

₹10 CRORE AD FIRM FRAUD ANALYSIS

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Accountant,
wife held for
cheating ad
firm of ₹10 cr

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Why Internal Audit Is a Business Necessity (Not a Compliance Formality)

Case Snapshot

- An advertising firm lost ₹10.01 crore after its accountant misused OTP-based mobile banking access. The OTP phone, intended for single-person use, was accessed by multiple conspirators, enabling repeated unauthorised fund transfers.
- The fraud continued for an extended period and was detected only after major financial loss, not through internal systems.

Core Control Failures Exposed

Control Failure

Business Impact

One person controlled OTP & banking	: Complete override of safeguards
No maker-checker mechanism	: Payments executed without validation
Unsecured OTP device	: No accountability or audit trail
No daily bank monitoring	: Delay in detecting large transfers
No internal audit	: No early warning signals

Internal controls are designed to

- Protect **cashandbank balances**
- Enforce **segregation of duties**
- Ensure **traceability and accountability**
- Detect exceptions **before losses become material**
- Protect management from **legal and reputational exposure**

Why Internal Control Matters

This fraud succeeded because:

- **One person had full banking control** – No segregation of duties between payment approval and authentication
- **OTP phone was unsecured** – Multiple people could access it without logging or supervision
- **No daily monitoring** – Large transfers went undetected for weeks/months
- **No approval workflow** – Unauthorized payments were not flagged or stopped
- **No audit trail** – No record of who accessed the OTP phone and when.

Conclusion

This ₹10 crore loss was entirely preventable through:

- **Separating duties** (different people for approval & authentication)
- **Restricting access** (only 1 authorized person touches OTP device)
- **Daily monitoring** (catch unauthorized transfers immediately)
- **Active internal audit** (test controls regularly, not just assume they work)

Internal controls and internal audit are not optional—they are essential safeguards. Investing in proper controls costs far less than recovering from fraud and managing reputational damage.

Evolve With Awareness

CA Mangesh Kadam