Thesis Report
on

Role of Internal Audit Department at Dekko Isho Group

Submitted to:

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Submitted for the partial fulfillment requirement of the degree of Master of Business Administration

Date of Submission: 05th September, 2023

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Submitted to:

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Letter of Transmittal

30th August, 2023

Md. Shahbub Alam

Lecturer

Department of Business Administration

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Subject: Submission of "Thesis Report on Role of Internal Audit at Dekko Isho Group".

Dear Sir,

With immense pleasure, I am submitting my thesis report on Role of Internal Audit at Dekko Isho Group" which was assigned me as a part of my MBA Program. I have tried my level best to complete this thesis report with the necessary information and suggested proposal that you were provide me as your best as well.

I hope that the thesis report will be completed as your expectations.

Thank you,

Sincerely yours

……...

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Declaration

I hereby declare that the thesis report entitled "**Role of Internal Audit Department at Dekko Isho Group"** is a work done by me under the guidance of Md. Shahbub Alam, Lecturer, Department of Business Administration, Sonargaon University (SU), and this thesis report is submitted for the partial fulfillment of the requirements for MBA program. The roles and procedures embodied in this report have not been submitted to any other University or Institute for the award of any degree or diploma.

…….

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Certificate of Supervisor

I am pleased to certify that the thesis report on "**Role of Internal Audit Department at Dekko Isho Group**" prepared by Md. Saifullah-Al-Mamun, ID: MBA2203027011 of the Department of Business Administration is approved for Presentation and Defense. Md. Saifullah-Al-Mamun worked with "Dekko Isho Group" as an Thesis under my supervision. He completed the work during the Summer-2023 Semester. I am also pleased to certify that the data and the findings presented in the report seen to be authentic.

Md. Saifullah-Al-Mamun bears a good moral character and a very pleasing personality.
I wish her all success in life.

……

(Md. Shahbub Alam)
Lecturer
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Acknowledgement

First of all, I would like to thank the Almighty Allah for giving me the ability to complete my thesis report on time.

This thesis report titled "**Role of Internal Audit Department at Dekko Isho Group**" is prepared to fulfil the requirement of MBA program.

I would like to thank my honorable supervisor Md. Shahbub Alam, Professor, Lecturer Department of Business Administration, Faculty of Business, Sonargaon University (SU) for supporting me to complete my thesis report.

Then I would like to thank Dekko Isho Group and also its employees those helped me a lot for the completion of this thesis report.

Finally I want to thank and show my deepest gratitude to my parents for their encouragement.

……

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Executive Summary

Internal audit, now a days, plays a vital role for today's corporate world. For continuous improvement of a company internal audit department is very important. Dekko Isho Group is one of the leading group of companies encompasses about 15 large companies. To control the all concerns and for better internal control, Internal Audit Department is made decentralized. This report, "**Role of Internal Audit Department at Dekko Isho Group**", is mainly focuses on the role of this department.

This report is divided into six parts. First chapter contains introduction of the report, objectives, methodology and limitations of the study and scope of the study. Second chapter contains related work which includes the short review and theoretical discussion of this report. Third chapter contains, company profile. Forth chapter contains, my Thesis position and duties. Fifth and the most important chapter contains, the role of the department, SWOT analysis and findings. Sixth and the last chapter contains recommendation and conclusion of the report.

Dekko Isho Group is growing continuously for its unique strategy and plan and Internal Audit Department is facilitate the growth one step further.

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List of Abbreviations

IOU	I Owe You
PI	Profroma Invoice
CS	Comparative Statement
LC	Letter of Credit
PP	Polypropylene
LDPE	Low density Polyethylene
HDPE	How density Polyethylene
BOPP	Biaxially-oriented Polypropylene
MLS	Men's Long Sleeve
MLS	Men's Short Sleeve
BLS	Boys' Long Sleeve
BSS	Boys' Short Sleeve
LSS	Ladies Short Sleeve
G-Skt	Girls Skirts
GLP	Girl's Long Pants
MLP	Men's Long Pants
LIFO	Last In First Out
FIFO	First In First Out

Chapter 01
Introduction

1.1 Introduction

Among all the Group of Companies in Bangladesh Dekko Isho Group is not only the pioneer of RMG sectors in Bangladesh but also the leader of most promising companies under its umbrella.

Since the 1950s, Dekko Isho Group is focusing on the improvement of RMG, Food and few others sectors consistently. The astonishing growth of Dekko Isho Group makes it different from others. High conviction portfolios and rigorous research helps it to be focused surprisingly.

Dekko Isho Group becomes the market leader due to its high-quality goods and services as its focus on cost leadership and the efficiency of its human capital. Devoted quality and timeliness in exports of Dekko Isho Group are the main competitive advantage which makes it industry leader.

Auditing, now a days, is mainly focusing on minimizing risk factors as well as adding creditability to the financial statements. As the auditing procedures are getting complexed, companies started to develop new departments which focus on internal control. The role of internal audit is to provide independent assurance that an organization's risk management, governance and internal control processes are operating effectively.

Now different companies are trying to increase accountability through the internal audit department activities and Dekko Isho Group is not different from the others. By acknowledging the importance of the Internal Audit this report focuses on the Internal Audit Department of Dekko Isho Group and its role.

1.2 Objectives

The overall objective of this study is to present the knowledge gathered from Thesis at Dekko Isho Group and getting knowledge about Internal Audit and its role.

1.2.1 Primary Objectives

- To fulfill the requirement of MBA program
- To identify how internal audit department adds value to the company
- To know different work procedures in internal audit department of Dekko Isho Group

1.2.2 Supportive Objectives

- Identifying the current processes of internal audit department
- Preparing a report as a part of Thesis

1.3 Significance of the Study

Internal audit is a part of internal control system. It is directly connected with the management. Sometimes it may influenced by the management if it's a privately owned company. Now a days risk factors are becoming an alarming concern in business. Internal audit department role is to help reducing the risk and directly or indirectly lead the management or influence them to the correct path.

Very few top companies have their own internal audit department. Internal audit is essential for a large company. Small company sometimes cannot afford its cost.

This report will help to understand the internal audit procedures of Dekko Isho Group and identifies the key issues related to the department which can be good or bad and suggest the best possible techniques or identify the technical error in audit procedures.

Besides this report demonstrates the activities and importance of this department to the top management (owners).

In order to complete MBA program every student has to take Thesis report. In both case a report must be prepared. As a student of MBA, I have taken Thesis at Internal Audit Department of Dekko Isho Group and prepared this report, where I have tried to show the role of the internal audit department in Dekko Isho Group.

1.4 Methodology

To complete the report I have collected some necessary data or information and processed them. For data collection there are two sources-

1.4.2 Primary Sources

- Internal Audit Department, Dekko Isho Group [Data Collection: 01 July 2023]
- Manager, Supervisor and other employees of Dekko Isho Group [Data Collection: 01 July 2023]

1.4.3 Secondary Sources

- Audit Documents
- Audit Summary
- Official Website and internet
- Previous online reports

1.4.4 Data Analysis

Data are analyzed into different ways-

- Descriptive analysis
- Focusing different processes
- Demonstrating document cycle

1.5 Scope of the Study

In a short period it is very hard to demonstrate the 100% accurate scenario of anything. Although there are lots of difficulties and ambiguity about the data I tried to cover the activities of the internal audit department and their procedure to conduct the internal audit work. Though it's a descriptive report I have tried to show different process with necessary figures. This report is prepared in such a way so that anyone can perform further analysis on this report and develop different strategy that may help the company.

1.6 Limitation of Study

In a short time, it is very hard to continue both the study and Thesis at a time. Besides there are some limitations-

- The employees are very friendly to help me learning new things and adjusting with new environment. And they are promising to support as much as possible to complete my Thesis report. But it is not possible to learn everything within a three-month period. Besides it is also not possible to write everything in the report.
- There are some confidential data which is not allowed to share outsides. Moreover the company has its own strategies which make it separate from the competitors. This information is also not allowed to share outside. But I've tried my best to include the information as much as possible related to my topic.
- As this report is focusing on procedures and roles of internal audit department I focused on qualitative information rather than quantitative information.

Chapter 02
Literature review

2.1 Literature Review

Diamond Jack, The Role of Internal Audit in Government Financial Management: An International Perspective (May 2002). IMF Working Paper No. 02/94, Available at SSRN: https://ssrn.com/abstract=879645

The internal audit function has received increasing attention as an important component of government financial management and a tool for improving the performance of the government sector. Recently, a consensus has been reached on what audit standards governments should meet. This paper reviews these standards from an international perspective, noting that a large number of countries would face severe problems of meeting such standards. It is argued that internationally there are many different models for internal audit, and it may be necessary to take into account different audit traditions and different institutional capacities when introducing measures to strengthen internal audit in developing and transitional countries. The paper then discusses the main issues to be addressed in developing the internal audit in such countries, and offers a framework for introducing much needed reforms in this area.

Daniela Petraşcu & Alexandra Tieanu, The Role of Internal Audit in Fraud Prevention and Detection. Lucian Blaga University of Sibiu, Faculty of Economic Sciences, 17 Dumbrăvii Avenue, Sibiu 550324, Romania. https://doi.org/10.1016/S2212-5671(14)00829-6

This article aims to not just briefly describe the role of the internal audit in the detection of possible frauds, but also to highlight its importance in preventing the commission of frauds in any economic entity. Moreover, the analysis intends to especially point out the advantages that an internal audit can offer to the management of an economic entity and its partners, and to the society as a whole as well.

Starting from the premise that auditors are not the adversaries of an entity, one should remember that: the internal audit is a function of assistance offered to the leadership of that entity in order for them to better manage their activities; it expresses judgments on all decisions taken by the leadership that ensure the normal and efficient functioning of its activities; and its objective is to create added value.

Research Journal of Finance and Accounting, The Role of Internal Audit in Effective Management, ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online), Vol.4, No.6, 2013

This study is an empirical analysis of the role of Internal audit (IA) in an effective management control in public sector. It examine if effective management can be achieve in local government, IA effectiveness does play a role in ensuring effective management in public sector, and If IA effectiveness does affect management control in public sector in Edo State using Z –test statistical tool. The Z-test results shows that effective management can be achieve

in local government, IA effectiveness play role in ensuring effective management in public sector, while IA effectiveness does not affect management control in public sector in Edo state. Keywords: Internal auditing; Public sector; management control and effectiveness.

Ionel Bostan & Veronica Grosu "Ştefan cel Mare" University, Suceava. The Role of Internal Audit in Optimization of Corporate Governance at the Groups of Companies. Theoretical and Applied Economics Volume XVII (2010), No. 2(543), pp. 89-110

Recent financial scandals have demonstrated that the risk of accounting fraud may be vague in any type of economic system. In this context, transparency of information, indispensable element for competitiveness in the market is an efficient operation of systems of corporate governance and especially of control systems. All these must be appropriate in the legislation in terms of external information. The issue of governance will thus be seen as a fundamental pillar against pressures which induce at the fraud as a result of lack of transparency of information flows. In all models of corporate governance, external regulations cover a primary role in ensuring the effectiveness of controls, but remain central the responsibility of entities to adopt a virtuous mechanism as an internal control profile. An example in this sense of "best practice" may be represented by the multinational companies that have known to harmonize the national rules with the typical instruments of other models of governance. The authors have established that the main objective in this work is the evaluation model of governance already existing in a group of companies in accordance with the principles of corporate governance. In the first part of the work it was made a comparitive analysis between the models of corporate governance, focusing on the role of transparency of communication, the primary tool in prevention of frauds, the link between information and prevention of frauds being independent of the model of corporate governance adopted, by the structure of organization and the control mechanisms. The work Theoretical and Applied Economics Volume XVII (2010), No. 2(543), pp. 89-110 90 Ionel Bostan, Veronica Grosu continued throughout the first part, with the role of internal audit in preventing the accounting fraud, given that any type of government, regardless of how it is configured and the reference market in which we find, to be considered efficiently must provide an appropriate control mechanisms, able to intervene in critical situations and to protect the interests of all categories of users. The role of internal audit of the company, considering the influences of the control of management, assumes a first importance in the corporate governance sphere. This was also the reason why the authors have proposed in the second part of the paper to build a model of optimal risk management in listed and unlisted companies, and based on a model of optimal corporate governance at the level at groups of enterprises, focusing on the fundamental role of the audit.

Keywords: models of corporate governance; governing system; internal control; audit; risk management.

Chapter 03
Related Work

3.1 Overview

Internal audit procedures are varied company to company. Every company has its own internal audit plan. The role of internal audit department mainly is to provide credibility to the owner of the company about company's financial activities.

During a short Thesis period it is very hard to include everything in to the report. Besides financial data of the company are confidential as it is a privately owned company. As a result audit report analysis is not presented here. The main focus is of this report stacked to the role of the department.

This report can be extended by including financial report auditing and audit report analysis.

There is no report available on the same topic of this report. But internal audit department of Dekko Isho Group has its own audit work plan which is a kind of similar work but not the same.

3.2 Internal Audit:

Internal audit is a voluntary appraisal activity. It is undertaken by an organization to provide assurance about the effectiveness of internal controls, risk management and governance to facilitate the achievement of organizational goals. Internal audit is an evaluation and analysis of the business operation conducted by the internal audit staff.

3.3 General Internal Audit Activities:

- Monitoring effectiveness of internal controls.
- Proposing improvements.
- Reviewing and verifying financial transactions and activities.
- Evaluating risk management policies and suggest procedures.
- Examine the economy, efficiency and effectiveness of operations and procedures.

3.4 Categorization of Data Sources and Improvements

In this report the data were collected from internal audit department and company website. But there is a scope of improvements of the report by collecting data from the other department like-

- Accounts and Finance
- Commercial
- Procurement

Chapter 04
Company Profile

4.1 Overview of Dekko Isho Group Isho

Dekko Isho Group, the leading privately held company, was founded by Late Haji Mohammad Ishaque. He was one of the pioneering entrepreneurs of the country in the early 1950's who founded his first venture, Roxy Paints Ltd.

At the beginning his journey was started with paint business, later on he stepped forward to RMG sector, which sector is now playing a vital role on export sector of Bangladesh and earning a major portion of foreign currencies to the country.

Today, Dekko Isho Group comprises of 15 operating companies in five business sectors. Recently Dekko Isho Group entered in to restaurant business with the launch of IZAKAYA Restaurent. Besides few projects are now under process. Among them one is ISHO, a furniture manufacturing company, which tentatively start its production from next year.

4.2 Corporate Information

Chairman	M. Shahid Hossain
No of Companies	15
No of Business Sectors	05

Table 1 - Corporate Information

4.3 Key Aspects of Dekko Isho Group Isho

Dekko Isho Group Isho is achieving a good position for its quality products and long term strategies. The key feature that differs Dekko Isho Group Isho from others are-

Passion for the fashion

Dekko Isho Group Isho main driving force is to server the fashion world from the manufacturing perspective which has led it to build its production units, organize its teams and inspire the workforce.

Handling complex supply chain issues smoothly

Dekko Isho Group Isho experienced and knowledgeable team has been able to overcome the challenges in the uncertain supply chain of Bangladesh with better planning and proactive actions. Dekko Isho Group has already established a seamless production process by using its own facilities in a controlled manner.

Unique craftsmanship

Dekko Isho Group is known for its original and unique styles and products. Its Production management team, technical personnel, and the sewing operators are well experienced in handling styles with the critical craftsmanship, washing and styling details.

Fashionable and trendy

From fabric selection to final sample making Dekko Isho Group is producing the most aesthetic and trendy final product. Dekko Isho Group has a consistent record of overcoming manufacturing challenges and on time delivery.

Transparency and commitment towards customers

Keeping the mindset of "Customer is King", Dekko Isho Group isho has always satisfied its customers by adhering to its commitments. Dekko Isho Group also keep its concerned customers updated to maintain transparency on a regular basis.

Consistency in performance

Dekko Isho Group is keeping up with the practice of consistently doing the right thing at the right time.

Sustainable production and green manufacturing

Dekko Isho Group is working alongside with the global campaign of sustainable production and with increased use of sustainable cotton, recycled fiber in the product and by setting up environment-friendly units we are showing our pledge towards green manufacturing.

Process Automation

As an innovative organization, Dekko Isho Group has already taken "Industry 4.0" as part of its business strategy. Our processes are automated by using sophisticated pieces of machinery and business automation software's to improve our customer responsiveness.

Merchandiser

4.4 Various Departments of Dekko Isho Group

HR and Admin
Accounts and Finance
Internal Audit
Merchandiser
Procurement
Business Development
Commercial
Inventory

Table 2 - Departments of Dekko Isho Group

4.5 Running Concerns of Dekko Isho Group

- Roxy Paints Ltd
- Dekko Garments Ltd
- Globus Garments Ltd
- Dekko Apparels Ltd
- Isho Ltd
- Dekko Readywears Ltd
- Markoplo Al Inc.
- KlubHaus
- Izakaya
- DITECH
- Sprintex Enterprise
- Agami Fashions Ltd
- Agami Washing Ltd
- Ecovia Ltd
- Fashol Dotcom Ltd

4.6 Product and Services

Garments

Top (Shirt Project)

- MLS
- MSS
- LSS
- BLS
- BSS
- LSS
- G-Skt

Buyer:

- Tommy
- Kiabi
- Best Seller
- Lindex
- Espirit
- Prominent
- G-Star
- CV

Bottom (Pant Project)

- GLP
- MLP
- LLP
- BLP

Buyer:

- Kiabi
- Varner
- Prominent
- H&M
- Haggar
- Lindex
- Asmara
- Itochu

Roxy Paints

Decorative:

- Interior
- Exterior

Marine:

- Marine Premium (Top/Under Coat)
- Marine Economy (Top/Under Coat)
- Marine High Productive

Industrial:

- Coal Tar Roxy
- Epoxy Enamel
- Epoxy Zinc Chromate Primer
- Roxy Aluminum Paint
- Roxy Hammer Finish
- Roxy Tennis Court Paint
- Roxy Road Marking Paint

4.7 Monthly Production Capacity

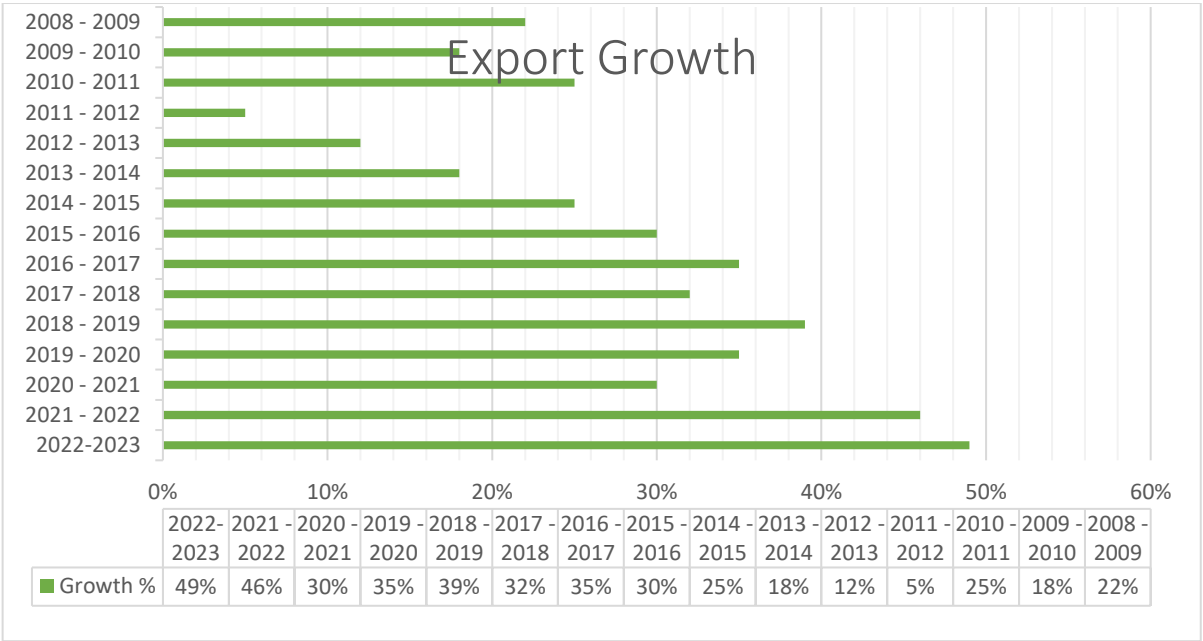
Monthly production capacity depends on some controllable and uncontrollable variables. Up to last study the following data is founded-



Figure 1 - Monthly Production Capacity

4.8 Export Growth

In Bangladesh the export growth rate is largely depends on environmental and political factors. Relationship with foreign countries are key factors in this sector. Besides different buyers association plays a vital role here.



	2022-2023	2021 - 2022	2020 - 2021	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2014 - 2015	2013 - 2014	2012 - 2013	2011 - 2012	2010 - 2011	2009 - 2010	2008 - 2009
Growth %	49%	46%	30%	35%	39%	32%	35%	30%	25%	18%	12%	5%	25%	18%	22%

Figure 2 - Export Growth

From the growth chart it is easily visible that growth rate in 2011-2012 is only 5%. The reason behind this is easily guessed nothing but political unrest situation. But after that the company export is growing gradually.

4.9 Diversity of Export

Largest market of Dekko Isho Group is Europe. It exports 30% of its production to Europe. Besides, it has a large coverage of export around the world, Russia, Africa, East Asia, Middle East, South America and North America.

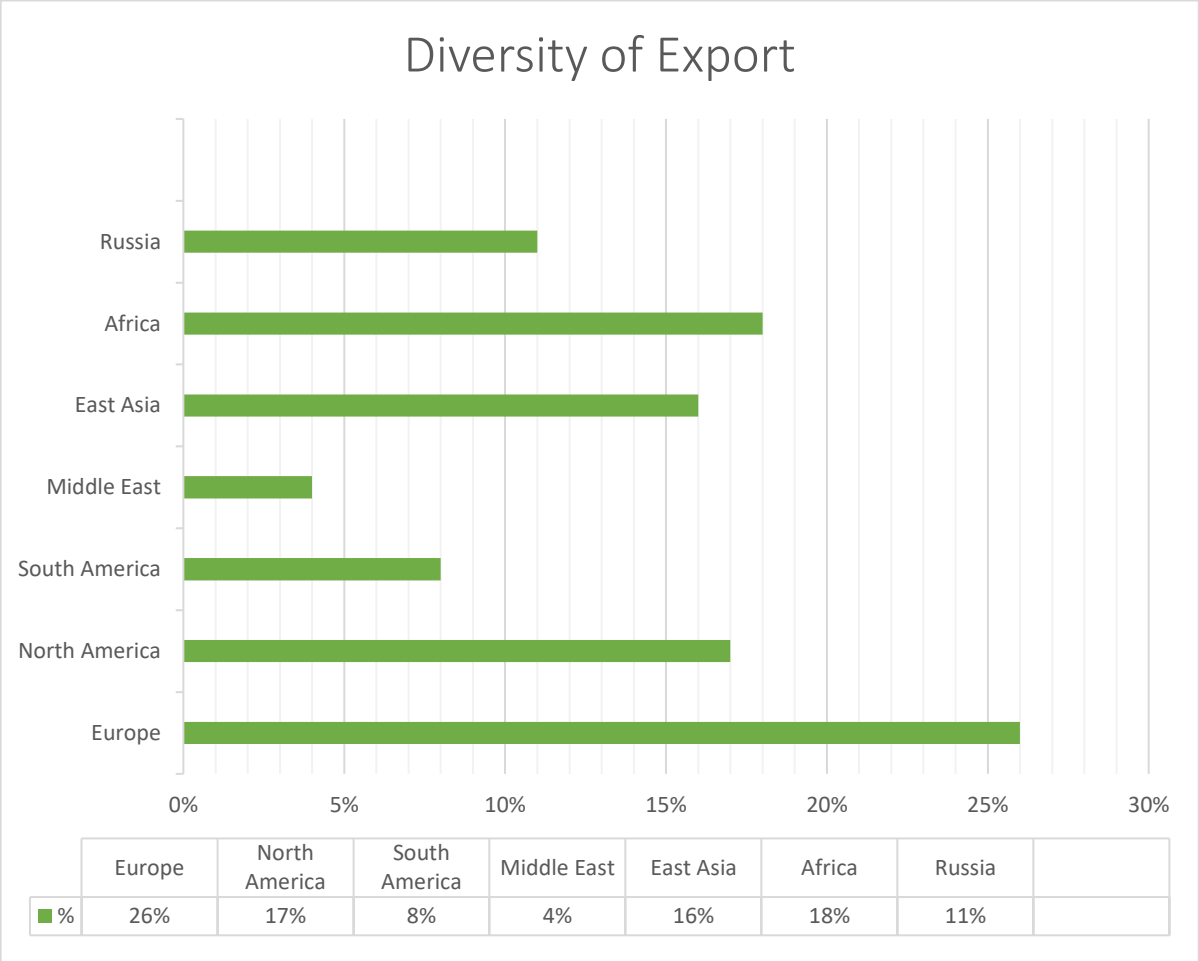


Figure 3 - Diversity of Export

4.10 Capacity Share of Buyers

Capacity share of buyers represents the demand of the buyers of Dekko Isho Group product. Capacity share of M&S and C&A are more than 50% in total. An illustration will make it easier to understand-

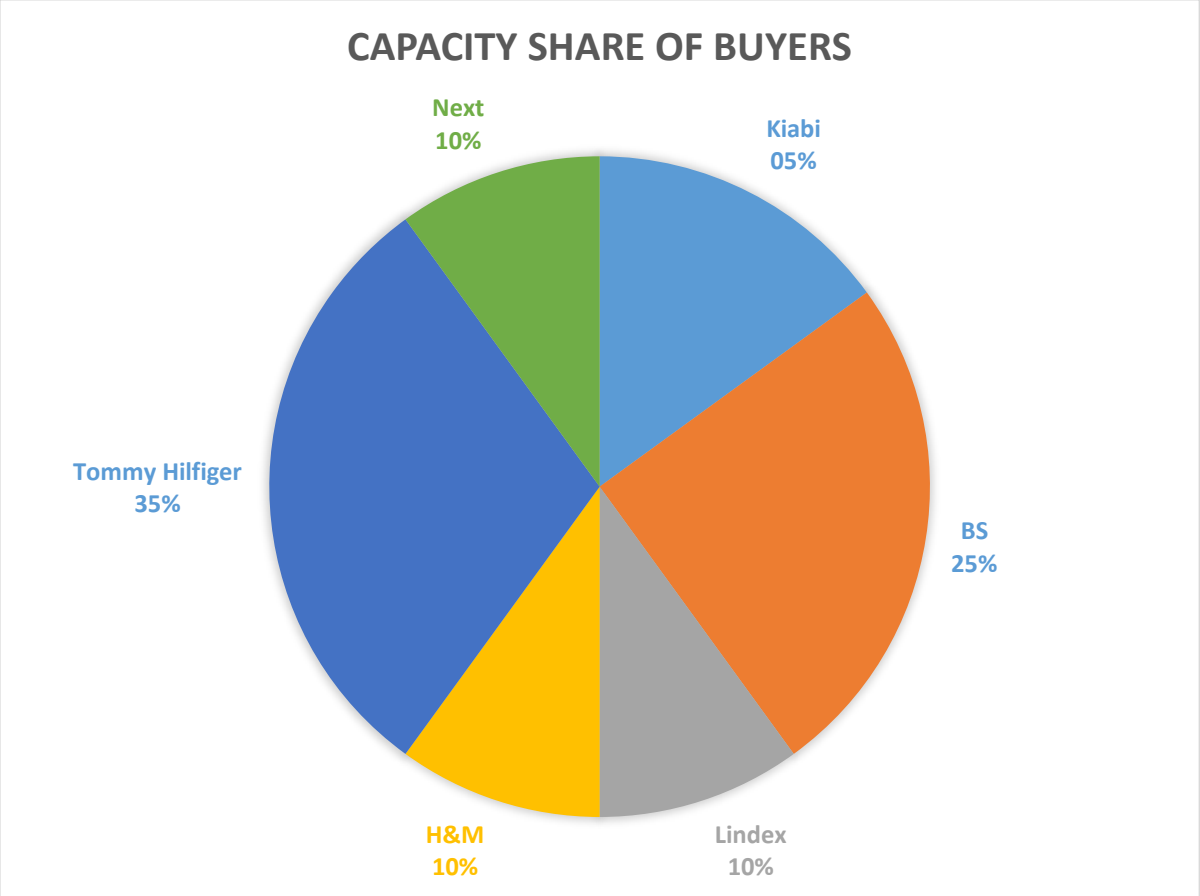


Figure 4 - Capacity Share of Buyers

4.11 Organizational Hierarchy of Internal Audit Department

Internal audit department of Dekko Isho Group has different branches based on different units. The H/O audit department has multiple teams, each team has several units and each unit has its own executives. The assistant managers of the department are the team head.

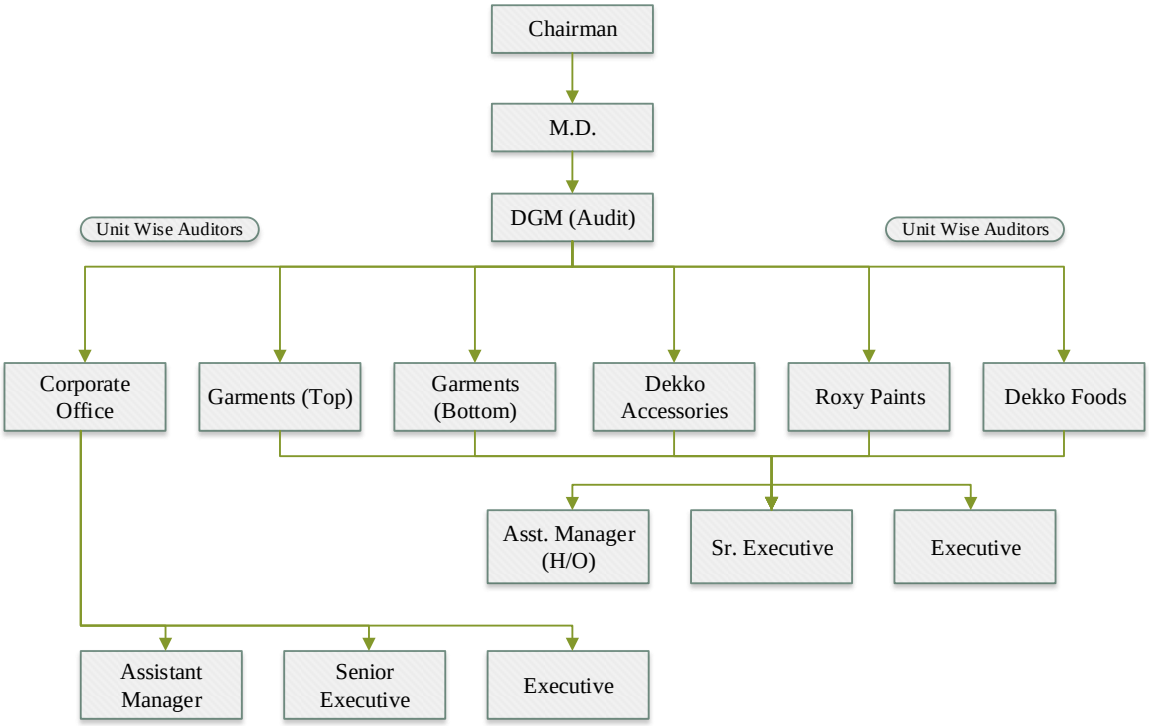


Figure 5 - Organizational Hierarchy of Internal Audit Department

Under each assistant manager there are several senior executives and executives. Job wise their responsibilities were distributed. For instance, Sr. Executive - PI, Sr. Executive - LI, Sr. Executive - Bill, Sr. Executive - Inventory, Executive - C&F, Executive - Sourcing etc. Besides there are unit wise executives. For instance- Sr. Executive – GGL, Executive – DGL etc.

Chapter 05
Thesis Position and Duties

I worked as an Employee at Internal Audit Department of Dekko Isho Group. During my Working period I have visited five of its concerns with different audit teams. Besides I have went out for market sourcing.

5.1 My Job Responsibilities at Dekko Isho Group

- ❖ Verification of Quotation
- ❖ Verification of requisition & CS processes
- ❖ Monthly salary and wages verification process
- ❖ Construction project management process
- ❖ Clearing various bills like, C&F, Fuel
- ❖ Cash & Inventory Audit
- ❖ Factory visit
- ❖ Market sourcing

5.2 Factory Visit

Gazipur DGL Project

I have visited Dekko Isho Group Garments Ltd twice. Dekko Isho Group Garments Ltd and ISHO both are situated at Mawna Gazipur. DGL is shifted from Dhaka to Gazipur, started production ten years ago.

ISHO Step into the world of Design Studio where we bring you closer to your dream office interiors. Choose from custom-made packages, for an aesthetic office space that makes the daily grind enjoyable!

My responsibility there was-

- Visiting, gathering knowledge and getting introduce with others.
- Pre auditing construction related disbursement.
- Understanding the project plan and getting introduced with different construction related activities.
- Checking project progress.

Klubhaus

Kubhaus is a fashion and lifestyle brand. I have visited Klubhaus for post disbursement auditing.

My responsibility there was-

- Verifying the bills.
- Market verification.

Izakaya Restaurant

Izaakay Restaurent is a recently launched concern of Dekko Isho Group at Dhanmondi. I have visited there to confirm purchased items and perform physical count.

- Checking bill.
- Physical count of purchased products.

I have also visited Shighairdighi Fish Park project. During the three month Thesis period the department personnel help me a lot to enrich my knowledge and support me a lot to learn the new things.

Chapter 06
Role of Internal Audit, SWOT Analysis and Findings

6.1 Overview of Internal Audit Department of Dekko Isho Group

Internal audit department of Dekko Isho Group works on unit basis. There are several units for instance, Tops, Bottoms, Paints, Foods, Fish Park etc. Each unit has several subunits. Sub units are actually concerns of Dekko Isho Group. Corporate office auditors are the core of the internal audit department which accumulates and manage all audit activities of all units through unit wise auditors.

The role of Dekko Isho Group's internal audit is to provide independent assurance so that its risk management, governance and internal control processes are operating effectively and efficiently.

6.2 Audit Arena and Role

To make internal audit department effective, all works should be specified perfectly and audit arena and Role should be quantified. Dekko Isho Group has divided its audit arena into nine divisions. Those are explained below-

i) Financial Statement:

Financial statement is audited yearly by Head Office and Factory Auditors.

As per IAS 1 We have checked & sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. It requires an entity to present a complete set of financial statements at least annually, with comparative amounts for the preceding year (including comparative amounts in the notes). A complete set of financial statements comprises:

a statement of financial position as at the end of the period;

a statement of profit and loss and other comprehensive income for the period. Other comprehensive income is those items of income and expense that are not recognised in profit or loss in accordance with IFRS Standards. IAS 1 allows an entity to present a single combined statement of profit and loss and other comprehensive income or two separate statements;

a statement of changes in equity for the period;

a statement of cash flows for the period;

notes, comprising a summary of significant accounting policies and other explanatory information; and

a statement of financial position as at the beginning of the preceding comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

i) Audit Role:

Review the financial statement compares with last year report to current year report and trace out the net margin, working capital, accounts payable, **accounts receivable and closing stock position**

ii) Vouching

Vouchers and other necessary documents against every transactions is assured by Head Office auditors periodically.

Audit Appliance:

- Cash book
- Bank book
- Voucher (cash, bank, journal)
- Salary and wages sheet
- Party ledger
- General ledger
- Tally software

Audit Role: Vouch all kinds cash voucher, bank voucher, journal voucher with cash book, bank book, bank statement, party ledger, general ledger and other required documents thoroughly.

iii) Procurement:

Requisition leads procurement audit. It is done periodically by H/O Auditor or while requisition is placed.

Audit Appliance:

- Purchase requisition
- Consumption report
- LI/CS
- Quotation
- Approval for PO
- Bill, Challan
- MRR

Audit Role:

- Requisition should be authenticated and its date, quantity, monthly consumption and present stock condition must be confirmed at first.
- Secondly, LI needs to be checked with requisition and quotation needs to be collected from authenticated supplier.
- After checking LI, forward and LI and CS for top management approval for PO.
- Confirming PO and receiving goods.
- Checking received quantity with ordered quantity.
- Posting the amount to the accounts as Accounts Payable (Supplier wise).
- Ensuring payment by delegation.
- Reconciling RM with Production, Production with PM, PM with Distribution and Distribution with closing balance.

iv) Creditors:

Purchase on credit is the first priority of the department. It is assumed that credit purchase costs extra 5%-10% of actual price. Some suppliers overbilled for their product or services, sometimes it is against the contract. And while money is the main subject, fraudulent activities may be available.

Audit Appliance:

- Purchase Register
- Supplier list
- Party ledger
- Cash book

Audit Role:

Audit process is sometimes bureaucratic. So all payment are not cleared always. As a result opening balance of creditors needs to be reviewed first. As large amount is paid through check, so there is a chance of dishonored cheque. If there is any dishonored cheque it needs to be identified and take necessary actions as soon as possible. For the billed amount of a creditor there must be a judgement of negotiation level before credit accounts payable and clearing the payment. If there is any contract between the company and the supplier, no negotiation is required. Overbilled amount results deduction. If there is no contract or there is no approval rate between the both parties, market price is considered and supplier goodwill as well as the quality of the supplies are considered. After that necessary adjustment are done.

v) Sales and Collection:

Audit performs its activities also in selling of products and collection of sold amount. Here the audit procedures depends on the type of sales, whether it is local sale or export.

Audit Appliance:

- For local sales-
  - Sales order, challan, invoice, money receipt, Cheque/DD/TT and deposit to bank or cash.
- For export-
  - PI acceptance, sales contract, invoice, B/L, PRC, TT from buyer and deposit to bank.

Audit Role:

All types of necessary documents related to sales and collection needs to be verified, e.g. sales order, sales invoice, and delivery challan. In addition, ensuring the realization of sales and proper posting in account. The local collection procedures needs to be checked whether it is done by DD, TT, PO or cheque. Examine complete export and realization procedures.

vi) Debtors:

Debtors are the consequences of credit sales. Sales can be partially or fully on credit. Ageing schedule of debtors helps auditors to identify potential bad debt. Auditing debtors are done by H/O auditors periodically.

Audit Appliance:

- Total sales (cash or credit)
- Collection and dues amount
- Debtor Ledger
- L/C, PRC, B/L
- Aging of debtors

Audit Procedures:

Opening balance of debtors are reviewed initially. Then dishonored cheques are checked. Reasons for cheque dishonor are recognized. Moreover party solvency and their good are justified. After that current year debtor is reconciled with sales. Cross checking the balance and matching with general ledger along with enquire the age of receivable and possibility of bad debt or written off, are the techniques followed by audit department.

vii) Cash inflows:

Cash inflows are not always good. Bank loans also causes cash inflows. But at the end loan needs to be returned. So cash inflows should be audited properly.

Audit Appliance:

- Cash book
- Bank book
- Bank statement
- Sales ledger
- PRC
- Incentive file
- Asset register
- Loans schedule

Audit Role:

Cash inflows from company's own source or loans from banks should be verified first. Sale proceed, sale of wastage and sale of assets, incentive and miscellaneous gain can be source of cash inflows. On the other hand, CC hypo, CD, SOD, LTR and mortgage can cause cash inflows from banks.

viii) Cash outflows:

Disbursement causes cash outflows. Besides losses or damages may results cash outflows. Whether the cash outflows are authorized or not, need to be checked.

Audit Appliance:

- Cash book
- Bank book
- Party ledger
- Payment schedule
- Damage register
- Loan schedule

Audit Role:

To examine cash outflow the first job is to identify the reasons of payment. After that cash payment voucher considering the overhead operational expenses with cash book, bank book and general ledger are checked. Also loan adjustment and damage settlement are checked to scrutinize cash outflow.

ix) Reconciliation:

As there are different books of accounts related to every transaction, reconciliation is required. Reconciliation is done by accountant and verified by H/O auditors periodically.

Audit Appliance:

- Cash book
- Bank book
- Party ledger
- Loan register
- Purchase register
- Sales ledger
- General ledger
- Production report
- Inventory report

Audit Role:

Reconciliation is not only required for the amount adjustment. It is also related to quantity of product and other activities. It should be confirmed by-

- Cash book vs Bank book vs Bank statement
- Loan vs Adjustment
- Budgeted cost vs Actual Cost
- PO quantity vs Received quantity
- RM vs Finished goods
- Sales vs collection

6.3 Internal Audit Flowchart

Internal audit is exercised by the employee of the company who are known as internal auditor. To make the audit quality perfect and get its full output, a standard process should be set and follower. And Dekko Isho Group has its own auditing process. Internal audit processes followed by Dekko Isho Group is shown below with a flowchart-



Figure 6 - Internal Audit Flowchart

6.4 Periodical Audit Activities of Dekko Isho Group

Dekko Isho Group Internal Audit department has some periodical and scheduled audit activities which are decentralized to the audit executives. Each has cover single or multiple audit operations. Among them some periodical audit activities are discussed here-

5.4.1 Cash Audit

Cash audit varies company to company. Besides weekly, monthly and yearly cash audit processes are quite different. For weekly cash audit, all cash inflow and cash outflow transactions are checked. On the other hand, for yearly cash audit documents are checked randomly. Here are the key process of weekly cash audit. This process is followed for Izakaya Restaurant, a recently launched concern of Dekko Isho Group.

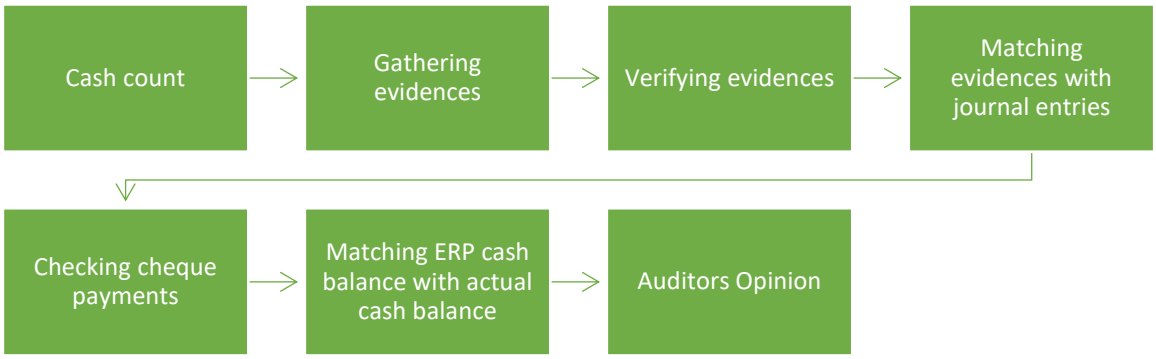


Figure 7 - Cash Audit Procedures

Cash audit process:

- Checking cash on hand and cash count.
- Checking cheque book for payments to suppliers.
- Checking vouchers, IOU and various types of bills.
- Matching journal entries with accountant provided evidences.
- Matching actual cash on hand with ERP generated cash on hand value.
- Give opinion.

Cash audit checklist:

The following question should be asked the auditor himself, if all reply is 'Yes', no further action required. If any of the checklist replies no, it should be informed to the top authority.

Sl. No.	Questions	Yes/No	Opinion
01.	Does the cash count reconcile the ERP recorded cash balance?		
02	Does the cash in hand balance record match note wise?		
03	Do the figures and words in all entries agree?		
04	Do all transactions have proper evidence?		
05	Do all documents have proper authorization?		
06	Do all transactions have their own journal entries?		
07	Does the bank check have proper notes written down?		
08	Does IOU voucher is attached for IOU payment?		

Table 3 - Cash Audit Checklist

5.4.2 Inventory Audit

Inventory audit mainly depends on the type of inventory that has to be audited. Every concern of Dekko Isho Group has its own factory auditor whose responsibility is to maintain a periodical audit of store for raw materials and finished goods.

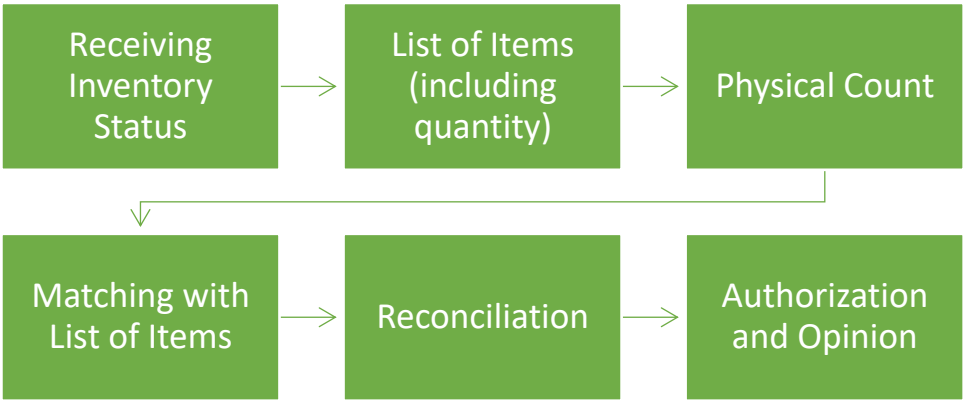


Figure 8 - Inventory Audit Procedures

Inventory Audit Process:

The process starts with receiving inventory report from the store manager or sometimes from HR (H/O). After receiving inventory report auditors create a check list in mind which needs to be checked. Then with the inventory report auditors enter into the store and start counting the inventories and matching with the list. Now sometimes inventory can be mismatched. If physical count shows greater quantity or items then the report, there may be some returns which have not been recorded or previous audit report was wrong. If the physical count shows less quantity, the missing quantity is on production or may recently move which have not been recorded yet. In the last case there must be some documents which needs to be reconciled. If everything goes well, auditor signs the inventory report. If anything wrong, auditors report it to the top management.

Inventory Audit Checklist:

A short check list of inventory audit is given below-

Sl. No.	Questions	Yes/No	Opinion
01.	Does the physical count match with the inventory register?		
02	Is there any waste or unused products available in the inventory?		
03	Does the inventory sufficient for next few months?		
04	Do the inventories are managed properly in order to reduce wastage?		
05	Does the LIFO method applied for perishable items?		

Table 4 - Inventory Audit Checklist

5.4.3 Auditing Requisition

Requisition can be made by any employees. For stationary requisition, a requisition form is used. But for raw materials and other supplies, that needs to be purchased, requisition is made through EBS.

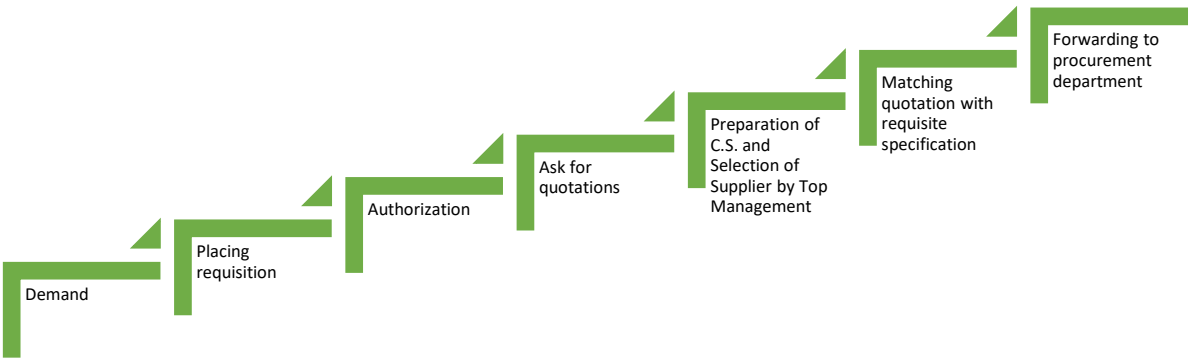


Figure 9 - Auditing Requisition

The requisition is gone through a simple process. After making requisition to EBS, it must be authorized by department head as well as top management if necessary. After first stage approval, procurement / commercial department collect some quotations and prepare a comparative statement. Management select supplier to whom the purchase order will be placed.

Here audit cross check the requisition with C.S. Once it is done, the C.S. is cleared from the audit department.

One thing needs to be noted here, if auditor thinks market sourcing or pricing is not correct, or quotation needs to be collected from different supplier, he can take further action like, market sourcing or collecting quotation.

5.4.4 Dealing with Customs Clearing and Forwarding Agents

Customs clearing and forwarding agents facilitates export and import processes with logistic and legalities support. They work on behalf of an importer or exporter to export goods from one country to another.

As Dekko Isho Group's main business is RMG, so it has to import the finished goods and imports raw materials. Besides Customs Clearing and Forwarding Agents will also help to exchange samples.

After successful completion of the logistic and legalities support, they submit their bill to the accounts department of Dekko Isho Group. After that it comes to the Internal Audit department through EBS and commercial department.

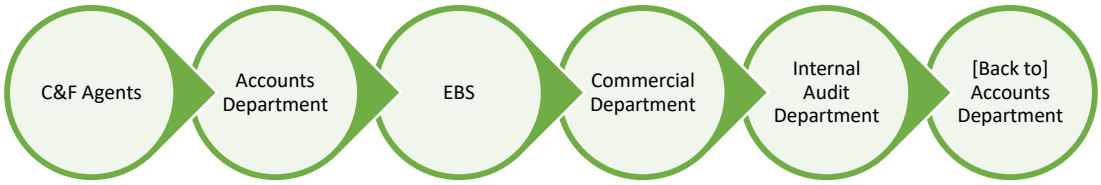


Figure 10 - Dealing with C&F Agents

Internal audit department verifies the documents, fess and authorize the documents before payment. Once it is approved by the internal audit department it is transferred to the accounts department for payment. And C&F agents take their pre-audited billed amount to the accounts department.

During the process EBS is updated time to time by the department who holds the documents.

5.4.5 Market Sourcing

Market sourcing techniques are mainly used for local purchase that is performed by procurer or auditor. In Dekko Isho Group internal auditors are also involved in market sourcing. Market sourcing can be divided into two types based on suppliers' type.

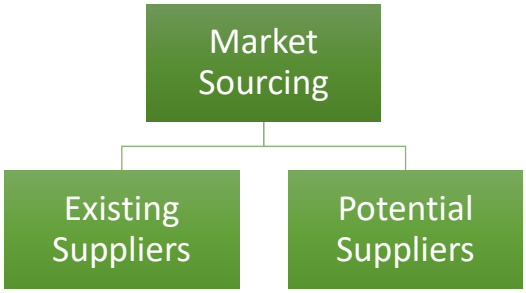


Figure 11 - Market Sourcing

For an internal auditor having proper knowledge about market is essential. Otherwise it is very much difficult to give opinion on others actions.

Dekko Isho Group has a supplier base, from where auditor may get quotation as per demand. If existing supplier cannot meet the demand due to specification, money or any other factor, auditor looks for new suppliers.

An auditor sometimes visit market and tries to get information from market for the benefit of the company.

5.4.6 Comparative Statement (C.S.)

Comparative Statement, known as C.S., used for side by side comparison of product or services taken from outside of the company. It helps to match product or service specifications, details, amount etc. In a comparative statement there can be more than one supplier but the total number of supplier is not more than 5. In some cases it can be extended.

Specification	**Supplier 01**	**Supplier 02**
Specification 01		
Specification 02		
Amount	XXXX.XX	XXXX.XX
	Selected	

Benefits of C.S.

- Side by side comparison.
- Save time & effort.
- Easy supplier choosing process.

5.4.7 Other Periodical Auditing Activities

Except the above presented periodical activities there are some activities which are conducted by internal auditors. Those are-

- Operational Audits
- Investigative Audits or Reviews
- Follow-up Audits
- P.I. Audit
- Transportation Audit etc

6.5 Reporting

Audit reports depends on the type of audit. As it is internal audit, the report must be differ from the external audit. In external audit the main focus is Financial Statement auditing as well as compliance and others. But in case of Dekko Isho Group internal audit, the audit is mainly prepared on specific or periodical operations. Dekko Isho Group internal audit performs pre disbursement audit. Auditor is bound to report the top management while any issue founds on any payments. So there is no fixed time of reporting. It does not mean monthly or annually there is no reporting schedule. Auditors definitely reports to the top management about-

- Budgeted expenses and actual expenses
- Project target and project actual
- Comparison of different concerns
- PI Comparison of machineries

Besides there are some analysis those are the elements of monthly/yearly internal audit report. They are-

- Cost per worker
- Overhead comparisons
- And different financial ratios

All auditors submit their report to AGM (Audit), who reports directly to the managing director. Dekko Isho Group is mainly divided into two parts- Tops Division and Bottom Division. Previously there was one AGM (Audit). But now both divisions has their own AGM (Audit).



Figure 12 - Audit Reporting

Tops division audit report is submitted to Managing Director and Bottoms division audit report is submitted to Chairman.

6.6 Efficiency of Internal Audit

Audit data of Dekko Isho Group are confidential. So, it is difficult to show audit data and audit report analysis. But it is observed that a huge portion of money is saved because of pre disbursement audit. The observed efficiency of internal audit can be shown by the following table of costs savings-

Costs	Savings
Machineries	2% - 30%
Civil & Constructions	5% - 60%
Computer, Mechanical & Electronics	2% - 10%

Table 5- Cost Savings (observed)

6.7 SWOT Analysis

SWOT Analysis helps a company to understand its strengths, weaknesses, opportunities and threats. Strengths and weaknesses are internal factors and opportunities and threats are external. Weaknesses of one company can be an opportunity to the other companies and other companies' (similar industry) threats can be this company's opportunity too.

As the report is based on a particular department of Dekko Isho Group, I have tried to represent the SWOT analysis of that department, internal audit.

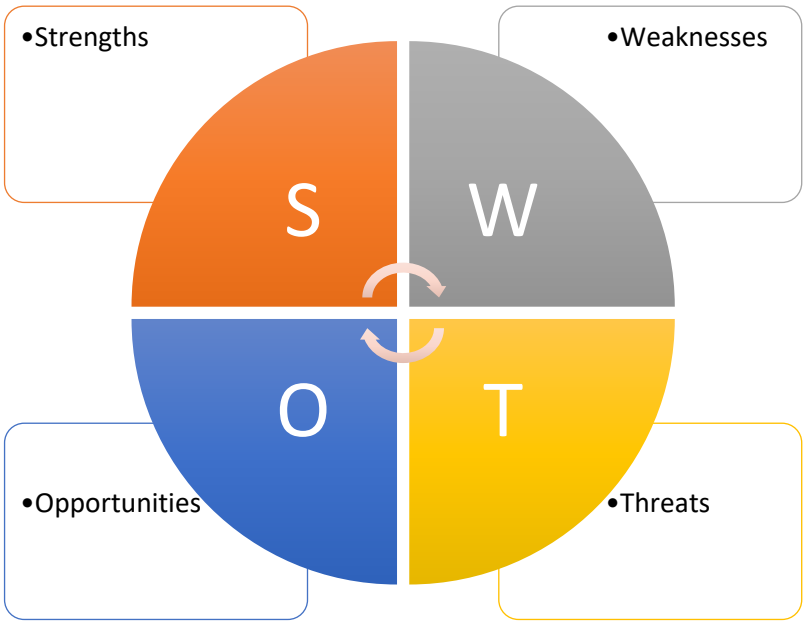


Figure 13 - SWOT Analysis

Strengths

a. Freedom of work benefits the employees of Audit department to detect fraud and errors by others.
b. Make employees to go with company's rules and regulations.
c. Internal audit department's decisions are taken priority basis by other departments and top management highly appreciate the auditing process.
d. Rules & regulations and policies and procedures are defined with standards.
e. Concerns are divided in to different audit teams which enables perfectly observe the all concerns.
f. Skill building program and employee training system are available.

g. Assurance of quality, appropriate internal control and risk management all are takes place in internal audit.
h. There is a perfect recommendation process and internal audit team also follow up the process.
i. Sometimes internal audit performs market analysis and create comparative statements based on quotation or pi from potential or existing seller or supplier to facilitate economic purchase.
j. Internal audit sometimes act as a procurer for the betterment of purchase process.
k. Thought auditor's job is to give opinion, here internal audit can take decision on some particular areas.
l. In order to keeping all documents safe, there is a document out register for all departments as well as internal audit department.
m. Recycling and using both side of paper for draft print reduces company expense.

Weaknesses

a. As the internal audit performs pre auditing instead of post auditing, bills and documents are hold for verification which slow down the process.
b. As it is privately owned company, top management holds the right to skip some decisions taken by internal audit department.
c. Internal audit department's work is to ensure the application of company's rules and regulations. As all rules and regulations are defined by top management, there is a very few chances to implement any new rules.
d. Limited number of staffs are delaying the regular activities of internal auditing. Sometimes overload of the work resist employees from being visited to the concerns.
e. Auditor's opinion are sometimes skipped by top management. Besides other departments don't like to interfere audit team in their works.
f. There is a little bit fear works among the other departments for the existence of internal audit department, though internal audit helps to protect other departments from being taken wrong decisions.
g. There is now perfect method to clear the bills and documents, i.e. LIFO or FIFO method of document release. As a result some bills are remain pending for a long time.
h. Recently audit department separated into two groups, tops and bottoms division which causes the number of staffs in each division.

Opportunities

a. Performance and compliance audit will help to determine the employer and employee contribution to the company.
b. Educate or train employees to the newest legal rules and regulations to ensure that the company is going under those rules and regulations.
c. Enhance internal audit boundary and take the all workers under that boundary to ensure the workplace and labor satisfaction which will help to get attention to the foreign buyers.
d. Represent the role of internal audit inside or outside the company will help to increase the value of the company.
e. Taking initiative to the newest quality assurance techniques, integrating modern KPI and incorporating updated internal control system.

Threats

a. Lack of cooperation in certain situation by other department.
b. Sometimes suppliers submit overstated bills which is corrected by the internal auditors, may affect badly on the supplier and auditor or supplier or company relationship.
c. Opportunity of taking benefit from outside can be a threat though this kind of occurrences are not seen yet.
d. Sacked or resigned auditor tends to be vulnerable as all internal information is on his / her mind. So other companies can be benefitted from that.
e. Employees' wrong perception on audit department may reduce productivity.
f. As internal audit is an internal control mechanism, it's difficult to achieve all skills around the company. So lack of skill is a major issue.

6.8 Findings

In SWOT analysis some findings are available in strengths and weaknesses. Besides there are some things that needs to be mentioned in this section-

a) Internal audit department helps company to reduce cost better than other departments like procurement or commercial.
b) If necessary auditors went to the market for price verification.
c) Auditors frequently visit to the concerns to make sure that everything is going well.
d) Paper recycling practices reduces company costs.
e) Even holiday, auditors visit to the factory to ensure that the securities are doing their job well.
f) As there are multiple concern in the same industry it helps Dekko Isho Group to easily compare the overhead costs, manufacturing costs which leads a greater control.
g) Internal audit department of Dekko Isho Group is acting as internal control.
h) Auditors have freedom of work which enables more internal control.
i) Document processing standard time is not specified.

Chapter 07
Recommendations and Conclusions

7.1 Recommendations

Based on the presented Thesis report and my own experience at Dekko Isho Group, the following recommendations are given-

- Enlarge the audit activities and engagement toward production unit, compliance and management level.
- Maintain a register to record in and out time of any documents. It will help to reduce the number of pending documents for a long time. Now there is a system to check in time of a document but that is not effective enough.
- Document processing standard time should be specified to establish a better control inside the internal department.
- Make other department personnel understand that Internal Audit department is their defense that reduces error.
- Develop a cooperative mindset of other department personnel.
- Reduce paper work and make everything digital in order to save the environment and reduce document missing.
- Keep a record of daily official activities of an auditor.

7.2 Conclusions

Large companies has large number of activities and financial transactions. For a group of companies, it is difficult to consolidate the financial activities of all concerns at a time and it is more difficult to identify the fraud and error and establishing a great control everywhere. Internal audit helps to solve this kind of limitations. By acknowledging the limitations and in order to establish a great control Internal Audit department of Dekko Isho Group plays a vital role to keep the company at the right path.

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