

Performing a Forensic Audit
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Introduction

Super-Tech Carbons (Pvt) Ltd is a company which engages in buying and selling oil such as Petrol, Diesel and other certain oils. They can sell to their sales with a margin which has approved by Ceylon Petroleum Corporation. The organization was established in 1st September 2010. The owner of the organization wants to do an investigation (forensic audit) regarding the operation of the company. Further the owner expected the investigation on all matters regarding the operations since 1st September 2010.

Discussion of the Issue

The problem has aroused on the method of doing investigation & further there were some identified practical problems. This kind of audits named as Forensic audits and we followed certain procedures to find whether there is any fraud or error in this company. This audit was to find out whether there was any fraud. The issue is based on how to find the actual stock. Because there were some inherent problems in oil such as vapor & some damages. In this situation we faced to some problem in getting information such as purchase and sales information. We identified that there are some issue regarding sales details in the Super-Tech Carbons (Pvt) Ltd, because some of sales invoices are not properly maintained

According to this situation the real nature of business was not represented and we understand that there were some frauds regarding the operations of the company. Therefore it can be impact to the business adversely

Conclusions and Recommendations

Some problems have aroused regarding how to do this investigation and how to finalize this investigation. However we used different approaches find out the fraud and error of the particular business.

First approach was to compare the Physical count with the recorded oil stocks.

The procedure use to obtain the all the purchase vouchers and sales invoices, from 01st September 2010 to 31st July 2013 and adjusted to reasonable provision. The obtained the document wise quantity and then compare the physical quantity of that date. Then we concern about the physical count of oil stock. When we getting physical stock of oil we have to consider some inherent problems arise on oil. Then we adjust that inherent matter to the net quantity of oil at the 31st July 2013. But when we compare the two amounts there is a large different in two amount.

Therefore we could not satisfy about the physical count. We have to follow some alternative approach to find whether there are some frauds regarding the oil stock. Then we enter into another approach to continue our investigation.

Second approach was to compare the total cash inflow with total outflows.

The time frame is September 2010 to our selected date of 01st July 2013. The day to day sales might be used as deposit to the bank, Petty cash expenses and drawings of cash. We aware about their maintain procedure of the daily sales reports and the sales reports are including sales amounts from 1st September 2010 to 31st July 2013. Those amounts should be used to daily bank deposits, use day to day expenses such as petty cash expenses, other expenses and drawings. Ultimately total sales incomes should be equal to the amount of total bank deposits, the amount of total expenses and drawings. However in our investigation or in other word forensic audit total sales are not equal to their total usages. Therefore there is an issue of the Super-Tech carbons (Pvt) Ltd, because both procedures are indicating the differences and significant differences.