

Establishment of anti-fraud systems, accounting and financial measures to be taken

Tuğba Bilişik

Introduction

Fraud is a very basic management problem that many businesses are exposed to and which cannot be detected on time; when detected, they are passed on by individual attitudes instead of taking systematic measures and therefore, enterprises face serious repeated losses in later periods. Internal fraud is an important loss for businesses. Company management should take necessary measures to prevent and detect possible abuses.

For this purpose, fraud risks should be identified, preventive and revealing activities should be planned and fraud risk and management should be made part of the enterprise's corporate management. Additionally, setting up internal audit mechanisms is essential since it provides assurance on the effectiveness of internal controls.

Significant studies are being carried out globally on fraudulent transactions that are also called corruption and abuse. The studies both help to determine the situation and reflect the expectations in the implementation of all kinds of prevention. In today's world, where cost analysis in the global competition environment focuses more on cost savings, the losses caused by fraudulent transactions have reached serious levels. The studies carried out in the US show that the cost of fraudulent transactions to enterprises is around 5% of operating income.

American researcher Donald R. Cressey features the element of cheating under three main titles as a result of his research on prison inmates. These may be defined as **wannabe / oppression / opportunities / justification**.

The most common of these is “fraudulent financial reporting” and it can be defined as the most effective type of fraud in terms of the damage imposed on the enterprise. It is handled as misleading the users of the financial statements by not including the amounts and explanations required in the financial statements or by recording them incorrectly.

Anti-fraud systems and accounting measures

1. Internal control system regulations

One of the most important tools in preventing fraud by business management is the regulations of the internal control structure. If there is any vulnerability or deficiency in the internal control structure of an enterprise, we can say that it provides an environment for fraud. In enterprises with a strong internal control structure, the formation of fraud is difficult. Even if fraud has been performed in enterprises with strong internal control, it is easier to uncover and identify fraudsters. Business management should take various measures to prevent errors and frauds and to establish and develop the necessary systems for this purpose. This system to be created by the management can be defined as the internal control system.

In addition, the purpose of the internal control system are; ensuring that the assets of the enterprise are protected against the risk of fraud, ensuring the effective and economic use of the company's resources, assisting in the conduct of business activities efficiently and in compliance with established policies.

Therefore, an effective internal control system improves the quality of the audit activities carried out in the enterprises while reducing the time spent for the audit and enabling the enterprise to complete the audit process at a lower cost.

Effectiveness of the internal control system is important in ensuring transparency and fairness in business activities. An effective internal control mechanism does not allow for misconduct to be carried out within the enterprise, thus preventing the wrong decision of the management.

2. Information technology regulations

Today's fraud cases reveal the importance of technological applications and data analysis programs in inspections for detecting fraud. In traditional fraud detection methods, while auditors review some of the data over the sample they have chosen from the main body, it is possible to examine all the data with technological audit programs. Thus, the damage caused by fraud is reduced or the fraud is discovered when it is new. Thanks to these technology-based programs, multiple files are examined at the same time and the possibility of fraud is investigated by comparing the files that may be related to each other.

Conclusion

Corruption has the greatest impact on the disruption of social moral structure. Legal gaps in the accounting system which is the basis for corruption should be eliminated by legal regulations. With fraudulent accounting techniques, practitioners have found easy ways for corruption. Considering the harm that these frauds do to the enterprises and the society, it is necessary to employ honest persons and establish ethical rules in these enterprises while taking measures such as establishing an effective internal control system as well.

Explanations in this article reflect the writer's personal view on the matter. EY and/or Kuzey YMM ve Bağımsız Denetim A.Ş. disclaim any responsibility in respect of the information and explanations in the article. Please be advised to first receive professional assistance from the related experts before initiating an application regarding a specific matter, since the legislation is changed frequently and is open to different interpretations.