EPH-International Journal of Business & Management Science

# OPINION, NOT PROOF: EVIDENTIARY UNCERTAINTY IN INDIAN FORENSIC ACCOUNTING

**Rishu Singh[1*], Dr. Haresh Barot[2]**

*[1]School of Management Studies, National Forensic Sciences University, Gandhinagar, Gujarat- 382007, Email: rishusingh9097@gmail.com*
*[2]School of Management Studies, National Forensic Sciences University, Gandhinagar, Gujarat- 382007*

***Corresponding Author:*** *Rishu Singh; Email ID: rishusingh9097@gmail.com*

***Article History***
***Received:*** *2026-05-21*
***Revised:*** *2026-08-29*
***Accepted:*** *2026-09-16*
***Published:*** *2026-09-18*

***Abstract***
*India has become an intensive user of forensic accounting in fraud investigation, banking supervision, securities enforcement and insolvency resolution, yet the practice continues to operate without a dedicated, comprehensive statutory framework. Empirical and doctrinal scholarship on Indian corporate fraud has separately documented a weak and poorly coordinated regulatory system that binds only the membership of one accounting body; a systemically constrained statutory fraud-investigation agency; an audit regulator whose jurisdiction overlaps uncomfortably with that same professional body; and a persistent gap between the skills forensic accounting practice requires and what accounting curricula in India actually teach. This paper draws these separate strands together for the first time into a single account of regulatory fragmentation, organised around five recurring themes, namely, statutory basis, standard-setting authority, enforcement power, evidentiary status and licensing, applied across the principal regulatory touchpoints through which forensic audits are commissioned and relied upon in India. It corroborates the resulting picture through a reading of Supreme Court jurisprudence (2023–2026) that has had to supply procedural-fairness rules as the primary regulatory instruments left unaddressed. A comparative reading of the United Kingdom, the United States, Malaysia, and Nigeria identifies three governance archetypes and situates India as combining partial elements of each without having settled on any one. The paper closes with a set of tentative, policy-level directions for future reform.*

**Keywords:** *forensic auditing; regulatory fragmentation; corporate fraud; forensic accounting; money laundering; trade-based money laundering*

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*

## 1. Introduction

The years since the Satyam Computer Services scandal of 2009 have transformed forensic auditing from a niche litigation-support service into a routine instrument of Indian corporate governance. Forensic audits featured centrally in the unwinding of the Satyam fraud itself (Mishra et al., 2021), and empirical surveys of Indian banking-sector professionals report broad agreement that forensic accounting techniques are well-suited to uncovering the fund diversion and siphoning that have driven successive banking failures (Gangwani, 2020). Building on a large exploratory study combining case analysis, questionnaires and stakeholder interviews, Gupta and Gupta (2015) found that India's corporate-fraud regulatory system was weak, that coordination among different regulatory authorities was poor, and that a recognisable pattern of blame-shifting followed each major scandal.

What is striking, a decade on from that finding, is that forensic auditing itself, now routinely commissioned by banks, the securities regulator and insolvency resolution professionals, has not been placed on a single, coherent statutory footing. Instead, the field continues to be governed through an accumulation of company-law provisions, banking-sector directions, securities-market regulation, a voluntary professional standard issued by the Institute of Chartered Accountants of India (ICAI) in 2023, and a body of judge-made procedural doctrine that the Supreme Court of India has had to construct twice within three years because the primary regulatory instruments were silent on basic questions of fairness (State Bank of India vs Amit Iron Private Limited & Ors., 2026; State Bank Of India vs Rajesh Agarwal, 2023; State of Himachal Pradesh vs Jai Lal, 1999). This is the empirical observation on which the present paper is built: forensic auditing in India lacks a dedicated legislative foundation and instead operates through a fragmented regulatory system in which no single actor possesses full authority over definition, standards, enforcement, evidentiary consequence or professional entry.

The existing scholarship on forensic accounting in India is rich in individual dimensions of this problem, but, to the author's knowledge, has not brought them together. Hosmani and Sathisha (2025) analyse the 2023 introduction of FAIS and survey accounting professionals on its implementation, finding persistent awareness and coverage gaps. Bhavya and Prakasa Rao (2025)offers a critical analysis of the statutory powers and systemic limitations of the Serious Fraud Investigation Office (SFIO). Kumar (2025) examines the jurisdictional friction between the National Financial Reporting Authority (NFRA) and the ICAI's own disciplinary mechanism under the Chartered Accountants Act, 1949. Bhasin (2015) and, more recently, Ebaid (2022) document a persistent mismatch between the competencies required by forensic accounting practice and those taught in accounting curricula. Each of these studies is, on its own terms, a careful and narrow contribution. None asks whether, read together, they describe a single underlying structural problem. This paper makes that argument: that India's forensic-audit governance is not merely incomplete in several unconnected respects, but fragmented in a way that follows a recognisable pattern across otherwise unrelated regulatory instruments.

The paper proceeds as follows. Section 2 reviews the relevant scholarship in greater detail. Section 3 outlines the paper's doctrinal-comparative methodology. Section 4 maps the Indian regulatory landscape, point by point. Section 5 identifies the resulting patterns. Section 6 presents a comparative analysis of the United Kingdom, the United States, Malaysia and Nigeria. Section 7 offers a series of tentative recommendations. Section 8 discusses theoretical implications. Section 9 states the study's limitations, and Section 10 concludes.

## 2. Literature Review

Before turning to the India-specific literature, it is useful to locate this paper's subject within the broader theoretical literature on financial fraud and its detection. Dorminey et al. (2012) trace the evolution of fraud theory from Cressey's original fraud triangle pressure, opportunity and rationalisation through subsequent refinements such as the fraud diamond's addition of individual capability, arguing that no single model fully captures the diversity of financial-crime behaviour and that anti-fraud practice, including forensic accounting, is better understood as responding to a continually evolving conceptual target than to a fixed one. This matters for the present paper because it suggests that any regulatory framework for forensic auditing will need to accommodate ongoing refinement of the underlying theory of fraud it is meant to operationalise, rather than freezing a single definition of the phenomenon into statute.

Three further strands of peer-reviewed scholarship bear directly on this paper. The first concerns the general adequacy of India's corporate-fraud regulatory apparatus. In the most comprehensive empirical treatment available, Gupta and Gupta (2015) combined a literature review, case studies, structured company questionnaires and stakeholder interviews to conclude that India's regulatory system for corporate fraud was weak, that coordination among regulatory authorities was poor, and that fraud-reporting and fraud-prevention policy publication were largely absent. Gangwani (2020), using a Likert-scale opinion survey of academicians

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*

and practitioners following a wave of bank frauds reported by the Reserve Bank of India, found that forensic accounting was perceived as distinct from, and better suited than, traditional accounting to uncovering bank fraud, a finding that helps explain why forensic audits have become the default response to suspected banking fraud even in the absence of a dedicated statute governing the practice.

The second strand concerns professional standardisation. Hosmani and Sathisha (2025) examine the ICAI's Forensic Accounting and Investigation Standards (FAIS), issued in 2023, analysing the standards' stated objectives alongside a survey of accounting professionals' awareness of, and challenges in implementing, the new framework; their study concludes with recommendations for strengthening the discipline, implicitly acknowledging that FAIS alone has not resolved the sector's regulatory gaps. This is consistent with the broader finding in Bhasin (2015), whose survey of academicians, practitioners and users of forensic-accounting services in India identified critical thinking, legal knowledge, deductive analysis and investigative flexibility as core competencies that formal education had not yet systematically incorporated, and with Ebaid (2022), whose survey of accounting students found generally favourable attitudes toward integrating forensic accounting into the curriculum alongside continuing gaps in actual course provision.

The third strand concerns the institutional architecture of enforcement. Bhavya and Prakasa Rao (2025) undertakes a critical analysis of the SFIO's statutory powers and functioning under the Companies Act, 2013, concluding that systemic limitations constrain the agency's ability to move from a reactive to a genuinely proactive enforcement posture. Kumar (2025) examines litigation arising from NFRA's exercise of its investigative and disciplinary powers, including proceedings between NFRA and individual auditors and between the Union of India and a major audit firm and argues that auditors are left navigating overlapping obligations under the Companies Act, 2013 and the Chartered Accountants Act, 1949, with insufficient legislative attention paid to reconciling the two regimes.

NFRA's own institutional design should also be read against a substantial international literature on public audit oversight boards (POBs), of which NFRA is, in comparative terms, a relatively young member. Hanlon and Shroff (2022), surveying inspectors drawn from public oversight boards in twenty countries, find that auditors respond to POB oversight primarily because of the public disclosure of inspection findings, the board's enforcement capabilities, its perceived authority, and an organisational culture oriented toward detecting audit deficiencies factors that, on Kumar's (2025) account of NFRA's current friction with the ICAI, appear only partially and unevenly present in the Indian case. Carson et al. (2026), examining the global spread of national POBs, find that countries with stronger institutions, civil-law traditions and higher media attention to audit quality tend to adopt such boards more quickly, but that similar design choices across countries do not necessarily reflect the same underlying adoption drivers or produce equivalent effects. Read alongside Kumar (2025), this comparative literature suggests that, since India now has a POB, as most major economies do, formal institutional similarity does not, by itself, guarantee functional equivalence with peer institutions abroad.

Internationally, forensic-accounting regulation has followed different institutional paths. United States federal courts apply the reliability standard articulated in Daubert v. Merrell Dow Pharmaceuticals, Inc. (1993) and codified in Federal Rule of Evidence, under which a trial judge screens the reliability of an expert's methodology before it reaches a jury, functioning as a courtroom gatekeeping mechanism rather than an ex-ante licensing regime. Malaysian scholarship describes a different model: Popoola et al. (2015) document the capability and competence requirements expected of forensic accountants operating under Malaysia's single statutory accountancy regulator, the Malaysian Institute of Accountants, which holds exclusive authority under the Accountants Act 1967 to regulate entry into the profession and to conduct recurring practice reviews of member firms. Nigerian scholarship occupies a position closer to India's own developmental stage: Oyerogba (2021), examining the perceptions of judiciary members, parastatal officials, forensic auditors and academics on fraud-detection mechanisms in the Nigerian public sector, found that forensic auditing mechanisms had achieved only a mixed record of effectiveness and identified specific institutional and procedural barriers to their fuller use. No existing study, however, places India within this comparative universe alongside a systematic account of its own internal fragmentation, the gap this paper addresses.

## 3. Methodology

This paper adopts a doctrinal-analytical design, integrating primary legal material with the peer-reviewed empirical and doctrinal literature reviewed in Section 2. The research question of how complete and coherent India's forensic-audit governance architecture is, and how it compares internationally, is not readily amenable to a single survey or experimental method, since it concerns the structure of a regulatory field rather than the behaviour of a defined population of respondents. The design accordingly combines three elements.

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*
The first element is a structured reading of the primary legal instruments through which forensic auditing is governed in India: the relevant provisions of the Companies Act, 2013 establishing the SFIO and the NFRA; the ICAI's FAIS (2023); the regulatory directions issued by the Reserve Bank of India and the Securities and Exchange Board of India; the Insolvency and Bankruptcy Code, 2016; and the general law of expert evidence. The second element is a synthesis of the peer-reviewed empirical literature, used to corroborate, qualify or extend what the primary legal material shows. The third element is a close reading of Supreme Court jurisprudence from 2023 to 2026, which addresses the procedural status of forensic audit reports and is used to test whether the doctrinal and empirical picture assembled from the first two elements is reflected in the small number of disputes that have actually reached India's apex court.
Throughout, the paper organises its analysis around five recurring themes rather than reducing the analysis to a composite numerical score: statutory basis (is the relevant instrument primary legislation, subordinate regulation, or non-binding professional guidance?); standard-setting authority (does the instrument prescribe an actual forensic methodology, or only a procedural trigger for a forensic audit to be commissioned?); enforcement and sanction power; evidentiary status before a court or tribunal; and licensing or entry-barrier control over who may practise as a forensic auditor. These themes are used as qualitative organising lenses; the paper does not attempt to convert them into a single index, since regulatory completeness across such heterogeneous instruments, a criminal-investigation statute, a banking direction, a professional standard, and a rule of evidence, is not obviously a linear or summable property. The comparative element applies the same five themes at a coarser grain to the United Kingdom, the United States, Malaysia, and Nigeria, chosen because each is the subject of an identifiable, documented governance archetype in the comparative literature.

## 4. The Regulatory Landscape of Forensic Auditing in India

The Companies Act, 2013, empowers the Central Government to assign cases of serious corporate fraud to the SFIO, a multi-disciplinary investigating agency within the Ministry of Corporate Affairs that combines accountancy, forensic audit, legal, information technology, and capital market expertise (Serious Fraud Investigation Office, 2003). The SFIO was constituted administratively in 2003 and acquired statutory status only in 2015, following a notification under the 2013 Act. Bhavya and Prakasa Rao (2025) critical analysis of the agency's statutory powers concludes that, despite this multi-disciplinary design, systemic limitations continue to constrain the SFIO's capacity to move from a reactive posture, investigating fraud after large-scale losses have already crystallised, as in the Satyam, Punjab National Bank and ABG Shipyard matters, to a genuinely proactive one.
The Companies Act, 2013, established the NFRA in 2018 as an independent audit regulator empowered to recommend accounting and auditing standards, conduct audit-quality reviews, and investigate and sanction defaulting auditors (NFRA, 2018). Kumar's (2025) doctrinal analysis of litigation arising from NFRA's exercise of these powers including proceedings between NFRA and an individual chartered accountant and between the Union of India and a major audit firm finds that NFRA's jurisdiction sits uneasily alongside the ICAI's own long-standing disciplinary authority over its members under the Chartered Accountants Act, 1949, leaving auditors to comply with two overlapping regulatory regimes that were not designed with each other in view. Kumar (2025) argues that abolishing NFRA is not the answer, since independent audit oversight is now a recognised element of international practice, but concludes that the relationship between NFRA and the ICAI requires legislative attention that it has not yet received.
Outside company law, forensic audits are also embedded in banking regulation, where the Reserve Bank of India directs lenders to commission such audits of large stressed accounts before those accounts can be classified as fraudulent, and in securities regulation, where the Securities and Exchange Board of India may order forensic audits of listed companies suspected of fund diversion or accounting manipulation (RBI, 2024). Neither instrument is a standalone statute; both operate as subordinate regulatory directions. Because the RBI's framework was, in its original form, silent on a borrower's procedural rights before a forensic-audit-based fraud classification, the Supreme Court in State Bank of India v. Rajesh Agarwal read principles of natural justice into it, holding that a borrower must be given notice, an opportunity to respond to the forensic audit report, and a reasoned order before an account is classified as fraudulent. A further round of litigation was required in 2026 in State Bank of India v. Amit Iron Pvt. Ltd. to clarify that a borrower must be furnished with the full forensic audit report, but need not necessarily be granted a personal hearing, provided a meaningful written opportunity to respond is given. This sequence of legislative and regulatory silence, followed by judicial improvisation and then by further appellate clarification, is treated in this paper as symptomatic of the deeper structural fragmentation it sets out to describe, rather than as an isolated procedural controversy.
Professional standardisation of the underlying methodology has again developed separately. The ICAI's Digital Accounting and Assurance Board issued the Forensic Accounting and Investigation Standards (FAIS) in 2023,

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*
and Hosmani and Sathisha's (2025) study of the new framework, combining doctrinal analysis with a survey of accounting professionals, finds that FAIS represents a significant step toward codifying forensic-audit methodology, while also documenting continuing gaps in professional awareness and implementation capacity. Because FAIS operates as a standard issued by, and binding on, one professional accountancy body, its reach does not extend to the company secretaries, cost accountants, lawyers and specialised digital-forensics practitioners who also conduct forensic engagements in India a limitation consistent with the education-practice gap independently documented by Bhasin (2013) and Ebaid (2022), both of whom find that the skills forensic-accounting practice appears to require are not yet systematically built into accounting curricula.

## 5. Findings

Examining the touchpoints in Section 4 against the five themes in Section 3 shows that the landscape isn't uniformly weak. Instead, it reveals a specific, sometimes more concerning pattern: each touchpoint is fairly developed in one or two areas but remains underdeveloped or quiet in others. These gaps don't overlap in a way that any single instrument could reasonably be expected to address.

Standard-setting authority, in the form of a prescribed forensic-audit methodology rather than a procedural trigger for commissioning one, is thin across the ecosystem as a whole. The SFIO, the RBI's regulatory directions and the NFRA each possess real enforcement power over the populations they regulate, yet none of them prescribes a forensic-audit methodology of its own; FAIS is the clearest attempt to fill this gap, but Hosmani and Sathisha (2025) show that its implementation still faces awareness and capacity constraints even within the ICAI's membership, let alone beyond it. This is consistent with Gupta and Gupta's (2015) broader survey-based finding that India's regulatory response to corporate fraud has tended to follow scandals rather than anticipate them, with fraud-prevention policy publication largely absent.

Evidentiary status is similarly underdeveloped. Regardless of which regulator ordered a forensic audit, its output functions in practice as expert opinion evidence rather than as self-standing proof. No instrument in the Indian ecosystem specifies reliability criteria comparable to the testability, peer review, and error rate factors that a court might assess when evaluating a forensic audit methodology before relying on it. One consequence, traced in Section 4, is that the Supreme Court has twice in three years had to develop procedural doctrine largely from first principles rather than apply a codified evidentiary standard (State Bank of India v. Rajesh Agarwal, 2023; State Bank of India v. Amit Iron Pvt. Ltd., 2026).

Licensing and entry-barrier control are close to absent. Unlike Malaysia, where the title “Accountant” is legally protected and firms are subject to a recurring statutory practice review (MIA, 2026), no Indian statute restricts who may describe themselves as a “forensic auditor” or “forensic accountant.” FAIS binds ICAI members; it does not extend to the broader practitioner population. This supply-side gap is compounded by a demand-side one: Bhasin's (2013) survey of academicians, practitioners and users of forensic-accounting services in India found broad agreement that skills such as investigative flexibility, deductive analysis and legal knowledge are essential to competent practice, and Ebaid's (2022) subsequent study of accounting students found continuing gaps between curricular provision and the competencies the profession is said to require.

Kumar (2025) highlights the jurisdictional overlap between NFRA and the ICAI as another clear sign of fragmentation, distinct from the earlier mentioned standard-setting and evidentiary gaps. It illustrates that, despite both bodies having actual regulatory authority over auditors, this authority remains uncoordinated. As a result, practitioners, including those conducting forensic work, must navigate compliance with both the Companies Act, 2013, and the Chartered Accountants Act, 1949, often without clear guidance on how these regimes interact.

## 6. International Comparative Analysis

Table 1 contrasts India's current framework with four comparator jurisdictions, each exemplifying a different governance archetype.

**Table 1. Comparative governance archetypes for forensic auditing regulation.**

| Jurisdiction | Governing archetype | Primary instrument | Title/practice protection | Evidentiary posture |
|---|---|---|---|---|
| United Kingdom | Prosecutorial specialisation | Criminal Justice Act 1987 (Serious Fraud Office) | No separate forensic-auditor licence; capacity embedded in a dedicated statutory prosecutor | Findings feed directly into SFO-led prosecutions rather than into a |

Vol. 12 Issue 9 (September, 2026)
ISSN: 2208-2190 Pages- 01-10
DOI: https://doi.org/10.69980/v2rysb47

| | | | | |
|---|---|---|---|---|
| | | | | separate civil evidentiary track |
| United States | Courtroom gatekeeping | Federal Rule of Evidence, applying the Daubert reliability standard | No single licensing statute; reliability is tested case-by-case at the point of admission | Judge acts as gatekeeper, screening an expert's methodology before a jury hears it |
| Malaysia | Ex-ante statutory licensing | Accountants Act 1967 (Malaysian Institute of Accountants) | "Accountant" is a protected title; firms are subject to a recurring statutory practice review | Admissibility follows general evidence law, but practice quality is vetted before any dispute arises |
| Nigeria | Reform-in-progress, mixed model | Companies and Allied Matters Act; sector anti-fraud statutes | No dedicated forensic-auditor licence; scholarship documents call for closer statutory embedding of forensic auditing within the public-sector audit framework | Contested; empirical work reports mixed effectiveness of forensic auditing mechanisms in practice (Oyerogba, 2021) |
| India (present) | Fragmented, partial overlap | Companies Act, 2013 (SFIO, NFRA); RBI directions; FAIS (ICAI) | No protected title; FAIS is a professional standard binding ICAI members, not a licensing regime | Treated as expert opinion evidence, courts have had to supply procedural safeguards not specified by the primary instruments (State Bank of India v. Rajesh Agarwal, 2023) |

The United Kingdom demonstrates prosecutorial specialisation by concentrating forensic accounting capabilities in the Serious Fraud Office, a statutory prosecutor established under the Criminal Justice Act 1987, rather than spreading them across various sector regulators. The United States depends on courtroom gatekeeping: under the Federal Rules of Evidence, a trial judge must evaluate whether an expert's methodology is grounded in reliable principles and applied consistently before it can be presented to a jury. This reliability screen operates at the point of admission to the court rather than through an ex-ante licensing statute, and it gives the US system something India presently lacks: an explicit, judicially applied test of methodological reliability, rather than a bare characterisation of a forensic audit report as non-conclusive opinion evidence.

Malaysia represents a third, ex-ante licensing model. The Malaysian Institute of Accountants is the sole body empowered under the Accountants Act 1967 to regulate the accountancy profession; membership is compulsory for anyone practising as an accountant, and the Institute conducts a recurring, risk-based Practice Review Programme that audits member firms against professional and regulatory standards. Popoola et al. (2015) study of the capability and competence requirements expected of forensic accountants operating within this system shows that ex-ante licensing does not eliminate the need for ongoing competency development, but it does provide a single, statutorily anchored point at which minimum standards can be enforced before a dispute ever arises, a point that India's current arrangement, in which FAIS binds only ICAI members, does not yet reach.

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*
Nigeria's position is similar to India's and offers valuable insights because its research highlights a related, though not identical, issue. Oyerogba (2021) examined forensic auditing systems in Nigeria's public sector, drawing on perspectives from members of the judiciary, parastatal officials, forensic auditors, and academics. The study revealed that these mechanisms have only been partially effective in practice, despite being legally established. This underscores that formal legal recognition of forensic auditing alone does not ensure effectiveness; proper implementation requires sufficient resources, training, and institutional coordination.
These four comparators indicate that India's current system draws on multiple governance models but does not fully realise any one of them. The Companies Act points to the UK's prosecutorial-specialisation approach via the SFIO, yet Bhavya and Prakasa Rao (2025) notes that the agency has not yet reached the level of specialised capacity seen in the SFIO. The general law on expert evidence hints at the US courtroom-gatekeeping model by treating forensic audit findings as opinion evidence subject to judicial review, but it does not include a formal reliability test. FAIS reflects the Malaysian ex-ante licensing approach through detailed methodologies, but Hosmani and Sathisha (2025) show that it lacks statutory authority beyond ICAI membership and lacks a comparable practice-review process. Overall, this pattern reveals partial adoption of institutional features without their full integration.

## 7. Recommendations
The findings do not point to any single, obvious fix, and this section does not attempt to prescribe one. What follows is better understood as a short list of directions that the preceding analysis suggests may be worth further exploration by policymakers, regulators and professional bodies, rather than as a finished legislative design.
One direction worth considering is closer coordination between NFRA and the ICAI, along the lines recommended by Kumar (2025), so that auditors, including those conducting forensic engagements, face a single, reconciled set of compliance obligations rather than two overlapping regimes. A second direction concerns the evidentiary treatment of forensic-audit reports: further guidance, whether through judicial practice direction or professional standard-setting, on the reliability criteria a court might apply to a forensic-audit methodology could reduce the need for the kind of ad hoc procedural rule-making the Supreme Court has undertaken in Rajesh Agarwal (2023) and Amit Iron (2026), though any such change would need to be developed carefully and with appropriate judicial and professional input.
A third area to consider is the education and training pipeline. The gap identified by Bhasin (2013) and Ebaid (2022) between the skills needed for forensic accounting practice and those offered by current curricula suggests that closer alignment might be beneficial. This could involve universities, professional bodies, or both working together, and is likely a cost-effective way to address the issue without requiring broad legislative changes. A fourth area relates to transparency in institutional performance: Bhavya and Prakasa Rao (2025) findings of systemic limitations in the SFIO's enforcement capacity suggest that more consistent, independently verifiable reporting of investigation and prosecution results could enhance public accountability and support future research, as explored in this paper.
None of these directions is presented here as unquestionably correct; each involves trade-offs among flexibility, certainty, institutional autonomy, coordination, reform costs, and ongoing fragmentation. Resolving these issues is beyond the scope of a single paper. Instead, they serve as a starting point for the stakeholder debate that any reform in this area would ultimately necessitate.

## 8. Discussion
The findings can be interpreted through at least two distinct, yet partly overlapping, theoretical perspectives. The first is professions theory, specifically Abbott's (1988) framework on how occupational groups establish control over their domain of expert work. In India, forensic auditing currently lacks a clear boundary and is claimed by various professional groups: chartered accountants under FAIS, company secretaries, cost accountants, lawyers acting as investigators for regulators, and specialised digital-forensics practitioners trained outside any professional body. This diversity aligns with the education-practice gap identified by Bhasin (2013) and Ebaid (2022), as no single professional curriculum has been recognised as the definitive training for the field. Using Abbott's framework, regulatory fragmentation in India may not merely result from legislative delays but may also indicate ongoing inter-professional jurisdictional battles, in which no occupational group has yet achieved the exclusive statutory jurisdiction enjoyed by the Malaysian Institute of Accountants under the Accountants Act 1967 (Accountants Act 1967).
A supplementary perspective comes from the regulatory theory literature on meta-regulation. Akinbami (2013) analyses the failures of UK financial regulation before the 2008 crisis and suggests that meta-regulatory systems- where regulators depend heavily on firms' internal assessments rather than external standards- can

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*

give a false sense of oversight that fails under real stress. Several points in this paper display this meta-regulatory trait: the RBI's and SEBI's rules require firms to conduct forensic audits but do not specify how, leaving the methodology to the auditors' chosen standards. From Akinbami's (2013) viewpoint, this is not just a lapse in oversight but a deliberate regulatory design choice- seen in other countries and sectors to rely on regulated entities' own procedures instead of establishing uniform standards. According to Akinbami, the risks of this approach often stay hidden until a dispute reveals them, as the Supreme Court's rulings in Rajesh Agarwal (2023) and Amit Iron (2026) did, exposing procedural gaps in the RBI framework only when specific cases went to court.

These two perspectives are not mutually exclusive and highlight different reform levers. Abbott's (1988) professions theory suggests that addressing the issues requires managing jurisdictional competition among professions and quasi-professions engaged in forensic audit practice. The SFIO's multi-disciplinary staffing model suggests that India may already be moving towards a plural-profession approach rather than a single-profession model. Meanwhile, Akinbami's (2013) regulation theory emphasises that future reforms must decide whether India's forensic-audit governance should continue to rely on regulated entities and auditors setting their own standards, often through meta-regulatory frameworks, or shift to a model with centrally defined, independently verified standards, as Malaysia's licensing system demonstrates, especially given the evolving nature of fraud and the need for adaptive regulatory responses.

## 9. Limitations

This doctrinal and synthetic study does not introduce new primary interview or survey data. Instead, it relies on primary legal sources and the existing peer-reviewed empirical research discussed in Section 2. When that research uses survey or interview methods, this paper also inherits their sampling and self-report limitations. Readers are directed to the original studies for their methodological caveats. The qualitative patterns identified are based on specific documentary and empirical sources but are ultimately the author's synthesis rather than independently replicated analyses. Indian forensic audit regulation is currently evolving. The Supreme Court issued an additional clarifying judgment in 2026, so specific doctrinal details here may be outdated by future legislative or judicial changes, although the general structural diagnosis is expected to remain valid.

## 10. Conclusion

India relies on forensic auditing as a routine instrument of bank supervision, securities enforcement, corporate-fraud investigation, and insolvency resolution, yet the practice remains governed by a patchwork of instruments comprising a statutory investigating agency, a set of banking directions, a securities-market regulation, a voluntary professional standard, and an audit regulator whose jurisdiction has not been reconciled with that of the accountancy profession's own disciplinary body. These instruments were neither designed together nor subsequently harmonised. Drawing on peer-reviewed empirical work documenting a weak and poorly coordinated fraud regulatory system, a professional standard of limited institutional reach, a systemically constrained enforcement agency, unresolved jurisdictional overlap between two audit regulators, and a persistent education-practice gap, this paper has argued that these separately documented problems reflect a single underlying condition of regulatory fragmentation, further evidenced by two rounds of Supreme Court intervention required to supply procedural fairness to the primary regulatory instruments left unaddressed. A comparative reading of the United Kingdom, the United States, Malaysia, and Nigeria suggests that India has absorbed recognisable fragments of more than one international governance model, including prosecutorial specialisation, courtroom gatekeeping, and ex-ante statutory licensing, without having fully settled on any one of them. The tentative recommendations offered, namely more predictable evidentiary treatment, closer alignment between education and practice, and more transparent enforcement reporting, are put forward not as a finished blueprint but as a starting point for the sustained, multi-stakeholder deliberation that a field of this scale and consequence would seem to warrant.

## References

1. Abbott, A. (1988), The System of Professions: An Essay on the Division of Expert Labor, University of Chicago Press, doi: 10.7208/chicago/9780226189666.001.0001.
2. Accountants Act 1967.
3. Akinbami, F. (2013), “Is meta-regulation all it’s cracked up to be? The case of UK financial regulation”, Journal of Banking Regulation, Vol. 14 No. 1, pp. 16–32, doi: 10.1057/jbr.2012.7.
4. Bhasin, M.L. (2015), “Survey of Skills Required by the Forensic Accountants: Evidence from a DevelopingCountry”, SSRN, doi: 10.2139/ssrn.2676514.

*Vol. 12 Issue 9 (September, 2026)*
*ISSN: 2208-2190 Pages- 01-10*
*DOI: https://doi.org/10.69980/v2rysb47*
5. Bhavya, B. and Prakasa Rao, Prof.Dr.D.S. (2025), "The Role Of Sfio In Combating Corporate Frauds In India: A Critical Analysis - With Brief Insights Into Green-Washing Practices", International Journal of Environmental Sciences, pp. 1541–1559, doi: 10.64252/sywb5z29.
6. Carson, E., Lamoreaux, P., Simnett, R., Thürheimer, U. and Vanstraelen, A. (2026), "Establishment of National Public Audit Oversight Boards: Descriptive Evidence and Implications for Audit Quality", Journal of Accounting Research, Vol. 64 No. 1, pp. 127–180, doi: 10.1111/1475-679X.70008.
7. Companies Act. (2013), "The Companies Act, 2013".
8. Dorminey, J., Fleming, A.S., Kranacher, M.-J. and Riley, R.A. (2012), "The Evolution of Fraud Theory", Issues in Accounting Education, Vol. 27 No. 2, pp. 555–579, doi: 10.2308/iace-50131.
9. Ebaid, I.E.-S. (2022), "An exploration of accounting students' attitudes toward integrating forensic accounting in accounting education", International Journal of Law and Management, Vol. 64 No. 4, pp. 337–357, doi: 10.1108/IJLMA-06-2021-0154.
10. FAIS. (2023), "Release of Revised Forensic Accounting and Investigation Standards (FAIS) and Implementation Guide on Forensic Accounting and Investigation Standards".
11. Gangwani, M. (2020), "Suitability of forensic accounting in uncovering bank frauds in India: an opinion survey", Journal of Financial Crime, Vol. 28 No. 1, pp. 284–299, doi: 10.1108/JFC-07-2020-0126.
12. Gupta, P.K. and Gupta, S. (2015), "Corporate frauds in India – perceptions and emerging issues", Journal of Financial Crime, Vol. 22 No. 1, pp. 79–103, doi: 10.1108/JFC-07-2013-0045.
13. Hanlon, M. and Shroff, N. (2022), "Insights into auditor public oversight boards: Whether, how, and why they 'work'", Journal of Accounting and Economics, Vol. 74 No. 1, p. 101497, doi: 10.1016/j.jacceco.2022.101497.
14. Hosmani, R. and Sathisha, R. (2025), "Forensic Accounting in India: An Analysis of Regulatory Framework and Accounting Professionals Insights on Fais 2023", International Journal of Latest Technology in Engineering, Management & Applied Science, Vol. 14 No. 6, pp. 191–197.
15. Kumar, K. (2025), "NFRA AT THE CROSSROADS: STRENGTHENING FINANCIAL GOVERNANCE WITHOUT OVERREACH", NUJS Journal of Regulatory Studies, Vol. 10 No. 3, doi: 10.69953/nurs.v10i3.399.
16. MIA. (2026), "Practice Review".
17. Mishra, K., Azam, M.K. and Junare, S.O. (2021), "Role of Forensic Audit in Controlling Financial Statement Fraud: Acase study of Satyam Computers", Psychology and Education, Vol. 58 No. 2, pp. 4016–4025.
18. NFRA. (2018), National Financial Reporting Authority Rules, 2018, Vol. D. L.-33004/99.
19. Oyerogba, E.O. (2021), "Forensic auditing mechanism and fraud detection: the case of Nigerian public sector", Journal of Accounting in Emerging Economies, Vol. 11 No. 5, pp. 752–775, doi: 10.1108/JAEE-04-2020-0072.
20. Popoola, O.M.J., Che-Ahmad, A. and Samsudin, R.S. (2015), "Forensic Accounting And Fraud: Capability And Competence Requirements In Malaysia", Zenodo, doi: 10.5281/ZENODO.30981.
21. RBI. (2024), Master Directions on Fraud Risk Management in Commercial Banks (Including Regional Rural Banks) and All India Financial Institutions, DOS.CO.FMG.SEC.No.5/23.04.001/2024-25.
22. Serious Fraud Investigation Office. (2003), "Serious Fraud Investigation Office".
23. State Bank of India vs Amit Iron Private Limited & Ors. (2026), .
24. State Bank Of India vs Rajesh Agarwal. (2023), Vol. 7300 of 2022.
25. State of Himachal Pradesh vs Jai Lal. (1999),