahmedabad & Baroda chapter had organized CEP webinar on GST Audit on 13th August 2021. CMA Azahar Patel welcomed present members and CMA Ashish Bhavsar program Co-coordinator welcomed & introduced speaker CMA Vandit Trivedi and participants. CMA Vandit Trivedi gave detailed presentation and explained on subject of webinar, CMA Mitesh Prajapati, Secretary Ahmedabad Chapter proposed vote of thanks. Ahmedabad & Baroda chapter had organized CEP webinar on GST Appeal Provisions & Possible litigation: What the future be holds? on 14th August 2021. CMA Uttam Bhandari, PD Committee Chairman of Ahmedabad Chapter, welcomed present members and CMA Ashish Bhavsar program Co-coordinator welcomed & introduced speaker Advocate Samir Siddhapura and participants. Mr. Samir Siddhapura gave detailed presentation and explained on subject of webinar. CMA Mihir Vayas proposed vote of thanks

The Chapter organized Flag hoisting ceremony at its premises. CMA H C Shah, Guest along with CCM CMA Ashwin Dalwadi hoisted the flag. A felicitation program of staff members and Dec-2019 and Dec-2020 qualified CMA was organized at Haribhai Charitable Trust Hall. Mr. Naveen Trivedi was the Chief Guest and CMA H C Shah and CMA Bhadresh Mehta was Guest of honour of the program. CCM CMA Ashwin Dalwadi, RCM of WIRC CMA Ashish Bhavsar, Chairman of Chapter CMA Malhar Dalwadi, Vice Chairman of Chapter CMA Dakshesh Choksi, Secretary of Chapter CMA Mitesh Prajapati, Treasurer CMA Aparna Bhonde other office bearers, students, parents of students and staff members of chapter were present program. Chairman CMA Malhar Dalwadi gave welcome speech and introduction of the dignitaries on the dais. CMA Mitesh Prajapati proposed vote of thanks and concluded the program with National anthem. A Blood donation camp was also a part of event at chapter on 75th Independence Day of India. Ahmedabad & Baroda chapter had organized CEP webinar on IBBI Security & Financial Asset Valuation Exam - A New Avenue for Upcoming Practioners on 20th August 2021. CMA Malhar Dalwadi Chairman of Ahmedabad Chapter, welcomed present members and CMA Ashish Bhavsar program Co-coordinator welcomed & introduced speaker CMA Jaymin Bhatt and participants. CMA Jaymin Bhatt gave detailed presentation and explained on subject of webinar. Vote of thanks proposed by CMA Mitesh Prajapati, Secretary-Ahmedabad Chapter. Ahmedabad chapter along with ICAI-Baroda Chapter had organized CEP webinar on Multi-Disciplinary Partnership New Horizon of Practice on 24th August’2021. CCM-CMA Ashwin Dalwadi was the Moderator of the program and CMA-RCM CMA Ashish Bhavsar, CMA Sharad Puranik and CMA B F Modi were the speaker of the program. CMA Malhar Dalwadi welcomed Moderator, Speakers and participants of the program and CMA Mitesh Prajapati gave introduction of Moderator and
The Chapter arranged a CEP Webinar on the subject “Perspective of Leadership in the current times and allied aspects associated” on 27th August 2021 through GOOGLEMEET video conferencing tool. Mr. Amit Ravindra Deokule, Executive Leadership Coach was Speaker for the Webinar. CMA Rahul Chincholkar, Member of ICAI-Pune Chapter welcomed & introduced the Speaker to the participants. CMA Shrikant Ippalpalli, Managing Committee Member of ICAI-Pune Chapter delivered vote of thanks. The Chapter arranged CEP Webinar jointly with Solapur Chapter on the subject “Data Forensics” on 3rd September 2021 through GOOGLEMEET video conferencing tool. Dr. Harold D’Costa, Cyber Security Expert was Speaker for the Webinar. CMA Amol Kshirsagar Webinar Co-ordinator of ICAI-Solapur Chapter welcomed the participants. CMA Abhay Deodhar, Member of Managing Committee of the Chapter introduced the Speaker to the participants. The session was very lucid. Lecture given by speaker was very useful for day to day activities of members. CMA Murali Iyengar, Chairman of ICAI-Solapur Chapter delivered vote of thanks. The Institute of Cost Accountants of India CAT Committee jointly with ICAI-Pune Chapter organized Career Counseling Session on CAT & CMA Course for 12th & Graduate Students on Wednesday, 8th September 2021. CMA Rahul Chincholkar, Member of ICAI-Pune Chapter welcomed & introduced the Guests. CMA H. Padmanabhan, CCM, Chairman, CAT & AAT, ICAI explained the importance of CAT course to the participants. He also informed that Ministry of Education sponsored 3 lakh students in 3 years. CMA Neeraj Joshi, CCM, ICAI, talked about current affairs, emphasized the value of CAT & CMA course for future. CMA R K Jain, Secretary CAT Committee also explained about the course. CMA Chaitanya Mohriri, RCM, WIRC-ICAI also added his views for the course. Various colleges i.e. M G E Society’s Huzurpaga Mahila Vaniya Mahavidyalaya, Pune, Anmasheb Magar College, Hadapsar, Pune, Manghanmal Udham College of Commerce, PCMC, Jailhind College of Engineering, Kuran, Ness Wadia College of Commerce, Pune participated in this programme. Dr. D G. Garkal & Dr. Bipin Seth expressed their views about this session. CMA Shrikant Ippalpalli, Managing Committee Member of ICAI-Pune Chapter explained the importance of CMA & CAT course & the efforts taken by ICAI-Pune Chapter. He also delivered vote of thanks. The Chapter conducted Free Vaccination Drive (1st or 2nd Dose), jointly with Pune Municipal Corporation, Henkal India Ltd. and Bhartiya Yuvak Kalyan & Vyayam Kendra on Saturday, 25th September at ICAI-Pune Chapter’s CMA Bhawan premises. CMA Nilesh Kekan, Treasurer, ICAI-Pune Chapter introduced the Guests CMA Neeraj Joshi, CCM, ICAI, CMA Chaitanya Mohriri, RCM, WIRC, CMA Prasad Joshi, Chairman, ICAI-Pune Chapter, CMA Meena Vaidya, Past Chairperson & current Advisor ICAI-Pune Chapter, Dr. Prasad Khandagle, CSR Head Henkal India Ltd.& Mr. Yogesh Thakar, Henkal India Ltd., Dr.Buddhiraj Tupere, Pune Municipal Corporation, Dr.Rajendra Khedekar, ,Vaccination Camp Head, Bhartiya Yuvak Kalyan & Vyayam Kendra, Mr. Ravi Nanavre & Mr. Vikas Mane Vaccination Camp Coordinator.
Notification No. 96/2021 dated 1st September 2021: In exercise of the powers conferred by sub-section (1) of section 245-OB of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby constitutes the Boards for Advance Rulings specified in column (2) of the Schedule, having its headquarters at the place mentioned in column (3) of the said Schedule, for the purposes of giving advance rulings under Chapter XIX-B of the said Act on or after the 1st day of September, 2021.

Notification No. 97/2021 dated 1st September 2021: In exercise of the powers conferred by the second proviso to sub-section (1) of section 245-O, sub-section (2) of section 245P, sub-section (4) of section 245Q, sub-section (8) of section 245R, sub-section (3) of section 245S, sub-section (3) of section 245T, sub-section (3) of section 245U and the proviso to section 245V of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby appoints 1st day of September, 2021 as the date for the purposes of said provisos and said sub-sections of the said Act.

Notification No. 98/2021 dated 2nd September 2021: In exercise of the powers conferred by clause (a) of Explanation to section 194P of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies specified Bank to mean a banking company which is a scheduled bank and has been appointed as agents of Reserve Bank of India under section 45 of the Reserve Bank of India Act, 1934 (2 of 1934).

Notification No. 99/2021 dated 2nd September 2021: In exercise of the powers conferred by sections 194P and 206AB read with section 295 of the Income-tax Act, 1961, (43 of 1961) the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), after rule 26C, the following rule shall be inserted, namely:

“26D. Furnishing of declaration and evidence of claims by specified senior citizen under section 194P. (1) The declaration required to be furnished by the specified senior citizen to the specified bank under sub-clause (iii) of clause (b) of explanation to section 194P shall be in Form no. 12BBA to be furnished in paper form duly verified. 
(2) On furnishing of the declaration in Form No. 12BBA, the specified bank shall, after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A, compute the total income of such specified senior citizen for the relevant assessment year and deduct income-tax on such total income on the basis of the rates in force.
(3) The effect to the deduction allowable under Chapter VI-A shall be given based on the evidence furnished by the specified senior citizen during the previous year.

Notification No. 100/2021 dated 2nd September 2021: In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘Real Estate Regulatory Authority’ as specified in the schedule to this notification, constituted by Government in exercise of powers conferred under sub-section (1) of section 20 of the Real Estate (Regulation and Development) Act, 2016 (16 of 2016) as a ‘class of Authority’ in respect of the following specified income arising to that Authority, namely:

(a) Amount received as Grants-in-aid or loan/advance from Government;
(b) Fee/penalty received from builders/developers, agents or any other stakeholders as per the provisions of the Real Estate (Regulation and Development) Act, 2016; and
(c) Interest earned on (a) and (b) above.

Notification No. 101/2021 dated 6th September 2021: In exercise of the powers conferred by sub-clause (b) of clause (i) of sub-section (7) of section 144B read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend Income-tax Rules, 1962. In the Income-tax Rules, 1962, after rule 14B, the following rule shall be inserted, namely:

14C. Prescribed manner of authentication of an electronic record under electronic verification code under sub-clause (b) of clause (i) of sub-section (7) of section 144B. For the purposes of sub-clause (b) of clause (i) of sub-section (7) of section 144B, where an assessee or any other person submits an electronic record by logging into his registered account in designated portal of the Income-tax Department, it shall be deemed that the electronic record has been authenticated under electronic verification code.

Notification No. 102/2021 dated 7th September 2021: In the notification of the Government of India, Ministry of Finance, Department of Revenue (Central Board of Direct Taxes), published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 616(E), dated the 6th September, 2021, at page 2, in line 16, for “26th” read “27th”.

Notification No. 103/2021 dated 10th September 2021: In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘District Mineral Foundation Trust’ as specified in the schedule to this notification, constituted by Government in exercise of powers conferred under section 9(B) of the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (10 of 2015) as a ‘class of Authority’; in respect of the following specified income arising to that Authority, namely:

(a) Contribution by lease Holder to DMF as per the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015;
(b) Interest received from lease holders for late payment;
(c) Any Penalty charged to lease holder;
(d) Income from Interest on fund available under DMF;
(e) Interest received on Saving Bank Accounts; and (f) Interest received on Excess Fund invested in Term Deposit

Notification No. 104/2021 dated 10th September 2021: In exercise of the powers conferred by clause (viiaf) of the section 47 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the transfer of capital asset under plan approved by Central Government from Air India Limited (PAN: AACCN6194P), being transferor public sector company, to Air India Assets Holding Limited (PAN: AAQCA4703M), being transferee public sector company, for the purposes of the said clause.

This notification shall come into force with effect from 1st day of April, 2022 and shall, accordingly, apply in relation to the assessment year 2022-2023 and subsequent assessment years.

Notification No. 105/2021 dated 10th September 2021: In exercise of the powers conferred by clause (XI) of the proviso
to clause (x) of sub-section (2) of section 56 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962, in rule 11UAC, after clause (3), the following clause shall be inserted, namely:

“(4) any movable property, being equity shares, of the public sector company, received by a person from the Central Government or any State Government under strategic disinvestment.

They shall come into force from the 1st day of April, 2022 and shall be applicable for the assessment year 2022-23 and subsequent assessment years.

Notification No. 106/2021 dated 10th September 2021: In exercise of the powers conferred by sub-section (1F) of section 197A of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby specifies that no deduction of tax shall be made under section 194-IA of the said Act on any payment made to the Air India Limited (PAN: AACCN6194P) for transfer of immovable property to Air India Assets Holding Limited (PAN: AAQCA4703M) under a plan approved by the Central Government. The notification shall be deemed to have come into force with effect from the 1st day of April, 2021.

Notification No. 107/2021 dated 10th September 2021: In exercise of the powers conferred by Explanation to sub-section (1) of section 194Q of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby specifies that Air India Assets Holding Limited (PAN: AAQCA4703M) shall not be considered as ‘buyer’ for the purpose of sub-section (1) of section 194Q of the said Act in case of transfer of goods by Air India Limited (PAN: AACCN6194P) to it under a plan approved by the Central Government. The notification shall be deemed to have come into force with effect from the 1st day of July, 2021.

Notification No. 108/2021 dated 10th September 2021: In exercise of the powers conferred by clause (b) of Explanation to sub-section (1H) of section 206C of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby specifies that Air India Limited (PAN: AACCN6194P) shall not be considered as ‘seller’ for the purposes of sub-section (1H) of section 206C of the said Act in relation to transfer of goods by it to Air India Assets Holding Limited (PAN: AAQCA4703M) under a plan approved by the Central Government. The notification shall be deemed to have come into force with effect from the 1st day of April, 2021.

Notification No. 109/2021 dated 13th September 2021: In exercise of the powers conferred by second proviso to clause (i) sub-section (1) of section 142 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend Income-tax Rules, 1962. In the Income-tax Rules, 1962, after rule 12E, the following rule shall be inserted, namely:-

“12F. Prescribed income-tax authority under second proviso to clause (i) of sub-section (1) of section 142. The prescribed income-tax authority under second proviso to clause (i) of sub-section (1) of section 142 shall be an income-tax authority not below the rank of Income-tax Officer who has been authorised by the Central Board of Direct Taxes to act as such authority for the purposes of that clause.”

Notification No. 110/2021 dated 17th September 2021: In exercise of the powers conferred by sub-section (1F) of section 197A of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that no deduction of tax shall be made on the following payment under section 194A of the said Act, namely payment in the nature of interest, other than interest on securities, made by a scheduled bank (hereinafter the “payer”) located in a specified area, to a member of Scheduled Tribe (hereinafter the “receiver”) residing in any specified area, as referred to in clause (26) of section 10 of the said Act, subject to the following conditions:

(i) the payer satisfies itself that the receiver is a member of Scheduled Tribe residing in any specified area, and the payment as referred above is accruing or arising to the receiver as referred to in clause (26) of section 10 of the said Act, during the previous year relevant for the assessment year in which the payment is made, by obtaining necessary documentary evidences in support of the same;
(ii) the payer reports the above payment in the statements of deduction of tax as referred to in subsection (3) of section 200 of the said Act; (iii) the payment made or aggregate of payments made during the previous year does not exceed twenty lakh rupees.

Notification No. 111/2021 dated 16th September 2021: In exercise of powers conferred by sub-clause (iv) of clause (c) of the Explanation 1 to clause (23FE) of section 10 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Act) the Central Government hereby specifies the pension fund, namely, the 2452991 Ontario Limited, (hereinafter referred to as the assessee) as the specified person for the purposes of the said clause in respect of the eligible investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before the 31st day of March, 2024 (hereinafter referred to as said investments) subject to the fulfillment of the conditions. Violation of any of the conditions as stipulated in the clause (23FE) of section 10 of the Act and this notification shall render the assessee ineligible for the tax exemption.

Notification No. 112/2021 dated 16th September 2021: In exercise of powers conferred by sub-clause (iv) of clause (c) of the Explanation 1 to clause (23FE) of section 10 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Act), the Central Government hereby specifies the pension fund, namely, the 276522 Ontario Limited, (hereinafter referred to as the assessee) as the specified person for the purposes of the said clause in respect of the eligible investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before the 31st day of March, 2024 (hereinafter referred to as said investments) subject to the fulfillment of the conditions. Violation of any of the conditions as stipulated in the clause (23FE) of section 10 of the Act and this notification shall render the assessee ineligible for the tax exemption.

Notification No. 113/2021 dated 17th September 2021: In exercise of the powers conferred by sub-section (1) of section 3 of the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (38 of 2020) (hereinafter referred to as the said Act), and in partial modification of the notifications of the Government of India in the Ministry of Finance, (Department of Revenue) No. 93/2020 dated the 31st December, 2020. Where the specified Act is the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act) and,

(a) the completion of any action, referred to in clause (a) of sub-section (1) of section 3 of the said Act, relates to passing of any order for imposition of penalty under Chapter XXI of the Income-tax Act,
(i) the 30th day of March, 2022 shall be the end date of the period during which the time limit specified in, or prescribed or notified under, the Income-tax Act falls for the completion of such action; and
(ii) the 31st day of March, 2022 shall be the end date to which
the time-limit for completion of such action shall stand extended;
(b) the compliance of any action, referred to in clause (b) of sub-section (1) of section 3 of the said Act, relates to intimation of Aadhaar number to the prescribed authority under sub-section (2) of section 139AA of the Income-tax Act, the time-limit for such the compliance of such action shall stand extended to the 31st day of March, 2022.

Where the specified Act is the Prohibition of Benami Property Transaction Act, 1988, (45 of 1988) (hereinafter referred to as the Benami Act) and the completion of any action, as referred to in clause (a) of sub-section (1) of section 3 of the said Act, relates to issue of notice under sub-section (1) or passing of any order under sub-section (3) of section 26 of the Benami Act,— (i) the 30th day of June, 2021 shall be the end date of the period during which the time-limit specified in or prescribed or notified under the Benami Act falls, for the completion of such action; and
(ii) the 31st day of March, 2022 shall be the end date to which the time-limit for completion of such action shall stand extended.

Notification No. 114/2021 dated 20th September 2021: In exercise of the powers conferred by sub-clause (iv) of clause (c) of the Explanation 1 to clause (23FE) of section 10 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Act), the Central Government hereby specifies the pension fund, namely, the BCI IRR India Holdings Inc., (hereinafter referred to as the assessee) as the specified person for the purposes of the said clause in respect of the eligible investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before the 31st day of March, 2024 (hereinafter referred to as said investments) subject to the fulfillment of the conditions. Violation of any of the conditions as stipulated in the clause (23FE) of section 10 of the Act and this notification shall render the assessee ineligible for the tax exemption.

Notification No. 115/2021 dated 20th September 2021: In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘Gujarat Electricity Regulatory Commission’, Gandhinagar (PAN AAAAG0638C), a commission established by the state government of Gujarat, in respect of the following specified financial institutions.
(a) shall not engage in any commercial activity;
(b) activities and the nature of the specified income shall remain unchanged throughout the financial years;
(c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961; and
(d) shall file the Audit report along with the Return, duly verified by the accountant as provided in explanation to section 288(2) of the Income-tax Act, 1961 along with a certificate from the chartered accountant that the above conditions are satisfied.

This notification shall apply with respect to the financial years 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026.


Notification No. 117/2021 dated 24th September 2021: In exercise of the powers conferred by sub-section (2) of section 92CB read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962. These rules may be called the Income-tax (30th Amendment) Rules, 2021. They shall be deemed to have come into force from the 1st day of April, 2021.

In the Income-tax Rules, 1962, in rule 10TD, in sub-rule (3B), for the words and figures “assessment year 2020-21”, the words and figures “assessment years 2020-21 and 2021-22” shall be substituted.

Circular No. 17/2021 dated 9th September 2021: Extension of time lines for filing of Income-tax returns and various reports of audit for the Assessment Year 2021-22.

1. The due date of furnishing of Return of Income for the Assessment Year 2021-22, which was 31st July 2021 under sub-section (1) of section 139 of the Act, as extended to 30th September, 2021 vide Circular NO.9/2021 dated 20.05.2021 , is hereby further extended to 31st December, 2021 ;
2. The due date of furnishing of Report of Audit under any provision of the Act for the Previous Year 2020-21 , which is 30th September 2021 , as extended to 31st October 2021 vide Circular NO.9/2021 dated 20.05.2021 , is hereby further extended to 15th January, 2022;
3. The due date of furnishing Report from an Accountant by persons entering into international transaction or specified domestic transaction under section 92E of the Act for the Previous Year 2020-21 , which is 31st October 2021 , as extended to 30th November 2021 vide Circular NO.9/2021 dated 20.05.2021 , is hereby further extended to 31st January, 2022;
4. The due date of furnishing of Return of Income for the Assessment Year 2021-22, which is 31st October 2021 under sub-section (1) of section 139 of the Act, as extended to 30th November 2021 vide Circular NO.9/2021 dated 20.05.2021 , is hereby further extended to 15th February, 2022;
5. The due date of furnishing of Return of Income for the Assessment Year 2021-22, which is 30th November 2021 under sub-section (1) of section 139 of the Act, as extended to 31st December 2021 vide Circular NO.9/2021 dated 20.05.2021 , is hereby further extended to 28th February, 2022;
6. The due date of furnishing of belated/revised Return of Income for the Assessment Year 2021-22, which is 31st December 2021 under sub-section (4)/subsection (5) of section 139 of the Act, as extended to 31st January, 2022, vide Circular No.9/2021 dated 20.05.2021 , is hereby further extended to 31st March, 2022.

INDIRECT TAXES


After rule 10A of the said rules, with effect from the date as may be notified, the following rule shall be inserted, namely: - “10B. Aadhaar authentication for registered person. — The registered person, other than a person notified under sub-section (6D) of
section 25, who has been issued a certificate of registration under rule 10 shall, undergo authentication of the Aadhaar number of the proprietor, in the case of proprietorship firm, or of any partner, in the case of a partnership firm, or of the karta, in the case of a Hindu undivided family, or of the Managing Director or any whole time Director, in the case of a company, or of any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or of the Trustee in the Board of Trustees, in the case of a Trust and of the authorized signatory, in order to be eligible for the purposes as specified in column (2) of the Table below:

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Purpose</th>
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<tbody>
<tr>
<td>1</td>
<td>For filing of application for revocation of cancellation of registration in FORM GST REG-21 under Rule 23</td>
</tr>
<tr>
<td>2</td>
<td>For filing of refund application in FORM RFD-01 under rule 89</td>
</tr>
<tr>
<td>3</td>
<td>For refund under rule 96 of the integrated tax paid on goods exported out of India</td>
</tr>
</tbody>
</table>

In rule 23 of the said rules, in sub-rule (1), with effect from the date as may be notified, after the words “on his own motion, may”, the words, figures and letter “, subject to the provisions of rule 10B,” shall be inserted.

In rule 45 of the said rules, in sub-rule (3), with effect from the 1st day of October, 2021, (i) for the words “during a quarter”, the words “during a specified period” shall be substituted; (ii) for the words “the said quarter”, the words “the said period” shall be substituted; (iii) after the proviso, the following explanation shall be inserted:

In rule 59 of the said rules, in sub-rule (6), with effect from the 1st day of January, 2022, (i) in clause (a), for the words “for preceding two months”, the words “for the preceding month” shall be substituted; (ii) clause (c) shall be omitted.

Notification No 36/2021-Central Tax dated 24th September 2021: In exercise of the powers conferred by sub-section (6D) of section 25 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government, on the recommendations of the Council, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 03/2021-Central Tax, dated the 23rd February, 2021:

In the said notification, in the first paragraph after the words “hereby notifies that the provisions of”, the words, brackets, figure and letter “sub-section (6A) or” shall be inserted.


Circular No. 159/15/2021-GST dated 20th September 2021: Clarification on doubts related to scope of “Intermediary”.


Circular No. 162/18/2021-GST dated 25th September 2021: Clarification in respect of refund of tax specified in section 77(1) of the CGST Act and section 19(1) of the IGST Act.

CUSTOMS

Notification No. 42/2021-Customs dated 10th September 2021: Seeks to amend the notification No. 50/2017-Customs dated 30.06.2017 and notification No. dated 11/2021 dated 01.02.2021 in order to reduce and rationalise the import duties on Palm, Sunflower and Soya-bean oils. This notification shall come into effect on the 11th September, 2021.

Notification No. 43/2021- Customs dated 10th September 2021: Seeks to rescind the notification No. 34/2021-Customs dated 29.06.2021. This notification shall come into force on the 11th September, 2021.

Notification No. 44/2021- Customs dated 17th September 2021: Seeks to amend the BCD rate on Lentils (Masur) [0713 40 00], originating in or exported from USA. In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) and sub-section (12) of section 3, of Customs Tariff Act, 1975 (51 of 1975), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 50/2017-Customs, dated the 30th June, 2017. In the said notification, in the Table, against S. No. 21F, in column (4), for the entry, the entry “20%”, shall be substituted.

Notification No.45/2021—Customs dated 29th September 2021: In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the goods of the description specified in column (3) of the Table below, falling within the Chapter, heading, sub-heading or tariff item of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) specified in column (2) of the said Table, when imported into India, from the whole of the duty of customs leviable thereon under the said First Schedule.

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>heading, subheading or tariff item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30</td>
<td>COVID-19 vaccine</td>
</tr>
</tbody>
</table>

This notification shall come into force on 1st October, 2021 and remain in force upto and inclusive of the 31st December, 2021.

Notification No.46/2021—Customs dated 30th September 2021: Seeks to implement GST Council recommendation on IGST on imports related to Spinal Muscular Atrophy disease, etc, as well Condition No. 102 pertaining to Services.

Notification No. 47/2021-Customs dated 30th September 2021: Seeks to implement GST Council recommendation on IGST on imports related to goods from Antarctica and Border haats.

Circular No.21/2021-Customs dated 24th September 2021: The Circular No. 83/1998-Customs has the provision “The Assistant Commissioner may grant an extension beyond 6 months upto further 3 months for the reasons to be recorded in writing”. As a temporary measure to ease containers available presently for export of containerised cargo and with aim of promoting export of laden marine containers, it is guided that, where the initial period of 6 months is till on or before 31.03.2022, the above provision of the Circular may also be applied on receiving intimation before expiry of initial period of 6 months from the concerned importer that the container shall be re-exported in laden condition within the next 3 months.

Circular No. 22/2021-Customs dated 30th September 2021: Rebate of State and Central Taxes and Levies (RoSCTL) Scheme on export of apparel/garments/made-ups w.e.f. 01.01.2021.

Circular No. 23/2021-Customs dated 30th September 2021: Scheme for Remission of Duties and Taxes on Exported Products ( RoDTEP) w.e.f. 01.01.2021.

Sources: incometax.gov.in, cbic.gov.in
## WEBINARS / WEBINT CONDUCTED DURING SEPTEMBER 2021

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd September 2021</td>
<td>• Refresher Course on Direct Tax Law – Income from Profits &amp; Gains of Business or Profession was conducted by Hyderabad Chapter. Ms Roopali was the speaker</td>
</tr>
</tbody>
</table>
| 3rd September 2021 | • Webinar on Equity valuation techniques in Corporate Finance was organized by PD & CPD Committee. Private Equity Investment Manager Mr. Rajiv Basrur was the guest speaker  
• Webint on AatmaNirbhar Bharat – Role of Stakeholder by PD & CPD Committee. CMA Chandra Wadha, Past President ICAI and CMA B.B. Goyal Former Chief Adviser, Ministry of Finance were the speakers  
• A programme on FEMA Overview was conducted by Ahmedabad and Baroda Chapter. Speaker was CA Yash Bhatt  
• Webinar on Data Forensics by Pune Chapter. Dr. Harold D Costa was the speaker. |
| 4th September 2021 | • CASB & CAT conducted a programme on CAS 1 Classification of Cost. CMA (Dr.) Ashish P Thatte CCM & Chairman CLC, ICAI was the speaker.  
• Ahmedabad & Baroda Chapter conducted webinar on Emerging power sector and role of CMA. Speaker was CMA Kiran Mishra.  
• The Frills & ILLS of Indian Telecom Sector – A webinar was organized by PimpriChinchwadAkurdi Chapter. CMA (Dr.) Shreehari Chava was the main speaker.  
• Erode Chapter organized webinar on Financial Fraud Awareness. CMA R. Gopal a practicing Cost Accountant was the speaker.  
• Blockchain Technology: Impact on Accounting & Taxation – A webinar organized by RC & Chapters Coordination Committee, Information Technology Committee. The speaker was CMA Guruprasad V.  
• BFSI conducted a webint on How investors can analyse annual reports to detect both rogue companies who steal money and identify great companies who create massive wealth. Founder and Chief Investment Officer of Marcellus Investment Managers Shri Saurabh Mukherjea was the speaker. |
| 5th September 2021 | • Multi disciplinary Partnership new Horizon of Practice – webinar organized by Ahmedabad Chapter. CMA Ashish Bhavsar, RCM and CMA Sharad Puranik were speakers.  
• Features in Tally Prime was conducted by Faridabad Chapter by Rajesh Khandelwal. |
| 8th September 2021 | • A webinar on Execution of a Metro Rail Project- A case study of Hyderabad Metro Rail was organized by RC & Chapters coordination Committee & PD Committee. CMA D Surya Prakasam was the speaker. |
| 9th September 2021 | • RCP Ghansoli CEP Study Circle conducted a programme on Block chain and Business applications. The speaker was Vedant Dwivedi. |
| 11th September 2021 | • A programme on Project Finance was conducted by Ahmedabad Chapter. CA Sohebmohmed M. Lahori was the speaker.  
• Jaipur Chapter organized a webinar on Income Tax Returns Key Aspects and Make Money with Option Trading. Speakers were Shri Anoop Bhatia, Leading Tax Practitioner and CMA Arun Agrawal Investment Consultant.  
• Chandigarh Panchkula Chapter and The Institute of Company Secretaries of India conducted a webinar on Companies Law Compounding of Offences and Buy Back of Shares. The main speaker was CMA Dr. PVS Jagan Mohan Rao.  
• CASB and CAT organized series of webints on CASs, CAS 2, and Capacity Determination. The speaker was CMA Dr. Ashish P Thatte CCM and Chairman CLC.  
• A webinar on Are Unemployed youths ready to become was organized by Pimpri Chinchwad Akurdi Chapter. The speaker was Dr. Kushal De.  
• A programme on Project Finance was conducted by Baroda Chapter. CA Sohebmohmed M. Lahori was the speaker.  
• Direct Taxation Committee organized a programme on Filing Return of Income Provisions, Procedures and how to address issues. CMA Niranjan Swain was the speaker. |
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>12th September 2021</td>
<td>Direct Taxation Committee organized a programme on Filing Return of Income Provisions, Procedures and how to address issues. CMA Niranjan Swain was the speaker.</td>
</tr>
<tr>
<td>14th September 2021</td>
<td>Direct Taxation Committee held a programme on E Return Intermediary in Income Tax. Speaker was Venkanna.</td>
</tr>
<tr>
<td>15th September 2021</td>
<td>Indian Health Organisation Pvt Ltd conducted a webinar on IND AS 20 and IND AS 114 Accounting for Govt grant and disclosure of Govt assistance and Regulatory Deferral Accounts. There were few Eminent speakers.</td>
</tr>
<tr>
<td>16th September 2021</td>
<td>• Intelligently Investing in stock market – A webinar conducted by Trivandrum Chapter, Eminent speaker was Shri Athil Krishna Santhosh, Founder of Big Bull India.</td>
</tr>
<tr>
<td></td>
<td>• Insurance Overview – webinar conducted by RCP Ghansoli CEP Study Circle, Speakers was Mr. Sunil K Sethi.</td>
</tr>
<tr>
<td>17th September 2021</td>
<td>• WIRC conducted a webinar on GDPR and Data privacy in India. Advocate CJ Joveson, Adv Hon.ble Supreme Court was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• Nasik Ojhar, Ahmedabad and Baroda chapter organized a webinar on Inventory management, Speaker was CMA Amit Apte.</td>
</tr>
<tr>
<td>18th September 2021</td>
<td>• CASB and CAT conducted series of webints on CASs and CAS 2, Capacity Determination. CMA Dr. Ashish P Thatte was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• Chandigarh Panchkula Chapter organized programme on Labour Law Code 2020, Eminent speaker was Vikas Baijal Ex CHRO of Bata India.</td>
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<tr>
<td></td>
<td>• WIRC and Bhopal Chapter conducted webinar on Revisiting essence of Cost Accounting and system. CMA Pramod Ralkar, CEO MSYS DOT EXE was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• A programme on cyber crime and cyber security in current scenario was organized Ahmedabad and Baroda chapter. Speaker was M.K. Morwani and ACP Dr. H.K. Makadia.</td>
</tr>
<tr>
<td></td>
<td>• Pimpri Chinchwad chapter organized a webinar on Practical Cost System taking leaf from ABC. CMA Kailash Sankhlecha was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• Hyderabad Chapter conducted a programme on Collection of costing data, Analysis preparation of Cost Audit Report. CMA Anil Sharma was the speaker.</td>
</tr>
<tr>
<td>19th September 2021</td>
<td>• South Orissa Chapter held a programme on GST Works Contract, Income Tax Recent Amendmentson TDS and TCS provisions by CA Satyananda Routray.</td>
</tr>
<tr>
<td>20th September 2021</td>
<td>• Hyderabad Chapter held discussion on outcome of 45th GST Council Meeting. Participants were CMA R. Vishwanath Bhat Secretary SIRC and other practicing Cost Accountants.</td>
</tr>
<tr>
<td>23rd September 2021</td>
<td>• RCP Ghansoli CEP Study Circle conducted a programme Music streaming Business Model Industry. Speakers were Mathew Everman and Vignesh Poojari.</td>
</tr>
<tr>
<td></td>
<td>• The Institute in association with PHD Chambers of Commerce conducted a webinar on most litigated issues in GST, eminent speaker was Bimal Jain.</td>
</tr>
<tr>
<td>24th September 2021</td>
<td>• WIRC organized a webinar on related party Transaction and Section 185. The main speaker was CMA CS Susheela Maheswari Company secretary and legal head Panasonic.</td>
</tr>
<tr>
<td></td>
<td>• Ahmedabad and Baroda Chapter held a discussion on outcome of 45th GST Council. CA Vipul Khandhar was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• Block chain and cryptocurrency – a webinar conducted by RCP Ghansoli Study Circle, Vedant Dwivedi was the speaker.</td>
</tr>
<tr>
<td>25th September 2021</td>
<td>• WIRC held a webinar on third party risk management, Ajay C Bhayani Director Security for Ambisure Technologies Pvt Ltd was the eminent speaker.</td>
</tr>
<tr>
<td></td>
<td>• Jaipur chapter conducted a webinar on Make Money with option trading, series II . CMA Arun Agrawal Investment Consultant was present.</td>
</tr>
<tr>
<td></td>
<td>• Recent changes in CSR and scope for CMAs - organized by Ahmedabad and Baroda chapter, CMA Pankaj Kannaujiya was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• Current marketing scenario and investment strategy was organized by Thrissur chapter. Speaker was V.K. Vijaykumar, Chief Investment Strategist Geojit Financial Services</td>
</tr>
<tr>
<td></td>
<td>• Role of ERP in management accounting was organized by Pimpri Chinchwad chapter, CMA Sushil Barmecha was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• CASB and CAT conducted a webinar on CAS 3 production and operation overhead. CMA Dr. Ashish P Thatte CCM and Chairman was the speaker.</td>
</tr>
<tr>
<td>26th September 2021</td>
<td>• Navi Mumbai chapter conducted a programme on Internal control and risk management, CMA Ramaprasad G, Manager Continuous Improvement Group (IA) Colgate Palmolive India was the speaker.</td>
</tr>
<tr>
<td></td>
<td>• Bhubaneswar chapter conducted a webinar on cost accounting record rules and cost audit. Speakers were CMA S. Venkanna, CMA CS S.S. Sonthalia</td>
</tr>
</tbody>
</table>
Ref. No.: G/128/09/2021  25th September, 2021

NOTIFICATION

Sub: Merging of Intermediate and Final Examination for June and December, 2021 session.

This is for information of all concerned that it has been decided to postpone the Intermediate and Final Examination of the Institute for June, 2021 session due to unavoidable circumstances. The Intermediate and Final Examination of Institute scheduled from 21st to 28th October, 2021 stands postponed and the June, 2021 Examination stands merged with the Intermediate and Final Examination for December, 2021 session, with due carryover of all relevant benefits already available to the students including fee payment and subject wise exemption.

Examination form already submitted by the candidates/students for the Intermediate and Final Examination for June, 2021 session will remain same for the Intermediate and Final Examination to be held in December, 2021. Candidates/students need not apply again.

Candidates/students who have submitted examination application form for the Intermediate and Final Examination for June, 2021 session are allowed to change their examination centre, group(s) by making online application and can add their additional group by payment of differential examination fee in Demand Draft along with their online submitted application form to be sent to the Examination Directorate within due date for appearing in the Intermediate and Final Examination to be held in December, 2021.

Candidates/students who have not applied for the Intermediate and Final Examination for June, 2021 session may apply afresh by submitting online examination application form for December, 2021 Examination.

The examination notification and revised schedule of the examination in details will be announced soon.

CMA Kaushik Banerjee
Secretary
RESCHEDULED INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – JUNE 2021 (Merging) AND DECEMBER 2021

ATTENTION: INTERMEDIATE & FINAL EXAMINATION WILL BE HELD ON ALTERNATE DATES FOR EACH GROUP.

<table>
<thead>
<tr>
<th>Day &amp; Date</th>
<th>INTERMEDIATE (Time: 10.00 A.M. to 1.00 P.M.)</th>
<th>FINAL (Time: 2.00 P.M. to 5.00 P.M.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, 8th December, 2021</td>
<td>Financial Accounting (P-05)</td>
<td>Corporate Laws &amp; Compliance (P-13)</td>
</tr>
<tr>
<td>Thursday, 9th December, 2021</td>
<td>Operations Management &amp; Strategic Management (P-09)</td>
<td>Corporate Financial Reporting (P-17)</td>
</tr>
<tr>
<td>Friday, 10th December, 2021</td>
<td>Laws &amp; Ethics (P-06)</td>
<td>Strategic Financial Management (P-14)</td>
</tr>
<tr>
<td>Saturday, 11th December, 2021</td>
<td>Cost &amp; Management Accounting and Financial Management (P-10)</td>
<td>Indirect Tax Laws &amp; Practice (P-18)</td>
</tr>
<tr>
<td>Monday, 13th December, 2021</td>
<td>Direct Taxation (P-07)</td>
<td>Strategic Cost Management – Decision Making (P-15)</td>
</tr>
<tr>
<td>Tuesday, 14th December, 2021</td>
<td>Indirect Taxation (P-11)</td>
<td>Cost &amp; Management Audit (P-19)</td>
</tr>
<tr>
<td>Wednesday, 15th December, 2021</td>
<td>Company Accounts &amp; Audit (P-12)</td>
<td>Strategic Performance Management and Business Valuation (P-20)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group (s)</th>
<th>Final Examination</th>
<th>Intermediate Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Group</td>
<td>(Inland Centres)</td>
<td>1400/- US $ 100</td>
</tr>
<tr>
<td></td>
<td>(Overseas Centres)</td>
<td></td>
</tr>
<tr>
<td>Two Groups</td>
<td>(Inland Centres)</td>
<td>2500/- US $ 100</td>
</tr>
<tr>
<td></td>
<td>(Overseas Centres)</td>
<td></td>
</tr>
</tbody>
</table>

1. Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.

2. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.

3. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.

4. Students who have chosen for OPT-OUT for the Intermediate and Final Examinations, December, 2020 session will remain same for the Intermediate and Final Examinations to be held in December, 2021. Students need not to apply again.

5. Last date for receipt of Examination Application Forms is 8th October, 2021.

6. The mode of examination will be online centre based.

7. Candidates/Students are requested to provide updated and in use phone number and email id.


9. A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.

10. Probable date of publication of result: To be announced in due course.

* The candidates/students are advised to keep regularly in touch with the website of the Institute for further notifications and announcements relating to Examination of JUne and December 2021 and in case of any query or clarification can e-mail us only at exam.helpdesk@icmai.in

CMA Kaushik Banerjee
Secretary
Behind Every Successful Business Decision, there is always a CMA
Course Content

Information Systems Audit (Weightage - 80%)
- Overview of IS Security & Audit
- Compliance and Security Framework
- Business Continuity & Disaster Recovery
- Cyber Security and Cyber Forensics
- Business Application – Acquisitions, Development & Implementation
- IT Audit in Banking Sector
- IT Audit in SAP Environment

Cloud Computing Management Audit (Weightage - 20%)
- Understanding Cloud Computing
- Adopting the Cloud
- Calculating the Financial Implications
- Migrating to the Cloud

Diploma in Information System Security Audit (DISSA) provides candidates with the knowledge and skills to assess the Internal Control Environment (ICE) of information systems and perform sophisticated auditing techniques of those systems. In a digitised world, as the breadth of information technology continues to grow, the importance of protecting the organization’s information from internal and external threats grows at an even more rapid pace. This growth provides a high demand for qualified individuals with a background in DISSA. Cost & Management Accountants qualified as Information System Security Auditors (ISSA) can apply for roles such as: Compliance Analyst, Internal Auditor, IT Auditor, Audit/Assurance Services Associate, Risk Advisory Services Specialist, Web Security Specialist apart from providing professional IS Audit services as a practising Cost Accountant. The Programme aims to build capabilities among the participants to take these emerging challenges and to perform assignments in auditing and evaluation in a complete IT environment using IT tools. The DISSA course combines latest technology, information assurance and information management expertise that enables an ISSA to become a trusted Information Technology advisor and provider of IS Assurance services. DISSA course aspires to create new generation systems auditors who can deliver value added services in the field of information systems to all entities – Banks, Corporate Sector, Regulator etc irrespective of their size, nature and scope of business.

For details, please visit https://icmai.in/Advanced_Studies/DISSA/index.php

Course Highlights

- Interactive Live Online Classes
- Live session (80 hours) & E-learning (20 hours)
- Eminent Faculty & Reputed Experts
- Online Assessment
- Certification on Completion
- Become Information System Security Auditors

Behind every successful business decision, there is always a CMA

Discounted Course Fee
- Qualified CMAs - INR 18,000/- + GST
- Final CMA Students - INR 15,000/- + GST

Contact:
advstudies@icmai.in
+91 98745-32127 / 94323-82747
+91 33 4036 4779 / 4789
Benevolent Fund

FOR THE MEMBERS OF
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member/beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-

BENEFITS

- Income Tax Benefit under section 80G
- Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.
- Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- Cancer / Malignancy
- Coronary Artery Bypass Graft Surgery
- Stroke / Cerebral Attack / Paralysis
- Heart Valve Replacement Surgery
- Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- Major Organ Transplant
- Hemophilia
- Thalassaemia
- Neurological Diseases
- Flue Blown acquired Immune Deficiency Syndrome
- Multiple sclerosis
- Tuberculosis / Bronchopneumonia/ Pleurisy
- Permanent disablement
- Any other disease that may be considered by the Board of Trustees to be critical in nature.

To apply for life membership or for further details please visit

https://icmai.in/External/Home.aspx#