

UNIVERSITI TEKNOLOGI MARA

**THE EFFECTIVENESS OF THE INTERNAL
CONTROL SYSTEM OF AUTO BAVARIA SDN.BHD.
IN ADDRESSING FRAUD CASES**

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This applied research is submitted in partial fulfilment of the
requirement for the degree of
Master in Forensic Accounting and Financial Criminology

Faculty of Accountancy

June 2014

CANDIDATE'S DECLARATION

I hereby declare that this paper is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

In the event that my applied research is found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree to be subjected to the disciplinary rules and regulations of the Universiti Teknologi MARA.

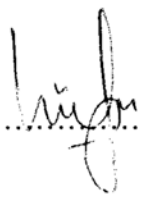
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Faculty: **Accountancy**

Applied Research Title: **The Effectiveness of the Internal Control System
of Auto Bavaria Sdn.Bhd. in Addressing fraud
cases**

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Date: **June 2014**

ABSTRACT

The purpose of this study is to examine the effectiveness of the internal control system of Auto Bavaria in addressing fraud cases. Fraud can be considered as the most concerning problem in business due to its impactful effect to most of the companies in the world. However, if companies unconsciously 'motivate' fraudulent activities, then, this trend would most likely to continue in the future. There are many types of fraud such as employees' fraud, customer fraud, accounting fraud, investment frauds, financial fraud, etc. Fraud is one of the biggest issues to damage a company. Therefore, the responsibility of management plays an important role in detecting and preventing fraud. In this study, the researcher would discuss this issue and others as well in relation to the internal control system procedure that employees' applied in working process.

The aim of this study is (i) does Sime Darby Auto Bavaria Sdn.Bhd. have an internal control system; (ii) is Sime Darby Auto Bavaria Sdn.Bhd.'s internal control system effective enough in preventing potential fraud cases; (iii) does the employees at Sime Darby Auto Bavaria Sdn.Bhd have the requisite knowledge on the prevention and detection of fraud; (iv) the extent seriousness of fraud cases at Sime Darby Auto Bavaria Sdn.Bhd.

This study is based on the primary data supported with other several fraud cases and relevant information from secondary data. The primary data are to be gathered from a survey of 15 finance executives working in the finance department and 20 clerical staffs working in the administration department. All the information obtained in this research will be disclosed unless if it is identified as confidential information. The secondary data will comprise of 3 selected cases out of 10 cases available in the records kept at the finance department. The remaining 7 cases cannot be accessed since they are considered extremely confidential. This study will be supported by a primary data throughout the year 2014 and secondary data from actual cases which were ranged from the year 2009 until 2014. The issue of fraud will be discussed and criticised in this chapter especially on the factors that motivate the employee to abuse their duty, fraud or steal and customer's fraud.

The study provides vital information to the management to improve the internal control system and provide fraud awareness and appropriate training within the organization to increase knowledge on the prevention and detection of fraud. As for the management and finance department, this empirical study might help them to review the internal control system and policies as well as the guidelines in implementing the internal control monitoring systems.

ACKNOWLEDGEMENTS

Alhamdulillah, all praises to Allah (S.W.T) for His blessing in completing this applied research paper. I am heartily thankful and gratefully acknowledge to my lecturer, Dr. Anuar Nawawi, for his guidance, support and encouragement in writing of this report.

Special thanks to the Auto Bavaria Sdn.Bhd., especially the management and all the finance executive and clerical clerk for their full cooperation, support and sharing of knowledge.

Last but not least, my deepest thanks to my husband, Tengku Ariffuddeen Bin Tengku Mohd Affandi, my parents, my parents in law and family for their prayers and support. Finally, I would also like to extent my gratitude to all of those who assisted and supported me in any respect during the completion of this paper. Your endless contribution and encouragement are greatly appreciated.

Thanks and wassalam