



PROSPECTS FOR THE DEVELOPMENT OF THE SCIENCE OF "FINANCIAL FORENSICS" IN THE FIGHT AGAINST FINANCIAL CRIMES

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<p>Received: February 1st 2023 Accepted: March 1st 2023 Published: April 6th 2023</p>	<p>The current research aims to study the complementary relationship between financial culture in its dimensions (a culture of saving, a culture of spending, a culture of entrepreneurial ideas) and financial literacy in its dimensions (financial knowledge, financial behavior, financial attitudes), as the research was applied in a selected sample of insurance companies operating in the market Iraq Stock Exchange, and a set of statistical tools and programs were used to analyze and measure the correlation and influence relationships between the research indicators, which is a method(kurtosis&skewness),(Amos.v.22),(Spssv.22)The research reached a number of results, the most prominent of which was the existence of statistically significant correlation and influence relationships between financial literacy and financial literacy. The discovery of new ways of committing accounting crimes and the growth of various financial fraud schemes have created a need for the development of modern scientific fields. The article discusses the possibilities of the science "Financial Forensics" in the successful solution of the tasks of identifying, investigating and eliminating economic crimes.</p> <p>Statement of the problem: in recent years, the implementation of reforms of tax and budget legislation, pricing policy and the principles of a market economy in the financial and banking sector, the development of entrepreneurship, the emergence of new conditions in the management of the economy have led to modern changes in the economy. At the same time, they led to the expansion of various economic disputes, offenses in the economic sphere, as well as new types of fraudulent crimes, combined with legal actions in the financial sphere, which were rare or did not exist at all.</p> <p>In our opinion, such problems of our practice cannot be solved by the development of normative documents or the establishment of new standards and the introduction of specific procedures. An effective fight against this type of crime will also depend on the development of specific areas of science and the deepening of knowledge of personnel in this area.</p> <p>Aim of the research: development of modern science "Financial Criminology" in order to increase the effectiveness of the fight against economic crimes.</p> <p>Research methods: generalization of data, grouping, abstract-logical thinking, perspective forecasting, induction and deduction.</p> <p>Results and main conclusions: the successful activity of law enforcement agencies in the fight against economic and financial crimes depends on the availability of a complete picture of a specific forensic description of this type of crime. Therefore, the development of the "Financial Forensics" direction in this area is an effective solution in the disclosure and investigation of economic crimes, early detection of financial fraud schemes.</p>
<p>Keywords: economic dispute, fraud, industrial espionage, white-collar fraud, association of certified experts, accounting fraud, accounting crimes, forensic accounting expertise, expert accountant</p>	



Financial crimes are socially dangerous acts that encroach on financial and economic relations regulated by the norms of financial (including tax, currency) law, on the formation, distribution, redistribution and use of funds of the government (financial resources of the state), local governments, other economic entities [1].

Modern large-scale fraud, which includes financial fraud, corruption, industrial espionage, tax evasion and fraudulent bankruptcy, is characterized by the fact that they tend to affect individuals and their associated small and medium supply chains, since the consequences of these crimes cause the greatest economic and social damage to society.

As said U.Bhome, who is versatile finance professional with dual experience of industry and audit practice, increase in "White Collar Frauds" [2] is a matter of concern for the small/medium sized employers, large corporate organizations and law makers on how to deter/prevent, detect & minimize the losses and penalize to avoid repetition. The peculiarity of these large-scale frauds is that they tend to affect individuals and associated small/medium supply chains as the impact of these crimes is immense [3].

According to research conducted by the US Association of Certified Fraud Examiners (ACFE–

Association of Certified Fraud Examiners), the most common financial fraud schemes in the world today are:

a) schemes of illegal theft of property, carried out by the criminal through the abuse or theft of the resources of the organization;

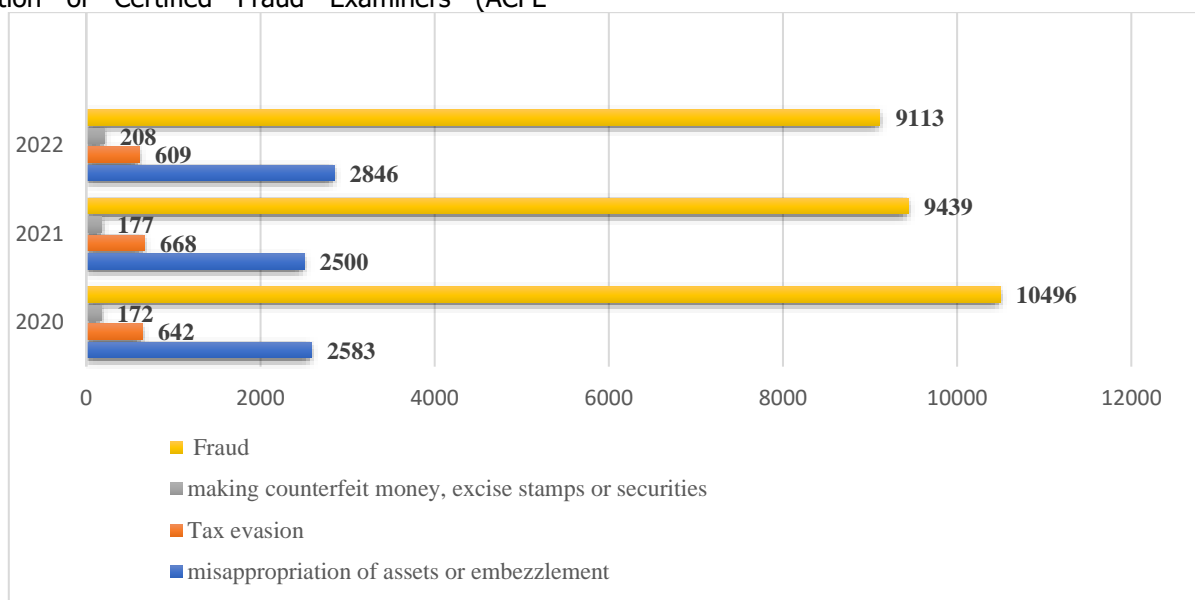
b) financial reporting fraud schemes, which include the deliberate misrepresentation or omission of important information in the financial statements of an enterprise (presenting false income, concealing liabilities or expenses, artificially increasing assets);

c) the influence of officials on the business environment, bribery, extortion and conflict of interest, etc.

Such financial crimes cause great damage not only to society and companies, but also to countries. In particular, in 2022, the number of such crimes, committed in 133 countries, reached 2110, and the amount of damage was 3.6 billion US dollars [4].

Financial crime statistics in Uzbekistan indicate an increase in fraud related to the manipulation of financial statements, embezzlement of property, tax evasion or subtle changes in the direction of eliminating such crimes.

Dynamics of financial crimes in Uzbekistan
 (January-June 2020-2022) [5]



This figure shows that among financial crimes, fraud and theft or embezzlement have a significantly higher share than other economic crimes.

It shows that, despite of the regulation of economy on the basis of legislation in the field of accounting (the Law of the Republic of Uzbekistan "On Accounting" (№-404, 13.04.2016) and new national accounting standards, as well as new tax reforms and

modern tax mechanisms, one can observe an increasing number of accounting frauds in our practice.

Especially in parallel with the processes of digitalization of the economy, there is a sharp increase in fraud committed by employees who have access to the property and funds of an enterprise or organization against their employer. The scheme of financial crimes for illegal embezzlement of funds is updated every day.



Early identification of such patterns requires the development of new areas of knowledge and serious innovative approaches.

In recent years, the use of financial reports for criminal purposes, including falsifying reports, artificially inflating the amount of real income and assets, or, conversely, influencing the decisions of investors and banks through fraudulent insolvency, remains a painful problem for credit institutions in our country.

In addition, concealment of income from business operations in reports has become an apparently intractable problem for tax authorities. As a result, these cases increase the frequency of litigation between the parties in practice.

Not only credit institutions or tax authorities suffer from this situation. On the contrary, almost all economic entities operating in the new business environment face the following problems:

a) the procedure for calculating and paying certain types of taxes; b) procedures related to tax administration are still carried out on the basis of title documents; c) the presence of administrative pressure due to the delay in the transition to effective tax administration; d) shortcomings in the automation of tax control in the tax administration; e) weakness of tax control over employees of the tax authority; f) the fact that financial sanctions are not directed at the enterprise, but at specific offenders [6].

This leads to the fact that state bodies (mainly the bodies of the tax service) themselves commit violations of the rights of taxpayers.

It is clear that such problems of practice cannot be solved by the development of normative documents or the establishment of new standards and the introduction of specific procedures, in our opinion. Because today the development of new scientific directions has led to the transfer of certain types of crimes to the cyber world, to the introduction of automated systems. In this regard, the discovery of new ways of committing accounting crimes drew the attention of legislators to such areas of modern science as "forensic accounting" [7], "forensic accounting expertise" that have existed to date, such as "financial forensics".

In our opinion, it is important to associate the second reason with the practical results of forensic accounting expertise. According to E. S. Dubonosov, forensic accounting is separated from many types of legal activities, such as investigative, judicial, only for the study of relations related to the protection of the property interests of the state, as well as other entities that have the right to have their own material and cash.

Accordingly, many rules of this science are used to detect and solve economic and tax crimes [8].

The scientific basis of this science in all countries of the independent commonwealth, including in Uzbekistan, is the organization of survey and inventory; assessment of the audit report and expert opinion on the legality of business transactions; determination of legal responsibility for illegal accounting actions; conducting forensic accounting expertise; Law enforcement agencies organize methods of work with accounting documents presented as evidence in criminal cases.

Accordingly, in our country, at present, the priority is given to the investigation of the illegal spending of budget funds, the mistakes and shortcomings made by the employees of budget organizations in the purposeful spending of funds. However, the almost non-conduct of forensic accounting examination led to a certain weakening of this field. Administrative and civil litigation continues to resolve disputes between employers and their employees regarding violations of employment contracts, wages and compensation payments.

However, virtually all businesses and organizations face incidents of theft, embezzlement, or embezzlement by their employees. In such cases, the investigation is carried out only in the presence or discovery of the fact of theft, and preventive measures are rarely applied. In litigation, claims, especially large-scale fraud schemes, fraud involving officials, illegal account transactions schemes, are not always considered objectively.

In the practice of Western countries (especially the United States and a number of European countries), the purpose of forensic accounting expertise is to verify the participation of economic agents in illegal manipulations with financial statements. The purpose of science is determined based on the essence of modern financial crimes, their complexity in comparison with other types of crimes.

Determining whether there are illegal actions in the financial statements is done by expert accountants. Law enforcement agencies have been working with the Association of Certified Fraud Examiners (ACFE) to detect financial and economic crimes.

Law enforcement officers rely on the support of an expert accountant in the field of forensic accounting in both developed countries, as discussed above. However, the constant change of forensic models for committing economic crimes gives rise to the need to improve the processes for detecting and investigating such crimes. According to Yablokov, the success of the investigation of any crime is largely determined by the



penetration of the investigator not only into the criminal law, but also into its forensic essence, which determines its forensic characteristics.

For these reasons, the concept of "Financial criminology" appeared in world practice and, as an alternative to the forensic accounting science, began to gain importance as a modern science in higher education institutions specializing in criminal law.

The term "financial forensics" is currently a relatively new term used to describe expert witnesses who possess a broader range of knowledge and skills than are traditionally associated with forensic accounting.

The science Forensic accounting relies on the knowledge of a specialist - an expert accountant in the investigation of economic, financial and tax crimes based on complaints received. The science of financial forensics, although it includes such forensic accounting capabilities, combines crime investigation knowledge with financial knowledge and is close to the fields of taxology or ballistics with the superiority of a "criminological" approach. That is why modern financial forensics develops the detective skills of law enforcement officers who are able to analyze the presence of traces of economic crimes. Such employees will have the ability to independently investigate individuals, families, and company affairs affected by financial fraud.

In conclusion, it should be said that effective use of the above possibilities of modern "Financial forensics" in Uzbekistan, establishment of teaching of this subject in higher educational institutions training personnel in the field of law, early detection and prevention of financial crimes, training of legal personnel in investigation, exposure, investigation of economic crimes is of particular importance in improving knowledge and skills.

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