

Importance of Forensic Accounting and Forensic Accountancy Profession

Adli Muhasebe ve Adli Muhasebecilik Mesleğinin Önemi

ABSTRACT

Accounting and financial statement frauds have existed for years and will continue to exist. Although the magnitude of these frauds causes damage to the economic system, the magnitude of the fraud rates experienced has brought to the forefront the need for competent people in financial matters in the legal system. This need has led to the emergence of the forensic accounting profession. Forensic accountants are able to detect fraud and corruption in financial statements in a professional manner by going beyond traditional auditing techniques and assist the legal system at every stage with these competencies. In this respect, forensic accounting is undoubtedly one of the effective methods in detecting fraud in the globalizing world. In this study, forensic accounting is examined in the theoretical framework. In this study, it is aimed to contribute to the literature by providing information about the scope and characteristics of the forensic accounting profession, which is not yet at the desired dimensions in our country, as well as to attract the attention of all stakeholders to be recognized as a profession by emphasizing the necessity of forensic accounting.

Keywords: Forensic Accounting, Forensic Accountancy, Professional

ÖZET

Muhasebe ve finansal tablo hileleri yıllardır varlığını sürdürmekte ve sürdürmeye de devam edecektir. Bu hilelerin büyüklüğü ekonomik sistemde hasara neden olmakla birlikte, yaşanan hile oranlarının büyüklüğü hukuk sisteminde mali konularda yetkin kişilere ihtiyaç olduğunu ön plana çıkarmıştır. Bu ihtiyaç beraberinde adli muhasebe mesleğinin ortaya çıkmasına yol açmıştır. Adli muhasebeciler, finansal tablolarda yapılan hile ve yolsuzlukları geleneksel denetim tekniklerinin dışına çıkarak, profesyonel bir şekilde tespit edebilmekte ve bu yetkinlikleri ile hukuk sistemine de her aşamada yardımcı olmaktadır. Bu bakımdan küreselleşen dünyada hile denetiminin tespitinde etkili olan yöntemlerden biri şüphesiz adli muhasebedir. Bu çalışmada adli muhasebe konusu teorik çerçevede incelenmiştir. Bu çalışmada ülkemizde henüz istenilen boyutlarda olmayan adli muhasebecilik mesleğinin kapsamı ve özellikleri hakkında bilgi vererek literatüre katkı sağlamanın yanında, adli muhasebeciliğe olan gerekliliğin vurgulanmasıyla birlikte meslek olarak anılması hususunda tüm paydaşların ilgisini çekmesi hedeflenmektedir.

Anahtar Kelimeler: Adli Muhasebe, Adli Muhasebecilik, Meslek Mensubu

INTRODUCTION

The emergence of accounting scandals such as Enron, Worldcom, Pharmalat, etc., which made a great impact in the world, caused accounting practices to be questioned in many respects. Following these developments, accounting errors and frauds have come to the forefront and the materiality levels of errors and frauds have increased significantly for audit firms and it has been emphasized that the accounting profession should focus more on specialized errors and frauds.

Today, the nature of financial crimes and the fact that the criminal profile has become more complex has caused the judiciary and criminology researchers to be inadequate in solving such criminal activities. Because not only legal knowledge is not sufficient in resolving legal disputes related to accounting that have been transferred to judicial authorities related to commercial and economic disputes, but also a high level of accounting knowledge is required. Concrete evidence obtained as a result of forensic accounting studies can help to fully reveal these crimes during the trial phase and prevent possible victimization.

Forensic accounting, which is a profession of increasing importance in recent times, is a branch of profession that assists judicial authorities in our country through litigation support and expert witnessing. Forensic accounting, which is considered to be one of the favorite professions of the future in many western countries and is considered to provide extremely important contributions especially in the investigation and discovery of fraud crimes, has not yet been fully accepted in our country. Although the forensic accounting profession has a history of approximately 40-50 years in Europe, it has gained momentum and developed especially since the beginning of the 90s. When the

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subject is evaluated scientifically in Turkey, although it entered our lives in the 2000s, it is not a very new concept, but it has not yet reached a sufficient maturity.

This study takes a qualitative approach. In the study, the concept of forensic accounting and the forensic accounting profession are discussed, followed by a comprehensive literature review on the subject, and the necessity of the forensic accounting profession is emphasized.

FORENSIC ACCOUNTING CONCEPT

It is stated that the history of the concept of forensic accounting covers a period of approximately 5000 years (Atmaca & Terzi, 2012). It was stated that the first example of forensic accounting was subject to commercial transactions in Mesopotamia and Egypt between 3300-3500 BC. It is stated that clay tablets were used as documents in commercial transactions and a thin clay tablet served as an envelope. If the outer surface of the tablet, which served as an envelope, was damaged and tampered with, it was considered a reason for investigation. Thus, we can state that the origins of the concept of forensic accounting date back to ancient times (Akin & Onat, 2015).

Forensic Accounting is defined as an intuitive approach to using investigative techniques, integrating accounting and business skills, developing ideas and thoughts for use by expert witnesses and testifying in court, resolving complex financial transactions, investigating fraud, deciding damages, valuing businesses and resolving other financial disputes (Oberholzer, 2002). In the concept of forensic accounting, where the concepts of forensic and accounting are used together, the word forensic refers to the legal dimension of the subject, while the word accounting refers to the accounting processes that arise as a result of commercial activities. Therefore, forensic accounting appears as a concept that expresses the working together of law and accounting on accounting issues that arise as a result of commercial activities. As a result of the intertwining of forensic accounting, accounting and legal knowledge, forensic accounting also includes the use of other fields of science such as economics and psychology and the use of research, evidence collection, questioning and auditing techniques.

Forensic Accounting Profession

The concept of forensic accounting was first introduced in 1824 by a Scottish accountant named James Mc Clelland in his own promotional advertisement. The concept of forensic accounting was formalized in 1946 when Maurice Peloubet used it for transactions related to legal cases. As the accounting scandals such as Enron and Parmalat, which occurred in the early 2000s and affected the whole world, decreased the confidence in the auditing profession, forensic accounting became a concept that gained more importance and gained a legal status with the Sarbanes Oxley law published in 2002 (Karahana, 2020: 157).

People who fulfill the forensic accounting profession are those who have a good command of generally accepted accounting and auditing principles and can also use professional accounting skills in matters involving potential or actual legal or criminal prosecution. The expected characteristics of forensic accountants are as follows (Oyedekun, 2015:7).

- ✓ Curiosity; forensic accountants should be interested and curious about the developments related to their profession and should prioritize professional skepticism in their activities.
- ✓ Persistence; the forensic accountant should go beyond the generally accepted accounting principles and auditing standards and evaluate, investigate and examine the case in all its dimensions until he/she completes his/her work.
- ✓ Creativity: In addition to having a good command of generally accepted accounting principles and auditing standards, the forensic accountant should go beyond these and review all the details by examining the case like a detective and try to reach a solution by considering the whole case.
- ✓ Prudence; the forensic accountant should evaluate each case independently, review each case by taking into account its unique characteristics, have a good business intuition and judgment, have a logical, clear and analytical thinking in his/her decisions, and be cautious against possible risks.
- ✓ Ability to organize; forensic accountants should be effective and successful in written and verbal communication during the presentation of their work, should be able to establish human relations in a healthy way, and should organize all their activities well.
- ✓ Reliable personality; the forensic accountant must first and foremost have an impartial, reliable and fair personality.

- Reliable professional judgment; since the information and decisions to be made by the forensic accountant are closely related to the case and the parties to the case, he/she should be able to make and make decisions according to the information obtained during his/her investigations without being influenced by anyone.

The reasons for the increasing need for forensic accounting profession are summarized as follows (Bozkurt, 2000:56):

- ✓ Increasing complexity of commercial transactions due to globalization,
- ✓ Increase in the rate at which individuals and institutions apply to the courts,
- ✓ Increase in problems in relations between individuals, organizations and the state
- ✓ With advancing technology, it becomes more difficult to prevent fraud and corruption,
- ✓ Increasing number and large amounts of business failures.

Forensic accountancy profession is generally considered in three dimensions: fraud auditing; litigation support consultancy and expert witness.

Fraud Auditing

Fraud auditing is a branch of forensic accounting that involves different tools, different processes and different behaviors (Toraman et al., 2009: 41).

The issues that forensic accountants can help through fraud auditing can be listed as follows (Pazarçeviren, 2005:9):

- ✓ To reveal the fraudulent transactions made in the enterprises together with the proving documents,
- ✓ Analyzing the current situation in enterprises and organizing suggestions on what to do,
- ✓ Providing support for the recovery, protection and rehabilitation of assets,
- ✓ To ensure coordination with experts in other relevant fields,
- ✓ Helping to recover assets through litigation.

Litigation Support Consultancy

Litigation support consultancy refers to the support provided by the forensic accountant to the relevant persons throughout the case, starting from the emergence of a crime that has reached the court stage (Çabuk & Yücel 2012, 32). The support that forensic accountants can provide in litigation can be listed as follows (Pazarçeviren, 2005: 4):

- ✓ Assisting in obtaining documents necessary to refute or support allegations,
- ✓ Review relevant documentation to shape the initial valuation of areas, issues and events where material losses are identified,
- ✓ Assisting with research and investigations, including identifying questions to ask about financial evidence,
- ✓ To assist in the understanding of the issues and financial matters to be added to the questions to be asked, to be present at the examinations and audits to review the proofs made in favor or against

Expert Witness

An expert witness is a person who presents evidence to the court to help resolve a dispute or to arrive at the truth, who is accepted by a court or other judicial authority, and whose opinion is reached on the basis of specific expertise and knowledge (Brennan, 2005: 1).

Expert testimony is one of the areas where forensic accountants benefit the most. In order to assist the lawyers, they ensure that various information about the case is collected and all financial information is obtained. In the next stage, if requested by the court, they can also provide expert testimony to ensure that this information is understood by everyone. In this context, forensic accountants are of great importance in the decision-making process of the court (Heitger and Heitger, 2008: 562-563). Forensic accountants carry out the following activities within the scope of expert witness activity (Çankaya et al. 2014: 73).

- ✓ To make the necessary investigations and obtain various information and documents related to the incident that has been referred to the court and an investigation has been opened,
- ✓ To reach a conclusion or an opinion based on the information and documents obtained about the incident,

- ✓ To present to the tribunal and the lawyers, in an honest and impartial manner, the conclusions drawn on the basis of the information obtained.

Stages of Forensic Accounting Profession

As in every transaction, there is a sequence of transactions in the transactions to be made regarding forensic accounting. We can list these procedures as follows (Pazarçeviren, 2005)

Meeting the Customer: It is the process of coming together with the actors involved in the incident.

Identifying the Conflict: The process of understanding the problems the actors are facing.

Initial Research: This is the process of preliminary research on the issue. This stage is necessary for a better understanding of the problem.

Action Plan Preparation: It refers to the best use of the data obtained as a result of the preliminary examination of understanding the problem after meeting with customers in order to achieve the objectives.

Obtaining the Right Evidence: According to the nature of the case; it refers to the process of examining document analysis, numerical data and expert reports.

Analysis: Although it varies according to the nature of the case, it is generally the process of calculating the financial loss, summarizing the transactions, tracing the assets, finding the current values, making explanations with analysis, graphs and tables.

Preparation of the Report: This is the process of preparing the report in various sections according to the scope of the research, the approach to be applied and the limits of the findings.

Literature Summary

Aktaş and Kuloğlu (2008), in their study on forensic accounting, stated that forensic accounting is given more importance in western countries and that forensic accounting will make significant contributions in the fight against fraud and similar crimes.

Gülten (2010), in his study to introduce the concept of forensic accounting, stated that the forensic accounting profession is widely used in the United States, Canada and European Union countries, while in Turkey it is in the new recognition stage. He stated that the forensic accounting profession can find solutions to problems and speed up the trial periods.

Karacan (2012) stated in his study that the concept of forensic accounting is in a new position in Turkey and that the need for the forensic accounting profession, which requires a different area of expertise, will increase day by day in Turkey.

Akın and Onat (2015), in their study conducted to evaluate the perspectives of accounting professionals on the forensic accounting profession, stated that the members of the profession have a positive approach to the subject, but the opinion that there is a need to increase their knowledge on this subject is dominant. The authors stated that the forensic accounting profession should be supported by laws and regulations and that undergraduate and graduate programs should be opened for the profession.

In his study, Uyar (2015) examined the forensic accounting profession with the historical developments that led to the emergence of the profession, especially in the example of the Worldcom scandal. According to the author, the desire of companies to grow as an effect of globalization leads them to fraud from time to time. He stated that these cases will decrease with forensic accounting education and awareness in faculties and colleges.

Rezaee et al. (2016) conducted a survey study with university students operating in China. In the research, they aimed to examine students' perspectives on forensic accounting. The study concluded that the interest in forensic accountants in the fields of litigation support, expert witnessing and fraud auditing will gradually increase and it is stated that more forensic accounting courses should be included in accounting programs.

Şenel and Atmaca (2018) investigated the awareness of accounting professionals in Sivas province towards forensic accounting profession. As a result of the research, the authors concluded that the awareness of the members of the profession towards the forensic accounting profession is low.

Şenel and Darıcı (2018) in their study addressed the uncovering of crime in forensic accounting in terms of the concept of "neuro accounting". The authors stated that the use of psychophysiological techniques in forensic accounting cases can be guiding.

In their study on the forensic accounting profession and its place in Turkey, Aracı and Özcan (2019) concluded that there is no professional branch that fully meets this profession in Turkey. In countries where the profession is recognized by law, it is stated that forensic accounting services are provided more professionally.

Kurt (2020) In the study investigating the role of forensic accounting in judicial decision-making, a survey was conducted on lawyers registered to the Çanakkale Bar Association. It is stated that forensic accounting awareness is dominant among lawyers. It is stated that lawyers mostly need forensic accountants on issues such as electronic commerce, cybercrimes and computer fraud.

Altunay (2021) conducted a bibliometric analysis of national articles written in the field of forensic accounting. It was determined that the first article in this field was written in 2000 and the most studies were conducted in 2019. He stated that the published articles generally focus on forensic accounting awareness.

Uyanık and Salur (2023) examined the relationship between forensic accounting and internal audit in terms of the banking sector. Reports within the scope of internal audit activities conducted by bank inspectors were included. It is emphasized that these reports can be a guide and guideline for the forensic accounting profession.

Akinbowale et al. (2023) stated in their study that fraud schemes are becoming increasingly dynamic and complex. Therefore, the forensic accountant should be aware of the latest developments in the field of data analytics, as traditional data analytics techniques are insufficient in the digital age.

Boztepe (2023), in his comparative analysis of forensic accounting standards, evaluated forensic accounting standards in the USA, the UK, EU countries, Australia, India and Canada in terms of strengths, weaknesses, commonalities and differences. The need for global harmonization in the forensic accounting process is emphasized, but it is stated that factors such as different legal and regulatory frameworks, language and cultural barriers, and the speed of regulatory changes make global harmonization difficult.

Boztepe (2024) conducted a bibliometric analysis of theses written in the field of forensic accounting in Turkey and concluded that the most studies on this subject were conducted in 2019, Marmara University has more studies on this subject and the theses are generally at the master's level.

Şendurur and Acar (2024) conducted a survey with accounting academics on forensic accounting and concluded that in addition to human factors such as forensic accounting education and forensic accountant experience, organizational factors such as information technology solutions and creative accounting practices have important effects on the successful implementation of forensic accounting.

CONCLUSION

One of the new areas of expertise emerging in the accounting profession is Forensic Accounting, which offers a new accounting perspective by establishing a relationship between accounting and law, which is also expressed as the intersection of law and accounting. The concept of “forensic accounting”, which has gained importance in our country in the last 15 years, has attracted attention with scandals such as “Enron, Tyco, Parmalat, Worldcom”, especially in the USA since 1998. Forensic accounting, which is a profession that enables the detection and prevention of fraud by using the knowledge of all branches of science such as accounting, finance, auditing, tax, behavioral sciences, psychology, assists all judicial authorities and authorities in making judicial decisions.

Forensic accounting is not yet recognized as a profession in our country. The accounting profession law numbered 3568 does not include the concept of forensic accounting. In this respect, it is thought that the concept of forensic accounting should be included in the relevant law. In addition, the following suggestions can be made for forensic accounting to exist as a profession:

Certificate programs can be organized by accounting academicians at universities to train forensic accountants.

The training period of forensic accountants can be named as trainee forensic accountants, and in this period, trainings such as counting procedures, taking statements, and writing reports can be provided to provide practical opportunities as well as theoretical knowledge.

In order to gain the title of forensic accountant, some criteria should be sought. For example, having the title of independent accountant and financial advisor or, even if they do not have a title, they should have taken certain proportions of accounting and law courses in their transcripts during undergraduate or graduate education. Undoubtedly, this distinction is necessary to protect the reputation of the profession.

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