

Stankevicius

Investigative Business Audit Against Fraud and Intentional Deceit



Stankevicius

OUR STANDARD OF EXCELLENCE IN BUSINESS AUDIT QUALITY

Stankevicius International Limited, secure contracting and due diligence consultant (www.stankeviciusinternational.com/secure-contracting-and-due-diligence), is the Irish member firm of Stankevicius Group. Stankevicius International has protected over \$5B capital from trade fraud.

Contacts



Paulius Stankevicius
Global CEO and Global Head
of Business Audit

Contact
+971 58 559 8974
paul@stankeviciusgroup.com



Seyf Selmi
Middle East CEO

Contact
+971 55 767 6501
seyf.selmi@stankeviciusgroup.com



Hanen Benabdeladhim
Global Audit Partner

Contact
+971 54 400 7210
ceo@taj.ae



Preparing for the first-time business audit

8 considerations when working on transactional deals internationally

Why business audit is important?

For a company focusing on growth and doing business internationally, and transacting for goods or services, a business audit might be the farthest thing from management's mind.

Eventually, however, many companies get to the point where very often deals get stuck. The biggest issues come along when there are deposits in place and the transactional party becomes worried and second guesses if the decision making was correct to believe the counter-party being able to supply or provide certain products or services.

At this point, the money is already lost and taking legal action in international business, in most cases, is not worth the cost and time, because it is very expensive and frustrating.

Business audits are designed to prevent such scenarios in the early stage of the

deal before transactions take place. These are the considerations to look after before signing a contract or transacting:

1. Understanding the introducing party

Very often intermediary companies that do introductions lack experience and knowledge. Before proceeding with intermediary recommendations it is important to have an understanding of quality of execution and the level of judgement of the intermediary company.

2. Engaging in party's confirmation

It is very likely that introductory parties may refer large enterprises and even government references or semi government entities as partners who are vouching and supporting them or even recommending. Engaging in such confirmation directly with mentioned parties is one step closer to the truth.



3. Extensive check on the transacting counter-party

After the background check of introductory companies, a deep dive into the transactional counter-party takes place. At this stage it is not required to ask for any material from the company itself. Of course, if they can provide any additional material such as company profile or any supportive documents of their business, it would be helpful.

However, most of the information is available in global databases, so it's not required to show the judgmental side to the counter-party to avoid relationship damage.

4. Documentation due diligence

Once the business moves forward to the point of document sharing and contract signing, extreme precaution is required. Any documentation shared by the counter-party must be thoroughly checked and vetted by professionals. Everything from QR codes to signatures and stamps, including company's addresses and company's representation is questioned.

5. Finding logical connection and reasoning

When dealing with international companies, we are also dealing with different cultures and different model of thought and mindset. For instance, in Europe and US it is very common to sell product when you have a product in possession but in the Middle East and Africa it is very common to get the payment first and then search for the product. In reality, the purchasing party is looking for trust and reliability, assuming the counter-party is genuine and does possess the product or is able to provide the service that they actually offer on paper. The connection between the paper offering and reality aspects in many cases do not match. That is one of the part which requires thorough investigation.

Additionally, story telling is something to look at and analyze especially when counter-party keeps mentioning other large enterprises and try to link themselves with those enterprises. There is always a reason and logic behind everything. Fraud is under high alert.



6. Know the indicators of potential risks

When analyzing and doing due diligence about the counter-party, a business audit opens new questions that you should ask the counter-party. Based on their reaction and answers, you can easily understand how genuine is the company and if what they are saying is true. During a business audit, a lot of new information can come up which was not shared from the beginning. Business audit points out the risks and uncertainty.

7. Be mindful and take into consideration any questions that may arise from the business audit

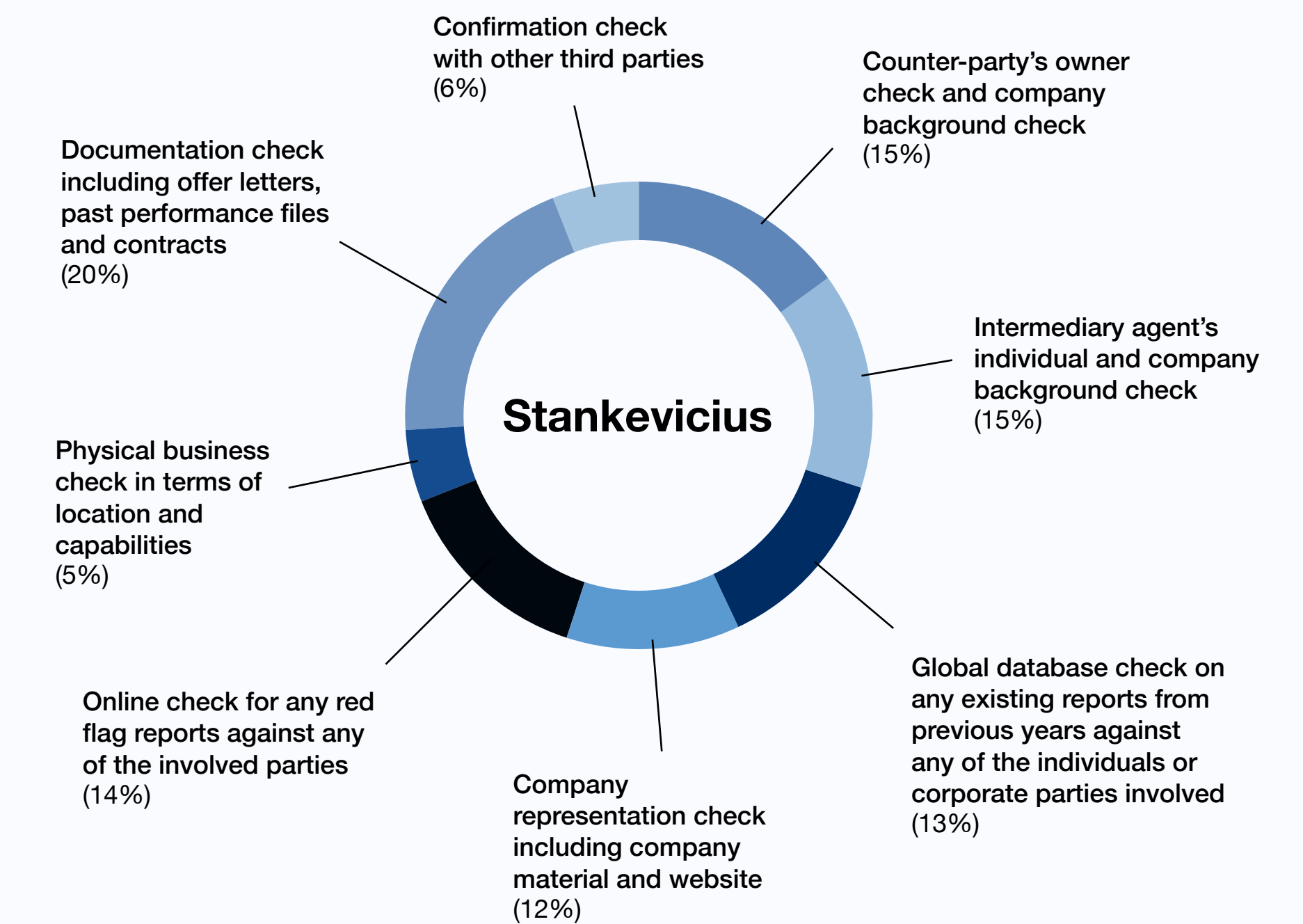
Some information that is discovered during the business audit may sound weird or not accurate, but don't rush, and think if there could be something related to it. Business audit is not done for digging dirt on the counter-party but rather uncovering maximum amount of information about the counter-party that may be useful and beneficial for the transactional party to know before engaging in transactional business.

8. Determine whether the counter-party owns what they say before signing the final contract

Business audit can reveal the information which was unexpected to find. Many companies may not even realize or simply won't be able to separate the truth from deceit but with professional help we ensure clients to provide them with the most important and accurate data on the counter-party.

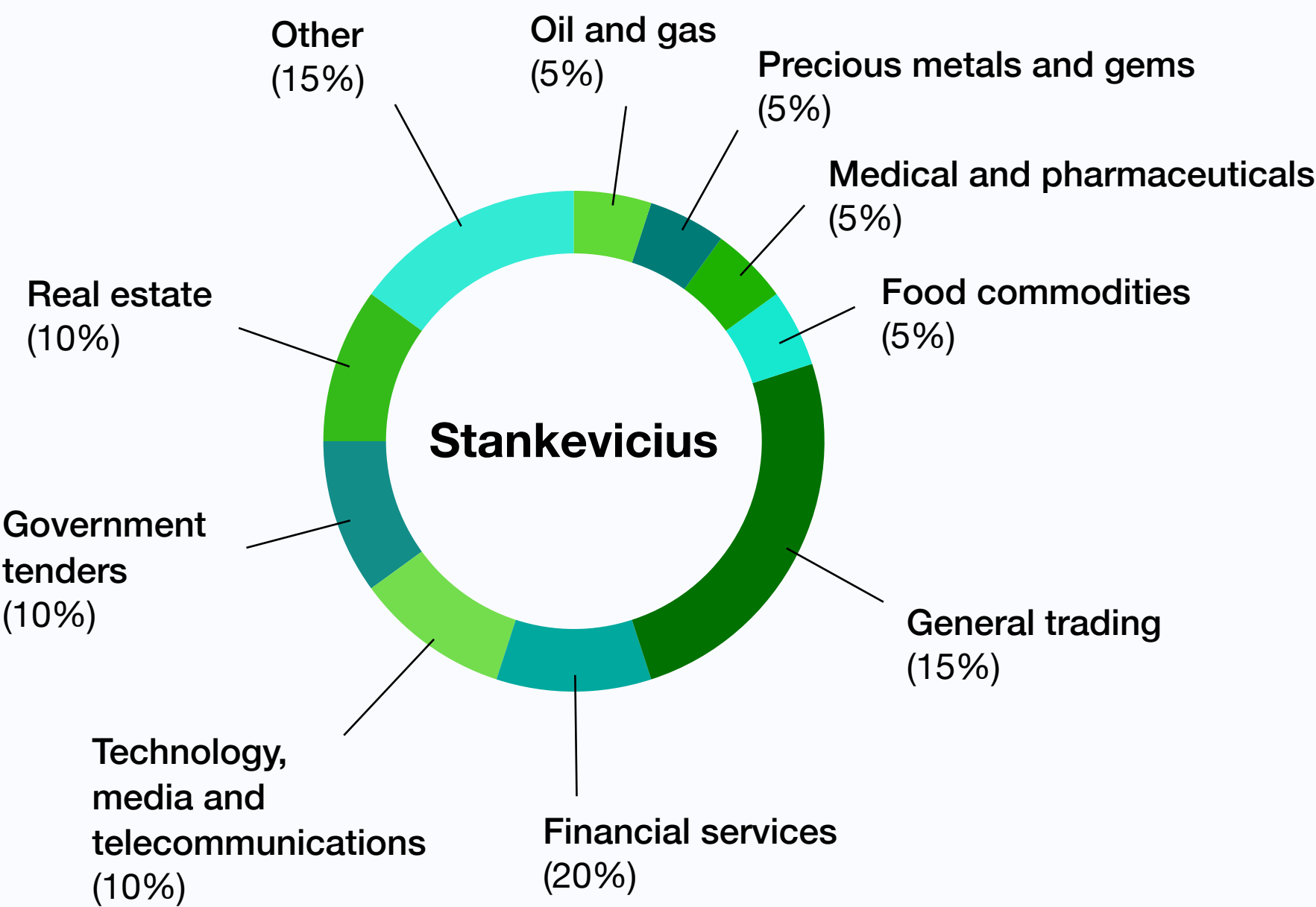
Running a background check on the counter-party is not it, but also diving deep on the contracting itself including checking terms and conditions is part of the business audit. Finding all the possible loopholes in the business deal is what business audit is designed for.

Our research methodology



To perform a successful business audit it is important to run checks on multiple aspects and principals involved in the business transaction. **The mission of running a business audit is to identify the maximum amount of red flags and potential risks,** so that the transactional party will be aware of them and be able to make the right decision towards making a deal with the counter-party.

Sectors we cover

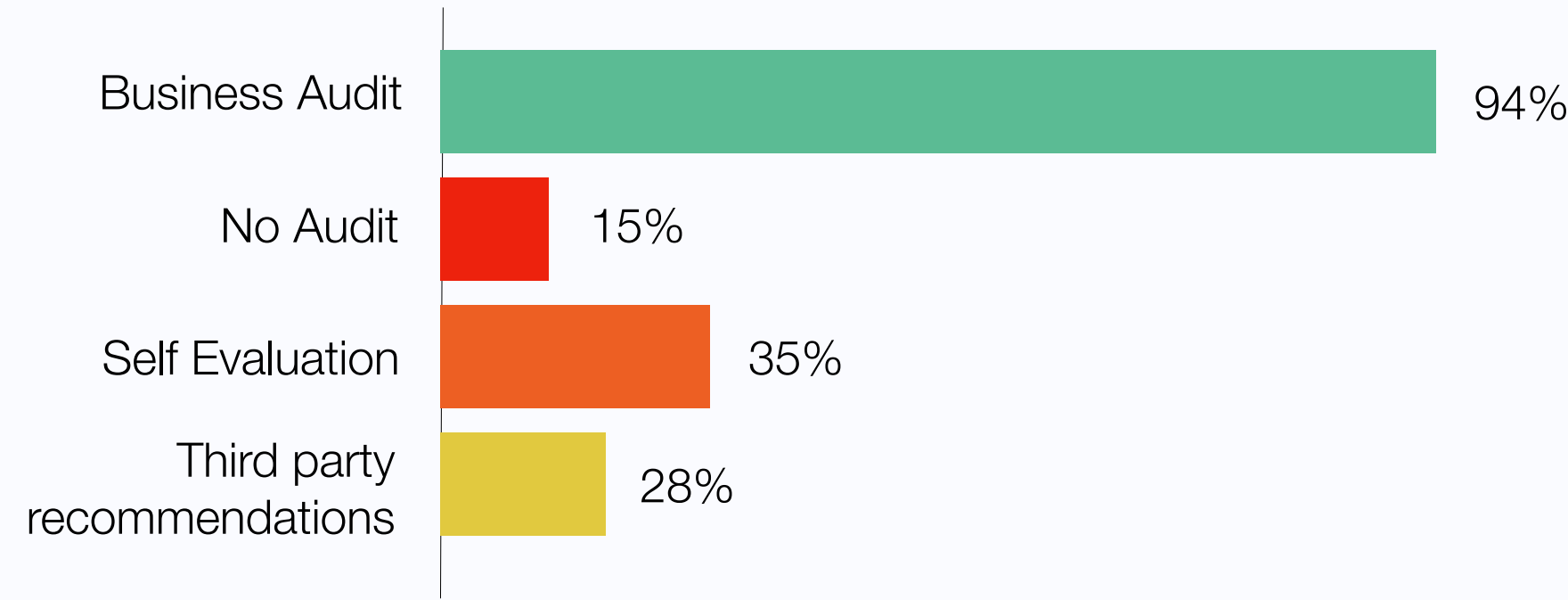


We specialize in analyzing mainstream industries as we have been working in the same fields of business ourselves. One of our key specialty is analyzing international commodity trading and financial services. Commodity trading involving petroleum transactions and financial services involving banking instrument trading are extremely high alert areas that we strongly recommend to run in parallel with business auditing.

Business audit efficiency

COVID-19 pandemic has significantly impacted and disturbed general trading and financial services sectors. A lot of concerns were raised around the efficiency of performing international trade deals. Further, the current economic situation in the banking sector has also caused issues in trust between companies performing global transactions. But as a silver lining, regardless of the changes in the economy and global markets- safety measures, access tools to alerts and new innovative solutions have also emerged allowing us to take measured and calculative action against fraud.

How safe is your business deal? The following is the average result of our questionnaire about risk management in international trade utilizing business audit



Results are based on a survey taken with over 50 international trading companies who prioritize professional business auditing prior to signing large trade agreements. Respondents chose 1 out of 5 options.

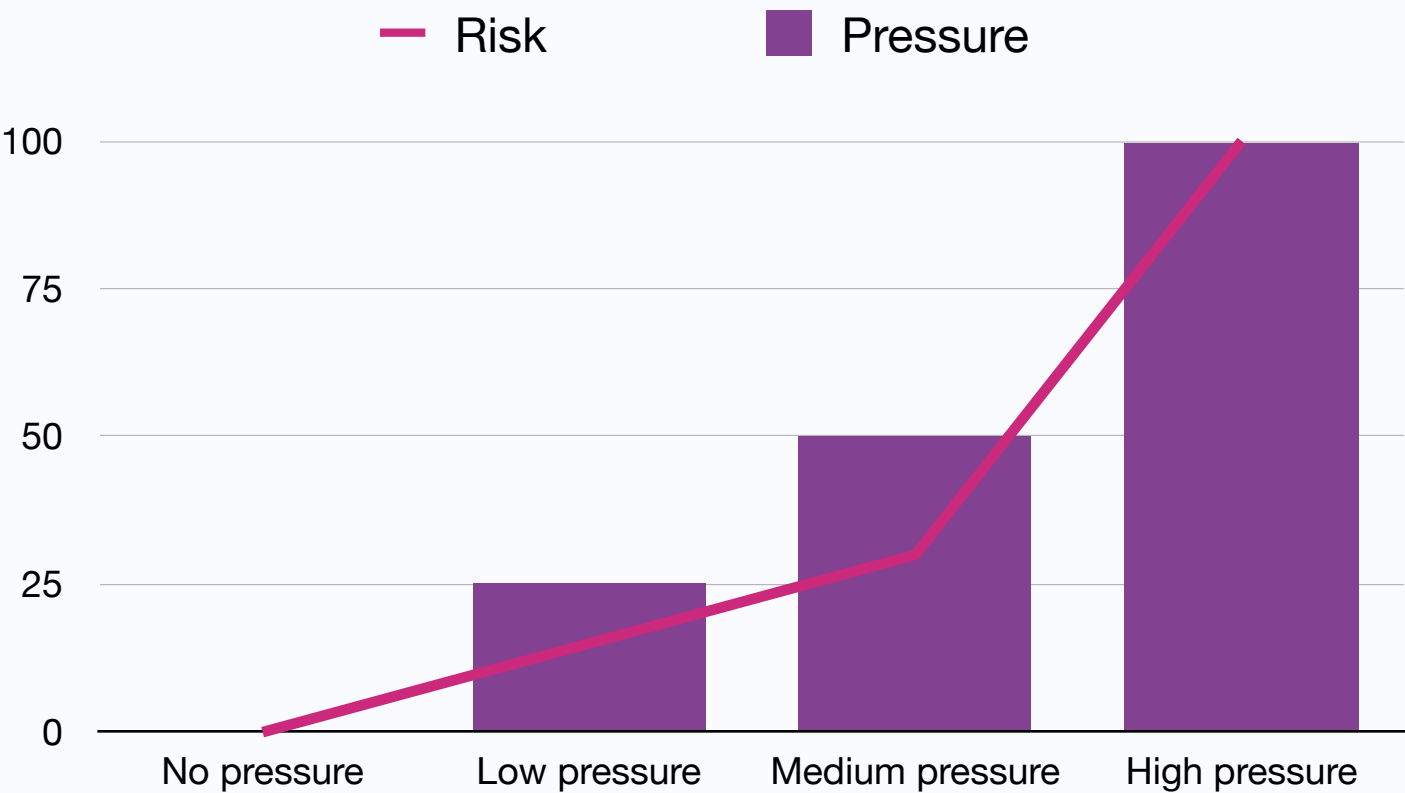
The survey was conducted primarily with commodity trading sector companies dealing in oil and gas trade, and also companies dealing with financial services in bank instrument issuing, monetization and trading. Financial services and commodity trading are two sectors that go hand in hand together. These two sectors are also one of the most tricky and risky sectors to do business in. Most of the fraud cases we have experienced over the last years were particularly from oil and gas, and financial services sectors.



Business owners and CEOs today

Rapid shifts in global market at times cause frustration and slows down the business. At the time of desperation and look out for new opportunities, very often we get introduced to something new which sounds like a great chance and comes at the right time when we need it the most, and because we need it so much, we take risks.

How pressure at work increases risk at senior level management positions



Question: How likely are you going to increase risk if you are highly under pressure? The survey was done by the CEOs and owners of international trading companies.
Respondents chose 1 out of 5 options.

Key takeaways



Looking ahead, our findings suggest that business audit should be a part of business and transaction processing in international private company trading products or services

Why business audit is important?

As a large organization or a private company dealing internationally between other trading companies and working on large transactional deals, it is a duty of company's management to make sure any transactions and deposits will not go to waste. Business audit exist to perform relevant checks on the counter-party, and this step is crucial before any transaction takes place.

What can we learn by doing business audit?

You will learn to understand the counter-party's as well as their agents' and introductory parties' thinking and perspective on how they operate a business. This may turn out to be judgmental but very useful.

By learning about the other parties involved in the business, you get to also learn what they value and how they do business. Particularly if capital or reputation is at stake, business audit would open up the gaps to understand counter-party's intentions.

Business audit provides clarity to the situation. When dealing with international companies, you are also dealing with different cultures. Considering that cultural influence on how business is being conducted locally is vastly different from country to country. This issue involves a lot of questions which raise high risk levels. For instance when dealing between American, Chinese, Middle Eastern and African companies it is important to note that they may conduct business under different reasoning and logic which may not be friendly to the counter-party.

Stankevicius

This article contains general information only and Stankevicius is not, by means of this article, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This article is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Stankevicius shall not be responsible for any loss sustained by any person who relies on this article.

About Stankevicius

Stankevicius refers to one or more of Stankevicius Group companies and its network of member firms, and their related entities. Stankevicius and each of its member firms are legally separate and independent entities. Stankevicius Group does not provide services to clients. Certain services may not be available to attest clients under the rules and regulations of certain jurisdictions. Please see www.stankeviciusgroup.com to learn more about our global network of member firms.