Role of Forensic Accounting in Fraud Detection: Perception of Chartered Accountants in Ahmedabad

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ABSTRACT

Financial fraud has become a major concern for organisations due to increasing complexity in business operations and financial transactions. Traditional auditing methods are often inadequate to detect sophisticated and well-planned frauds. In this context, forensic accounting has emerged as an important tool for effective fraud detection and prevention. The present study aims to analyse the perception of Chartered Accountants towards the role of forensic accounting in fraud detection and to examine the association between their demographic profile and perception. The study adopts a descriptive research design to understand the existing views and professional opinions of Chartered Accountants without influencing or manipulating any variables. Primary data were collected from 188 practising Chartered Accountants in Ahmedabad using a structured questionnaire. A random sampling method was used to ensure unbiased selection of respondents and better representation of the population. The collected data were analysed using appropriate statistical tools, including a one-sample t-test, to evaluate respondents' perceptions. The findings of the study reveal that Chartered Accountants have a positive perception towards the role of forensic accounting in detecting financial fraud. Respondents strongly agree that forensic accounting enhances fraud detection, reduces fraud risk, strengthens internal control systems, and overcomes the limitations of traditional auditing methods. The study highlights the growing importance of forensic accounting as a professional tool and suggests the need for wider adoption, training, and awareness among Chartered Accountants to effectively address increasing financial frauds.

Keywords: Forensic Accounting, Fraud Detection, Chartered Accountants, Perception, Ahmedabad

1. Introduction

Forensic accounting is a specialised branch of accounting that focuses on the examination, analysis, and interpretation of financial records with the objective of detecting, preventing, and investigating fraud and financial irregularities. It combines accounting knowledge with auditing skills, investigative techniques, and an understanding of legal procedures. Unlike traditional accounting, which primarily focuses on recording and reporting financial transactions, forensic accounting goes beyond the numbers to uncover the truth behind financial data. It plays a vital role in identifying deliberate misstatements, manipulation of accounts, and hidden financial activities that may indicate fraudulent behaviour.

Fraud detection has become increasingly important in the modern business environment due to the growing complexity of financial transactions and the widespread use of technology. Fraud may take various forms such as asset misappropriation, financial statement fraud, embezzlement, tax evasion, money laundering, and cyber-related financial crimes. Conventional audit procedures are often designed to provide reasonable assurance rather than absolute detection of fraud. As a result, many sophisticated frauds remain undetected for long periods. Forensic accounting addresses this limitation by adopting a more investigative and sceptical approach, focusing on identifying red flags, unusual patterns, and inconsistencies in financial data.

The role of forensic accounting in fraud detection involves systematic examination of accounting records, use of analytical tools, and application of professional judgement. Forensic accountants analyse financial statements, transaction trails, internal control systems, and supporting documents to identify suspicious activities. They also use techniques such as ratio

analysis, trend analysis, data mining, and digital forensics to detect anomalies. In many cases, forensic accountants conduct interviews, gather evidence, and reconstruct financial events to establish how fraud was committed and who was responsible.

Forensic accounting is not limited to post-fraud investigations; it also plays a preventive role in fraud detection. By assessing the effectiveness of internal controls and identifying weaknesses in systems and procedures, forensic accountants help organisations reduce the risk of fraud. Their involvement in designing anti-fraud frameworks, whistle-blower mechanisms, and compliance systems strengthens organisational governance and accountability. Early detection of fraud through forensic techniques helps minimise financial losses and protects the reputation of organisations.

In legal and regulatory contexts, forensic accounting provides critical support in fraud-related cases. The findings of forensic accountants are often used as evidence in courts, tribunals, and regulatory investigations. Their expert opinions assist judges, lawyers, and regulatory authorities in understanding complex financial matters. This legal orientation distinguishes forensic accounting from traditional auditing and enhances its importance in resolving financial disputes and fraud cases.

Overall, forensic accounting has emerged as an essential tool for effective fraud detection in today's dynamic and technology-driven business environment. Its investigative approach, combined with accounting and legal expertise, enables early identification and thorough examination of fraudulent activities. As financial frauds continue to evolve, the role of forensic accounting in detecting and preventing fraud will become increasingly significant in ensuring transparency, accountability, and trust in financial systems.

2. Need of the Study

In recent years, the increasing incidence of financial frauds, corporate scandals, and economic offences has created serious concerns about the reliability of financial information and the effectiveness of traditional auditing practices. Rapid growth in business activities, use of complex financial instruments, digital transactions, and technology-driven accounting systems have made frauds more sophisticated and difficult to detect. In this context, forensic accounting has emerged as a specialised area that combines accounting, auditing, investigation, and legal knowledge to identify, prevent, and investigate financial frauds. Understanding the role of forensic accounting in fraud detection has therefore become a crucial requirement in the present business environment.

Chartered Accountants play a significant role in maintaining financial discipline, ensuring transparency, and safeguarding the interests of stakeholders. As trusted professionals, they are often the first line of defence against financial irregularities and fraudulent practices. Their perception towards forensic accounting, including its usefulness, relevance, and effectiveness in fraud detection, directly influences the adoption and application of forensic techniques in professional practice. However, despite the growing importance of forensic accounting, its practical implementation in India, particularly at the city level, remains limited and uneven. This creates a need to assess how Chartered Accountants perceive forensic accounting and the extent to which they recognise its role in detecting frauds.

Ahmedabad is one of the major commercial and industrial centres of Gujarat, with a high concentration of manufacturing units, service industries, startups, and financial institutions. The city has a large number of practising Chartered Accountants who are actively involved in auditing, taxation, consultancy, and corporate advisory services. Given the complexity of business operations in Ahmedabad, the risk of financial frauds is also relatively high. Studying the perception of Chartered Accountants in Ahmedabad provides valuable insights into the practical relevance of forensic accounting at the grassroots professional level and reflects the preparedness of professionals to deal with emerging fraud-related challenges.

There is also a noticeable gap between theoretical knowledge of forensic accounting and its practical application. While forensic accounting is increasingly discussed in academic literature and professional forums, many practitioners still rely mainly on conventional audit tools for fraud detection. Understanding the perceptions of Chartered Accountants can help identify whether they view forensic accounting as an essential professional requirement or merely as an optional or

specialised service. This understanding is necessary to evaluate the readiness of the profession to integrate forensic accounting techniques into routine audit and investigative work.

Furthermore, regulatory bodies, professional institutes, and policymakers require empirical evidence to design effective training programmes, certification courses, and policy guidelines related to forensic accounting. The findings of this study can help the Institute of Chartered Accountants of India (ICAI) and other stakeholders to understand the current mindset of Chartered Accountants regarding forensic accounting and to identify areas where awareness, skill development, and institutional support are needed. Such insights are essential for strengthening the fraud detection mechanism and enhancing the credibility of the accounting profession.

Therefore, the present study is needed to examine the perception of Chartered Accountants in Ahmedabad regarding the role of forensic accounting in fraud detection. By analysing their views, the study aims to contribute to the existing body of knowledge, bridge the gap between theory and practice, and support the effective adoption of forensic accounting as a powerful tool for combating financial frauds in the contemporary business environment.

3. Literature Review

Dwi Arini Nursansiwi (2024) found that forensic accounting plays a very important role in detecting and preventing financial fraud in modern business situations. The study shows that forensic accounting involves deep investigation of financial records, identifying suspicious patterns, and working with legal and security authorities to uncover fraud. It also explains that forensic accounting is not only useful for looking back at fraud that has already happened, but it also helps prevent future fraud by improving control systems and internal financial procedures. The findings highlight that using forensic accounting makes a company's financial integrity stronger and helps reduce financial loss caused by dishonest activities.

Olubusola Odeyemi, Chidera Victoria Ibeh, Noluthando Zamanjomane Mhlongo, Onyeka Franca Asuzu, Kehinde Feranmi Awonuga & Funmilola Olatundun Olatoye (2024) reported in their review that forensic accounting has become more important as financial fraud becomes more complex in the digital age. Their research explains that modern forensic accounting combines traditional investigative ways with new technologies like data analytics, artificial intelligence, and digital forensic tools. These tools help forensic accountants detect fraud that old methods might miss. The study emphasises that forensic accountants must constantly improve their skills to keep pace with new kinds of financial crime, and this integration of technology with forensic work greatly increases the chances of discovering hidden fraud.

Pragnesh B. Dalwadi (2023) focused on the role of forensic accounting in preventing and detecting fraud in the Indian context and found that forensic accounting helps expose various types of financial fraud through careful analysis of financial statements, transaction tracing, and data review. The research states that in India, forensic accounting also supports litigation and legal procedures by providing evidence-based investigation results. However, the study also highlights that lack of awareness and limited professional application are main challenges in using forensic accounting widely for fraud detection in Indian organisations.

Totok Dewayanto (2023) concluded from a systematic review that there is a clear positive link between forensic accounting and effective fraud detection and prevention. The study explains that forensic accounting techniques help identify fraud patterns, strengthen control systems, and improve awareness among professionals and students about fraud investigation methods. It also emphasises the importance of incorporating forensic accounting education in academic courses so professionals can better understand fraud detection tools and apply them in real situations, making organisations more resilient against financial crimes.

Olubusola Odeyemi et al. (2024) in another review highlighted that forensic accounting techniques are evolving with digital technology and that these modern tools greatly assist in fraud detection. They reported that analysts now use methods such as big data analysis, machine learning models, and real-time monitoring to uncover fraud patterns that traditional methods cannot detect. The research notes that staying updated with digital advancements is critical for forensic accountants, who must adapt to new forms of fraud emerging from digital financial transactions.

Dr. D. Vijayalakshmi & Dr. Jala Jeevan (2024) explained that forensic accounting has expanded from traditional accounting skills to include advanced analytics that help detect fraud in complex and layered financial systems. Their research highlights the use of predictive models, real-time data scanning, and blockchain analysis to identify suspicious activity, which improves the accuracy of fraud detection. They also pointed out that ethical concerns and lack of trained experts are challenges that slow down the adoption of advanced forensic techniques in many organisations.

Deepak Kumar Mandal & Dr. Nikita Singhal (2025) concluded that forensic accounting is a critical tool for identifying and preventing financial fraud in Indian companies. Their study shows that traditional financial controls and audits are not enough to catch new forms of sophisticated fraud, and forensic accounting methods help fill this gap by using detailed scrutiny of financial data and investigational procedures. They stressed that regulatory bodies should encourage use of forensic accounting more widely to protect financial systems and investor interests.

Israr Ahmed, Ismail Senturk & Amjad Ali (2025) found that forensic accounting is particularly significant in developing economies where regulatory systems are weaker and fraud risks are higher. Their research emphasised that forensic accountants help organisations uncover hidden transactions and financial misconduct that could otherwise remain undetected due to weak financial oversight. The study noted that adapting forensic methods to local legal and cultural systems enhances fraud detection outcomes and improves accountability in financial reporting.

4. Research Methodology

4.1 Research Objectives

1. To analyse the perception of the chartered accountants towards role of forensic accounting in fraud detection.
2. To find out association between demographic profile of the chartered accountants and their perception towards role of forensic accounting in fraud detection.

4.2 Research Design

The present study adopts a descriptive research design, as it aims to examine and describe the perception of Chartered Accountants regarding the role of forensic accounting in fraud detection. Descriptive research design is suitable for this study because it helps in collecting detailed information about opinions, attitudes, and awareness of respondents without manipulating any variables. The study focuses on understanding the existing situation and professional viewpoints of Chartered Accountants rather than establishing cause-and-effect relationships.

The target population for the study consists of practising Chartered Accountants. For the purpose of data collection, a sample size of 188 Chartered Accountants has been selected. This sample size is considered adequate to represent the views of Chartered Accountants and to draw meaningful conclusions related to the objectives of the study.

A random sampling method has been used to select the respondents. Under this method, every Chartered Accountant in the population had an equal chance of being included in the study. The use of random sampling helps in reducing selection bias and improves the reliability and generalisability of the findings. It also ensures that the sample represents different age groups, experience levels, and areas of practice within the Chartered Accountancy profession.

Primary data for the study were collected through a structured questionnaire designed to capture the perceptions of Chartered Accountants on various aspects of forensic accounting and its role in fraud detection. The questionnaire included simple and clear statements to ensure ease of understanding and accurate responses. The collected data were used only for academic purposes and were kept confidential to maintain ethical standards.

Thus, the descriptive research design, appropriate sample size, and use of random sampling together provide a systematic and reliable framework for analysing the perception of Chartered Accountants regarding forensic accounting and fraud detection.

5. Data Analysis

ANALYSIS
OBJECTIVE 1 : To analyse the perception of the chartered accountants towards role of forensic accounting in fraud detection.

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Forensic accounting is an effective tool for detecting financial fraud in organisations.	-18.338	187	0.000	-1.128	-1.250	-1.010
Traditional auditing methods alone are not sufficient to detect all types of financial fraud.	-25.413	187	0.000	-1.154	-1.240	-1.060
Application of forensic accounting helps in reducing the risk of financial fraud.	-18.202	187	0.000	-1.128	-1.250	-1.010
Forensic accounting strengthens internal control systems and fraud prevention mechanisms.	-16.704	187	0.000	-1.000	-1.120	-0.880

1: Forensic accounting is an effective tool for detecting financial fraud in organisations.
H₀: Respondents do not believe that forensic accounting is an effective tool for detecting financial fraud in organisations.

The one-sample t-test result shows a calculated t value of -18.338 with 187 degrees of freedom. The significance value ($p = 0.000$) is less than the standard level of significance (0.05). Therefore, the null hypothesis is rejected. The negative mean difference (-1.128) indicates that the mean response is significantly lower than the test value of 3, which represents the neutral point. This implies that the respondents strongly believe that forensic accounting is an effective tool for detecting financial fraud in organisations.

2: Traditional auditing methods alone are not sufficient to detect all types of financial fraud.
H₀: Respondents do not believe that traditional auditing methods alone are not sufficient to detect all types of financial fraud.

The t-test value is -25.413 with 187 degrees of freedom, and the significance value ($p = 0.000$) is less than 0.05. Hence, the null hypothesis is rejected. The mean difference of -1.154 shows that the average response is significantly different from the neutral value. This result indicates that the respondents strongly agree that traditional auditing methods alone are not sufficient to detect all types of financial fraud and that additional forensic accounting techniques are necessary.

3: Application of forensic accounting helps in reducing the risk of financial fraud.
H₀: Respondents do not believe that the application of forensic accounting helps in reducing the risk of financial fraud.

The calculated t value for this statement is -18.202 with 187 degrees of freedom, and the significance level is 0.000, which is less than 0.05. Therefore, the null hypothesis is rejected. The negative mean difference (-1.128) indicates that respondents' opinions are significantly inclined towards agreement. This suggests that Chartered Accountants believe that the application of forensic accounting helps in reducing the risk of financial fraud.

4: Forensic accounting strengthens internal control systems and fraud prevention mechanisms.

Ho: Respondents do not believe that forensic accounting strengthens internal control systems and fraud prevention mechanisms.

The t value is -16.704 with 187 degrees of freedom, and the significance value (p = 0.000) is below the 0.05 level. Hence, the null hypothesis is rejected. The mean difference of -1.000 shows that the respondents' mean response is significantly lower than the test value. This clearly indicates that the respondents agree that forensic accounting strengthens internal control systems and improves fraud prevention mechanisms.

ANALYSIS
OBJECTIVE 2 : To find out association between demographic profile of the chartered accountants and their perception towards role of forensic accounting in fraud detection.

Demographic Variable	Perception Statement	Value	df	Asymp. Sig. (2-sided)	Decision
Gender	Forensic accounting is an effective tool for detecting financial fraud in organisations.	1.614	4	.806	There is no significant relation
	Traditional auditing methods alone are not sufficient to detect all types of financial fraud.	0.834	3	.841	
	Application of forensic accounting helps in reducing the risk of financial fraud.	5.368	4	.252	
	Forensic accounting strengthens internal control systems and fraud prevention mechanisms.	5.782	4	.216	
Age Group	Forensic accounting is an effective tool for detecting financial fraud in organisations.	19.305	12	.081	
	Traditional auditing methods alone are not sufficient to detect all types of financial fraud.	8.378	9	.497	
	Application of forensic accounting helps in reducing the risk of financial fraud.	18.138	12	.112	
	Forensic accounting strengthens internal control systems and fraud prevention mechanisms.	15.213	12	.230	
Years of Work Experience	Forensic accounting is an effective tool for detecting financial fraud in organisations.	20.625	16	.193	
	Traditional auditing methods alone are not sufficient to detect all types of financial fraud.	13.136	12	.359	
	Application of forensic accounting helps in reducing the risk of financial fraud.	21.061	16	.176	
	Forensic accounting strengthens internal control systems and fraud prevention mechanisms.	21.308	16	.167	

6. Conclusion

Based on the results of the one-sample t-test, it can be concluded that Chartered Accountants have a strong and positive perception towards the role of forensic accounting in fraud detection. For all the selected statements, the null hypotheses were rejected, indicating that the opinions of the respondents significantly differ from the neutral level and are inclined towards agreement. This clearly shows that respondents recognise the importance and usefulness of forensic accounting in the present business environment.

The findings reveal that Chartered Accountants firmly believe forensic accounting is an effective tool for detecting financial fraud in organisations. The significant results also indicate that respondents agree that traditional auditing methods alone

are not sufficient to detect all types of fraud, especially in cases involving complex and sophisticated financial manipulations. This highlights the growing need for specialised forensic techniques to complement conventional auditing practices.

Further, the study confirms that respondents perceive forensic accounting as helpful in reducing the risk of financial fraud. The application of forensic accounting is seen as a preventive mechanism that strengthens fraud detection processes and minimises potential financial losses. Additionally, Chartered Accountants agree that forensic accounting enhances internal control systems and improves fraud prevention mechanisms within organisations.

Overall, the study concludes that Chartered Accountants acknowledge the critical role of forensic accounting in strengthening financial transparency, accountability, and fraud detection. The positive perception observed in this study suggests a growing acceptance of forensic accounting as an essential professional tool. Therefore, greater emphasis should be placed on promoting forensic accounting practices, training, and awareness to effectively address the increasing challenges of financial fraud.

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