



**Internship Report  
On  
“Evaluation of Internal Audit Process of Bengal Group of Industries”**



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**“Evaluation of Internal Audit Process of Bengal Group of Industries”**

**Submitted To:**

**Md. Kamruzzaman Didar**

Assistant Professor

Department of Business Administration

Daffodil International University

**Submitted By:**

**Afjal Hossain**

ID: 192-11-6286

Major In Finance

Department of Business Administration

Daffodil International University

Date of Submission: January 16, 2023.

## Letter of Transmittal

Date: January 16, 2023

**Md. Kamruzzaman Didar**

Assistant Professor

Department of Business Administration

Daffodil International University

Subject: Submission of internship report.

It gives me great pleasure to present this internship report on “Evaluation of Internal Audit Process of Bengal Group of Industries”. I was assigned this work to complete the unfinished prerequisite for the BBA program. I have promised to put in my best effort to finish the report successfully. Sincerely, I thank you for your support and suggestions, without which I could not have finished this paper. I would be interested in hearing further information if you have any.

So, I'm hoping you'll accept this internship report.



Sincerely Yours,

**Afjal Hossain**

ID: 192-11-6286

Major: Finance

Department of Business Administration

Daffodil International University

### Certification of Supervisor

This is to certify that under my guidance, **Afjal Hossain** (ID: 192-11-6286) major in finance from the Department of Business Administration of Daffodil International University successfully completed the internship report on Evaluation of Internal Audit Process of Bengal Group of Industries. For part of the prerequisites for the Bachelor of Business Administration degree, he completed this report.

I wish him every success in life.



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**Md. Kamruzzaman Didar**

Assistant Professor

Department of Business Administration

Daffodil International University

## Acknowledgement

In the name of the compassionate and merciful Allah. Without the direction and aid of multiple individuals, who in various ways contributed and extended their important assistance in the preparation and completion of this study, this effort would not have been possible.

I tried to compose this report regarding my internship, but it is now finished. The assistant professor and head of the department of innovation and entrepreneurship, Md. Kamruzzaman, deserves special recognition for his inspiring leadership. His counsel and encouragement were crucial to the internship program's successful development. The cooperation is in fact held in the highest regard.

I'd want to thank all the senior officials who helped make getting practical experience feasible. The internship program has also given me a new perspective on the kind of workplace that constantly puts us to the test and made me appreciate the value of teamwork.

Last but not least, I owe thanks to everyone who helped with this report, both inside and outside of Bengal Group of Industries.

## Executive Summary

The purpose of this internship report is to fulfill the requirement of the BBA program. I must interact with an organization as part of my course's requirement to obtain potential and crucial information. The reader will have a comprehensive insight of Bengal Group of Industries full Internal Audit Structure from this report. This report's goals are to Internal Audit Structure of Bengal Group of Industries and determine whether it is sufficient.

In the introductory section, I discussed the setting of the study and the structure of the report. Objectives, scope, restrictions, and techniques are also included, along with the sources used for data collection. I gathered data using both necessary and auxiliary information. The organizational portion, which covers extensive information about the company, including its corporate aim, vision, product & services, and resources, branch location, and other Bengal Group of Industries facilities, came next in my speech.

The third section, titled Audit Structure, shows the Concept of Auditing, Internal audit, Internal auditor, Basic Requirements, Internal Audit Process, Common Audit Findings, Concept Internal Controls, An internal control system, Role, Objectives, Components, Process of Internal Control, Audit evidence, Internal Audit and control practice of Bengal group

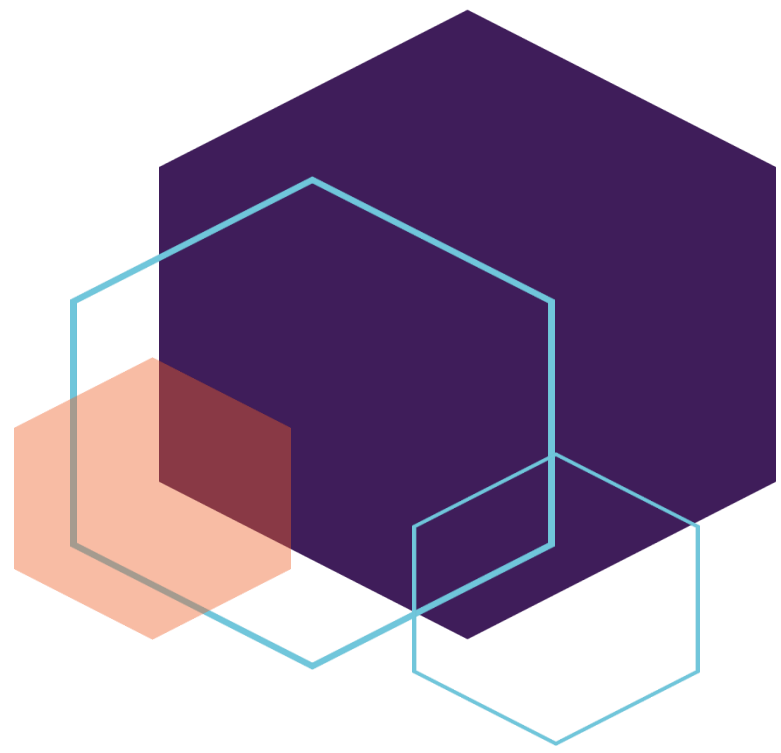
Last but not least, a few difficulties discovered when examining the Audit Structure are reviewed, and a few recommendations are made for the company's improvement so that the manager of Bengal group can take preventative action if those suggestions are acceptable.

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# Chapter-1

## Introduction

## **1.1 Introduction:**

Bengal Group of Industries (BGI) is one of the leading and fastest-growing diversified manufacturing conglomerates in Bangladesh with its footprint globally. Our eight business categories—food processing, plastics, rubber & melamine, textile & apparel, power & energy, hospitality, building materials, infrastructure, electronics, media & entertainment—cover a wide spectrum of industries, and we are well-established in each with the necessary resources. The privately held corporation, which today employs over 32,000 highly skilled workers across 28 plants and the head office, has organically evolved over the previous five decades. Over 50 years of manufacturing experience have helped us establish a reputation for quality around the world. The nation is able to export goods to more than 60 nations in the US, Europe, and Asia, which helps it generate foreign currency.

Being a leader among the reputable and prosperous companies in Bangladesh, we are proud of our workforce and the numerous industries we work in to support the country's economy.

One of the most prosperous sectors of the Bangladeshi economy is the plastics sector. Our daily lives have been altered by plastic. We work with products made of plastic in many different capacities. From the alarm clock in the morning to the dinner table, the coffee cup to the desktop computer, the bus to the airline, and so on, plastic plays a significant role in our daily lives. Plastics are frequently used in all aspects of our lives. Plastic improves and simplifies our lives. People are growing more and more reliant on the use of plastics as a result of its attributes, including its inertness, durability, flexibility, and versatility.

In Bangladesh, the leather and textile industries are much older than the plastic sector. In the 1960s, the plastics industry was a fledgling one. The emergence of the free market economy in the early 1990s led to a rapid expansion of the plastics industry.

## **1.2 Background of the Study:**

For students completing the BBA program at Daffodil International University's faculty of business and entrepreneurship, the internship program is a requirement that must be fulfilled. Every intuition that aids in suggesting knowledge, both hypothetical and real-world, is obliged to submit a report on an internship. Since then, my knowledge and continuing participation in the selected association have made it feasible for me to study my subject, Internal Audit Structure of Bengal Group of Industries.

## **1.3 Scope of the Study:**

Discovering the Bengal Group's internal audit control is the major goal of the research study. The question is aimed to collect data from Employee & External Source of Bengal Group of Industries in order to complete the research. I prepared my report using both primary and secondary sources of data. Without a questionnaire, I attempted to interview other department members, but they refused to respond to my inquiries. Additionally, I used some secondary data that was taken from books, publications, the group's newsletter, brochures, and the website. Additionally, in order to gain as much knowledge as possible, I usually attempt to follow Bengal Group culture and keep a journal of my everyday actions.

## **1.4 Objective of the Study:**

### **Broad Objective:**

The major objective of this report is to evaluate of internal audit process of Bengal Group of Industries

### **General Objective:**

1. To analyze the internal audit process of Bengal Group of Industries.
2. To identify the problem related with internal audit process of Bengal Group of Industries.
3. To make some recommendations to solve the problem of internal audit process of Bengal Group of Industries.

## **1.5 Methodology:**

When putting together this study, I used both primary and secondary data. Through my view and a one-on-one discussion with the administration, primary data have been acquired. To create this research, I used information I collected from them as well as information on the website of Bengal Group of Industries.

### **1.5.1 Primary Data Collection:**

- Personal conversation with the company's staff.
- Practical work experience
- Face to face interaction with clients
- Studying office file while working in the organization

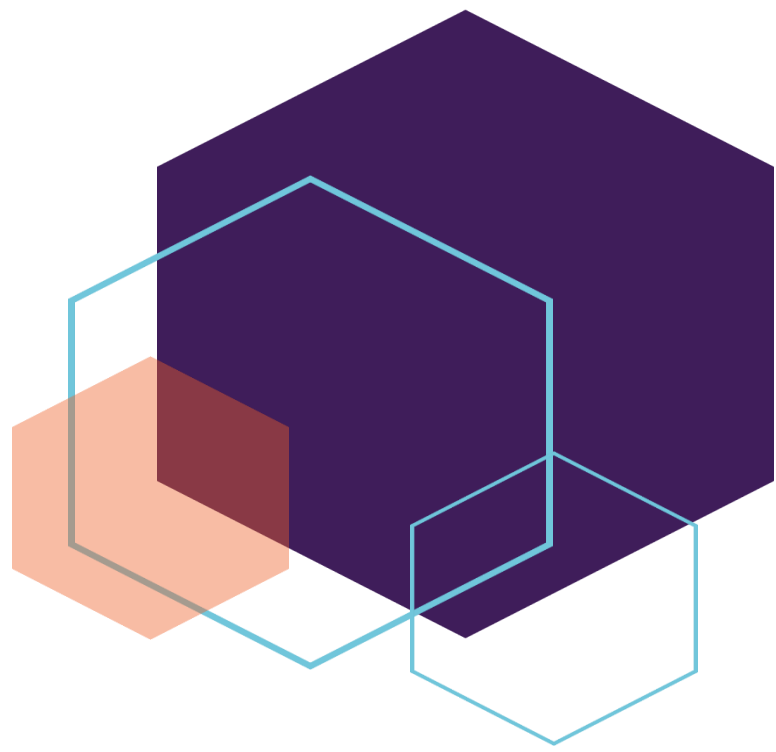
### **1.5.2 Secondary Data Collection:**

- Official website of Bengal Group of Industries.
- Articles, journals, newspaper and other publications.
- Annual report of Bengal Group of Industries.

## **1.6 Limitation of the Study:**

It was a tremendous opportunity for me to work with Bengal Group of Industries. Throughout the first quarter of the internship program, I have gained both theoretical and practical knowledge that has helped me understand how to adapt to a professional environment. But there are a few restrictions as well, which I had to take into account when writing my internship report. These issues and restrictions include:

- Due to confidentiality, the authority withholds some information.
- Lack of current information that is relevant to the research
- Lack of sufficient report-writing knowledge.
- Web site of the organization wasn't up to date to gather valuable information.
- To make this report effective, it needs the appropriate assistance and direction from the relevant superior.



## Chapter-2 Overview of the Company



## **2.1 Profile of Bengal Group of Industries:**

Bengal Group of Industries has started their journey back in 1969 by establishing country's first plastic processing company- Bengal Plastics Ltd. Bengal Group is currently one of Bangladesh's biggest producers of plastic. Today, though, they engage in more than only plastics. They have effectively diversified our operations over the years into areas including electronic media, real estate, chemicals, paper, food, metal, and renewable energy. To ensure that the components and raw materials we receive satisfy our customers' standards for quality, we test them in our Quality Control (QC) lab. We have created a contemporary tool room with cutting-edge technology and highly qualified technicians to guarantee consistent product quality throughout the production process in order to surpass the constantly evolving tastes of our international consumers.

We have constructed more than 100,000 SFT (9,291 square meters) of warehouse space to support the logistics and deliver the goods quickly. All of our efforts are focused on improving, making life simpler, and making consumers happier. We are committed to advancing engineering and sustainability initiatives through innovative packaging using cutting-edge refining and disinfection technology to provide only the most profitable and safest created products. Bengal Plastics is the industry's largest vertically integrated plastics company, which enables us to increase quality, lessen our impact on the environment, and give cost benefits to our clients. Because of the excellent service, competitive pricing, and high quality of our products, clients pick us.

Bengal Plastics uses Bangladesh's quickest, most automated, and most cutting-edge production lines to create its goods. Another significant component that enables our customers to provide the highest value is the efficiency savings realized through high-speed manufacturing and automation.

## **2.2 Mission, Vision & Values:**

**2.2.1 Mission:** Our mission is to strive constantly to responsibly meet and exceed the expectations of our valued customers and stakeholders through excellence in quality, delivery and sustainability

**2.2.2 Vision:** Becoming the industry leader and providing all of our clients with products and services of the highest caliber.

**2.2.3 Values:** The heart In order for our day-to-day business operations to be successful, our personnel are essential. Integrity, Teamwork, Excellence, and Accountability are demanded of every worker, manager, and director throughout the entire organization. These principles serve as the cornerstone upon which we create the honesty and trust necessary for our businesses to prosper moving forward. Simply said, the buyer believes that everything is "100% trustworthy."

## **2.3 Business Sector:**

**Business Sectors**

Bengal Group of Industries stands out of ventures engaged till date. The steadfast consistency, success and encouragement from the customers and stakeholders ignites confidence in our journey of sustainability and growth.

 Plastics, Rubber & Melamine	 Building Materials	 Food Processing
 Textile & Apparels	 Bengal Group of Industries	 Media & Entertainment
 Infrastructure & Development	 Electronics, Power & Energy	 Hospitality Services

**Plastics, Rubber & Melamine:** In 1969, we began using plastic products. Since then, the business has held a commanding position in the market as a proud producer of plastic goods. In addition to diversifying into other industries over the years, the firm also produced a wide range of unique items. The Bengal Group of Industries later produced melamine, thermoplastics, cartons, metal products, packaging supplies, and polymer items. We opened Happy Mart retail stores in 2015 with our cherished consumers in mind.

- Bengal Plastics Ltd
- Bengal Polymer Wares Ltd.
- Bengal Windsor Thermoplastics Ltd
- Bengal Poly & Paper Sack Ltd.

- Bengal Adhesive & Chemical Products Ltd.
- Hamilton Metal Corp. Ltd
- Bengal Melamine Ltd.
- Bengal FlexiPak Ltd.
- Bengal Retails Ltd.
- Bengal Propack

**Building Materials:** Building material production by Bengal Group began in 2011 with the production of pipes. A recent addition to our organization, Bengal Cement Limited (2018), operates with the mission of making A-grade construction materials freely available.

- Bengal Plastic Limited
- Bengal Cement Limited.

**Food Processing:** We recently expanded into the production of food goods as part of our constant effort to improve our businesses and boost our economy. It all began in 2004 when Bengal Group of Industries Ltd. purchased a bread and biscuit plant that is now known as Romania Food & Beverage Ltd. Lexus Biscuits Ltd. This business has surpassed many of its regional rivals in creating healthy biscuits in a relatively short period of time with the finest quality products. The first-ever sugar-free biscuits were released by Lexus in Bangladesh and quickly became incredibly popular with customers of all ages.

We started Bengal Feed & Fisheries Ltd as well to ensure the best raw materials for ourselves and also to fill the gap in the poultry and fish feed market of Bangladesh.

- Romania Food & Beverage Ltd
- Lexus Biscuits Ltd
- Bengal Feed & Fisheries Ltd

**Textile & Apparels:** Right after Bangladesh gained its independence in 1971, Bengal Group of Industries started its adventure in the textile and apparel business. Before we arrived,



Jute & Textile Spare Parts that the company had been producing had to be imported from India and Europe.

Making hangers for the apparel industry was our second step forward in this sector. Even though we joined RMG a little later, our production capability and global renown have already sparked success.

- Designer Fashion Ltd.
- Euphoria Apparels Ltd.
- Designer Washing & Dyeing Ltd.

**Media & Entertainment:** We were there to capture the most authentic aspects of the events going on around us in the media and entertainment industry. Bengal Group of Industry has a capable and innovative media staff that strategically works to disseminate a variety of news and viewpoints to the general audience. As one of the top TV networks in the nation, our satellite television channel RTV has been broadcasting since 2005.

The encouragement that our customers provide us to participate in the public lives of many communities inspires our efforts to create original and compelling media.

- Bengal Media Corp. Ltd.
- Look@me.
- Rtv Online News Portal.

**Infrastructure & Development:** We have kept our promises since we first entered the infrastructure and development sectors, and we continue to do so. The Bengal Group of Industries is committed to raising Bangladesh's infrastructure to a level that is competitive on a worldwide scale, which will help the country's economy.

- Bengal Concept and Holdings Ltd.
- Bengal Structure Development Ltd.
- Future Infrastructure Ltd.

**Electronics, Power & Energy:** The Bengal Group of Industries began its adventure in the power and energy sector with a great deal of assistance and encouragement from stakeholders and our cherished customers. And as easy as it may sound, our goal is enormous: to provide all of Bangladesh with dependable power.

- Linnex Electronics (BD) Ltd.
- Linnex Technologies Ltd.
- Bengal LPG Ltd.
- Bengal Renewable Energy Ltd.
- Power Utility Bangladesh Ltd.
- AJ Overseas Company Ltd.

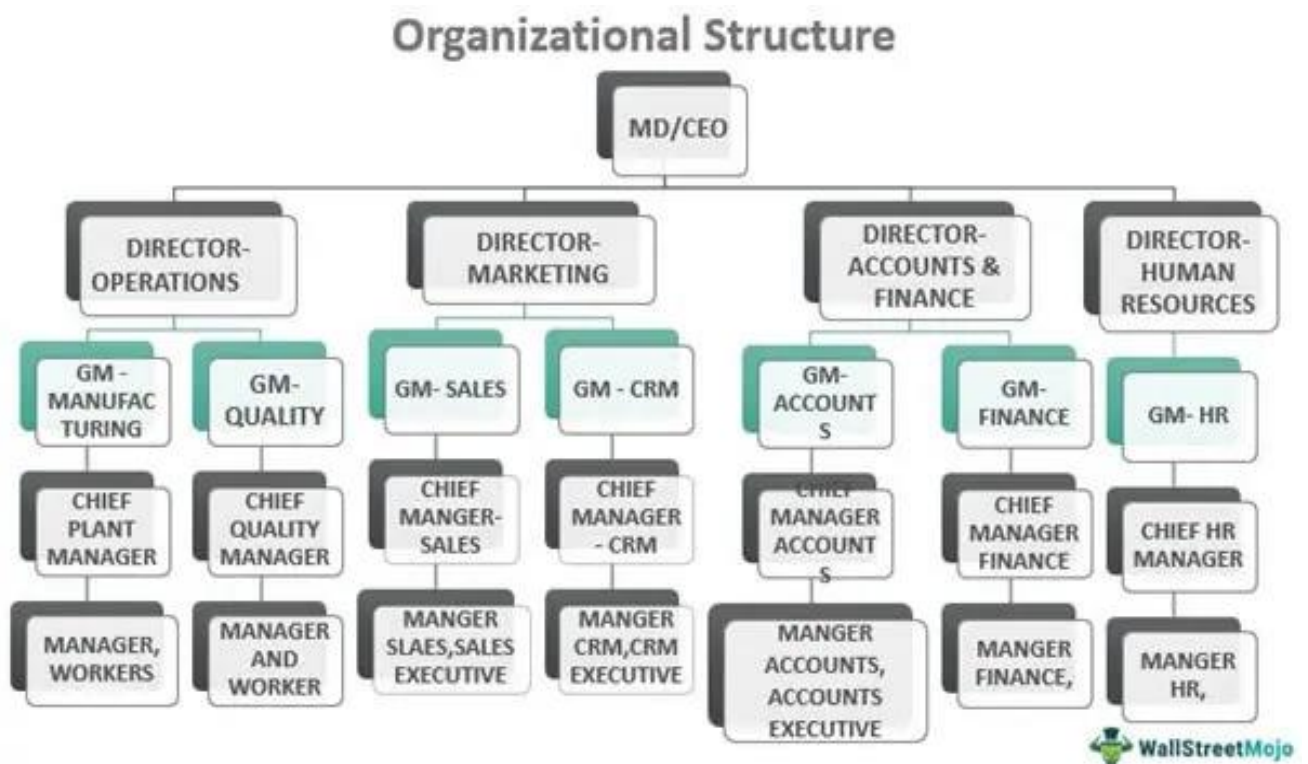
## **2.4 Corporate Information:**

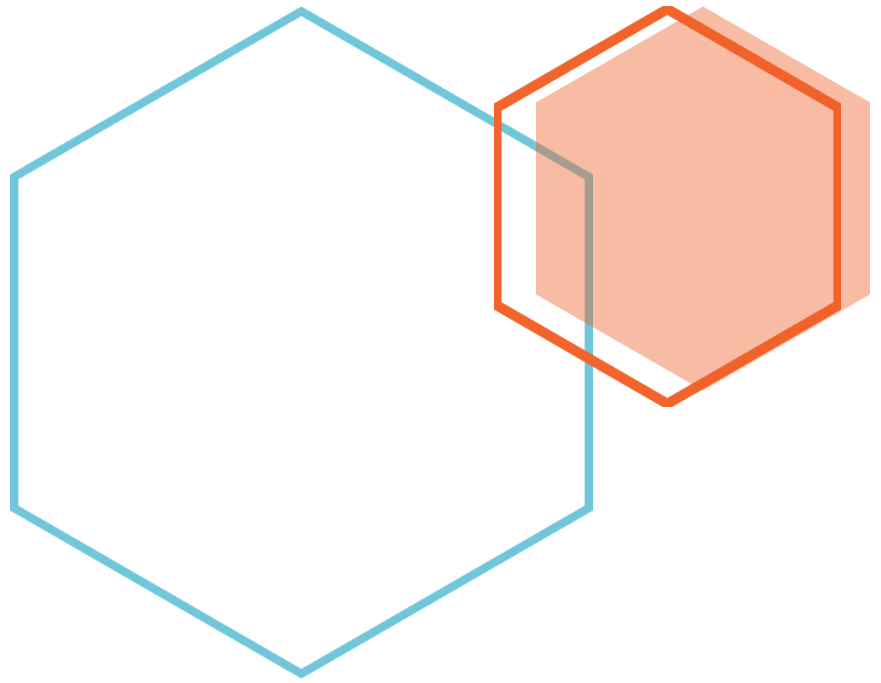
<b>Features</b>	<b>Values</b>
Date of Incorporation	02 January 2002
Consent from BSEC for issuance of Public Share	17 October 2012
Publication of Prospectus	23 Oct 2012
IPO Subscription Opened	27 January 2013
IPO Subscription Closed	31 January 2013 and 09 February 2013 for NRB
Listing with Dhaka Stock Exchange Ltd.	03 April 2013
Listing with Chittagong Stock Exchange Ltd	07 April 2013
Authorized Capital	1,00,00,00,000
Paid-up Capital	91,47,60,000
Number of Shareholders as on 30 June 2022	4542

## 2.5 Board of Directors:

Name	Position
Mr. Morshed Alam	Chairman
Md. Jasim Uddin	Vice Chairman
Md Huyman Kabir Bablu	Managing Director
Ms Bilqis Alam	Director
Mr Firoz Alam	Director
Mr Shamsul Alam	Director
Mr Saiful Alam	Director
Mr Shahedul Islam	Independent Director
Mr Abu Zafar Md Kibria FCA	Independent Director

## 2.6 Organizational Structure of Bengal Group of industries:





## **Chapter-3**

# **Analysis of Internal Audit Process of BGI**

## **3.1 Auditing:**

### **3.1.1 Concept of Auditing:**

Audit experts separately created theories of auditing during the 1960s and 1970s that could be used to examine a variety of different areas, including financial accounts. Although there may be disagreements among practitioners over how some fundamental concepts should be applied, auditors and the general public typically agree on the framework's essential elements. This framework, which is sometimes referred to as GAAS (Generally Accepted Auditing Standards), has been codified in numerous nations all over the world.

### **3.1.2 Definition of Auditing:**

An audit is a systematic study of an organization's books, accounts, records, and vouchers to ascertain whether the financial justifications support a true and reasonable understanding of the issue. Additionally, it ensures that the company is legally maintaining its books of accounts in accordance with legal requirements. A precise and independent review of the data, assertions, documentation, activities, and displays (financial or otherwise) of an undertaking for a stated goal is referred to as an inspection. The auditor in any auditing observes and identifies the ideas made to him or her recently for investigation, gathers evidence, evaluates the same, and on the basis of this premise defines his or her judgment, which is presented through his or her audit report.

### **3.1.3 Concept of Internal Audit:**

The purpose of internal auditing is to offer value and enhance an organization's operations. It is an impartial, unbiased assurance and consulting activity. By applying a structured, methodical approach to assessing and enhancing the efficacy of risk management, control, and governance procedures, it aids a company in achieving its goals. Organizations use specialists referred to as internal auditors to carry out the internal auditing activity.

"Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be used by each organization to safeguard its assets, verify the accuracy and dependability of its accounting data, foster operational efficiency, and encourage adherence to recommended managerial policies for accounting and financial controls."

### **3.1.4 Define Internal Auditing:**

The purpose of internal audit is to provide management with an objective assessment or monitoring of internal activities. Internal auditors examine and assess strategies, structures, and reports to management and directors on the sufficiency and effectiveness of the accounting and internal control system's constituent parts. Internal auditors are responsible for evaluating each of the organization's systems, processes, procedures, functions, and activities.

- Large businesses typically have internal auditing. It's a job that either firm personnel perform in-house or that is outsourced to an outside agency to help management reach organizational goals.
- Internal audit exists to support management in accomplishing organizational goals, which differ from organization to organization and can be found, for instance, in mission statements and strategic plans.
- In theory, excellent management is something that every company wants, and internal audit is a well-known approach to guarantee strong corporate governance.

### **3.1.5 Defined Internal Auditor:**

A certified public accountant who works for a business whose books are being examined and who informs the management and board of directors of information.

Internal auditors are employed by the company and are responsible for delivering unbiased, independent evaluations of the company's operations, including corporate governance. Internal auditors analyze operational effectiveness as well and often report to the highest level of management on ways to enhance the organization's overall framework and procedures.

### **Why internal audit's function**

By raising the standard of the control environment, an internal audit role benefits management. The company's directors, internal control officers, internal auditors, and other organizational employees should be given access to these internal auditing policies so they may learn about the background and methodology for establishing, where necessary, a successful internal audit function.

### **3.2 Internal Audit Activities:**

Financial audits, compliance audits, operational audits, information technology audits, consulting/advisory services, and special investigations are just a few of the audit services the internal audit department provides to the business. We invite you to get in touch with us if you have any questions or concerns about the specific policies and procedures used by your department.

- **Financial Audits:** The completeness and correctness of accounting transactions and reports are assessed by a financial audit. This kind of audit's goal is to confirm that a unit's financial activity is appropriately reflected in financial reports and that the financial reports are supported by accounting records and other financial records.
- **Compliance Audits:** establish the level of compliance with the company's, the manufacturer company's, the Bangladeshi governments, and other regulatory bodies like the ICAB and NBR, etc. rules, regulations, policies, and procedures.
- **Operational Audits:** To ascertain whether goals and objectives are being realized in the most effective and efficient way possible, examine the department's usage of resources and procedures/practices. Evaluation of the unit's internal control environment for managing and mitigating inherent risks is a crucial part of operational audits.
- **Information technologies Audit:** Analyze the system requirements, system development processes, data security, physical security, and system processing controls.
- **Procurement Audits** are intended to assess the impartiality, fairness, and independence of Department procurements.
- **Consulting and Advisory Services:** are demanded by management and consist of a variety of tasks. Internal audits can offer management internal guidance and assistance on matters relating to employee dishonesty, accounting systems, and internal control procedures. Additionally, we may offer advice on projects to rethink processes and systems as well as policies.

- **Special Investigations:** are carried out in response to accusations made against us that our corporate office receives through the hotline of the business or other internal and external sources. Based on an evaluation of the potential harm to the company, allegations are given a priority and are then looked into.

### **3.3 Internal Audit Procedure:**

Planning, Fieldwork, Reporting, and Follow-Up are the four main activity phases that should be included in an internal audit. The following gives a quick summary of each stage.



**Planning:** The inward review group describes extensions and objectives, the direction of relevant research (such as law, policy, industrial model, organizational strategy and methodologies), and evaluates the findings of prior reviews during the coordination process. And review spending plan, review execution plan, designation of those responsible for the process involved, and scheduled time for the first meeting to start the review.

**Fieldwork:** Work that involves your hands shows true analysis. The audit team carries out the investigation strategy during this phase. This broadly relates to speaking with important employees, promoting methodologies and control evaluations, and reviewing important reports and hoaxes such as anomalous cases and suggestions.



**Reporting:** The analysis's real performance is in its actual work. The audit team puts the investigation plan into action during this stage. At a high level, this entails communicating with important individuals, approving procedures and control evaluations, and going over important reports and items such unique cases and suggestions.

**Follow-up:** The last phase is a huge phase that is frequently disregarded. In order to guarantee that suggestions are finalized to reflect accepted assertions, follow-up is crucial. This mechanism should hasten the adjustment by providing direction to process owners who seek to put their recommendations into practice in a way similar to how the Board watches the association's overall status through the oversight of disclosures uncovered through internal research. Without member organizations implementing the suggestions, I don't believe there will be much movement.

### **3.4 Audit evidence:**

The paperwork utilized during testing to back up an audit conclusion is referred to as audit evidence. There are various forms of evidence you will encounter while conducting an audit (written, verbal, etc.). Employees of the customer or outside parties produce the documents. You must comprehend the following four concepts of evidence in order to appropriately evaluate the weight of the evidence you have gathered:

**Nature:** The format in which the evidence is presented, such as oral, written, or visual.

**Appropriateness:** The caliber, applicability, and dependability of the proof.

**Sufficiency:** sufficient audit evidence to assess the management statements of the audit client.

**Evaluation:** a determination of whether the evidence is convincing enough to support a conclusion.

### **3.5 CS (Comparative Statement) checking Procedures:**

#### **Step-1: Receiving CS from the Supply Chain department**

An audit executive's first responsibility is to request a principal copy of the comparative statement from the supply chain department. The internal auditor first notices that the entire document and those statements are available after receiving the CS from the SCM department (Store Requisition, Indent, Price quotation, & top sheet of CS).

#### **Step-2: Matching the top sheet product are available from Indent**

It is the Audit Executive's duty to confirm that the product or service item name matches the CS from. If every item is offered by indent, view the supplier's pricing quotation. If quantity and price are both acceptable from both papers, this chapter can be closed.

#### **Step-3: Verifying and Conforming Statement**

When every document is accurate, the auditor will check the pricing. The majority of the time, they call to confirm. If the pricing is accurate, the auditor passes it; if not, they add a new supplier. The auditor contacts the suppliers and inquiries about their product prices. Then the entire process was finished, and the chief of the audit department signed. The SCM department is then passed once again.

### **3.6 Bill (cash/Transport/commercial) checking Procedures:**

I try to concentrate on the engagement procedures through which Bengal Group is engaged to verify the bill section before talking about the audit, procedures followed by Bengal Group.

#### **Step-1: Receiving Challan from the other department**

An audit executive's first responsibility is to obtain the main copy of the challan from the warehouse in accordance with the purchase order. The internal auditor enters the challan into the computer system after receiving it from the warehousing department. The warehouse department is in charge of receiving goods, and the procurement department is in charge of all purchases.

## **Step-2: Matching the purchased quantity as per Challan Form**

The audit executive is in charge of verifying that the quantity purchased matches the challan form. The entire order amount is kept in a warehouse. And the Warehouse department is in charge of properly managing the quantity of everything that is purchased and received. The warehouse department is required to provide an explanation if any items can go missing. It might occasionally be criminalized.

## **Step-3: Receiving Bill**

The audit department receives the complete bill. And it moves to a different desk based on the executives' responsibilities.

## **Step-4: Verifying and Conforming Bills**

The primary duty of an auditor at this point is to ensure that all bills match their challan forms. The audit executives are in charge of checking and aligning the invoice. At this point, it's important to confirm that the entire bill is accurate. The auditor will get in touch with the accountable party if any errors are found. This is a crucial phase for both the audit producer and the auditors since it is the final step in the bill verification process.

## **Step-5: Transfer bills to the commercial department**

The internal audit department transfers the bills to the commercial department once all the verifications have been made. Additionally, the commercial division compensates the associated parties.

### 3.7 Inventory Auditing Process:



#### **Inventory check**

The working capital of a manufacturing organization fluctuates dramatically throughout the operational cycle. As a result, it is crucial and required that auditors conduct physical inventory checks and counting methods. The real amount of the company's inventory is independently verified by auditors during the initial phase of the audit process. To prevent accounting fraud brought on by the fabrication of inventory data, inventory tracking is necessary.

#### **Price Testing**

The examiner then checks the cost of the inventory after utilizing various approaches to confirm the inventory's amount. Inventories are reported in the financial statements at cost or market value, whichever is lower, in conformity with generally accepted accounting principles. The auditor will now examine the overhead, labor, and material costs that were incurred.

## **Result Analysis**

The auditor will sign and pass it after doing an inventory check and pricing resting for inventory.

### **3.8 Internal Controls Other Functions:**

For company directors, internal audit may also undertake additional duties. The key thing to keep in mind concerning internal audit is that departments must maintain objectivity in order to effectively oversee risks and controls. As a result, internal auditors are not involved in the business operations of the company.

The scope of my job as an internal auditor in the manufacturing company was:

1. Purchases System
2. Employee Costs
3. Physical Cash Counting

As part of the internal audit team, the scope and details of them are discussed in the later chapters.

### **3.9 Purchase System**

For a business, the purchasing system is crucial. Businesses must be able to deliver the products and services they require on a consistent basis in order to operate. In order to strike the correct balance between supplier satisfaction and utilizing all available credit, it is crucial to select the right supplier, negotiate good products, credit conditions, and manage payments. It involves finding a suitable equilibrium.

In a standard purchase system, we will see the following process:

1. Ordering
2. Goods inward and recording of invoices
3. Payments

### **3.9.1 Ordering**

Key risks are that purchases might be made for personal use or not made on the most advantageous terms. Authorization is therefore an important internal control.

#### **Risks and Control Objectives**

Here, the controls implemented will be made to reduce hazards. Therefore, the goal of the controls will be to reduce or eliminate these risks. Here are some control goals that could result from the aforementioned risks:

- All orders for goods and services are properly authorized and duly processed. All orders are required by the company
- Orders are only made with authorized suppliers
- Orders are made at competitive prices

#### **Controls**

The organization will attempt to develop controls that reduce those risks once it has recognized the hazards associated with the buying system. The following list of often used control mechanisms:

- Separation of duties, demands and orders.
- Central guidelines for supplier selection.
- Proof of purchase eligibility required prior to purchase approval.
- An order form will only be generated upon receipt of a pre-numbered purchase request.
- Purchase Order Approval.
- Pre-numbered order form.
- Backup of blank purchase orders.
- Confirming pending orders.
- Monitoring of supplier conditions.

Naturally, the particular nature of the control and the business will also influence the tests that the assurance providers do on these controls. But here are some general concepts:

- Review the supplier list and compare a sample to the orders placed.
- Examine the order of the pre-numbered order forms.

- A purchase order serves as the foundation for check orders.
- Examine the security measures over blank orders.

### **3.9.2 Goods inward and recording of invoices**

#### Risks and Control Objectives

When considering goods inward and recording of invoices, a company might recognize all or some of the following risks:

- Products may be abused for personal purposes.
- It's possible to recognize goods that weren't ordered.
- Invoices that result in non-payment may not be recorded.
- Company is not permitted to use the extended credit for the full amount of time.
- The company is not allowed to record credit notes for paying unsolicited solicitations.

Above stated risks lead to following control objectives:

On the off chance that they have been sought with authorization, all items and services are effectively recognized.

- Every item is demanded for use in commercial transactions.
- All goods and services are meticulously tracked.
- All goods and services that have been received are recorded as liabilities.
- The company has applied for and received all credits to which it is entitled.
- Receiving goods and services is necessary for an obligation to be documented.
- The ostensible and payable ledgers contain a record of every credit note that has been received.
- The correct payable's record accounts are used for all parts inside the payable records.

#### **Controls**

The following are types of controls which could be put in place to fulfill the above objectives:

- Examination of merchandise inwards.
- Recording entry and acknowledgment of goods.
- Comparison of products gotten notes with buy orders. Referencing of provider solicitations, numerical arrangement and provider reference.
- Checking of supplier's invoices.
- Recording return of goods.
- Procedures for getting credit notes from suppliers. Segregation of obligations, bookkeeping and checking functions.
- Prompt recording of buys and buys returns in day books and ledgers.
- Regular support of payables ledger.
- Comparison of month to month explanations of account equalizations from providers with payables record balances.
- Review of classification of expenditure.
- Reconciliation of payables record control account to add up to of payables record balances.

### **Tests of Controls**

The following tests of controls are used in companies:

- Examine product requests for bids. All solicitations should be examined.
- Examination of credit notes.
- Check for returns to ensure that the providers have properly issued credit notes.
- Analyze numerical grouping and look into missing numbers.
- Find out the details of things that have been extraordinary for a while.
- Verify additions.
- Verify posting to the control account and ostensible record accounts.
- Verify the passages that were posted to the payable ledger.
- Confirm that throughout the year, control account compromises have occurred often.
- Check the control account for odd entries.



### **3.9.3 Payments**

#### **Risk and Control Objectives**

The following risk arises at this stage of proceedings:

- Inadvertently, false invoices are paid.
- Bills are paid promptly Payment was not recorded accurately.
- Credits are not recorded accurately.
- The proper period of recording for payments is not used.

The main danger is that the company might pay out money improperly. The following goals result from the risks:

- All expenditure is for goods that are received and authorized
- All expenditure made is recorded correctly in the nominal and payable ledgers
- Payments are not made twice for the same liability

#### **Controls**

The methods for managing payments will be heavily influenced by the type of business done, as well as by the company's size and volume.

Payments made by check or cash generally: The cashier should normally not be concerned with maintaining or writing up books of account except from those that record payments, nor should he have access to or be responsible for the care of. The person responsible for planning checks, however, shouldn't sign checks themselves. Those who sign checks should also not be allowed to record payments.

Cheque and bank transfer payments:

- Cheque and bank transfer requisitions
- Authority to sign cheque is well defined
- Prompt dispatch of signed cheque
- Obtaining of paid cheque from banks

- Payments recorded promptly in cash book, nominal and payable ledgers

Cash payments:

- Authorization of expenditure
- Cancellation of vouchers to ensure they cannot be paid twice
- Limits on cash payments
- Rules on cash advances and cashing

### **Tests of Controls**

For authorization of payments, the control tests are:

- To ensure that the payee is on board, compare with paid checks.
- Verify that checks are signed by the appropriate party within their scope of practice.
- Check the assertions of the provider.
- Verify the additional narrative evidence that is available, such as claims, receipts, books, etc.

For authorization of recording the control tests are as follows:

- Examine the order of the check numbers and look for any misplaced ones.
- Check other bank accounts, insignificant cash books, or other records to follow the swap.
- At the beginning and end of each month inside the period, check augmentations, count expansions, and equalize forward.
- Verify posting to the payable and ostensible ledgers.

### **Employee Costs**

Payroll is a place where scams can occur; for instance, fictional employees might be added to the payroll. It's critical to comprehend a payroll system's fundamental components and be able to spot its flaws.

### **3.10 Calculating Wages and Salaries:**

When calculating wages and salaries, a company experiences the following risks:

- Company may pay employees too much money.
- Company may employees who have not been at work.
- Company may pay employees who have left.

Therefore, the controls' goals will aim to reduce or eliminate these risks. The following control goals may result from the dangers mentioned above:

- Employees are only paid for work that they have done.
- Gross pay has been calculated correctly and authorized.
- Net pay has been calculated correctly.

#### **Controls**

The following controls may be put into place to mitigate the risks:

- Staffing and isolation of duties.
- Maintenance of individual records.
- Recording of changes in faculty and pay rates.
- Review of hours worked.
- Recording of progresses and pay.
- Holiday pay engagements.
- Answering queries.
- Review of compensation against budget.

#### **Test of Controls:**

- Verify that payment of wages and a salary summary has been approved.
- Verify that the processes for allowing adjustments to pay rates, overtime, and holiday pay are in place.
- Obtain proof that employees are only paid when they begin working for the company and that they are dropped from the payroll when they leave.
- Verify that pay and wages are being verified for engagement.

### **3.11 Recording of Wages and Salaries and Deductions:**

#### **Risks and Control Objectives:**

The following risks may be recognized by the business while contemplating documenting earnings and salaries:

- Payroll records for the various components of pay could not be accurate.
- Employee compensation may not be recorded in the cash books.
- The nominal ledger may not appropriately reflect pay.

The corporation also has a responsibility to pay the right amounts of tax withheld at source over to NBR. If these are estimated incorrectly, the business may later be hit with a hefty tax payment that includes both arrears and penalties. The employer must additionally cover additional deductions on the employees' behalf. Errors once more could result in future liabilities.

These lead to following control objectives:

- Gross and net pay and deductions are accurately recorded on the payroll
- Wages and salaries paid are recorded correctly in the bank and cash records
- Wages and salaries are correctly recorded in the nominal ledger
- All deductions have been calculated correctly and are authorized
- The correct amounts are paid to NBR

#### **Controls:**

Payroll preparation should be assigned to a qualified individual, who should also have access to the necessary staff. It should be made clear what additional tasks the team members who prepare pay and salaries may accomplish. Additionally, there must to be:

- Bases for compilation of finance for case, clock cards, extra time records, concurred hours.
- Arrangements for the planning, checking and endorsement of payroll.

- Procedures for managing with non-routine matters. Maintenance of partitioned employees' past records.
- One for one checking of finance points of interest back to freely kept up individual records.
- Reconciliation of add up to pay and conclusion between one pay day and the next.
- Comparison of real pay sums with budget gauges or standard costs and the examination of contrasts between them.
- Agreement of net profit and add up to assess deducted with tax collection returns.

### **Test of Controls:**

The reconciliation of wages and salaries will be a crucial area of concern for control assurance providers. There ought to have been reconciliations for wages with:

- The previous week's payroll
- Clock card/time sheets/job cards
- Costing analysis, production budgets

Additionally, assurance providers must to do those calculations again and validate that significant calculations have been verified by the clients. The tax and non-statutory deduction calculations should be audited. They should run the following checks for withholding taxes:

- Scrutinize the control accounts maintained to see appropriate deductions have been made
- Check that the payments to Govt. Treasury are correct

### **3.12 Payment of Wages and Salaries:**

#### **Risks and Control Objectives:**

The main concerns in this situation are that both individuals who are employees and those who are not are paid. As a result, the primary control goal is to ensure that the right employees are paid.

**Controls:**

## Payment of Cash Wages:

- Segregation of duties
- Authorization of wage cheque cashed
- Custody of cash
- Verification of identity
- Recording of distributions

## Payment of Salaries:

- Preparation and authorization of cheques and bank transfer lists
- Comparison of cheques and bank transfer list with payroll
- Maintenance and reconciliation of wages and salaries control account

**Tests of Control:**

If wages are paid in cash, then controls tests are:

- Plan a trip to the compensation pay-out to verify that the official strategies are being followed.
- Verify certain paragraphs in the unclaimed compensation book against those in the payroll.
- Regularly verify if unclaimed benefits are being held in cash.
- Verify the unclaimed wages' design.
- Check that comparisons are being made between the monthly financial net pay rundown and the paid checks or a certified copy of the bank list for employees paid by check or bank transfer for determining pay rates.

### **3.13 Physical Cash Counting:**

Cash checks require planning because it is a requirement that all cash equalizations be calculated simultaneously and as far apart as is practical. In addition to notes and coins, cash in this situation may also include unbanked cheques received, IOUs, and credit card slips. Such monetary equalizations are frequently impossible to be accomplished, although they might be in some firms.

The assurance providers will need to identify the locations where cash is kept and which of these locations call for a count as part of the planning procedures.

Planning decisions will need to be recorded on the current audit file including

- The location and exact time of the count.
- The names of the count-taking audit team.
- The people's names who will be representing clients at each location.

The count itself is subject to the following issues.

- All cash or petty cash books should be written up to date in ink at the time of the count. Alternative process of keeping records is also acceptable, depending on the system
- All balances must be counted at the same time
- At no time should the assurance providers be left alone with the cash and negotiable securities
- All cash counted must be recorded on working papers subsequently filed on the current audit file. Reconciliation should be prepared where applicable.

### **3.14 Internal Audit Service offered:**

#### Audit Services:

- Internal Audit
- Inventory audit
- Annual audit
- Surprise Audit

#### Non-audit Services:

- Management consultation/development
- Accountancy
- Accountancy and management training
- System development
- Data processing with computer
- Other accounting ancillary services including investigation.
- Human Resource Development Issues



## **Chapter-4**

### **Findings, Recommendation & Conclusion**

## **4.1 Findings:**

The findings that have been identified from this study are given below:

### **Positive Findings:**

- Bengal Group has established its devoted staff. Each and every employee has a superior relationship with greater loyalty and promptness.
- The audit department receives uninterrupted free time from management to conduct its duties.
- Particularly well-decorated and fantastic working environment of the organization is Audit Department.
- The audit department was established with compel and skill. There is therefore a huge possibility to develop a suitable and exceptional career.
- Reputable work. Each person gives their all to assist us in identifying and preventing any mistakes or mistakes of any kind.
- As an auditor have right to get to any entryway of the company as a request of audit purpose

There is no secret barrier separating the internal auditor from the company's boss. Internal auditors assist management in achieving the company's aims and objectives because the owners of the business want to operate over the long term and survive the competitive market.

### **Negative Findings:**

- The work order has not been located with the majority of the bills.
- The rate, signature, and date of the work order have occasionally been provided.
- Avoid submitting work orders to the audit department for bill checking; all work orders are collected over the phone from concerned individuals once a party submits a bill.
- The supplier receives the work order without the concerned merchandiser's name.
- The billing rate does not correspond to the work order rate.
- A work order was submitted without an authorized signature.
- In accordance with the IT Ordinance's 1984 rules, tax is not being deducted at source from all parties.
- VAT is not being deducted at the point of payment.

- Not all parties have produced receipts for their payments.
- The vouchers include photocopies of the bill and the challan, and they also include incorrect supporting documentation for bill checking.
- The provider continues to present the review office with fragmented and irregular charges (the patient in question did not identify the irregularity, thus we cut the bills into pieces).
- Excess quantity offered by the supplier. but did not make clear remark in any challan or any archives where we tackle issues with suppliers charging excessive amounts
- The party provides a double-challan because the store requested signatures on all supplier challans.
- Not all vouchers are publishing to the individual's workwise account.
- In a few instances, liquid vouchers and overwriting are present.

## **4.2 Recommendations:**

I believe that internal review activity indicates a significant assessment of the company's resources that monitors progress and documents actions done in response to review ideas that represent significantly better performance. As requested by management, we would like to put out our best effort in order to successfully achieve the company goal and destinations. To help BGI perform better when it comes to internal auditing, we'd like to provide a few suggestions.

- The voucher must be posted in accordance with proper judgment and unique job standards.
- It is advisable to keep overwriting and foggy vouchers at a distance.
- The corporate check that is greater than Tk. 50,000 will be used to make the cash installment.
- In accordance with the rules, tax shall be deducted at source from all parties.
- VAT will be deducted at source when payments are made.
- In the event of any purchase, a work order must be issued in the provider's favor, and the unit price of the items must be approved by the company's higher specialist (like Overseeing Chief or Director).
- The primary copy of the charge and challan must be given to the review division in accordance with the delivery challan and the plan shrewd, and photocopies of the charge and challan should not be obtained from suppliers.
- The review division must receive a monthly periodicals stock report for review.
- Quarterly and monthly accounts must be provided to the review division in order to verify the company's financial situation.
- To ensure that review exercises go smoothly, the review division (for the corporate office as well as the production line office) must have enough labor.
- The implemented computer program should be developed on a uniform basis so that all divisions can use it to maintain their respective records and help the business achieve its goals.

### **4.3 Conclusion:**

Bengal Group is the nation's top plastic, food and beverage, holdings, and manufacturing marketer. The Bengal Group's organization, administration, production, and marketing system are the main topics explored in this dissertation. Despite the fact that it has numerous restrictions and obstacles, a solid marketing and promotion strategy should be implemented. This analysis essentially includes responses from the administration. If there is conflict between these Partners, it will be determined by counting responders from administration, labor, and administrative agents in the future. The internal review and control hones benefits and the associated expenditures have not been connected in any way. Additionally, a cost-benefit analysis could be carried out. The relationship between organizational advantage and the feasibility and effectiveness of the internal controls implemented in that organization might also be a likely area of inquiry to check the internal controls' dedication to productivity.

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