

## ‘Rise in financial fraud a sour point for foreign investors’

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*Study suggests companies must invest resources to tackle the menace*



New Delhi, July 24:

The increase in financial fraud over the past few years has emerged as a sour point for foreign investors in India, a new paper has said.

“This menace could take disastrous proportions in corporate India if not checked by a global standard regulatory framework coupled with strong internal corporate prevention mechanism,” an Assocham-Grant Thornton paper has said.

Companies should invest resources and time to tackle it as cases of financial fraud have risen in India over the last few years, it pointed out.

“Financial managers and accountants at organisations who understand the limitations of an audit and standard auditing procedures are deliberately trying to deceive external auditors and investors by cooking the books,” it added.

### **Use of technology**

Stating that technology is a double-edged sword, the paper notes that tech-savvy fraudsters are using technology to commit frauds, such as creation of false or misleading information accounting records.

Devious ingenuity of the human brain is now leveraging technology to indulge in more sophisticated methods of crimes, which are capable of creating systemic instability, Assocham President Sunil Kanoria said in a release.

### **Role of board**

“The responsibility of preventing, detecting and investigating corporate and financial frauds rests squarely on Board of Directors and this requires board members to adopt preventive steps,” said Vidya Rajarao, Partner, Grant Thornton India.

The board and the top management should jointly agree and define their anti-fraud strategy, establish appropriate fraud mitigation steps and train their employees to combat financial and corporate frauds, the paper suggested.

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