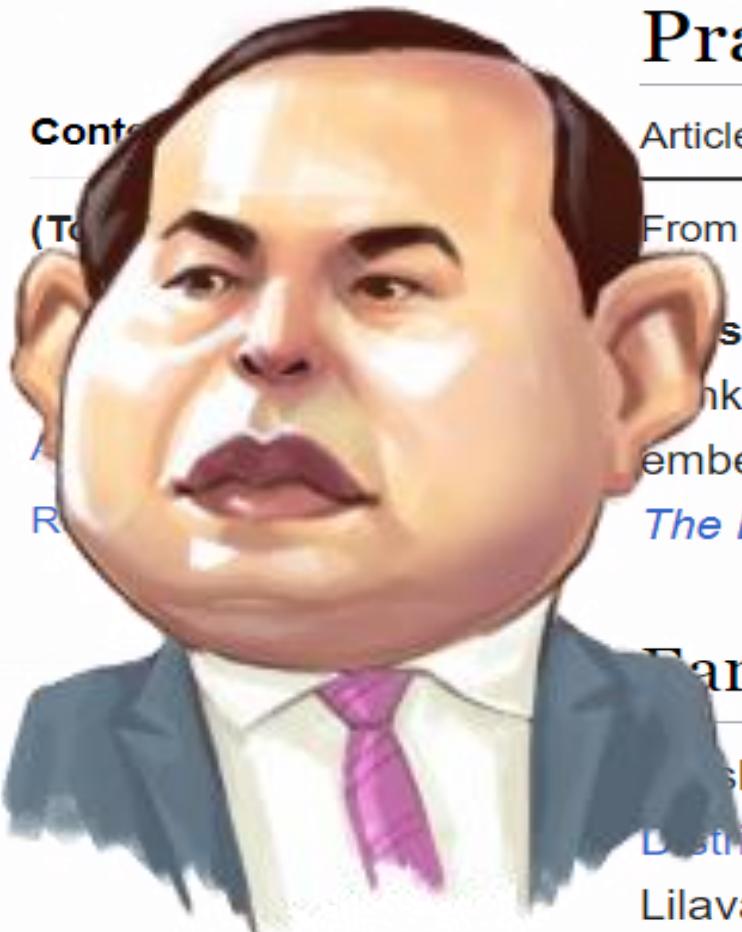


# INTERNAL CONTROL

BUSINESS



## AUDITING



# Prashanta Kumar Halder

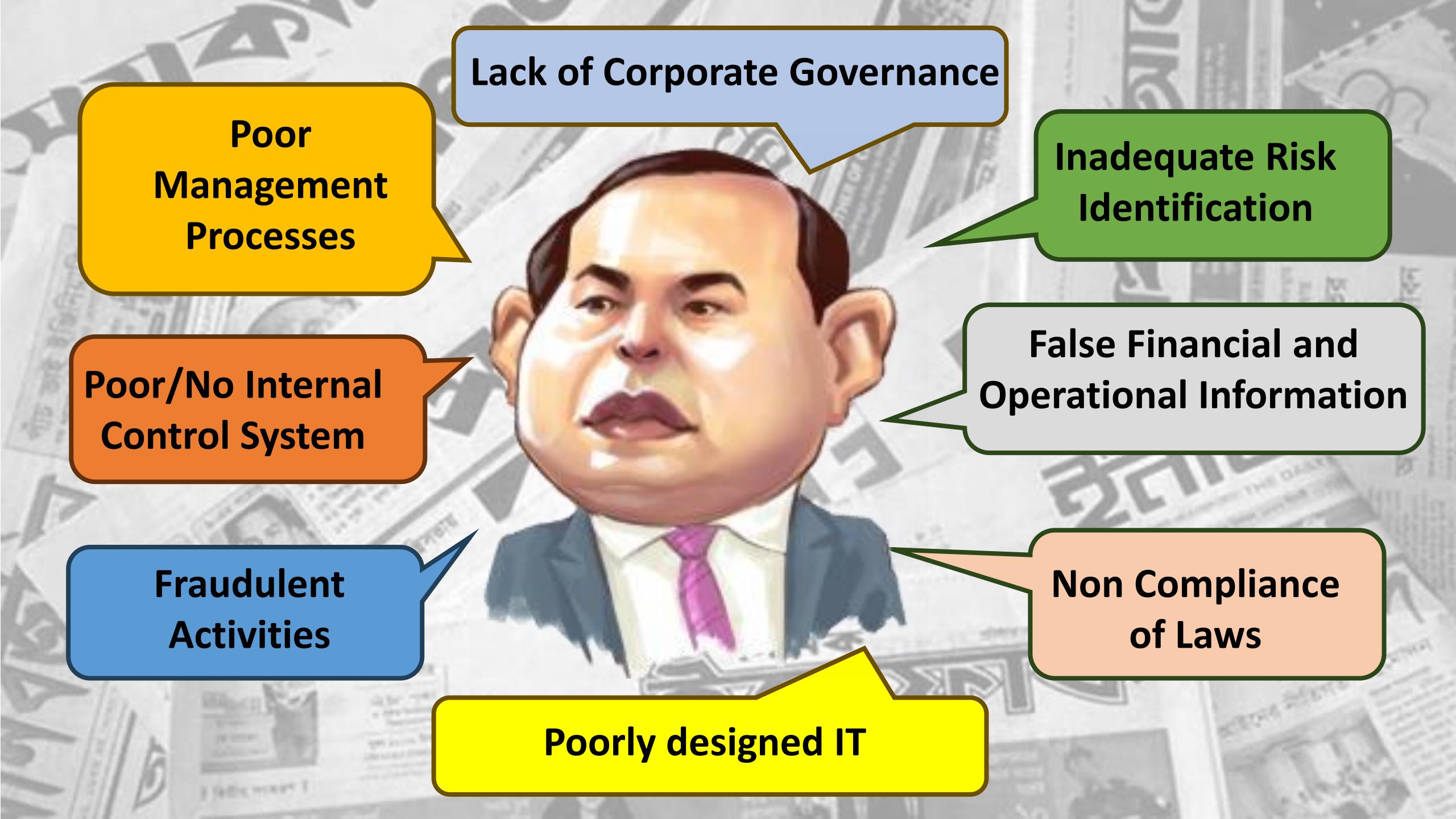
Article   Talk

(To edit this page, see the [edit](#) link at the top)

**Prashanta Kumar Halder**, also known as **PK Halder**, is a Bangladeshi-Canadian banker, businessman and finance officer. He is a fugitive and wanted in Bangladesh for embezzlement of more than 102 billion taka, one of the biggest cases in Bangladesh.<sup>[3]</sup> *The Daily Star* called him the "Sultan of Swindle".<sup>[4]</sup>

## Early life [edit]

Prashanta Kumar Halder was born in a small village in Nazirpur Upazilla of the Pirojpur District in a Hindu family. His father's name is Prananendu Halder and mother's name is Lilavati Halder who was a teacher at a local governmental institute. He is the second son in the family. His elder brother's name is Pritish Kumar Halder. They both got graduated from the Bangladesh University of Engineering and Technology. Later he got his both **MBA** & **CFA** from the **University of Dhaka**.<sup>[citation needed]</sup>



Lack of Corporate Governance

Poor Management Processes

Poor/No Internal Control System

Fraudulent Activities

Poorly designed IT

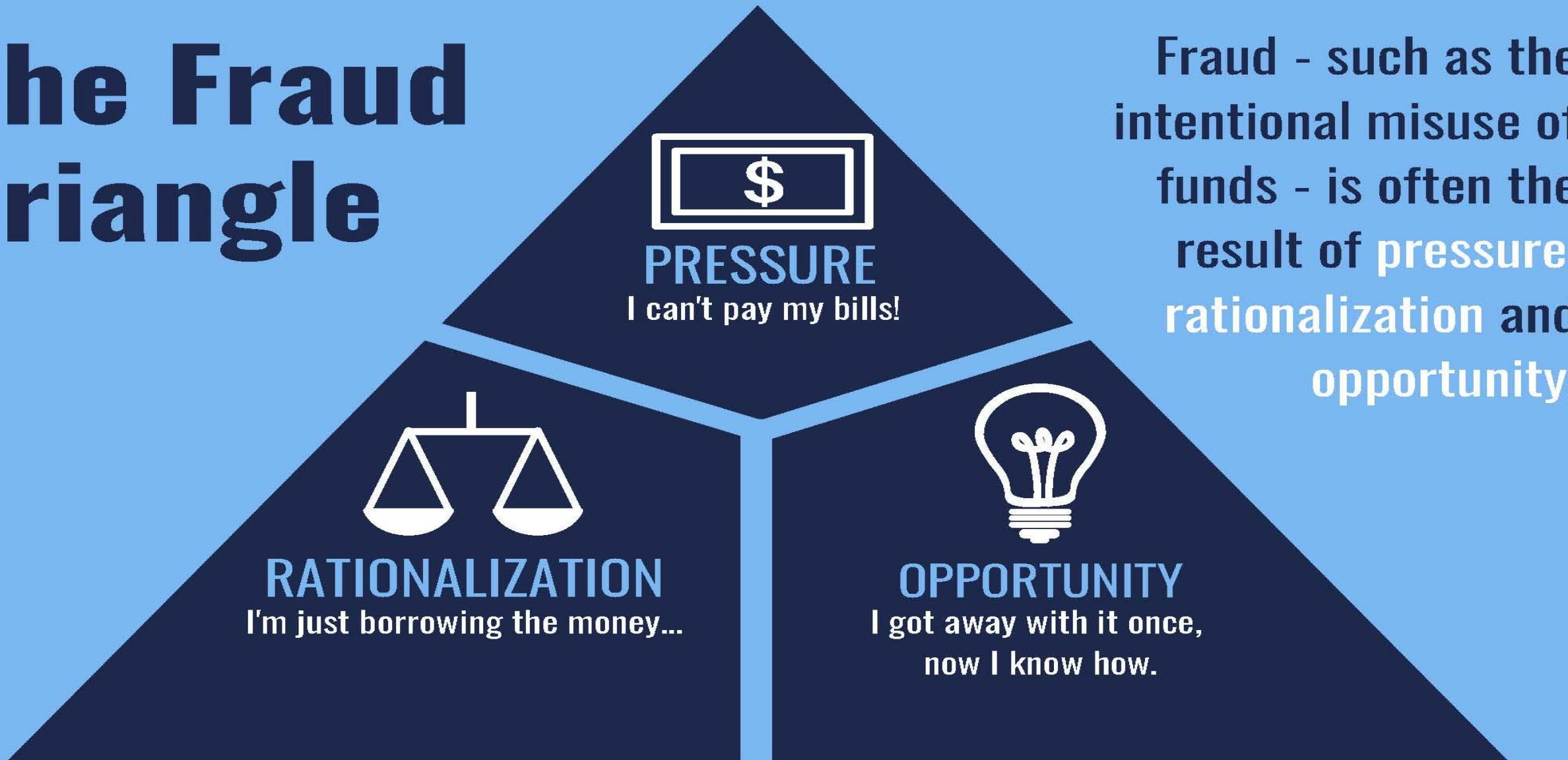
Inadequate Risk Identification

False Financial and Operational Information

Non Compliance of Laws

# What causes someone to commit workplace fraud?

## The Fraud Triangle



# FRAUD *diamond*

## MOTIVATION

- Financial pressure
- Monetary gain
- Achievement
- Manipulation

## OPPORTUNITY

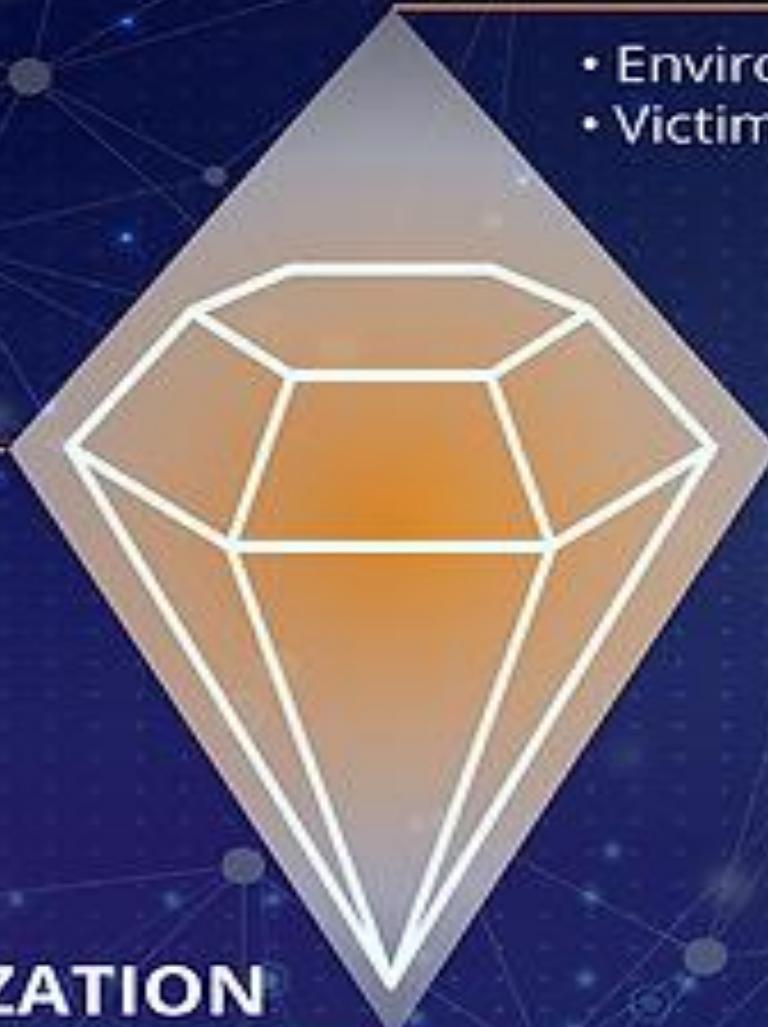
- Environmental factors
- Victim characteristics

## CAPABILITY

- Knowledge about corporate governance
- Ability to manipulate others
- Technical knowledge to steal victim identities or exploit software weakness

## RATIONALIZATION

- Belief that violating rules is acceptable
- Lack of respect for others



**It is easier and cheaper to protect  
than to cure.**

**Internal Control Systems are not  
expensive. They save money in  
the long run.**

# **Prevention**





# Internal Audit

[in- 'tər-nəl 'ō-dət]

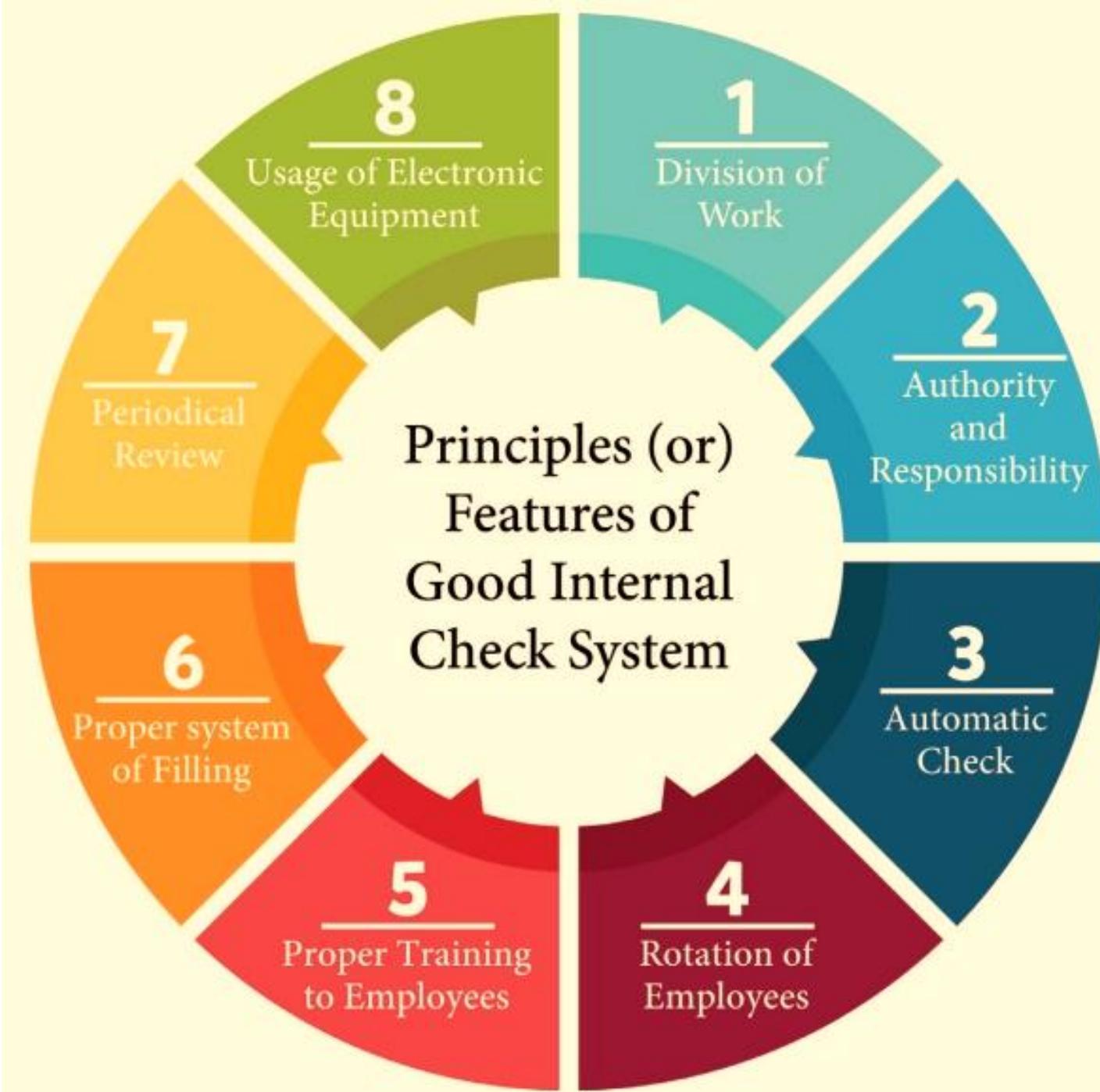
Evaluations of a company's internal controls, including its corporate governance and accounting processes.



# Internal Auditor (IA)

[in-'tər-nəl 'ō-də-tər]

A trained professional employed by companies to provide independent and objective evaluations of financial and operational business activities, including corporate governance.



# Internal Control

[in-'tər-nəl kən-'trōl]

The mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.

# Why Internal Controls are Important in your business



Decreases  
audit fees



Organized  
information

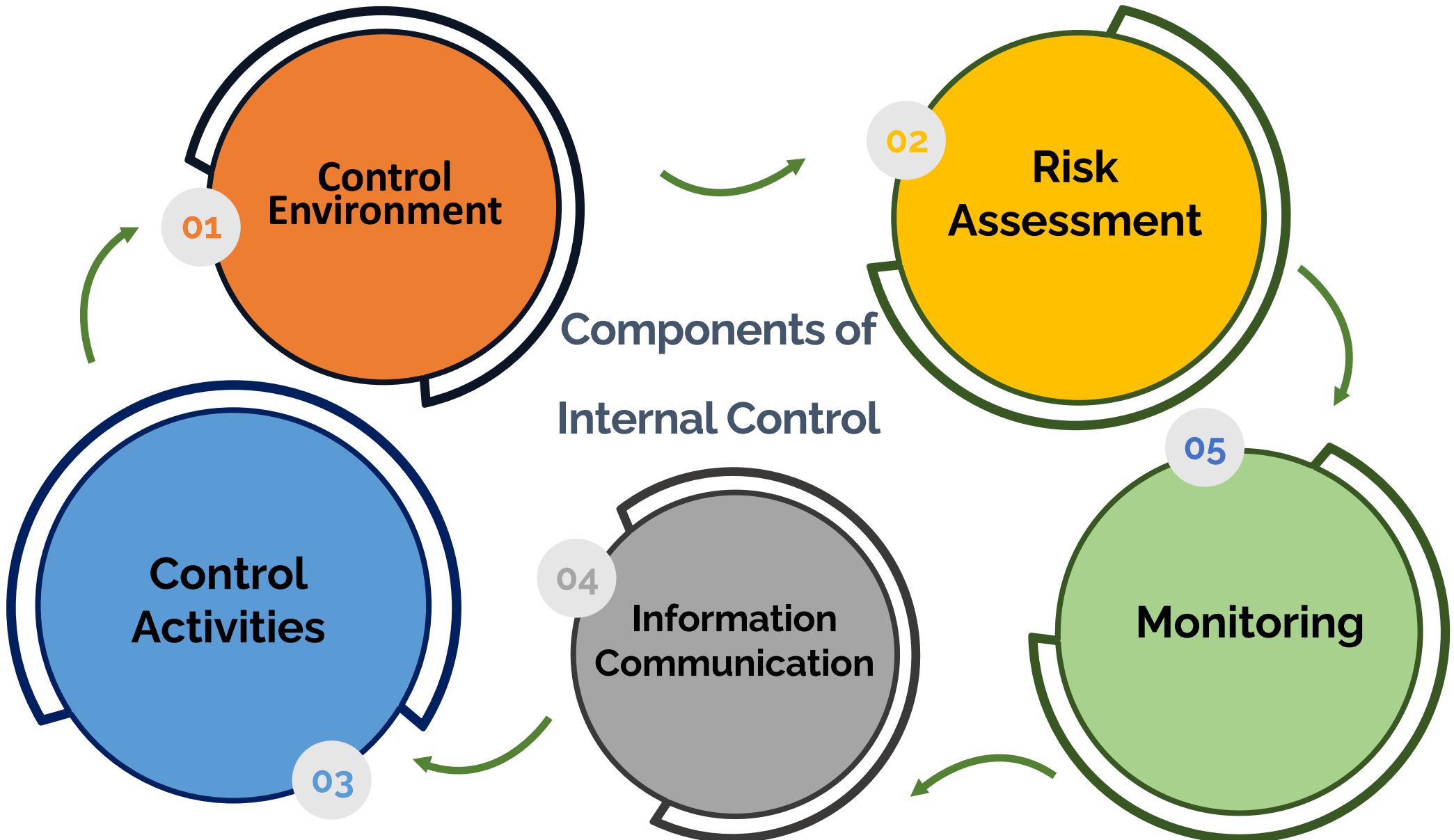


Reduces  
errors



Improves  
Accountability





# ILLUSTRATION OF PHYSICAL, MECHANICAL, AND ELECTRONIC CONTROLS



Locked warehouses



Safes and vaults



Access and Attendance Control



Password Protection



Anti-theft alarm



CC Camera Monitoring

Life if Hard.  
Auditing Makes it

“ HARDER ”



Expression  
After  
successfully  
hiding some  
of the critical  
documents  
from the  
auditor and  
delivering lots  
of  
unnecessary  
ones.

# Roles of Internal Audit

**Assessment of Corporate Governance**

**Evaluation of Risk Identification**

**Testing Effectiveness of Internal Controls**

**Assessing reliability of information**

**Assessing Economy Effectiveness and Efficiency**

**Assessing compliance with law**

**Prevention and detection of fraud**

**IT Systems Review**

**Contract Audit**

**Asset Verification**

**Mystery Shopper Visit**

**Assisting external auditors**

## Audit Assertions

Accuracy

Valuation  
&  
allocation

Right &  
obligation

Occurrence

Existence

Cut-off

Completeness



## What is external confirmation?

External confirmation is the process of obtaining and determining audit evidence via a third-party representation of information directly.



# Examples of Analytical Procedure

## Horizontal Analysis

- Compare client's current year's financial data against previous years' .

## Budget/Forecast Analysis

- Compare client's financial data against budget/forecast.

## Industry Analysis

- Compare client's financial data against industry average & market leader.

## Data Consistency

- Analyze if different data are consistent with each other.
- Ex: Sale is consistent with Cash/AR & Profit.

## Non-financial data

- Analyze the relationship between financial and non-financial data.
- Ex: TV sale booms during world cup

## Seasonality Analysis

- Analyze seasonality impact on sales to check for ambiguity.
- Ex: AC sales have huge seasonality.

# Tips on Managing Your Business Assets Wisely

1. Identify Your Assets

3. Record Your Business Assets

5. Figure Out Your Depreciation Schedule

7. Sell Assets the Right Way

2. Assign Value to Them

4. Insure Them

6. Leverage Your Assets in Valuing Your Business

A large green logging truck is stuck in a deep, muddy puddle on a forest road. The truck is heavily loaded with a large stack of cut logs on its flatbed. The water has reached nearly halfway up the truck's body. The surrounding area is a mix of brown mud and shallow water, with dense forest trees in the background.

Is it an Asset?

# Is it an Asset or Liability???????



**A BANK IS A PLACE THAT  
WILL LEND YOU MONEY**

A black and white photograph of a man in a dark suit jacket and a light-colored shirt. He is sitting down, with his head bowed and his hands clasped together over his eyes, conveying a sense of despair or hopelessness.

**IF YOU CAN PROVE THAT  
YOU DON'T NEED IT.**

# BANK STATEMENT

**A bank statement shows:**

- Checks paid and other debits charged against the account
- Deposits and other credits made to the account
- Account balance after each day's transactions

# BANK MEMORANDA

- **Bank debit memoranda**  
Indicate charges against the depositor's account.  
Example: ATM service charges
- **Bank credit memoranda**  
Indicate amounts that will increase the depositor's account. Example: interest income on account balance



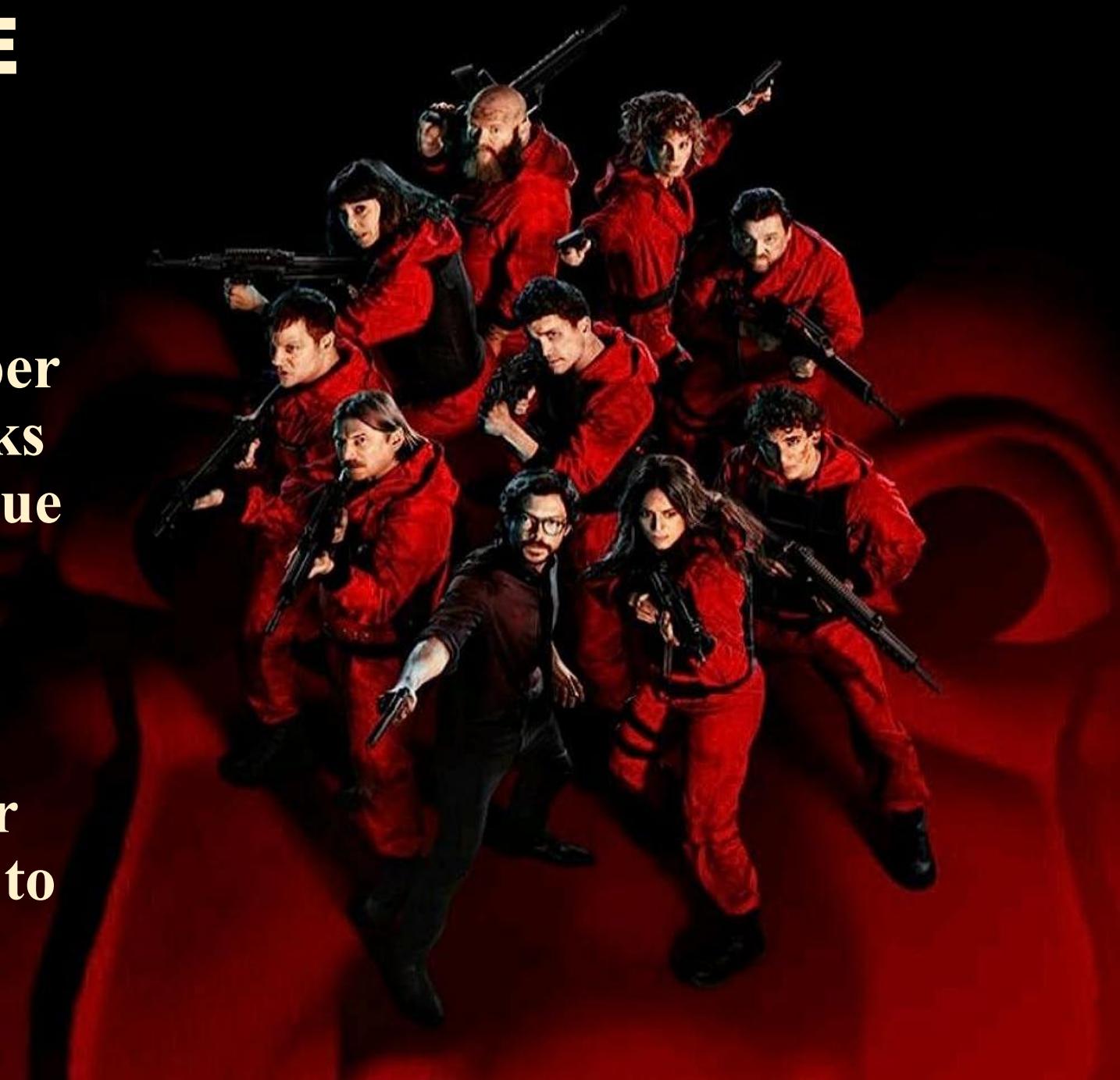
# RECONCILING THE BANK ACCOUNT

## Bank Reconciliation

Necessary as the balance per bank and balance per books are seldom in agreement due to time lags and errors.

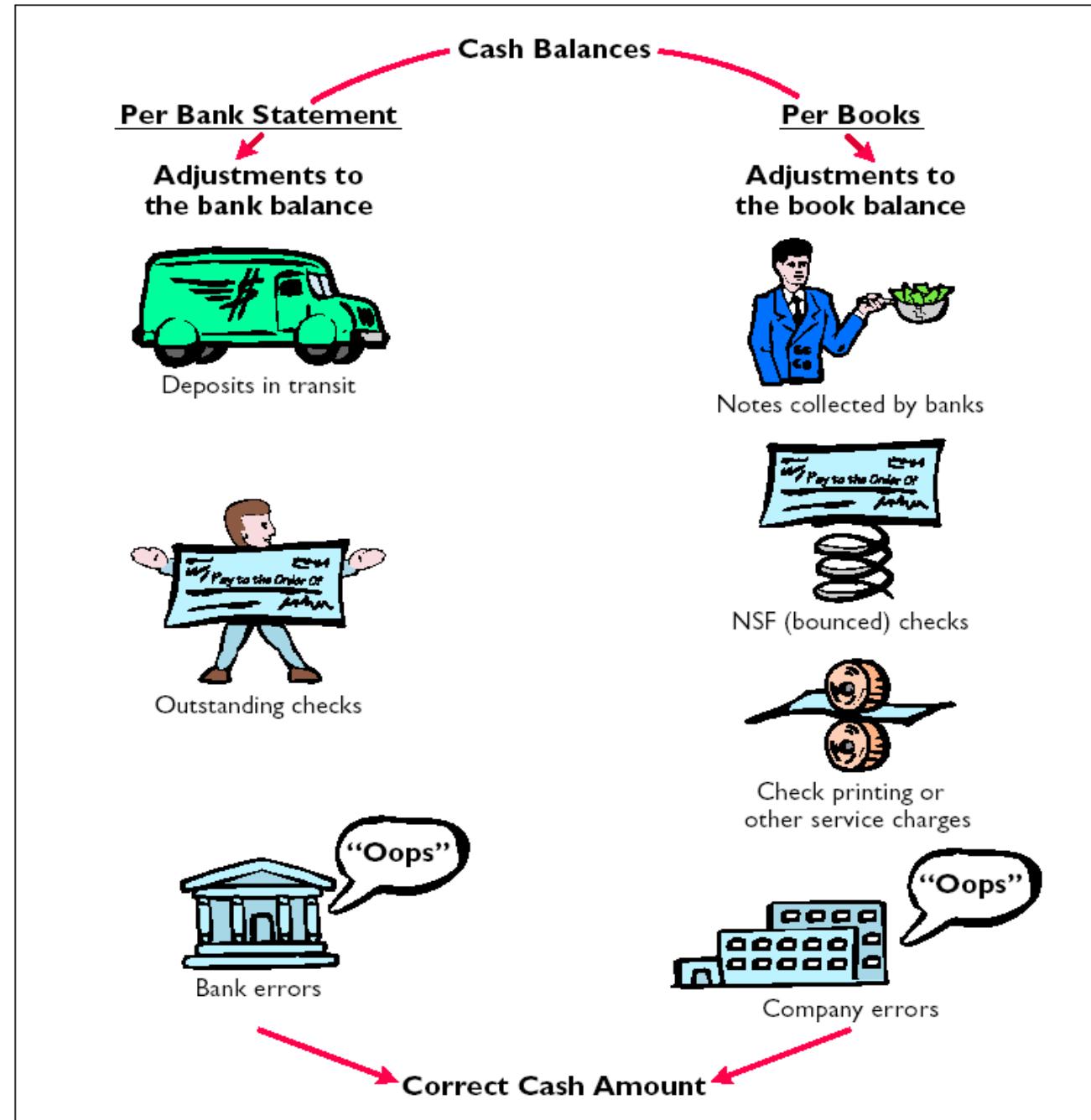
## A bank reconciliation

Should be prepared by an employee who has no other responsibilities pertaining to cash.



# RECONCILING THE BANK ACCOUNT

- Steps in preparing a bank reconciliation:
  - Determine deposits in transit
  - Determine outstanding checks
  - Note any errors discovered
  - Trace bank memoranda to the records
- Each reconciling item used in determining the adjusted cash balance per books should be recorded by the depositor



# AICPA's Trust Services Criteria

To evaluate an organization's  
internal controls.



**Security**



**Availability**



**Integrity**



**Confidentiality**



**Privacy**

AICPA: American Institute of Certified Public Accountants  
SOC 2: Service Organization Control Type 2

# IT AUDIT



# Information Systems Audit Activities

Operational  
Procedure check

Power Backup  
Check

Environmental  
Control Check

Access Control  
System Audit

Physical Site  
Security Audit

Telecommunication  
& Cabling Audit

Maintainance  
Check

Fire Protection  
Check

Disaster Recovery  
Planning



# SKEPTICAL MIND

- As an auditor
  - You should have a skeptical mind.
  - You should not trust everything on the face value.
  - You should ask question about everything that could be incorrect.

# Sarbanes-Oxley (SOX) Act

[sär- 'bān-z 'äks- lē 'akt]

A U.S. law passed in 2002 to protect investors from corporate accounting fraud by improving financial reporting and auditing standards.

# SOX Compliance



Comprehensive testing procedures

Helps To verify whether controls are operating effectively



High-Quality Documentation of the test procedures

Data organized , documented, and accessible for SOX auditors



Identifications of shortcomings

Every hitch is referenced to the related paper, providing evidence and remediation for the deficiencies



Cutting Edge Technology

Real Time reporting, implementing a data security software platform for SOX auditors and management



# The Human Factor in Auditing

# Targeting the Information Vs Targeting the Informant



# The Daily News

THURSDAY, OCTOBER 24, 1929

# BLACK THURSDAY!

Never hurry and  
never worry!



## Risk Indicating Words:

- “Sir, you are the best officer in this organization....bla bla bla.....”
- “Sir, ..... director sir, MD sir..... Loves me like a younger brother”
  - He will mention all Board Member’s names, at least 50% of top management’s names and at least 30% of middle management’s in 30 minutes.
- “Sir, ..... MP/Minister sir loves me like a young brother.”
  - He will try to show his picture/ explain his affiliation with at least a dozen of leaders of the ruling party.



# Enough of theory.... Let's Audit.....



## My Audit Plan

## My Actual Audit

# Nick Leeson

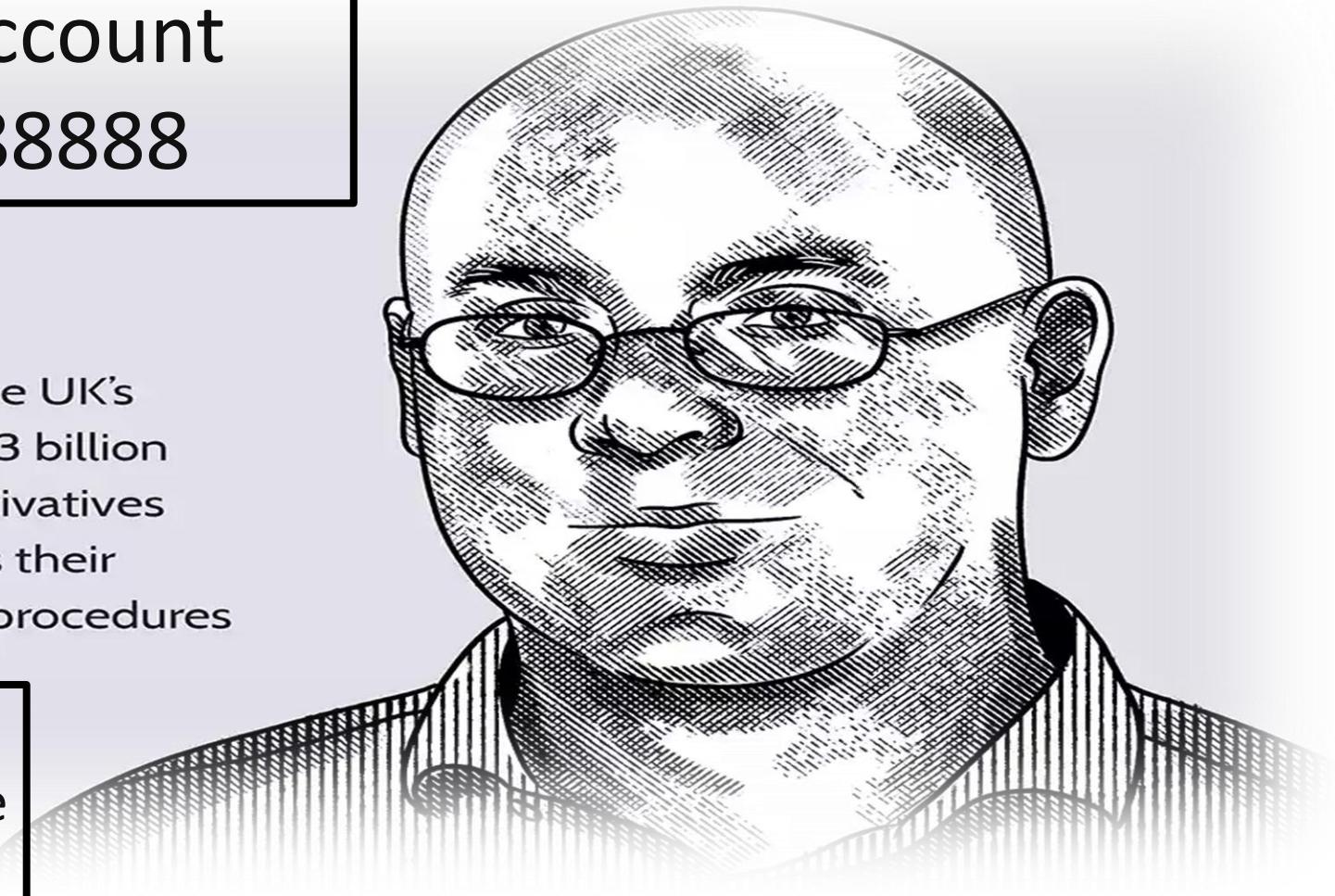
Born: February 25, 1967

Account  
88888

## Derivatives Trader

- Bankrupted Barings Banks, one of the UK's oldest merchant banks, by losing \$1.3 billion of money-making risky trades in derivatives
- His disaster forced banks to reassess their internal controls and trade auditing procedures

• He pled guilty in 1995 and was sentenced to 6 ½ years by a Singapore court but was released in 1999.



He held the world title for losses stemming from unauthorized trades but was eclipsed in 2008 by a trader for Société Générale named **Jerome Kerviel**, who lost more than €4.9 billion (more than \$7 billion) in a series of unauthorized and falsified trades.

# ENRON SCANDAL (2001)

## COMPANY

Houston-based commodities, energy and service corporation



## WHAT HAPPENED ?

**Shareholders lost \$74 billion,**  
thousands of employees and investors lost their retirement accounts, and many employees lost their jobs.



## MAIN PLAYERS

CEO Jeff Skilling and Former CEO Ken Lay



## HOW THEY DID IT ?

Kept huge debits off the balance sheets



## HOW THEY GOT CAUGHT ?

Turned in by internal whistle-blower Sherron Watkins; high stock prices fueled suspicions.



## FUN FACT

Fortune Magazine named Enron "**America's Most Innovative Company**" for six years in a row prior to the scandal.







# BANGLADESH BANK

# HACKED



The hackers misspelled "Foundation" in their request to transfer the funds, spelling the word as "Fandation" or "Fundation". This spelling error gained suspicion from [Deutsche Bank](#), a routing bank which put a halt to the transaction

**ECONOMY****Star Business Report**

Mon Jun 13, 2022 09:00 AM

Last update on: Mon Jun 13, 2022 11:58 AM

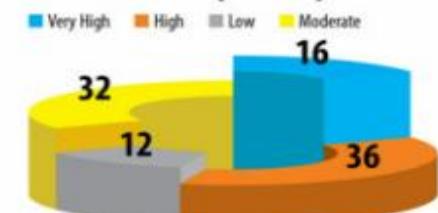
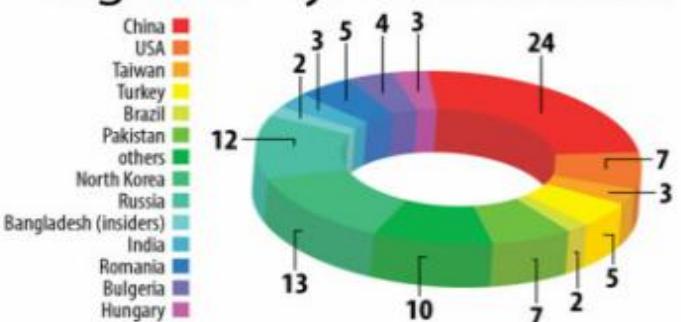
**Most Viewed** ≡

1 Labour unrest intensifies

2 CEC, all four election commissioners resign

3 Hasina must stay silent in India till Bangladesh seeks

# Over half of banks at high risk of cyber-attacks: BIBM

**Cyber Security Risk of Banks (in %)****Origins of Cyber Attacks (in %)**

SOURCE: BIBM

LAW INSIDER



# CRYPTOCURRENCY

mon souhait

libra

カ

ATR 10

ADX 10

22

EURUSD

f



# To Bribe or Not To Bribe

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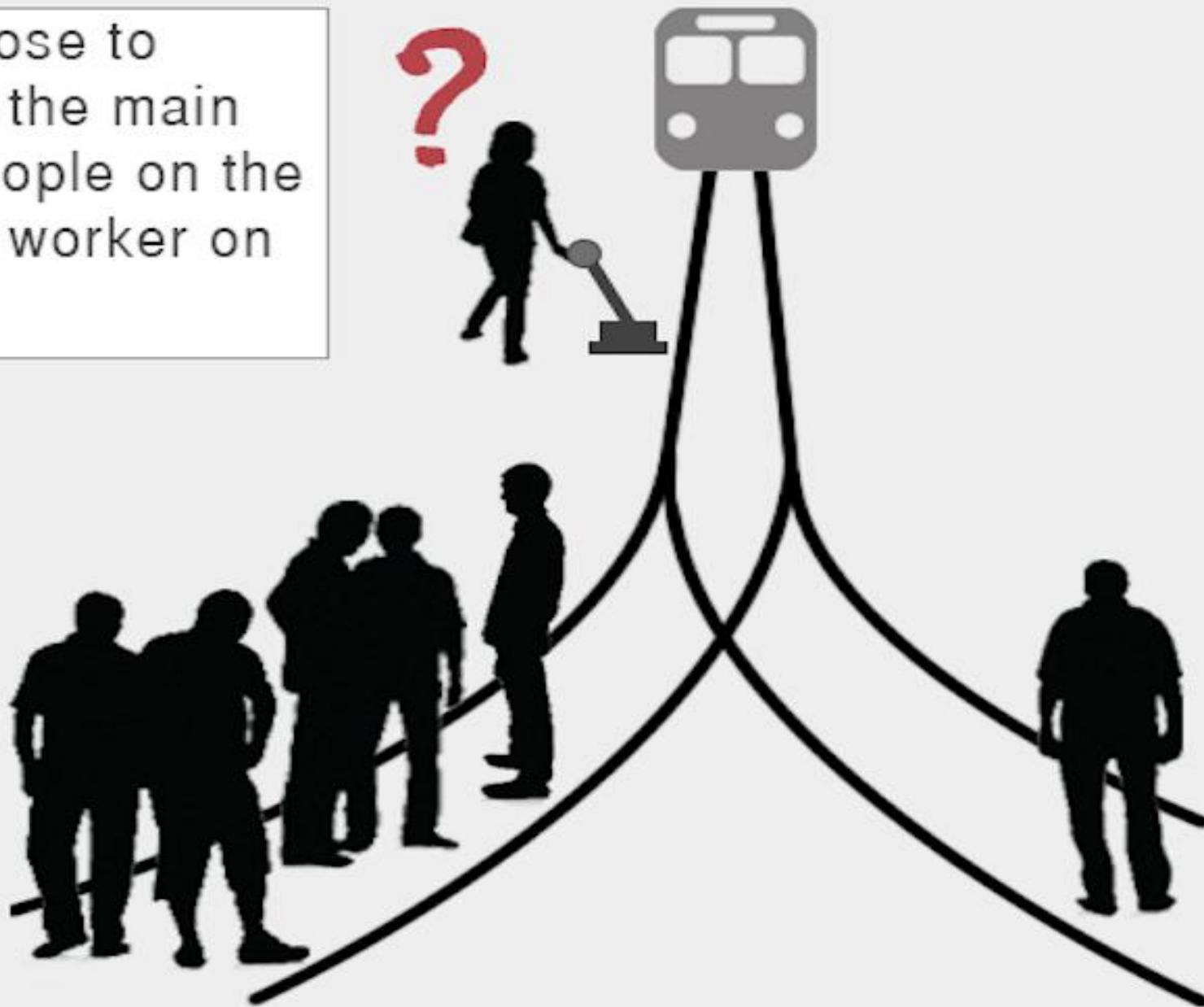


# THE BLUE WHALE SUICIDE GAME



# The trolley problem

The person can choose to divert the tram from the main track, saving five people on the track, but killing the worker on the other track.



# The TRUTH Behind Dark Chocolate

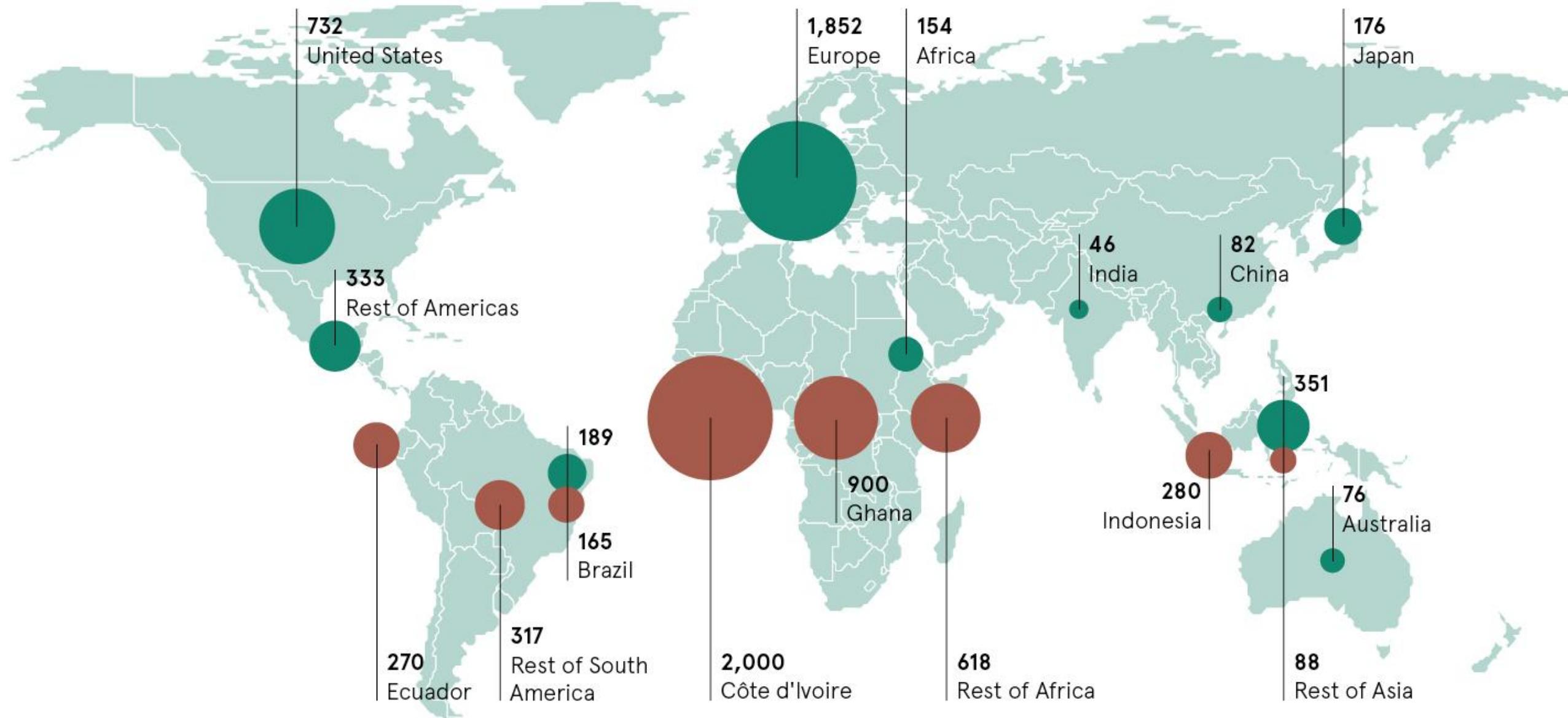


# Cocoa production and consumption

In thousand tonnes, 2017-18

◆ Consumption

◆ Production





# \$0.78

average daily income of cocoa farmers in Côte d'Ivoire, compared with the \$2.51 regarded as necessary for a living income

Fairtrade International 2018

# 2.1m

children involved in cocoa production in West Africa alone

Cocoa Initiative 2018

A black and white photograph of a man with long hair and a beard, wearing a light-colored pinstripe suit and a patterned pocket square. He is holding a large machine gun with both hands and is smoking a cigarette, with smoke visible around his mouth. The background is dark and out of focus.

SO ALWAYS  
WELCOME THE  
AUDITORS

THANK YOU

LET'S START QUESTIONING

