

# Forensic accounting assignment

Business



The participants of the governors are rarely active in managing the direction and strategy of the business compared to other organization. 3. Justine's brother, Freddy which is the chief accountant held majority of a local amateur sports am, which struggled to sell tickets and is facing bankruptcy. 4. Meanwhile Justine auntie, Mary Ann the Senior Manager in Human Resource Department always made her own decision without prior opinion and consult with Justine about recruiting and firing employees within the company. . Most among of the family members in the organizations held the most important position within the company only hold at least a certificate or diploma in business administration, economics, English literature which are not fitted to the industry of Justine business environment which acquire expertise in designing security system for home. The Compliance Unit also are not reliable because the unit is being monitored and lead by Justine sister, Rebecca which she only has an education diploma in Fashion that are largely away of the fields of she is currently monitored and she has no knowledge regards the key role of the position at first such the company's compliance with standards and regulation procedures. 7.

The company is hired incompetent employees according to the required position and responsibility since Mary Ann headed the Human Resource Department since the employees is significantly not performed every year through their annual port performance assessment by the supervisor. 8. The company also hires hundreds of students in case to hire cheap labor at large. Commissioned paid to the students are not properly counted and approved by immediate supervisor. Thus, they are able to receives high commissions include rewards such as cruises and new cars. . Anyone in the purchasing

departments has an access to a stack of blank, pre-signed checks left by Justine in order to facilitate quicker purchases and obtain deals from vendors. There is no manual authority being introduced for approval limit and signatory for this many. The payroll room can be easily accessed by any of the family members in the Human Resource Department for daily activities since the room is also being used as storage to keep all company's records and documents including the financial activities.

What controls would you suggest the company put in place to prevent potential fraud from occurring for each Of the Concerns listed in part (a)? 1) Justine should appoint personal assistance to update him every single event and activities happen within the organization include the activities from top to bottom of management. So that he knew what is going on while he was away for outside business. Appointment among family members in the business organization is good to have faith on them. But too much trustworthiness would turn them into take advantageous on Justine business successfulness.

Specify the job task align with the credibility and have control on accessing the each of department and subordinates. 2) The governors and the rest of the major shareholders should effectively held meeting on board directors meeting to make sure that the company is sufficient and capable to arrange strategy in order to strengthen the company references. So it will promoting strategic, tactical and operational effectiveness and efficiency. The company should put guidelines for the Body's in conducting and preparing the formal agenda with the minutes as part in the annual report.

Thus the Body's will effectively taking into account each of single particular issued during the meeting held. 3) As for the Freddy which have local sport team that struggled with the bankruptcy could significantly have a bankruptcy-related fraud. He could use the source and fund from Justine company to cover the losses that he could ear upon bankruptcy that he might face. Freddy should not have another interest in other party rather than handling company business as a chief account.

He should had an independent accountability to check and review of performance of the company to growth and going concern. 4) As for the Mary Ann situation, she should need an authorization and verification in order to recruit and terminate employees in the company. The company should already had an appointment contract of employees and she should not simply made her own decision without need to consult and have approval and authorization from Justine. She might be penalize or summon cause of simply termination of employees without reasonable notice and reasons. ) For Rebecca problems is she been hired at position seems are not related to her qualification. As part of the compliance units, it must be possess by whom qualified and have certificate higher level to review and checks the standard regulation. The company should put limitation and condition to hired more expertise accordance to the job specification, weather a person is fitted and qualified to that position or not. 6) Similarly to Rebecca, the contract and form of appointment of employees thin the organization should be review and check.

The appointment of employees should have follow the ISO that been regulate such as to hire an accountant, the applicant must be at least have <https://assignbuster.com/forensic-accounting-assignment/>

graduated for minimum diploma in accountancy and pass with required minimum 3.0 of cap. And for supervisor at least have a minimum experience working about 2 years. 7) Hiring of hundred students to promote the product door-to-door is another alternative to increase sales and lower the cost of labor. In the other ways, commission paid is not properly counted and approved.

The internal intro should be increase by doing charts of account by listing each of the commission should be paid upon the sales made. Reward such cruise and new cars needs to be review because the worth value is not reasonable and become a cost to the company itself instead of cut cost of labor. The reconciliation and verification also first to be authorize and reconciles by the immediate supervisor. 8) While the cheese is been left with pre-sign cheese and blank, access to the purchasing departments should be restricted and being supervised by independence person that responsible to acquiring the cheese.

The maximum amount of being issue also need to be set. If amount of purchasing is higher than the maximum amount, it must be approval and verified by Justine himself. An issuing of acquire cheese for purchasing also needs adequate documentations and records such as the payment voucher and invoices to avoid any fraudulent purchasing of goods. The payroll rooms also have to limit the access to this department. The chart of account must appropriately list dad separated by the documents such financial activities should be kept by the account department not at human resource department.

What are some factors that can make it more difficult for the auditor to detect fraud? Factors that make it more difficult for auditor to detect fraud are there is no disclosure policy being supervised and no supplemented by ethics code, employee training proper monitoring and the right tone from the top management. Since most of the top management is held among the family members, there is no person trying to disturbance any other members job either its right or wrong.

The internal auditor also have no other alternatives to discover and disclose all the misstatements and wrong doing by an ethics ode or activities in operation or aggregations of duties since it's a family related business. Outsiders can be simply terminated once try to weightlessness in the organization. If there is significant detection fraud being discover or reported by the internal auditor to the board directors, in this case seems the Body's themselves not take into account any misleading issues and not highlighted in the meeting.

Most important thing is the owner of the company itself, Justine which give much spaces for triangle fraud to be happen. More opportunity and space given to do the fraud. There is no restriction in accessing any department and simply left the pre-signed check without kept into secure place. He also not continuing monitor the business operation rather than left to his family members runs the business. In your opinion, would a good internal controls able to prevent fraud in an organization?

Yes good internal controls able to prevent fraud in the organization. The objectives of having internal controls itself to process effected by

management, the board of directors and other personnel that is designed to minimize the risk exposure include events that adversely affect the company such as asset losses due to theft and spoilage, accounting errors and their consequences, revenue losses, expense overruns, business interruptions, fraud and embezzlement, fines and penalties, civil liabilities and losses Of competitive advantages.

In addition, the specific of the objectives of internal control includes ensuring the integrity and reliability of the financial reports, ensuring compliance with applicable laws, regulations, professionals rules, and contractual obligations and promoting strategic, tactical and operational efficiency and effectiveness.

This components of effective internal controls processes are the control environment that represents overall atmosphere in which the employees operates with the code of conduct and procedures in the organization, risk assessment, controls activities which is the policies and procedures that helps to ensure the management directives are carried out, information and communication and monitoring. If you were hired as a forensic accountant to perform the investigation on this scenario, discuss the objectives of forensic accounting and identify the relevant knowledge and skills that you should have?

Forensic accounting is the application of investigative and analytical skills for the purpose Of resolving financial issues in a manner that meets standards required by courts of law. Forensic accountants apply special skills in accounting, auditing, finance, quantitative methods, certain areas of the law,

research, and investigative skills to collect, analyze, and evaluate evidential matter and to interpret and communicate findings. The CPA classifies forensic accounting into two categories: investigative services and litigation services.

Investigative services frequently focus on fraud investigation. Litigation services can include areas such as mediation, arbitration, business valuation, and expert testimony. Knowledge and Skills of the Forensic Accountant: Auditing, investigative and communication skills, criminology, legal, psychology, IT and Accounting. Based on your understanding about the case, is it necessary for the company to establish an internal audit function and audit committee?

Discuss the roles of having such function and committee. It is necessary for the Good Locker Company by having the internal audit function and audit committee. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Major roles and responsibilities of internal audit function are as below: evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the organization's objectives and goals to be met reports risk management issues ND internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the organization's operations, in terms of both efficient and effective performance evaluates <https://assignbuster.com/forensic-accounting-assignment/>



information security and associated risk exposures evaluates regulatory compliance program with consultation from legal counsel evaluates the organization's readiness in case of business interruption maintains open communication with management and the audit committee teams with other internal and external resources as appropriate engages in continuous education and staff development Provides support to the company's anti-fraud programs.