

# **Forensic Accounting Applications and Financial Control; Research in Çorum Region**

**Asist. Prof. Dr. Aykut Isleyen<sup>1</sup>**

**Assoc. Prof. Dr. Selcuk Kendirli<sup>2</sup>**

## **Abstract**

*Accounting frauds made in businesses lead to serious financial loss in economic systems. The prevention of these losses has expanded the scope of accounting applications. Together they have brought forensic accounting practices and fraud supervision. Forensic accounting services, especially in the United States and Canada, provide court and lawyer support by using accounting, auditing and analytical reviews in forensic cases involving financial disputes. Forensic accounting has found widespread application in developed countries. In judicial disputes, it means to benefit from accounting, supervision and research skills. Providing counseling support through forensic accounting applications, detection and detection of frauds in businesses, expert witness services.*

*In this study, we tried to explain the meaning of forensic accounting. Firstly, technical information was explained about the concept of forensic accounting. Then we tried to examined to mistakes and frauds in accounting. At the end of the study, a questionnaire was prepared and took the evaluated and the opinions of the Certified Public Accountant (CPA), which are working in Çorum. As a result of the questionnaire survey and face-to-face interviews conducted with members, a great majority of the members of the profession expressed their opinion that their colleagues did not comply with professional ethics. In addition, according to result of the study, we explored about that professional members are making some frauds and mistakes in the area.*

Key words: Accounting, Forensic Accounting, Accounting Frauds, Çorum Region

## **1. Forensic Accounting and Forensic Accountant Concept**

Forensic accounting isa kind of scientific discipline that "A fundamental aspect of the subject that has been or has not yet been passed on to the Court but is likely to create a legal conflict is a scientific discipline that seeks the truth by using its own research, inquiry and analysis techniques that utilize other sciences such as psychology and criminalism." (Gülten ve Kocaer, 2010,p.11)

Beginning of the 1980s, a new profession was begun to develop in the field of accounting and auditing in the western countries, especially in the USA. This profession is named "Forensic Accounting" with its original name. The dictionary meaning of the forensic word is expressed as "belonging to the court", "accepted as a standard in judicial cases". The concept of forensic accounting is a new concept for Turkey, Turkish, "Forensic Accounting" as is met. Forensic accounting describes that the area of accounting, auditing and

---

<sup>1</sup>Asist. Prof. Dr. Hitit University FEAS Department of Business, aykutisleyen@hitit.edu.tr

<sup>2</sup> Assoc. Prof. Dr. Hitit University FEAS Department of Banking and Finance selcukkendirli@hitit.edu.tr

research skills. Forensic accounting has also been partially available to Canada and European Union countries (Pazarçeviren, 2005, p.2, Açıık, 2016, p.1072, Balcı, 2014, p.3).

Once we have identified forensic accounting, explaining what are the forensic accountants who are doing this job, where they work, and what their competencies are useful to better understand for this profession.

Forensic accountants approach the events with a different perspective than traditional insights. Forensic accountants examine the documents in detail to draw conclusions and calculate values. Forensic accountants, doubtlessly suspect that suspicious transactions to financial and non-financial data, that they may exist and that they may be subject to fraud. Forensic accountants are not only accountants; they also try to reveal the facts in the backgrounds of these numbers (Keles and Keles, 2014, p.57)

The forensic accountant is the one who does not accept the apparent value of the records and looks at the background, doubts about the documents, investigates the true intentions, prepares the expert report, reveals the truth in detail by making very detailed interviews with individuals, especially when there is a possibility of someone lying. (Özkul and Pektekin, 2009, p.63).

### **1.1. Properties of Forensic Accountants**

Forensic accountants, unlike regular accountants or auditors, are required to possess certain characteristics and have intensive knowledge of certain issues. At the beginning of these features is to act like a detective. A good forensic accountant should be a good detective at the same time and carry careful research and research mentality. Because forensic accountants are those who can look backwards from the front of numbers and do not accept the apparent values of financial reports. In general, the personal characteristics that a judicial accountant should carry are: (Açıık, 2016, p.1077-1078)

**Being curious:** A forensic accountant should be concerned and curious about the developments in his profession, and should keep his suspicions and investigate his truthfulness in every case he takes.

**Being Resistant:** The forensic accountant should not give up immediately in the face of the negativities it has encountered, and insist on proving the situation it is defending.

**Creativity:** The forensic accountant should be as creative as possible, as well as the general principles and standards that must be followed.

**Intuition:** The forensic accountant should examine every event deeply in general and in detail. It must have a good business sense, the reasoning power must be sound, the decisions must be clear, analytical and logical.

**Reliability:** A forensic accountant should be able to listen carefully, be successful in written and oral communication, and be able to establish human relationships in a healthy manner.

**Independence:** Judicial accountants should be independent of the area of activity in which they are investigated, if forensic accounting inquiries are made from within the enterprise or from outside the enterprise through legal means.

**Vocational Qualification and Full Responsibility:** Forensic accountants should increase their technical competence with an ongoing vocational training.

**Objectivity and Reliability:** Forensic accountants are objective, impartial experts who need to be trusted by their profession. It also brings with it credibility, clarity and honesty of a forensic accountant.

## **1.2. Transaction Process of Forensic Accountant**

Every forensic accounting task is unique. For this reason, the ways to be followed in cases involving forensic accounting will be special according to the subject. However, in general, judicial accounting involves the following stages: (Keles and Keles, 2014, pp. 60-61)

- ✓ Meeting with the Customer: The actors in the event help with the understanding of the problems and important events, the stage of defining the event.
- ✓ Confirmation of the Conflict: As soon as the parties appear, a conflict check should be done immediately.
- ✓ Preliminary Research: It is a preliminary investigation before making a detailed action plan (draft case, work to be done). This preliminary research will serve as a basis for a better understanding of the problem and will serve as an example for future plans.
- ✓ Preparing an Action Plan: This plan provides the best use of the methodology to be used to reach the goals and targets of the data obtained by interviewing the customer and conducting the preliminary survey.
- ✓ Acquisition of Correct Evidence Based on the nature of the case, the investigation of the documents, the evidence of the economic data, the person, the institution and the facts and the expert reports are included in this scope.
- ✓ Analysis: The analysis may include calculating the financial loss as well as the nature of the event, summarizing the transactions, taking the assets afterwards, finding the current value by using the discount rate, and explaining the analysis with tabulation.
- ✓ Preparing the Report: The report can be written in various parts according to the nature of the task, the scope of the research, and the approach to be applied. Forensic accountant can also use tables and graphs to properly support to findings in his report.

## **1.3. The Necessity of Forensic Accounting**

Due to the severe economic pressures, the majority of businesses face bankruptcy, and in parallel, the lack of job security among employees increases the risk of fraud and corruption day by day. It is wide spreading to use of technology in accounting and the difficulty of controlling corruption because of the increasing the electronic environment, the effect of the corruption is also increasing. Such accounting scandals cause not only company owners and investors but also many people, such as employees, credit institutions, state and audit firms, to be damaged. (Çabuk and Yücel, 2012, page 71).

At the beginning of the reasons for the forensic accounting profession; is the need for experts to bring forth advanced financial mistakes and deceptions for the state, the lawmakers and the courts for rapid changing in information technology. This need is not to find out what the tricks are doing, but to reveal how it is done. In this context, by adding mental research techniques to the financial information of forensic accountant; by the same time of solving to the unresolved problems and helping to create justice. The inadequacy of accounting education, the differences in the focus of the experts, the inadequacy of the expert's office, the inadequacy of the financial education given in the law faculties and the difficulties in revealing mistakes and mistakes became the determinants of the need for forensic accounting (Usul and Topçuoğlu, 2011, p.56)

#### **1.4. Comparison of Judicial Accounting and Independent Auditing**

Independent auditing and judicial accounting can be compared in terms of many criteria. Before making this comparison, however, it is useful to refer to some common directions between independent audit and forensic accounting. First of all, both independent auditing and forensic accounting have a common purpose as corporate financial reporting is entirely legal. Independent audit and forensic accounting are both executed with industry and company information, knowledge of generally accepted accounting principles, business documents, interpretation power, independence and objectivity. (Açık, 2016, p.1075)

The activities of auditors and forensic accountants largely intersect. Applicants operating in both areas; they should have knowledge of the problem-perceiving skill at the top level, timing ability, accounting records and reporting, as well as knowledge of audit process knowledge, the effects of fraud and errors on business activities. The common goal of both groups is to provide financial reporting in accordance with legal regulations (Aksu and Others, 2008, p.66).

Differences between forensic accountants and auditors can be listed as follows: (Al, 2014, pp.108-109):

- ✓ When the auditor tries to find out the mistakes and nonconformities in the auditing process; the judicial accountant will investigate any suspicious incidents taking into account all known cheating methods,
- ✓ Forensic accountant is interested in criminal investigation, fraud supervision and resolution of crime-related events and situations; the auditor is investigating the appropriateness of the regulations prescribed by the normative institutions (SPK, SEC, BDDK, etc.)
- ✓ Forensic accountant in general, fraudulent transactions or the formation of financial crimes and interested in identifying responsible parties; the auditor's duty is to declare his / her opinion on the fairness of management in the presentation of the financial statements,
- ✓ It is the auditor's responsibility to establish an overall opinion on these tables by applying audit procedures to find deficiencies and errors in the financial statements. Forensic accountants collect and document evidence by asking who, what, where, why, and how questions about suspects or known people after detailing the facts based on facts. Forensic accountants use a more qualified and decisive language when doing them (especially during the reporting period) than auditors,
- ✓ Unlike auditors, forensic accountants conduct in-depth investigations as they work within the crime atmosphere and because they serve pre-trial or judicial levels,
- ✓ Unlike auditors, judicial accountants are more competent in how control systems and processes can abuse or misuse them. These competencies are directed towards fraud types, preventive methods of internal control activities and plans to disrupt the system.

#### **2. Fields of Activity of Forensic Accountants**

The forensic accounting profession provides support services to many other occupations. In particular, law enforcement and lawyers need expert knowledge of accounting, financial management, information technology, tax legislation, budgeting, planning and general management practices during an investigation or litigation of economic offenses. In this respect, forensic accountants have made important contributions both

to obtaining the necessary evidence and information in the pre-trial period and to submit the evidence to the court in the course of the trial (Pazarçeviren, 2005: 2)

### **2.1. Case Support Consultancy**

Case support; before a case or during the course of the proceedings, where the information, talents or experience of a good judicial accountant is presented to the relevant judicial authorities or lawyers as a consultancy or expertise service (Karacan, 2012, p. 113).

Under the litigation support that forensic accountants can offer support services; in disputes related to divorces where there are commercial enterprises among assets that need to be shared, in the case of financial losses of companies, in the determination and calculation of losses incurred by the business management or the employees of the business, in criminal cases, fraud related to documents, credit cards, checks and bonds, in execution bankruptcy lawsuits, in fraudulent bankruptcy practices, in the calculation of compensation in labor law cases, in the discovery of tax fraud and corruption in connection with tax law, in the case of fraudulent calculations made on financial statements or books, commercial disputes related to litigation or merger and in the prosecution of black money laundering crimes (Gülten, 2010, p.316).

### **2.2. Fraud Auditing or Investigative Accountant**

Fraud can also be defined as providing personal benefit by deliberately misusing and abusing the resources and assets of an operator, destroying the records and documents of the operator (Keles and Keles, 2014, p.64). Today, the scope of fraudulent transactions and the losses caused by these fraudulently appear to increase significantly. "Forensic Accountancy Profession" has emerged as a new type of profession in order to find out and prevent the various types of scams and the like. (Elitaş, 2012, p.159).

### **2.3. Expert Witness**

According to the American Authorized Public Accountants' Association (AICPA), an expert witness is someone who has the necessary knowledge, ability, supervision and training to help a scientific, technical or special idea about a subject or to clarify a subject. (Akin and Onat, 2015, p.38).

A forensic accountant presents his own thoughts about the accounting problems that arise as a witness in a court of law stage, in a calm and cool way, away from subjective and emotional. The important thing here is to present the emerging accounting problems in a simple and understandable way. Forensic accountants must disclose technical subjects in a clear and instructive manner, while being self-fulfilling, responsive, independent, objectively independent of external factors, and objectively. (Pazarçeviren, 2005, pp.9-10)

Judicial authorities are benefit from forensic accountants about bribery, corruption, tax evasion, embezzlement, improper accounting, enforcement of the law, or even litigation support consultancy, as well as in cases where there is a risk of misuse, abuse of funds, insurance fraud or gain, civilian or criminal faults. They are also used their experts about for both the alleged and the defendant (Aktas and Kuloglu, 2008, p.113)

Any accountant can be shown as a witness provided that the case is related. However, the ordinary accountant does not take the place of a forensic accountant. Because the ordinary accountant in the case can only tell what they know. However, with his expert knowledge and experience, the judicial accountant helps the judge to understand the highly complex technical situations (Bekcioglu et al., 2013, p.

### **3. A Survey Research in Çorum Region for Accounting Frauds Under Forensic Accounting**

It was aimed to get opinions of the Certified Public Accountant (CPA) which are operating in Çorum, about error and fraud in terms of forensic accounting by this research. The method of research is making survey. We would like to collect the CPA's opinions by the survey. The method of the survey is a questionnaire. The questionnaire applied to professionals who are working in Çorum. There are 396 members registered in Çorum. Separate of the CPA's are; 291 of them are in the center, 105 of them are working separate to other towns of Çorum. 19 of them are women and 277 of them are men. Our goal is to reach all the CPAs, but during the research, we couldn't reach some of CPAs and some of questionnaires' are not eligible for evaluating. According to the data obtained from the analytical result, it has been estimated that within the scope of the survey study, at least 161 professions must be reached with a margin of error of 5% and a 95% confidence interval. In the 98% confidence interval, this number reaches to 229 professions. In the scope of the study, a total of 297 questionnaires (297/396 (75%)) were made.

The reliability of the work is measured by the Alpha coefficient. The alpha coefficients of 0.60 and above are assumed to be reliable (Zeytin, 2007: 116). The Cronbach Alfa value was measured as 0.72 in the analysis conducted within the scope of the study. When compared with the literature, it is seen that the reliability of the study.

277 of professions are men and 19 of professions are women of the total sampling. % 74 of professions is working in Çorum center and the others are working in other Çorum's towns. The demographic values according to the 297 questionnaires obtained within the scope of the study are as follows. Given the age distribution of accountants, it is generally seen that they are around 50 years old (60%). When accountants' years of operation are evaluated, it is seen that they have worked for over 15 years in general (70%).

Here is the demographic information about the Certified Public Accountants who are working in the province of Corum. Their opinions are presented in the following table.

Table 1: Opinions of Çorum Occupants Members About Accounting Frauds under Forensic Accounting

Causes of Accounting Frauds	Number of Persons	% Of distribution
Employer's Print	73	25%
Expectation of Interest	33	11%
Financial Table Makeup	45	15%
Tax Payment Reluctance	141	47%
Other	5	2%
<b>Total</b>	<b>297</b>	<b>100%</b>
Most Common Accounting Errors	Number of Persons	% Of distribution
Math mistakes	37	12%
Registration errors	147	49%
Transmission errors	15	5%
Forgotten and repetition	75	25%
Balance sheet errors	23	8%
<b>Total</b>	<b>297</b>	<b>100%</b>
Most Encountered Accounting Frauds	Number of Persons	% Of distribution
Intentional mistakes	44	15%
Record before or after	137	46%
Fitting accounts	18	6%
Document fraud	60	20%
Masking of the balance sheet	38	13%
<b>Total</b>	<b>297</b>	<b>100%</b>

When Table 1 is examined it is the reluctance to pay taxes at the rate of 47%. The most common accounting error is 49%, which is seen as a misspelling. The most frequently encountered accounting complex is seen as entering the system record before or after the time of 46%.

Table 2 shows the opinions of the members of the CPA who participated in the study, indicating the possibility of error and frauds.

Table 2: Opinions of CPA's about Error and Fraud Risks

	Definitely yes n/%	Yes n/%	NoComment n/%	No n/%	Definitely No n/%	Total
I do reverse processing	60/%20	104/%35	15/%5	92/%31	26/%9	297/%100
Work intensity leads to fault	44/%15	184/%62	2/%0,7	54/%18	15/%5	297/%100
Error and fraud are also caused by high tax rates	65/%22	131/%44	15/%5	80/%27	3/%1	297/%100
Insufficient control encourages error and cheating	54/%18	181/%60	6/%2	54/%18	6/%2	297/%100
Benefit from legal gaps	1/%0,3	112/%38	1/%0,3	182/%61	1/%0,3	297/%100

When Table 2 is examined, participants stated that they performed a total of 55% backwards. 77% of the participants said that the mistakes made affect the work density. 66% of the participants think that the tax rates are difficult to mistake and cheat. 78% of respondents believe that poor control has increased mistakes and cheating.

The errors and frauds of the professional accountants' opinions are shown in Table 3.

*Tablo 3: The Opinions of Errors and Frauds for Çorum CPA's*

	Definitely yes n/%	Yes n/%	NoComment n/%	No n/%	Definitely No n/%	Total
Adequate audit precludes error and fraud	0%/0	45%/15	3%/0,7	196%/66	53%/18	297%/100
Sufficient information about audit is error and tampering	27%/9	128%/43	12%/4	113%/38	15%/5	297%/100
Accountant performing audit function	12%/4	128%/43	9%/3	128%/43	20%/7	297%/100
Accountants' error and fraud behavior	119%/39	136%/46	9%/4	23%/8	9%/2	297%/100
Professional ethics and diligence affect mistakes and fraud	65%/22	107%/35	53%/18	50%/17	21%/7	297%/100
Problems in taxpayers' supply of documents affect errors and cheating	98%/33	146%/49	6%/2	33%/11	12%/4	297%/100
Bookkeeping fees affect errors and cheating	71%/24	47%/16	6%/2	74%/25	98%/33	297%/100
Current information affects error and fraud	80%/27,6	134%/45	12%/4	44%/15	39%/8	297%/100
Penalty practices affect error and fraud	45%/15	119%/40	30%/10	65%/22	39%/13	297%/100
Punishment of unethical behavior, error and fraud affect	48%/16	89%/30	53%/18	59%/20	48%/16	297%/100

When Table 3 was examined, 84% of the participants stated that adequate supervision did not prevent errors and cheating. 52% of the respondents said that sufficient information about the inspection was error-prone. 47% of respondents argue that the accounting function of the accountant has an effect on errors and fraud. 85% of the respondents said that accountants had an effect on error and fraud of error and fraud behavior. 57% of the participants said that professional ethics and diligence affected errors and frauds. A total of 82% of the respondents said that taxpayers had trouble with the supply of documents and that it affected errors and tricks. It appears that 55% of the respondents think that the punishments affect error and fraud.

#### **4. Result and Conclusion**

In terms of being a scientific discipline, accounting is extremely important when the results obtained are presented to third parties. The information provided by the accounting tool not only affects the operator or the person who prepares the data, but also affects a very wide environment. The mistakes and frauds that can be done in this interaction process can become serious cases. Or the data obtained by means of accounting, have the significance of information which will change endlessly. In this respect, the development of forensic accounting reveals itself in everyday life-affecting outcomes. The development of forensic accounting will also help to improve the quality of accounting information.

In the survey conducted, some mistakes were made in terms of accounting in Çorum region. Sometimes the presence of the tricks is encountered. According to the data obtained from nonworking, accountants generally make errors and tricks about the registration time. By means of records that are not made in due time, accountants have an impact on the results of accounting reports. The most common mistakes are account recording errors. These errors can be made carelessly, or consciously. The fact that the companies do not deliver documents related to the transactions to the accounts in due time also causes mistakes and frauds.

According to the findings of the study, the high tax rates encourage mistakes and frauds in accounting also. Inadequate level of control also has an effect of increasing errors and frauds. The penalties that are imposed have a negative effect on mistakes and frauds.

Particularly in Corum and generally in Turkey, when we viewed to accounting practices we could saw the mistakes and frauds can bring very serious result for everybody. We believe that the development of forensic accounting practices will help to avoid qualifications and irregularities in accounting records. In this research, the courses in this area are treated as accounting audits only in universities. According to our interview, to opening of courses in the field of forensic accounting will increase the quality of accounting records.

#### **References**

- Açık, S.(2016). “Adli Muhasebecilik Mesleğinin Faaliyet Alanları ve Eğitim Boyutu Açısından İncelenmesi”. *Atatürk Üniversitesi Sosyal Bilimler Dergisi*, 20 (3), 1071-1090
- Akın, O. ve Onat, O.K. (2015). “Muhasebe Meslek Mensuplarının Adli Muhasebecilik Kavramına Bakış Açılarının Değerlendirilmesi”. *Muhasebe ve Vergi Uygulamaları Dergisi*, 8 (1), Mart, 33-51.
- Aksu, İ., Uğur A. ve Çukacı Y. C. (2008). “Adli Muhasebe ve Adli Muhasebecilik Mesleğinin Bir Kolu Olarak Bilirkişilik”. *Yönetim ve Ekonomi Araştırmaları Dergisi*, 9, 63-71.
- Aktaş, H. ve Kuloğlu, G. (2008). “Adli Muhasebe ve Adli Muhasebecilik Mesleği”. *Muhasebe ve Denetim BAKIŞ*, 8 (25), Mayıs, 101-120.
- Al, A. (2014). “Adli Muhasebe Ve Karar Alma Arasındaki İlişkilerin Finansal Kararlar Açısından Değerlendirilmesi”. *Mali Çözüm Dergisi*, 125, Eylül- Ekim, 95- 124.

Balçı, M. (2014). Adli Muhasebe, Uygulamaları ve Günümüzdeki Durumu, (Yayımlanmamış Yüksek Lisans Tezi), İstanbul Kültür Üniversitesi, Sosyal Bilimler Enstitüsü.

Bekçioğlu, S., Coşkun, A. ve Gümüş, U. T. (2013). “İşletmelerde Hile ve Yolsuzlukların Önlenmesinde Farklı Bir Yaklaşım: Adli Muhasebe”. *Muhasebe ve Finansman Dergisi*, 59, Temmuz, 1-16.

Çabuk, A. ve Yücel, E. (2012). “Adli Muhasebecilik Mesleğinin Türkiye’deki Gelişme Potansiyeline Yönelik Bir Araştırma”. *Muhasebe ve Finansman Dergisi*, 56, Ekim, 67-84.

Dönmez, A. ve Çavuşoğlu, K. (2015). “Hilelerin Ortaya Çıkarılması Bakımından Bağımsız Denetim İle Adli Muhasebenin Karşılaştırılması”. *Journal of Accounting, Finance and Auditing Studies*, 1 ( 3), 34-67.

Elitaş, B. L. (2012). “Seçilmiş Örneklerle Adli Muhasebe Eğitimi ve Türkiye İçin Bir Değerlendirme”. *Muhasebe ve Finansman Dergisi*, 55, Temmuz, 153-172.

Gülten, S. (2010) “Adli Muhasebe Kavramı ve Adli Müşavirlik Mesleği” *Ankara Barosu Dergisi*, 68 (3), 311-320.

Gülten, S. ve Kocaer, İ. (2010). *Adli Muhasebe Uygulamaları*. Ankara: Ankara Ofset. Karacan, S. (2012). “Hukuk İle Muhasebenin Kesişme Noktası: Adli Muhasebe”. *Uluslararası İktisadi ve İdari İncelemeler Dergisi*, 4 (8), Kış, 105-128.

Keleş, D. ve Keleş, Ü. (2014). “Adli Muhasebecilik Mesleği Ve Türkiye’deki Uygulamaları”. *Gümüşhane Üniversitesi Sosyal Bilimler Enstitüsü Elektronik Dergisi*, 5 (9), Ocak, 53-75.

Pazarçeviren, S. Y. (2005). “Adli Muhasebecilik Mesleği”. *Zonguldak Karaelmas Üniversitesi Sosyal Bilimler Dergisi*, 1 (2), 1-19.

Ulucan Özkul F. ve Pektekin, P. (2009). “Muhasebe Yolsuzluklarının Tespitinde Adli Muhasebecinin Rolü Ve Veri Madenciliği Tekniklerinin Kullanılması”. *MÖDAV*, 4, 57-88.

Uşul, H. ve Topçuoğlu, M. (2011) “Finansal Manipülasyonların Ortaya Çıkarılması Ve Önlenmesinde Adli Muhasebenin Önemi: Türk Hukuk Sisteminde Var Olması Gerekliliği Üzerine Bir Tartışma”. *Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 16 (3), 53-66.

Zeytin, M. (2007), Bağımsız Muhasebe Meslek Mensuplarını Hata ve Etik Dışı Davranışlara Yönlendiren Faktörler, Kütahya: Dumlupınar University, Social Sciences Institute, Graduate Thesis.