



## FORENSIC ACCOUNTING IN IRAQI INSTITUTIONS APPLICATION NECESSITIES AND REQUIREMENTS

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### ***Abstract:***

Current research aims to shed a light on a subject whose importance is increasing day by day in the light of the conditions of instability that the Iraqi country is going through. This subject is forensic accountability. To reach its objective, the research uses the inductive approach in reviewing the literature on the subject to determine the requirements for its use and development in different departments.

The research problem is stated to be as the lack of clarity among most Iraqi institutions, whether in the private or public sector, about the role of forensic accounting in providing a technical tool to detect cases of embezzlement, financial corruption, manipulation and eliminate them or reduce their negative effects on the efficiency of the administrative and financial performance of the institutions and guardian its resources.

The other objective were also to clarify what is meant by forensic accounting, its role and importance to state entities and the private sector, as well as clarifying the areas in which it

is possible to benefit from its activities and services, and clarifying the necessary skills that an accountant should enjoy in order to be a forensic accountant, as well as clarifying the effectiveness of the application for forensic accountability to reduce the phenomenon of financial corruption and increase the effectiveness of public oversight bodies and public scrutiny.

The research was based on the following hypotheses, first: forensic accounting is an indispensable tool in preserving the country's wealth and the rights of the state and society. Second: The forensic accountant has special skills and specific technical tools necessary for his success in his work and performance of work efficiently. Third: The good, efficient and effective application of forensic accounting methods is necessary for its success in its work and achieving its goals in confronting financial corruption, and necessary for the success of control in its internal and external parts.

The research was able to prove its hypotheses, and the researchers reached a conclusion of the importance of forensic accounting as a basic tool to reach an end to the cases of financial corruption that spread in Iraqi administrations and became a threat in the collapse of the economic system of the state and society.

### ***Introduction:***

One of the negative results that many countries face due to the state of economic instability is the state of widespread of financial corruption. In Iraq, where the state of instability continues, financial corruption increases and the country does not control its oil resources, as well as its other resources. In many cases, countries are interested in finding sources of power that can curb the state of financial corruption, but the role of the Supreme Audit Institution, as the main control body to prevent financial corruption is also beginning to

weaken due to the weakness of its powers. Most of these powers are administrative ones. Thus, this state necessitates the search for other control powers over the country financial resources to limit its damage and corruption. This made the role of forensic accounting to stand out as a source of strength for monitoring and investigating cases of financial corruption and deviations that exhausted the state wealth and wasted many of its resources. Many of techniques and capabilities of forensic accounting mix between legal accounting and the judiciary, and possess judicial tools capable of dealing with many cases of embezzlement and financial corruption. This type of accounting was supposed to show its use in Iraq clearly and widely, but the reality is otherwise, as it is rarely used and rarely specialized in it, which made the judicial authorities in many cases in dire need of it and its tools, as financial corruption problems explode daily in our departments and institutions and make it easier for the perpetrators of these crimes get away with it. The law due to the inability to prove the facts in a proper legal manner, This made Iraq one of the countries that lost confidence in front of the world in many financial and banking transactions. The same situation can be seen clearly in many countries of the world that suffer from a state of instability and the lack of necessary legal powers and authorities in financial control agencies and internal control bodies and their lack of independence and the interference of other parties.

In the previous periods of the last century and the current century, the international community witnessed many problems of financial crises which often represent a state of instability. This situation affected the economies of developed countries, which often export these problems to developing countries and thus affect their economies. The matter that requires researchers, writers and university professors not only to develop solutions to successive financial crises, but also to develop the legal forensic accounting profession to

prevent the collapse of many giant companies such as Enron Energy and the occurrence of large embezzlement in the world companies, despite the existence of governance rules. Although the accounts of these companies are reviewed by the largest auditing companies, such as Arthur Anderson Accounting and Auditing Companies. This is because companies carry out some fraudulent practices, manipulate profits and manage them, change their accounting policies, and thus make wrong decisions by third-party shareholders, lenders, investors, etc. The misuse of stock options led to joining Some international companies to Global list of scandals in 2006, and DELL added the global computer company in 2007 due to the spread of bribes (Smith and Crumble, 2009).

The financial collapse can also occur for several other reasons, and its priorities, causes, and situations that lead to it should be investigated. In addition, financial corruption itself, lack of integrity, lack of governance controls or lack of commitment to them may lead to the same results, and this situation includes private companies and government companies and institutions. Also, financial corruption may occur for several reasons if there are moral corruption, personal greed, and lack of commitment to correct behavior of dealing. Also, technological development may sometimes bring with it capabilities and tools that may be difficult to discover or pay attention to without full awareness of the possibilities of their occurrence.

Because of these financial collapses, the high rate of financial crimes, financial corruption, and cases of financial fraud that accompanied the large use of computer technology, which caused a reduction in the procedures of the examination and audit process as a result of the ignorance of many internal and external observers of computer usage techniques or failure to follow up the client's records by going to the client's site to check the details and methods Smart accounting, which is frequently used and is not followed up extensively, and which is commonly used in most

companies and state financial departments, has increased the need for forensic accounting and its techniques have developed.

within this context, Iraq comes as one of the countries that were affected by the aforementioned contexts and suffered a lot of damages and economic collapse due to the rush of many to obtain material personal interest. The presence of large oil wealth helped in such happening, which prompted many to try to exploit it, and due to the entry of many international companies seeking to obtain interests in any price and complicity in awarding contracts and tenders, lack of awareness, culture, and concern for state resources among many, and due to the lack of oversight agencies capable of following up on cases of financial corruption and financial breaches, helped spread the phenomenon of financial corruption and financial breaches.

Here, the role of forensic accounting appears and the need to work on paying attention to it, developing it, and making it affect all cases of scientific development on the one hand, and its understanding of the fraud and manipulation capabilities available to the authorities and its methods.

### ***Research Structure:***

The research structure includes the following aspects to cover the topic and reach its objectives:

The first topic: Research Methodology: it includes the research method, Main problem, objectives, research hypotheses, and an indication of its importance.

The second topic: Nature of forensic accounting, this includes the definition of forensic accounting, its fields and methods, the technical methods used, and the extent of the need for forensic accounting.

The third topic: Forensic Accountant - requirements, skills, qualifications, responsibilities and differences from the external auditor

The fourth topic: Forensic Accounting in Iraq

The fifth topic: Conclusions and Recommendations

The sixth topic: conclusions and conclusion

## **First Topic**

### **Research Methodology**

The research uses the inductive method to reach its objectives by studying and analyzing the literature on the subject of forensic accounting to show the nature of the concept, its importance, its components and the various aspects that surround it. This also aims to review what is written by the researchers about Forensic accounting for the purpose of knowing the requirements of its application. on which it is based and its importance.

#### ***1-1: Research Problem:***

The lack of clarity among most of the public and private sector departments about the nature and role of forensic accounting in providing a technical tool to detect and eliminate cases of embezzlement, financial corruption, fraud and illicit gain in order to preserve the wealth of society and the efficiency of its companies and departments.

#### ***2: Research objectives:***

Iraq suffers from many outstanding financial and judicial problems, because of the absence of forensic accounting role and their services to the society. This research is seeking on the role of the forensic accountant and forensic accounting in overcoming and eliminating the problems of financial corruption and activating their role in solving financial and forensic accounting.

Therefore, study objectives may be summarized as follows:

- 1- Clarifying the nature of forensic accounting, its role and importance to state departments and the private sector, and therefore its importance to society and the technical methods it uses in its operations.
- 2- Clarifying the nature of the forensic accountant's job, his role in society, the importance of his job, the specializations he practices, and the qualifications and skills that he should enjoy.
- 3- Clarifying the nature of forensic accounting in Iraq, the level of its application, the level of familiarity with it, and its current role in society.
- 4- Clarifying the effectiveness of the good application of forensic accounting to reduce financial corruption and increase the effectiveness of public oversight bodies and public scrutiny.

### ***1-3: Research Hypotheses:***

To achieve its objectives, the research adopts the following hypotheses:

The first hypothesis: (Ho1)

Forensic accounting is an indispensable tool in preserving the country's wealth and the rights of the state and society

The second hypothesis (Ho2):

The forensic accountant has special skills and technical tools that are necessary for his success in his work and performance of his work.

The third hypothesis (Ho3):

A good, efficient and effective application of forensic accounting methods is necessary for its success in its work and achieving its objectives in confronting financial corruption, and necessary for the success of auditing in its internal and external departments.

#### ***4-1: Research Importance:***

Forensic accounting is currently considered one of the most important tools to face the continuous increase in cases of fraud, financial corruption, disasters and financial fraud faced by government and private departments, in addition to the theft of state funds, especially in Iraq, which witnessed many events during recent periods, including the so-called "theft of the century", which represents a challenge to the audit and control authorities.

Many international oversight institutions, including the American Institute of Certified Public Accountants (AICPA), and some professional bodies, have indicated the inadequacy of the current scientific qualification of auditors to detect fraud and misleading in the financial statements, as well as the need of forensic accountant to learn skills, such as raising the level of professional suspicion and focus on research and investigation of fraud and misrepresentation in the financial report (Coonan, 2006) ( Arenes & Elder, 2008)

Internal and external parties have also emphasized the need to track and discover accounting manipulation, and it became one of the most important tasks of audit process that auditor should follow. Auditors Job has become Just a routine review and as a general report, and the future increase in demand for the auditor's services will depend on the auditor's ability to detect and prevent financial misinformation (Carpenter, 2007).

Therefore, the importance of forensic accounting stands out in that it meets the needs of each of the judiciary, investors, lenders, and others, and to reduce the rate of financial crimes, support lawsuits, and reduce the recurrence of fraud and financial fraud (Saad Al-Din, 2010).



## Second Topic

### **Nature of Forensic Accounting- its Fields and Requirements**

#### ***2-1:- Forensic Accounting Nature:***

Forensic accounting can be considered as a combination of accounting skills and legal skills that specialize in examination, investigation, reading behind the lines and numbers, and accounting analysis. These skills are rarely available to the ordinary auditor or legal man merely. They are also more profound, more comprehensive in scope, and more disciplined than legal accounting. It also provides a high degree of assurance in auditing financial events, and it is comprehensive, through which it is possible to give an independent professional opinion and submit a report that contributes to lawsuits.

Accounting can be defined as the application of accounting tasks in order to achieve the documentation purposes, or the actions of: identifying, recording, settling, extracting, sorting, reporting, verifying previous financial statements, or applying the accounting activities necessary to settle current or expected legal disputes, or the use of previous financial data in anticipating future data in order to settle legal disputes (Atef, 2010).

Forensic accounting may also sometimes be referred to as investigative accounting for its role in investigation, inquiry and investigation of criminal evidence to uncover hidden matters or conflict (Vaknink, 2005, 3) (Ayoub et al., 2019, 4).

Forensic accounting focuses on endorsement, proof, recording, interpretation, research, communication, verification of past data or other accounting activities, and submitting a report supported by legal and objective evidence to prove the current reality and predict future conflict. This is what the American Association of Accountants (AICPA) has indicated that forensic accounting includes both accounting investigations and support for lawsuits.

#### ***2-2: Forensic Accounting Definition:***

Some writers defined (FA) as the application of financial and mental skills in the investigation of unresolved issues in the financial and accounting field

(-Greenland, 1008,8). Others believe that it is the science that works to collect and present financial information in an acceptable and understandable form to the competent court against the perpetrators of economic crimes.

(Manning, 2005). (Dreyer, 2008, 3) believes that it is the use of auditing and investigation skills to examine the financial statements in preparation for their use in a court of law.

Also, some writers defined (FA) as applying a set of accounting, financial, investigative and research knowledge and skills, collecting and evaluating evidence, using quantitative methods, and communicating results (Gray, 2008, 115) .

Others see that it involves accounting and law to work in solving accounting problems related to litigation, settling financial and economic disputes, and investigating corruption, manipulation, and fraud (Stone & Miller 2012).

It is obvious that there is no unified definition to the forensic accounting, however, we believe that t one of the requirements of forensic accounting is a deep understanding of the accounting and legal sciences and the possession of the skill of investigation, inquiry and examination, the exercise of the highest levels of professional skepticism and the support of lawsuits. In the light of specific standards that a forensic accountant should enjoy, a professional charter, ethics and behaviors that regulate this profession in light of the concerted efforts of the state and society to improve the accounting profession and review.

### ***2-3: Forensic Accounting Areas:***

Given that forensic accounting imposes a special diversity in the auditor's specialization, the nature of his work requires knowledge of areas that may not be required for regular legal auditing and imposes necessities and skills that may differ from those possessed by the ordinary accountant who prepares lists and accounts and whose work does not require the disclosure of vague events to some extent. The forensic accountant should have a scientific and practical qualification that differs from the ordinary accountant. Where he should contribute to the development of administrative and political aspects, procedures and standards to prevent financial fraud, deception, judicial disputes, examination and analysis of realized losses and who is responsible for them, investigation and examination before the company's presentation of its financial statements.

Therefore, forensic accounting should carry out substantial burdens, part of which may be similar to what the external auditor does, and part of it is related to the function of the forensic accountant (Saad Al-Din, 2010). Such as:

- \* Evaluating the internal control systems and diagnosing the gaps through which financial corruption or embezzlement may permeate.
- \* Investigating fraud and manipulation, submitting reports on it, and providing evidence of the gaps through which financial violations and embezzlement can occur, in addition to diagnosing weaknesses, assessing the establishment's position in avoiding them, and determining the size of the defect that accompanies the management's activity because of them.
- \* Evaluating the extent of the administration's commitment to financial instructions and financial and regulatory laws, and diagnosing the size of the defect associated with the violations of this aspect.
- \* The necessary financial analysis to detect deficiencies and embezzlement in the accounts and to determine the extent of the commitment of the concerned department.
- \*The required accounting and monetary accuracy and the amount of negligence and indifference associated with its activities.
- \*Evaluation of the amount of lost profits or losses due to mathematical inaccuracy or non-compliance with instructions.

### ***2-3: Forensic Accounting Methods:***

For the purpose of accomplishing its work and achieving the objectives required of it, there are methods and approaches that are distinguished by forensic accounting in order to carry out work. These methods are:

- A- Interactive review: It is a method resorted to by the forensic accountant with the aim of conducting the necessary investigations on suspicious and illegal areas or activities to ensure the existence of fraud in them, identifying the persons responsible for that, and collecting evidence that reinforces his convictions with the results he reaches.
- B- : Post-review: It aims to examine several aspects, including:

B-1: Legislative review: It is based on studying, examining and evaluating the internal control, and ensuring the protection of the various assets and resources of the facility and that this internal control carries out its responsibilities.

B-2: Organized commitment: It is often used in state departments, as it verifies the government unit's compliance with laws and legislations related to the disbursement and evidence of government payments (expenses and others) when paid.

B-3: Diagnostic tool: It is any tool that can be used to conduct the necessary tests to assess the extent of risks and negative effects resulting from fraud, with a focus on examining the targeted areas. (Al-Sisi, 2006).

## ***2-4: Forensic Accounting Technical Means & Procedures:***

Forensic accounting methods are represented in interactive auditing, legislative auditing, accounting auditing, adherence to laws, rulings, and legislation, conducting investigations, and the diagnostic tool. The application of these methods will affect the planning of the external audit process, and then increase its efficiency and effectiveness, and reassure users of financial statements (Al-Sisi, 2006) and for the purpose of identifying the detailed procedures for forensic accounting in different cases, it is necessary to clarify the following cases:

First: Lawsuits arising from accounting aspects:

- 1- The lawsuit shall be filed before the court to study the subject matter of the dispute.
- 2- The judiciary shall refer the matter to the Office of Experts at the Ministry of Justice to study the matter from all aspects and express an accounting opinion.
- 3- The expert shall review the case file and summon the litigants to present their points of view, present evidence and documents supporting the point of view of each party, and prepare a defense memorandum.
- 4- The expert studies the issue of the dispute, prepares the necessary reports, documents and evidence, and sends them to the judiciary to take a decision.
- 5- Reports, documents and evidence are submitted to the judiciary, supported by a technical opinion and study, with an examination of the subject matter of the dispute, with the viewpoints of the litigating parties presented in the light of legal advice and accounting experience, and the court takes the final decision.

It can be said that the forensic accountant is aware of the details of the case, its circumstances, and the connection with its people and dialogue with them, and through his personal abilities.

He has a major role here in enlightening the judiciary and limiting of financial corruption practices.

Second: Lawsuits arising from a dispute between two parties before the courts (such as a tax dispute):

- 1- The case is filed with the (Supreme Audit Institution) for investigation and referral of the matter to a commission of investigation and examination comprising representatives of the income tax to study the matter.
- 2- The Investigation and Examination Committee, after taking the oath, summons the defendant taxpayer, takes his statements, examines the books and documents, prepares the report and sends it to the court.
- 3- The court summons the committee to discuss its report with them and decide either to file a case or refer the matter of the dispute to the judiciary.

Here, the taxpayer or the defendant can assign the forensic accountant to carry out the process of searching and investigating the validity of his accusation of tax evasion by the tax department. These are cases that rarely happen to us in Iraq, as many cases of tax evasion are practiced in the private sector and hundreds of millions of dollars go because of them without any complaint or investigation on the subject. This calls for attention to this aspect and taking it seriously by tax department. This means that the tax administration must have follow-up and examination tools that can predict the amount of tax in advance and work on it.

It enables the state to know the size of its expected revenues in advance, so it can plan its activities and determine its absorptive capacities for projects, employment, and others.

### ***2-5: The Need for Forensic Accounting:***

In addition to the foregoing, there is a lot of what was referred to in the literature on the subject of forensic accountability about the extent of its need and the necessities it imposed over time due to the development of events in Iraq.

Some studies have indicated that the fraud scandals witnessed by international companies such as Enron and others, and the resulting lawsuits have motivated many companies to study the reality in which they live, which created a great demand for forensic accounting services and the technical methods of detection, investigation and verification that they provide and which by its nature, it plays a crucial role in investigating suspected financial scandals and embezzlement of assets and funds.

In addition, the need to the judiciary has increased for experts or consultants among accountants with a sense of the judiciary, and whose experience can be used in conducting investigations and discovering the truthfulness of the information contained in the financial statements and expressing an opinion in lawsuits related to financial irregularities and fraud that can be committed in the financial statements. Thus, the forensic accountant, through his possession of a set of skills on which forensic accounting is built, is the person or entity capable of efficiently exercising the function of investigation and investigation and cases of embezzlement, fraud, financial corruption, etc., This has become at the present time one of the prominent features in the activity of private and public business companies.

### **Third Topic**

#### **Forensic Accountant - Requirements and kills**

##### ***3-1: Basic Requirements for the Forensic Accountant:***

Due to the nature and sensitivity of his work and the great responsibility it entails, and for the purpose of efficient and effective application of his job as a forensic accountant, the accountant must have multiple skills and experiences that enable him to perform his work in a sound, integrated and accurate manner, discover the backgrounds on which he relies, and achieve the goals aspired by the community and governmental and private agencies by applying forensic accounting skills. This knowledge, experience and knowledge can be summarized as follows:

1- The need for forensic accountant to have a good accounting background, integrated knowledge of auditing and internal control, and how to control fraud and manage the risks associated with it

within the framework of a true understanding of the basics of the legal environment and communication skills.

2- The need for the forensic accountant to have discrimination, high experience, the ability to persuade, the skill of effective communication, the skill of conducting investigations, a deep understanding of accounting operations, the ability to argue, analyze, evaluate and support claims, and the need for him to join training courses and specialized programs and obtain a certificate of professional experience accredited by recognized authorities.

### ***2-3: The Necessary Skills of the Forensic Accountant:***

A set of special knowledge and skills must be available in the forensic accountant in order to be able to reduce financial corruption (Saad Al-Din 2012), including:

- 1- Deep understanding of advanced accounting and auditing sciences.
- 2- Methods of investigation and inquiry procedures
- 3- Adequate knowledge of laws and regulations
- 4- Criminal procedures and litigation procedures
- 5- Deep understanding of misleading fraudulent accounting approaches and methods.
- 6- The skill of organized and systematic thinking to resolve judicial disputes
- 7- Outstanding skills in oral and written communication and information technology.

Effective communication skill to present evidence and reports before the judicial authorities.

- 9- Exercising the highest degree of professional skepticism when implementing the audit program.

### ***3-3: Academic and Practical Qualifications of Forensic Accountant:***

The forensic accountant should have a set of academic and practical qualifications, in addition to personal skills and qualifications that qualify him to carry out his work efficiently and with awareness of his requirements:

#### **1- Academic Qualifications:**

Forensic accountant needs to possess scientific qualifications in accounting, finance, investment, computer science, information technology and other related disciplines, methods of inquiry and investigation.

## **2- Practical Experience:**

The forensic accountant should have practical experience of not less than three years in practicing business related to aspects of investigation, and other needs, and the forensic accountant's team consists of lawyers, accountants, judicial experts in the field of computer and law enforcement bodies such as the police, so it must be advisable for the person to practice internal auditing and abroad before becoming a forensic accountant.

## **3- Computer Science and Information Technology:**

The computer is currently used for many financial and other purposes and actions as well. It is an important means to hide many facts. Unless the forensic accountant understands computer techniques and accounting information systems, it is difficult for him to access the facts of fraud, financial fraud, fraud attempts, fraud, financial corruption and electronic crimes. (Emma Okoye and actus O. Akenbor, 2009 (Al-Awad and Al-Jubouri, 2020)

## **4: The Personal Skills of Forensic Accountant:**

There are also skills of a personal nature that the forensic accountant should be proficient in and work on developing them due to the difficulty of carrying out his work without possessing these qualifications. These qualification are necessary for every accounting or legal work intended to prevent fraud and fraud and prevent fraudulent accounting methods from carried out, such as: analysis skills, whether Intellectual or accounting, to explore the concepts of events, creative thinking skills, and the ability to know the effects of the circumstances surrounding events, their rationale, and the logicity of criminal behaviors that conceal negative intentions. In addition, the chartered accountant must possess some basic knowledge in psychology in order to enhance his ability to investigate suspects or



witnesses to detect fraud.

### ***3-5: Duties and Powers of the Forensic Accountant:***

Due to the importance of the subject of forensic accounting and the nature of the decisions that are taken in the light of the evidence it provides or the opinions that the forensic accountant provides to the judicial and criminal authorities, the duties that the forensic accountant is supposed to perform and the powers that he possesses are of high importance and are of great interest to the judicial and legal authorities and to the institutions and roles of financial control Supreme. These duties and powers can be summarized as follows:

- 1- The forensic accountant reviews the indictment in criminal cases when the investigation is submitted to the grand jury, and reviews the available and expected evidence to prove or deny the accusations in criminal cases, in addition to presenting cases of support by refusal or acceptance to the plaintiff in the case of civil cases, and he also reviews Prosecution note in criminal cases in some cases.
- 2- He provides the necessary advice to lawyers and judges regarding accounting problems that occur due to the lack of clarity of the accounting procedure to be applied, or because the accounting or regulatory standard to be applied in certain cases is not established, or any technical accounting problem related to the regulatory or judicial aspect.
- 3- Verifies the accuracy of the accounting data submitted to the court, whether criminal or civil
- 4- Determine the best way to present the testimony to the Public Prosecution and the judges, as it is the simplest way to clarify a matter for the court
- 5- Statement of opinion on the credibility of information provided to shareholders to enhance their confidence in it.

(Emma Okoye and actus O. Akenbor, 2009)

### ***3-6: The Role of the Forensic Accountant in Supporting Lawsuits:***

The forensic accountant has a major role in resolving many issues related to disputes between multiple parties regarding financial disputes, as well as about fraud and material corruption, using the technical methods and distinct methods that we referred to. The role of the forensic accountant is not limited to technical methods, but rather personal methods, especially emotional ones, especially in investigating aspects of personal financial corruption, where the emotional aspect can

be used to make the person being interviewed feel more secure and ready to reveal the information in his possession, especially when controlling the accused by using personal interviews, emotionally and repeatedly, and informing him of his innocence, which pressures the suspected suspect to make him confess guilt and committing the crime, which happens in many cases using certain methods. The suspect can provide an explanation of the reasons and situations that led him to commit the crime (Gray, 2008, 123). In addition, the role of the forensic accountant in litigation cases can be summarized as follows:

- 1- Collecting the necessary evidence on issues of fraud or embezzlement and studying the associated risk factors.
- 2- Ensure that there are doubts, signs, or red flags about the existence of evidence of fraud in the financial statements
- 3- Benefiting from the profession's means and techniques when studying and evaluating fraud risk factors and enhancing them with the submitted reports.
- 4- Holding discussion sessions among members of the audit team to exchange ideas and experiences regarding the commission of fraud, in addition to making contacts regarding cases of embezzlement and fraud with management, the audit committee and other concerned parties.

We believe that an important issue such as fraud and embezzlement and the extent of its impact on the situation of the state as a whole and the renewed methods of fraud and fraud that it entails require the forensic accountant to hold seminars for discussion and sharing of opinion for all the competent authorities within any institution to seek their opinion and perception about the situation and shed light on the cases

The various events that may occur and shed light on the issue in order to make the parties seeking to follow the path of fraud feel that the matter is immoral and illegal and that legal measures will be taken against those who follow it, instead of the current method used that puts the criminal in a safe situation, not afraid of anything and not afraid of No one has a sense of the consequences of this behavior.

The researcher believes that the issue is as much a legal, accounting and regulatory issue as its motive is the moral aspect. The phenomenon of corruption, financial fraud and abuse of state resources has exacerbated in Iraq and many developing countries, which made it a clear

phenomenon that deserves research and scrutiny to find ways that are rigorous and technical in order to reduce it. and eliminate it.

Some writers also refer to a set of commandments to help build an atmosphere of integrity and preserve the country's wealth:

1- The need for adequate and clear attention in all departments and at all levels Accompanied by all kinds of rigor and emphasis on corruption and financial fraud. 2- The need for the existence of the necessary legislation to clarify the nature of the duties and powers of the forensic accountant and his involvement in all courts and legal departments and in the objection committees of the tax departments, and to develop the work of the expert in line with the requirements of forensic accounting. 3- Introducing the subject of forensic accounting within the undergraduate curricula of Iraqi universities in particular and specialized training centers with the aim of preparing qualified forensic accountants to work as experts and consultants in lawsuits. Judicial cases, enlightening the judiciary and helping it to establish the right and achieve justice with their high and full awareness of judicial accountability and review, in addition to investigative skills based on knowledge of legal rules and systems.

4- Achieving cooperation and integration between the external auditor and the forensic accountant to activate the role in supporting lawsuits related to financial and accounting matters.

5- Assigning a forensic accountant to examine the financial statements submitted by taxpayers in the income tax departments, and not only fulfilling the legal requirement that obliges them to submit those lists on specific dates.

6- The tax administration takes into account the application of international and national accounting standards related to aspects of integrity and the necessity of applying them by taxpayers when submitting financial statements for the relevant financial period, and not accepting those statements until after observing these standards. acceptance of these lists.

7- The establishment of a professional association that includes forensic accountants, and the requirement to belong to this association so that the profession can be practiced, and its place is the Association of Accountants and Auditors (Al-Jalili, 2012). The association should be the body responsible for following up its members on cases of corruption and financial fraud.

### ***3-7: Report of the Forensic Accountant:***

The regular report of an auditor is concerned with the basic issues of the accounts on hand only, on which his personal opinion will be based, and through which he explains the extent of financial statements fairness and credibility of the numerical facts they reflect and the evaluation of their own evidence. As for the report of the forensic accountant, it differs from that, as it focuses on the precise details and facts that may be hidden from the case under scrutiny. The report of the forensic accountant searches for the substance and what may have been hidden from the information in question, and not for a routine case.

Report of the accountant is more detailed in the case subject to the dispute and prepares for taking witness testimony in the case. It feels like it could be in court. (J. R. Fenton, 2012, 78)

The normal auditor report as well as his skills of auditing have remained rigid and unchanged since they were studied decades ago, and the following points illustrate the clear differences between forensic accounting and auditing. The following represents a comparison between the two professions and the skills that distinguish each:

**The Auditor:** Focuses on the professional opinion and clarity on whether the financial statements express fairness and clarity. He also works as an investigator only and deals with civil cases merely. The auditor also submits his report on his audit findings of the accounts of certain entities, in which he clarifies a neutral technical opinion on the reality of the activity and the extent of the truth and fairness of the financial statements. The skills required for preparing and presenting the financial statements are only financial accounting, and its auditing methods are less in-depth and do not require legal knowledge.

**The Forensic Accountant:** presenting an opinion based on a fact that may be known or not yet discovered, as the forensic accountant sees with the ordinary eye what others have not seen and works as an investigator and expert and deals with civil cases and criminal. The forensic accountant

also empowers you to identify the illegal and suspicious areas that represent the environment conducive to fraud. His work is less comprehensive for the accounts, but it is more in-depth to uncover ambiguous points. The forensic accountant needs specialized and integrated skills in each of accounting, auditing and legal basics in examining and auditing lists and events. Therefore, his methods of auditing and investigation are more in-depth and require legal knowledge and understanding in criminal aspects.

It is also the duty of the forensic accountant to investigate and detect fraud in the financial statements, reviewing actual cases of fraud, proposing ways to address them, and helping protect assets, and coordination and assistance of experts in various fields. (Saad al-Din al-Sisi, pg. 51, 291).

## **Fourth Topic** **Forensic Accounting in Iraq**

There are motives behind the application of forensic accounting in Iraqi environments represented in meeting the need of the judiciary for experts or consultants who give their opinions and present their reports on financial irregularities and reassure investors, shareholders and lenders about the financial condition of their companies, but there are difficulties facing the Iraqi environment in the application of forensic accounting as a result of the lack of legislation or a specific party that is obligated to apply forensic accountability or the procedures it follows in its procedures.

Since the nineties of the last century, Iraq is subject in its audit control procedures to the Board of Supreme Audit, which represents the body of external audit responsible for oversight and auditing in state departments and the public sector. This office was established by virtue of Law No. 6 of

1990 and based on the sixth paragraph of Article (46) of the Iraqi constitution, and it became responsible for following up and discovering cases of imbalance in the accounts of the state and the public sector, and for detecting cases of embezzlement, fraud and financial corruption in the work of the state and all institutions associated with it and contracted with it. The Board was responsible for contracting, and advancing institutions that enter into tenders to complete works that belong to the state. Its reports were submitted directly to the higher responsible official authorities, such as the Ministry of Finance and the responsible ministers. It was even given the authority to submit its reports to high responsible authority of the country especially when there was embezzlement and financial corruption. Its employees were auditors with sufficient powers and were carefully selected from those who are able to perform audit work and who do not find it difficult to detect a lot of embezzlement and breach of the financial law and the accounting principles law that continued to be applied in Iraq for the period since the thirties.

However, the years during the last two decades witnessed a significant decline in the powers of auditors of the Bureau of Supreme Audit. As another oversight body appeared under the name of “Integrity Commission” under Law No. 30 of 2011 amended by Law No. 30 of 2019, which became the responsible body for all financial irregularities and financial corruption which decides the procedure it deems appropriate regarding any issue, no matter how negative its impact, and no matter how great it is, it is responsible for determining the appropriate procedure.

Therefore, current practice of audit and control is that “Supreme Audit Board “ is doing the review and “ Integrity Commission” who take the procedure.

and the Bureau does not have the right to follow them up or request the “Integrity Commission” to take a specific action.

Although the responsible official authorities (Integrated commission” have created a special anti-

corruption academy that is concerned with developing the profession of auditing cases of fraud and financial corruption, it is called the Iraqi Anti-Corruption Academy followed the Integrity Commission, however, no change or improvements has taken place to the Iraqi financial corruption. Unfortunately, the effects of this academy did not appear, and the problems of financial embezzlement in Iraqi institutions are still increasing, and we believe that what we need a strict and solid to face the financial corruption.

At a time when the auditors of the Board of Supreme Audit were all holders of a certificate of legal auditing or practicing professors who are characterized by high experience and practice, we find that the same thing is not applied to Integrity Commission auditors. Therefore, they do not apply audit skills in departments but they receive reports from the Board of Supreme Audit, which prepares them, which causes a lot of embarrassment to the Board's employees because they do not know the results of their work, and the violations may remain unaddressed.

In a study on forensic accounting conducted by each of some professors about the extent of the ability of integrity auditors to carry out their investigative duties by collecting a sample of integrity auditors in four provinces, namely Baghdad, Karbala, Najaf and Babel, and the sample size was (47) an external auditor and an auditor working in the Integrity Commission. The writers reached a conclusion regarding the specialized training courses that the majority of the auditors have entered simple internal and external courses in management, psychology, accounting and investigations with a small number that is not commensurate with the size of the responsibility and the work they do while they are considered

fundamental courses for the forensic accountant. The same is the case in criminology, psychology and investigation, the courses were few and simple, and some of them did not have the opportunity to join any courses (Al-Awaad and Al-Jubouri, 2020)

Their conclusions also indicated a lack of educational learning and experience in the basic specialized aspects of the forensic accountant.

It was also among the conclusions that the Authority's employees lack personal skills such as communication, the power of observation and the ability to read between the lines, which are among the important skills of the forensic accountant. They lack the skill of writing audit reports and the ability to detect fraud, in addition to not having the legal skills that the forensic accountant is indispensable for. Also, many of them are ignorant of the fraud triangle theory, which helps in determining the causes of fraud and thus helps in collecting evidence.

This situation has made state administrations operate for years without supervision and without fear of revealing any financial imbalance, forgery or embezzlement. According to the information we obtained from the auditors of the Board, cases of embezzlement and financial corruption were raised to the Integrity Commission, and no action or follow-up was received regarding them.

The study also concluded that many of the auditors of the Integrity Commission, in addition to their lack of understanding of the "State Employees Discipline Law", they lack also the knowledge of the Penal Code, which is considered the basis for the work of the forensic accountant, but rather all auditors and the criminal and administrative law, because the background of many of them is not prepared.

It should also be noted here that the recent years have witnessed many negative manifestations that have affected the integrity of financial work in state departments, including:

- 1- The absence of oversight over the budget's disbursement with the absence of effective oversight over the investment budget's disbursement, which helped expand the scope of financial corruption.
- 2- The widespread of dealers in government departments to complete transactions instead of citizens themselves, which leads to an expansion of the scope of bribery.



3- Ineffective control over the use of the resources and property of government departments is one of the aspects of financial corruption.

4- The absence of effective control over the assignment of important projects to local or foreign companies that do not have high efficiency that helps spread financial corruption.

5- The absence or weakness of the global aspect that sheds light on corruption helped in the spread of corruption

6- The pressures that the investigative authorities are subjected to have contributed to their weakness and thus the spread and increase of corruption.

7- The absence of an effective oversight role over senior corrupt officials led to the expansion of money laundering operations.

8- The political pressures exerted on employees in decision-making centers led to an increase in financial corruption

9- The absence of work in the Public Service Council helped in the absence of real controls in government appointments.

10- The large number of contracts with high sums, with their sums being disbursed quickly and without binding controls or conditions, worsened and expanded the situation of corruption, especially in public shops and without the existence of a supervisory body responsible for exposing corruption in them.

In contrast to all these negatives, there is no legal deterrent that limits these practices and puts an end to cases of financial corruption, especially in foreign investment projects, or puts any controls to deter it, which contributed to the weakness of the country's economic progress.

## **Hypothesis Testing:**

First hypothesis (Ho1):

According to what is discussed in the second topic as an explanation and clarification of the nature and importance of forensic accounting, the first hypothesis has been proven.

Second hypothesis (Ho2):

Based on what was mentioned in the third topic about the role, function and qualifications of the forensic accountant and that they are distinguished from those enjoyed by the accounting auditor only, the second hypothesis is proven.

Third hypothesis (Ho3):

The nature of the functions and duties of the forensic accountant, which were clarified in the second topic, the technical methods and methods that he must have, and the legal and criminal knowledge that distinguishes him from the ordinary auditor, fulfills the requirement of the third hypothesis and proves it.



### **Fifth Topic**

## **Conclusions and Recommendations**

### ***First: Conclusions:***

In light of what the facts revealed during the last two decades of time, with the increase in financial corruption and deviations from proper financial application, and what caused this from the severe weakness of the Iraqi state, the loss of the country's national wealth, and a major defect in most of its facilities, the need for a profession that exposes deviant financial practices and provides evidence has become urgent for all state agencies to get rid of aspects of weaknesses and imbalances, and they must be addressed to address the negative aspects of allowing deviation and non-application of integrity standards. Therefore, the concept and profession of forensic accounting emerged as an indispensable necessity and not a qualitative option. Therefore, we can

draw some necessary conclusions as a result of research on this topic:

1- Forensic accounting is one of the professions and arts that provide an important tool for detecting imbalances and financial corruption.

2- Forensic accounting skills consist of a set of legal, accounting and control arts and tools that the forensic accountant should be able to master. In addition to the skill of investigations and working within a legal framework that provides sufficient evidence to control fraud and deviations in the financial statements. It focuses on endorsement, proof, recording, interpretation, research, communication, verification of past data or other accounting activities, and submitting a report supported by legal and objective evidence to prove the current reality and predict the future defect.

3- Forensic accounting is based on a thorough understanding of the skills of investigation, auditing, analysis of events, numbers and accurate comparisons to reveal aspects of imbalance, concealment and corruption in financial activities in private and public administrations.

4- Forensic accountant is the person who have all the scientific capabilities that help him in tracking and detecting cases of fraud and financial corruption, and the personal ability to observe and track events, reveal suspicious behaviors, and read behind the numbers to uncover embezzlement and financial corruption.

5- In view of the continuous development of methods of corruption and financial theft, the forensic accountant must continuously develop his capabilities, methods and studies to keep up with that and be able to discover suspicious cases.

6- One of the skills of the forensic accountant is to review the prosecution's memorandum in criminal cases, and to review the indictment in the criminal case if the investigation was submitted to the grand jury. The forensic accountant also reviews available and expected evidence to prove or disapprove accusations in criminal cases, provide support or refusal, respond to the plaintiff in

civil cases, and verify the accuracy of accounting data submitted to the court, whether criminal or civil. Accordingly, he provides advice to lawyers and judges on potential technical problems in accounting.

7- The need for the forensic accountant to be aware of the nature of each profession and its secrets in order to be able to know how to hide its financial facts and to be able to reveal them.

8- Forensic accounting is considered an important development in the sciences of accounting, auditing, law, and criminal investigation processes, and it is not possible to succeed in it simply by the availability of accounting information or general legal information, but rather it requires an atmosphere of suspicion in the events that are being investigated.

9- Iraq, in its current situation, needs the services of forensic accountants in all stages of financial transactions that are carried out by national companies and foreign companies operating in Iraq, which carry out their work based on the system of contracting and undertakings due to the departure of most state departments from the accounting principles law, its applications and standards.

### ***Second: Recommendations:***

1- The necessity to adopt the forensic accounting profession by the judicial departments in Iraq country, because it represents an indispensable need at the national level and at the level of institutions.

2-The is a need for forensic accounting to gather all the skills of professions that are useful towards detecting financial embezzlement and inappropriate financial behavior at the level of the financial authority (taxes) and at the level of all Iraqi institutions responsible for achieving community resources such as oil, customs and resource generation agencies.

4-The necessity of issuing the necessary legislation that requires taking the opinion of the forensic accountant in any issue related to the state's resources or projects, and that the judicial accountant should not give his opinion except after actual auditing and investigation, and that the concerned department should provide all the priorities that enable him to do so.

5-Preparing specialized training centers supported by experts capable of raising the efficiency of the oversight and supervisory bodies and the speed of settling judicial disputes and reducing disputes between taxpayers and the tax authority and its impact on tax proceeds by reviewing the procedures of tax departments and assigning a forensic accountant to examine the financial statements submitted by taxpayers and not only fulfilling the legal requirement that obliges them to submit these lists and on specific dates.

6-Work to establish an association or a professional of forensic accountants, to be attached to the Association of Accountants and Auditors, with the necessary controls and conditions for approval, and the association requiring members to be tested to ensure their development with the development of the profession.

7-The Iraqi stock market must annually publish the names of companies that have been written off due to illegal practices regarding financial resources, and the Ministry of Finance must announce the names of officials in state departments in which dishonest practices regarding state funds and employees who have premeditatedly practiced those illegal practices were discovered. .

8- Achieving integration, coordination and cooperation between the external auditor and the forensic accountant to activate the role in supporting lawsuits related to financial and accounting matters.

9-Active participation in global conferences on financial corruption, fraud and immoral practices, benefiting from the experiences of countries in this field, and summoning experienced experts in

detecting fraud and financial corruption practices to give lectures and work to create cooperation in application with them.

10-Creating opportunities for internal auditors in state departments to learn the arts of forensic accounting and benefit from them in their institutions.

11-Paying attention to auditing and examining the contracting and bidding systems, and paying attention to the results of those committees' audits, as the process involves spending tens of billions of state funds in acts of dishonesty and legality

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