

ICAI framing qualifications for forensic auditors

RUCHIKA CHITRAVANSHI

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The Institute of Chartered Accountants of India (ICAI) is drafting guidelines to mandate compulsory qualifications for professionals conducting forensic audits.

The ICAI plans to send its proposal to the Ministry of Corporate Affairs (MCA) detailing criteria, such as mandatory completion of the Forensic Standards Course and ICAI membership.

“At present, there are no qualification criteria for forensic auditors in India. Any company or individual can call themselves a forensic auditor,” an ICAI source said.

With the rise in cyber-crimes and financial fraud, forensic accounting and fraud detection specialisations are in high demand. Experts attribute the growing demand for forensic audits to increasing corporate scandals and regulatory crackdowns on money laundering and tax evasion.

The ICAI is also in discussions with the Securities and Exchange Board of India (Sebi) to seek input on forensic audit in India.

Experts, however say, conducting a forensic audit is not everyone's cup of tea. A forensic audit examines financial records to detect potential fraud, misconduct, or irregularities.

For example, a senior chartered accountant explained: A usual auditor, when examining a land asset, would simply refer to the land deed and record the details as they are. A forensic auditor, however, would first check the authenticity of the deed and the stamp paper it has used and follow the findings where they lead.

The ICAI's forensic accounting course is designed to train professionals to identify early warning signs, red flags, and common fraud scenarios. It covers mathematical and quantitative investigative techniques, as well as elements of interviewing.

According to forensic audit experts, while the course offers foundational training in fraud detection, digital forensics, and case analysis, it requires further development to stay relevant in a globalised, technology-driven environment.



The criteria may include mandatory completion of Forensic Standards Course and ICAI membership

ICAI drafting qualifications norms for professionals

“Incorporating advanced tools, cross-border investigation techniques, and hands-on modules would help the course align with international standards and equip professionals for complex challenges,” said Jidesh Kumar, managing partner, King Stubb & Kasiva, Advocates and Attorneys.

In July 2023, the CA institute released revised Forensic Accounting and Investigation Standards (FAIS). Kumar said the absence of a dedicated regulatory framework for forensic auditing in India necessitates reliance on indirect mandates under statutes like the Companies Act, SEBI regulations, and RBI guidelines. “This reg-

ulatory lacuna, coupled with systemic delays in judicial processes and a shortage of skilled forensic auditors proficient in advanced technological tools, constrains the development of the field,” he added.

Regulators, such as the RBI, Sebi, and MCA commission forensic audits to identify financial irregularities and fraud. Similarly, the Companies Act, 2013, and IBC mandate forensic audits to detect fraudulent transactions during insolvency proceedings.

“As India’s business landscape evolves, financial fraud is becoming increasingly prevalent. In response, regulators such as the RBI, Sebi, and MCA have heightened their scrutiny

to curb such incidents. Consequently, this has led to greater reliance on forensic accountants, who must not only grasp complex regulatory requirements but also use advanced forensic tools like AI and ML to detect anomalies and ensure compliance,” said K V Karthik, partner and leader (forensic & financial crime, strategy, risk & transactions, Deloitte India.

Instances, such as the Satyam Computer Services scandal, the Punjab National Bank fraud, the IL&FS financial crisis, and the YES Bank case, underscore the critical role of forensic auditing in identifying and addressing financial malfeasance in India.