

ADVANTAGES AND DISADVANTAGES OF FORENSIC AUDIT

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While a forensic audit may sound like something exciting you hear about on crime dramas like Law and order or CSI, the truth is a little more mundane. A forensic audit is the process of reviewing a person's or company's financial statements to determine if they are accurate and lawful. Forensic accounting is most commonly associated with tax audits, but it may also be commissioned by private companies to establish a complete view of a single entity's finances [2].

Forensic audits are used wherever an entity's finances present a legal concern. For instance, it is used in cases of suspected embezzlement or fraud, to determine tax liability, to investigate a spouse during divorce proceedings or to investigate allegations of bribery, among other reasons.

Forensic audits are performed by a class of professionals with skill sets in both criminology and accounting who specialize in following a money trail, keeping track of fraudulent and actual balance sheets and checking for inaccuracies in overall and detailed reports of income or expenditures. If they find discrepancies, it may be the auditor's job to investigate and determine the reason for it, or it may be the job of a separate financial investigator. Let's consider the advantages.

Forensic auditing strengthens control mechanisms, with the objective of protecting the business against financial crimes, be they potentially catastrophic one-off events that could threaten the viability of the business, or smaller-scale but repetitive misappropriations of company assets over a number of years.

Forensic auditing can help protect organizations from the long-term damage to reputation caused by the publicity associated with insider crimes. A forensic audit also provides a sound base of factual information that can be used to help resolve disputes, and can be used in court should the victim seek legal redress.

Forensic auditing can improve efficiency by identifying areas of waste.

Forensic auditing can help with the detection and recording of potential conflicts of interest for executives by improving transparency and probity in the way resources are used, in both private and public entities.

Among disadvantages we can trace the following.

A poorly managed forensic audit could consume excessive management time and could become an unwelcome distraction for the business.

Forensic audits can have wide-ranging scope across the business. Under certain circumstances, the scope of the audit may need to be extended, with an increase in its budget.

Some employees can interpret a proactive forensic audit as a slight on their integrity, rather than as a means to improve control procedures for the benefit of the business

Foreign literature, especially American and British, has a large amount of works about forensic audit and accounting. This issue was considered by many foreign theorists and practitioners such as Steven L.Skalak, Thomas W.Golden, Mona M.Clayton, S.Howard, M. Sheetz, G. Subbotin and others.

Forensic accounting, forensic accountancy or financial forensics is the specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. «Forensic» means «suitable for use in a court of law», and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial.

Financial forensic engagements may fall into several categories. For example: economic damages calculations, whether suffered through tort or breach of contract; post-acquisition disputes such as turnouts or breaches of warranties; bankruptcy, insolvency, and reorganization; securities fraud; business valuation and Computer forensics/e-discovery.

Forensic accounting or auditing is very important in our cruel and fierce world. It aims to protect, to prove, to defend the interests of organizations in courts. In Ukraine forensic audit is not well-developed, so our experts should adopt the experience of foreign counterparts.

REFERENCES:

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