

Corporate governance and forensic accountants' role

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Corporate governance is defined as the formal mechanism of direction, supervision and control put in place within a company in order to monitor the decisions and actions of its senior managers and ensure these are compatible and consistent with the specific interest of shareholders and the various other interests of shareholders who contribute to the operations of the company.

Forensic Accountants are experienced investigators of legal and financial documents that are hired to look into possible suspicions of fraudulent activity within a company; or are hired by a company who may just want to prevent fraudulent activities from occurring. They also provide services in areas such as accounting, antitrust, damages, analysis, valuation, and general consulting. Forensic accountants have also been used in divorces, bankruptcy, insurance claims, personal injury claims, fraudulent claims, construction, royalty audits, and tracking terrorism by investigating financial records. Forensic Accountant should have the following skills and knowledge to serve as an effective Forensic Accountant.

1. Ability to identify frauds with minimal initial information The Forensic Accountant needs to be able to identify the possible scheme, the possible manner it was perpetrated and potentially effective procedures to prove or disprove the potential fraud.

2. Interviewing

The Forensic Accountant get involved in interviewing in the course of seeking evidence and information. Forensic Accountant must be a way that the process ensures the evidence is admissible in a court of law.

3. Mind – set

A successful Forensic Accountant has a certain mind-set that includes several abilities. He or she is able to think like a crook.

4. Knowledge of evidence

It is imperative that Forensic Accountant understand the rule of evidence in court and how to conduct the investigation from the beginning as if all evidence will make it to a court of law.

5. Presentation of findings

The Forensic Accountant must have the ability to clearly communicate the findings resulting from the investigation in way understandable to the layperson.

Forensic accountants think creatively to consider and understand the tactics that a fraud perpetrator may use to commit and conceal fraudulent acts. Additionally, they need to clearly and concisely communicate findings to various parties, including those with less knowledge of accounting and auditing.

Forensic accountants that are not part of the organization or company. They are hired in order to investigate the internal and external performance of the company, connected with the accounting process. They provide independent opinion. Role of Forensic accountants

Forensic accountant can play their vital role to improve corporate governance in a company. Forensic Accountants assists in addressing

allegations ranging from kickbacks and wrongful dismissals to internal situations involving allegations of management or employee wrongdoing.

* With a strong background knowledge of the legal and institutional requirements of corporate governance, a forensic accountant can help to formulate and establish a comprehensive governance policy that:

* ensures an appropriate mix of management and independent directors on the board.

* sets out the appropriate responsibilities of the board and the audit committees.

* has a fair allocation of power between owners, management, and the board.

* ensures there is a company “code of ethics” for employees and management

* A Forensic Accountant helps the accounting professionals to have a efficient control system and a accounting system that ensures the proper recording, classification and reporting of all relevant transactions.

* Forensic accountant can monitor not only compliance at the top levels of the corporate power, but also management procedures and employee activity. Information gathered as a result of the monitoring can be used to readjust and reformulate governance, ethics, and control policies.

* Forensic accountants can ensure that corporate governance policies are formulated to avoid high-risk environments where management is apathetic, pay is inadequate or too high, there is a serious lack of proper training and

compliance, or there are unreasonable profit and budget goals. It is also necessary to have well-defined hiring policies that result in honest, well-qualified employees.

- * A forensic accountant can ensure the integrity of financial statements by actively investigating for fraud, identifying areas of risk and associated fraud symptoms, pursuing each anomaly aggressively, and delving into the finest details of accounting and financial anomalies

- * Forensic Accountants can help in creating policies that clearly state the company's intent to take strict action against any criminal activities, and that such action will apply to all levels of employee, without any exception.

- * At times, a Forensic Accountant can meet with those persons affected by the allegations, rumors, or inquiries. They may view the accountant as an independent and objective party and thus be more willing to engage in discussions.

Forensic Accountants can be hired in order to review and strengthen internal controls, in order to determine if any assets are missing, or to discover if tax laws or accounting rules have been applied correctly to company transactions. They are hired in order to determine if embezzlement has occurred or, if so, how much is missing and how it was done. Read also research proposal on Forensic Accounting

Conclusion

Forensic accountants are currently in great demand, with the public need for honesty, fairness and transparency in reporting increasing exponentially.

These forensic accountants need accounting, finance, law, investigative and research skills to identify, interpret, communicate and prevent fraud. As more and more companies look for forensic accountants and professional organizations offer certifications in the area, it is becoming evident that the forensic accountant has a skill set that is very different from an auditor or a financial accountant.

The role of the forensic accountant has expanded significantly during the last several years for many reasons, including the requirement for greater scrutiny on corporate governance brought about by the Sarbanes-Oxley legislation and the widespread recognition of the risks and prevalence of financial fraud in today's business environment. As a result, forensic Accountants are usually retained to support special investigations related to a broad range of subjects. This can include the financial impact of marketplace events, such as intellectual property infringement and anti-trust actions, financial reporting fraud, asset impairment and business valuation.

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