



اُنْبُوْا سَيِّئِيْ تَتَكُوْلُوْا مِن اَمَّاٰرَا
UNIVERSITI
TEKNOLOGI
MARA

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SECTION A

1.0 INTRODUCTION

1.1 COMPANY BACKGROUND

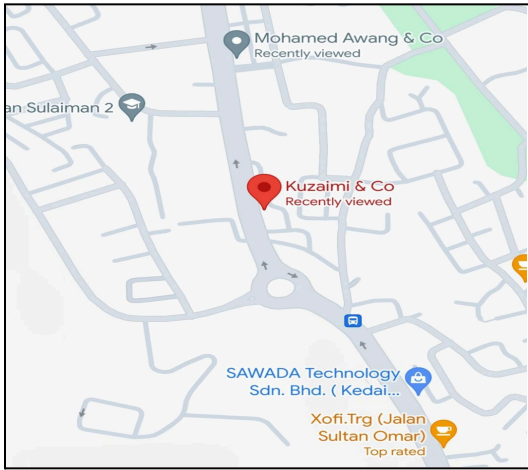


Figure 1.1.1 *Logo of Kuzaimi & Co*

Kuzaimi & Co. is a firm of Chartered Accountants based in Kuala Lumpur. The company provides a wide spectrum of high-standard professional services, including auditing, taxation, and business advisory services. Established in 2003, the company has been growing steadily. Headquartered in Setapak, Kuala Lumpur, Kuzaimi & Co. also has branches in Kuala Terengganu, Shah Alam, Kemaman, and Ipoh.


Kuzaimi & Co also have numbers of associates all over Malaysia. It has been the firm's philosophy that services must be correctly performed and timely delivered so that their clients can have peaceful mind knowing that the company have taken care of their needs. Kuzaimi & Co tailor their services to meet client's satisfaction and always deliver according to agreed and targeted time.

Registered Name	Kuzaimi & Co
Branch	Kuala Terengganu
Firm Number	AF 1492

Firm Type	Chartered Accountant
Company's Mission	To perform and deliver an outstanding services of audit, tax and business advisory to committed entities that value and appreciate the need of proper financial management.
Company's Vision	We want to be a reputable Chartered Accountants in Malaysia that provides remarkable audit, tax and business advisory services.
Address	<p>66/21 Tingkat 1 Taman Sri Intan, Jalan Sultan Omar, 20300 Kuala Terengganu, Terengganu.</p>  <p>Figure 1.1.2 Location of Kuzaimi & Co, Kuala Terengganu Branch</p>
Contact Details	<p>(09) 6261 312</p> <p>kuzackt@kuzac.com.my</p>

1.2 Organizational Chart

 <p>Mr. Kuzaimi Bin Abdullah Founder of Kuzaimi & Co</p>	 <p>Mr. Firdaus Bin Omar Senior Manager (Kuala Lumpur)</p>	 <p>Mrs. Diana Binti Abdul Raoff Branch Manager (Kuala Terengganu)</p>
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 <p>Mrs. Nurul Atiqah Binti Shuhaimi Branch Manager (Ipoh)</p>	 <p>Mrs. Nur Hanani Binti Mohd Yusoff Branch Manager (Kemaman)</p>
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2.0 SUMMARY OF WORKDONE

During the duration of my internship at Kuzaimi & Co, Kuala Terengganu Branch, which lasted for a total of 24 weeks, interns were not placed in a team of the accounting department or auditing department. However, we were assigned to do accounts and audits both. Same goes for me as an intern at Kuzaimi & Co, I was assigned to do accounts and audits for several companies. In the first week, I have been exposed to how to do accounts using the system used by the company which is UBS. At first, in my opinion it is hard to understand step by step how to use the system to do accounts. However, after I used it several times it became easy for me.

Both accounting and auditing give different experiences. While doing accounts I need to actively think and always learn new things as all companies have different nature of business. While for the audit it seems like I do the same things again and again. This way, I can know which part I am most interested in and want to continue working in that area in the future. So, the internship period is a very suitable time to learn and experience real world working experience in accounting and auditing. So that in the future I do not feel awkward with the terms in the accounting and auditing.

Furthermore, during my internship, I also involve in:

2.1 PREPARATION OF AUDIT WORKING PAPERS

Audit working papers are the records that capture audit evidence gathered during financial statement audits, internal management audits, audits of information systems, and investigations. Auditing is the process of gathering and analyzing evidence to determine if the recorded data accurately reflects the financial events that occurred during the accounting period. During my training, I was assigned a few auditing projects and had a little role in auditing various companies and preparing the necessary working papers on time. Due to the fact that I was not a true specialist of the assignment, I was instructed directly. In the audit working paper procedure, vouching is also included. The primary purposes of vouching are to confirm the accuracy of the recorded transactions, to ascertain that all relevant transactions have been documented, to confirm the authenticity and validity of the documentary proof, to guarantee that no fraudulent

payments have been made, and to ensure that only business related payments have been made from the company's funds.

2.2 VOUCHING

An auditor verifies the documentation proof supporting and substantiating a financial transaction through the process of vouchering. The goal of vouching is to demonstrate that the entries in the books of accounts are accurate. This also aids the auditors in verifying the validity and accuracy of the client-supplied documentation. During my internship at Kuzaimi & Co, the vouching process was included in the revenue and cost of sales section PL1-1 and PL1-2 of the audit working paper. The lengthy duration of the vouchering procedure is due to the auditor's need to compare the amounts on the invoice to the account record.

2.3 CROSS REFERENCE

The cross-referencing procedure primarily required two written sources. To verify the accuracy of these two files, the auditor must perform a cross-check with other auditing records. The auditor would indicate for example "PL1-1/1" next to audit evidence, usually invoice, bank statements and payment voucher if they had obtained it for audit working paper PL1. In my time at Kuzaimi & Co, cross-reference were used for a wide variety of purposes, including comparing numbers between the financial statement and the accountant's report. It is my responsibility to verify the accuracy of the numbers on the financial statement by comparing them to the hard and soft copies of the supporting papers that were provided by the clients. Any discrepancies in the total should be brought to my attention.

3.0 STRENGTHS AND WEAKNESSES OF TRAINING

3.1 STRENGTHS

3.1.1 GAINING PRACTICAL KNOWLEDGE

During my training, I identified several strengths and areas for improvement. One of the key strengths of the training was gaining practical knowledge in both accounting and auditing. This real world experience allows me to apply theoretical concepts learned in the classroom to real world scenarios, deepening my understanding of complex accounting principles and auditing procedures. By working with actual financial data and participating in the auditing process, I gain practical insights into the intricacies of financial reporting, compliance, and regulatory requirements. This not only enhances my technical skills but also boosts my confidence in handling diverse accounting tasks and identifying discrepancies during audits. Furthermore, exposure to industry-standard tools and software used in accounting and auditing also equips me with the technical proficiency needed to excel in my future careers.

3.1.2 IMPROVE CRITICAL THINKING

Other than that, this internship also helped me to improve my critical thinking. As a trainee involved in accounting and auditing, I have been actively developing my critical thinking skills to address and resolve issues effectively. These skills are essential for problem solving which is also highly valued by employers. To enhance my abilities, I meticulously analyze various accounting obstacles, document all relevant information, brainstorm potential solutions, and assess the likely outcomes of each option. This approach has made me more adept at handling complex accounting challenges, ensuring accuracy, and improving overall efficiency in my work.

3.1.3 IMPROVE COMMUNICATION SKILLS

Moreover, during my internship, I have been improving my communication skills by regularly interacting with employees, fellow trainees, and the supervisor. This involves writing and speaking in a professional manner, as well as honing listening skills. Being an active listener has

helped me understand and respond empathetically to colleagues, while developing my presentation skills has enabled me to deliver engaging messages to diverse audiences. For example, when I have some question in doing accounts or audits I was advised to immediately ask for help by other trainees or go ask the employees. By doing that, everything can be solved in just a minute.

3.2 WEAKNESS

3.2.1 BAD TIME MANAGEMENT

However, I also recognized some weaknesses that need to be addressed. Time management was a challenge, as I sometimes found it difficult to balance multiple tasks and meet deadlines efficiently. During my internship, my supervisor most of the time expected trainees to complete tasks assigned ahead of the initially set deadlines which added pressure to deliver quickly. This expectation to perform at the same level as full-time staff created stress and reduced my enjoyment of the work. Sometimes I am not motivated to go to work because I know it will stress me out. While this pushed me to enhance my productivity and adaptability, it also highlighted the need for better stress management and improved communication about workload and expectations.

4.0 SELF REFLECTION

Throughout my internship, I have gained valuable insights into the fields of accounting and auditing as I am assigned to do both account and audit which also leads to a significant realization about my career preferences. I discovered that I am more inclined towards accounting because it offers a dynamic and intellectually stimulating environment. The process of analyzing financial statements, preparing budgets, and strategizing for financial planning requires critical thinking and problem-solving skills, which I find immensely engaging and rewarding. Each day presents new challenges and learning opportunities, allowing me to apply my theoretical knowledge in diverse and practical ways.

In contrast, my experience with auditing revealed that it often involves repetitive tasks and a more structured approach, which I found less appealing. While auditing is crucial for ensuring accuracy and compliance, the routine nature of the work felt repetitive and did not align with my desire for variety and intellectual engagement. This distinction has clarified my career path, steering me towards a future in accounting where I can thrive in an environment that continuously challenges and motivates me.

SECTION B

FACTORS CONTRIBUTING TO ACCOUNTING FRAUD AND ERROR BY PROFESSIONAL ACCOUNTANTS.

1.0 INTRODUCTION

Accounting errors and fraud are significant issues that can severely impact the integrity of financial reporting, decision making process and the overall health of an organization. According to ISA 240, fraud is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

While Accounting error is defined as a mistake in the accounting records, typically due to a clerical mistake. When spotted, it is typically investigated and corrected by a senior accountant who has experience in error corrections. Accounting errors do not involve fraud, because there is no intent to deceive (Bragg, 2024). Unlike accounting fraud, accounting errors are unintentional. However, accounting errors can affect the accuracy of financial statements and may lead to incorrect financial decisions if not detected and corrected promptly.

The key distinguishing factor between accounting errors and fraud is whether the underlying action that results in a misstatement of the financial statements is intentional or unintentional.

When discussing about accounting errors and frauds, it is important to understand their differences. Accounting errors are unintentional mistakes that occur during the accounting process. Errors can result from clerical mistakes, misapplication of accounting principles, or misinterpretation of financial data. Despite being unintentional, these errors can have significant financial implications if not detected and corrected promptly. In contrast, frauds involve intentional acts to deceive or manipulate financial statements for personal or organizational gain. This includes actions like falsifying records, embezzling funds, or engaging in fraudulent financial reporting. Fraud is a deliberate attempt to mislead stakeholders and is a severe ethical and legal violation. Therefore, an accounting error should not be confused with fraud.

Accounting error and fraud are two ethical issues in the accounting field. Therefore, an accounting error should not be confused with fraud. By maintaining high standards of ethical behavior and complying with professional standards and regulations, accountants can ensure that they provide high-quality services to their clients and maintain the trust and integrity of the accounting profession.

2.0 ISSUES

The purpose of this discussion is to delve into the factors that contribute to accounting fraud and errors by professional accountants. By exploring these issues, why they occur, when they are typically detected, and who is responsible for addressing them, the aim is to highlight the importance of ethical conduct and robust internal controls in maintaining financial integrity. Here are three issues on factors that contribute to accounting fraud and errors by professional accountants.

2.1 PRESSURE FROM MANAGEMENT AND STAKEHOLDERS

Firstly, one of the reasons that could lead to accounting fraud and errors is pressure from management and stakeholders. According to PwC's Global Economic Crime and Fraud Survey 2020, 35% of organizations reported experiencing fraud, with financial statement fraud being one of the top concerns. Accounting professionals often face significant pressure from management and stakeholders to present financial results that meet specific targets. This pressure can result from the desire to portray a company's financial health in a favorable light to investors, creditors, and market analysts. Under the pressure from management, accountants might resort to creative accounting practices or manipulation of financial data to meet expectations.

Creative accounting can be defined as a process whereby accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business. On the other hand, creative accounting also can be defined as a method used to make or interpret accounting policies falsely to misuse the accounting techniques and standards being set by the accounting bodies. It is an exploitation of loopholes in our accounting system and audit system after the accounts are finalized. Example of a real case occurred is WorldCom Inc which is the significant example of creative accounting, according to Kokosza (2003: 64-65). By involving accounting estimates, WorldCom Inc utilized reserves created during periods of high financial performance to cover estimated costs of future events. In WorldCom's case, these reserves totaled \$2.5 billion and were related to legal cases, uncollectible receivables, and taxes (Bekteshi, 2017).

Through these real-world cases, it can be seen how creative accounting practices have led to significant accounting errors and fraud which can undermine the integrity of financial reporting and cause widespread financial harm.

2.2 WEAK INTERNAL CONTROLS WITHIN AN ORGANIZATION

Internal control is defined as the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and prevent fraud (Kenton, 2024). These controls are embedded within the company's financial and accounting processes to prevent and detect fraud and errors. Without strong internal controls, a company risks significant future issues, as it cannot effectively monitor and account for employee activities. Therefore, effective internal controls are essential for ensuring the accuracy of financial reporting. Also without these controls, there is a higher risk of intentional or unintentional errors going unnoticed for example accounting errors and frauds.

One critical symptom of weak internal control that leads to accounting fraud and errors is the lack of segregation of duties. Segregation of duties means that one person cannot be responsible for two or more accounting procedures. For instance, the person who maintains and reconciles the accounting records should not be able to obtain custody of checks. This separation is crucial because it reduces the risk of errors and fraud by ensuring that no single individual has control over all aspects of a financial transaction.

2.3 INADEQUATE TRAINING AND COMPETENCE

Training among accountants is very important. This is because, lack of training and inadequate professional competence among accountants can result in errors and insufficient detection of fraudulent activities. Continuous professional education is vital for keeping up with evolving accounting standards and practices.

Accountants with insufficient training may struggle with complex accounting principles, leading to errors in financial reporting. Inaccurate financial statements can result from a lack of understanding or misapplication of accounting standards. According to the American Institute of

Certified Public Accountants (AICPA), ongoing training and professional development are essential for maintaining the competence of accounting professionals and ensuring accurate financial reporting (AICPA, 2020).

3.0 RECOMMENDATION

3.1 ENCOURAGE ETHICAL ATTITUDES

Ethical attitudes among accounting professionals play a crucial role in addressing both accounting errors and fraud. EY's Global Forensic Data Analytics Survey 2020 found that companies with strong ethical cultures were better at detecting and preventing fraud (EY, 2020). Accountants are expected to adhere to high ethical standards, ensuring transparency and accuracy in financial reporting. However, ethical lapses can occur particularly when individuals prioritize personal or organizational gain over integrity. Promoting a strong ethical culture within accounting firms and organizations is essential to mitigate these risks.

3.2 STRENGTHEN INTERNAL CONTROLS

Deloitte's report on fraud and misconduct in financial reporting emphasizes the necessity of robust internal controls to manage these complexities effectively (Deloitte, 2020). As financial instruments and transactions become increasingly complex, the likelihood of errors also increases. Accounting professionals must possess a thorough understanding of these complexities to minimize the risk of mistakes. Therefore, implementing robust internal control systems can prevent and detect errors and fraud more effectively.

Effective internal controls are vital in preventing and detecting accounting errors and fraud. KPMG's guide on fraud risk management outlines strategies for developing a comprehensive approach to fraud prevention, including fostering an ethical culture and implementing strong internal controls (KPMG, 2016).

3.3 PROMOTE CONTINUOUS DEVELOPMENT

Encouraging ongoing professional development or training for accountants is crucial for accountants to remain proficient in their field and keep them updated with current accounting standards and practices. By supporting continuous education and training, organizations help ensure that their accounting professionals keep up-to-date of the latest accounting standards, technologies, and best practices. This commitment to ongoing learning enables accountants to

maintain high levels of competence, adapt to industry changes, and provide accurate, reliable advice. Moreover, by investing in continuous professional development not only enhances individual skills but also contributes to the overall effectiveness and integrity of the organization's financial reporting.

4.0 CONCLUSION

In conclusion, accounting errors and fraud are serious issues that can harm financial reporting and the health of organizations. It is important to understand the difference. Accounting errors are unintentional mistakes, while fraud is deliberate deception. Both problems can have serious consequences if not quickly addressed. This highlights the need for strong ethical standards and effective internal controls.

Next, pressure from management and stakeholders can lead to accounting errors and fraud. For example, WorldCom Inc. used creative accounting to meet unrealistic targets. This manipulation of financial data can damage the accuracy of financial statements and hurt the organization's reputation. To avoid this, organizations must set realistic expectations and uphold ethical practices.

Weak internal controls also contribute to accounting errors and fraud. When internal controls are not strong, such as lacking proper segregation of duties, errors and fraud can go unnoticed. Strong internal controls are necessary to ensure financial accuracy and prevent problems before they grow.

Last but not least, inadequate training and competence make the situation worse. Accountants who lack proper training may struggle with complex tasks and fraud detection. Continuous professional development is essential for keeping accountants up-to-date with current standards. By focusing on ethics, strengthening controls, and supporting ongoing training, organizations can improve financial reporting and maintain trust in the accounting profession.

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6.0 APPENDICES



Figure 1.1.1 *Logo of Kuzaimi & Co*



Figure 1.1.2 *Location of Kuzaimi & Co, Kuala Terengganu Branch*