Thesis Report
On
Internal Audit Procedure of Zaman and Co,

Submitted by

Shahidul Islam
ID: MBA2401031030
Program: MBA
Major: Accounting
Semester: Fall-2024

Submitted to

Department of Business Administration
Sonargaon University (SU)
147/I, Green Road, Tejgaon, Dhaka-1215, Bangladesh.

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



Date of Submission: 7th January, 2025

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Letter of Transmittal

7th January, 2025

Shahnaz Sharmin
Lecturer
Department of Business Administration
Sonargaon University.

Subject: Submission of thesis paper.

Dear Madam,

I am here by submitting my thesis paper entitled "**Internal Audit Procedure of Zaman and Co**," which was assigned to me as a requirement for the completion of the MBA Program. I have discovered this paper very interesting, beneficial, and insightful.

The entire report is based on my practical experience in Zaman and Co. I expect this paper to be informative as well as comprehensive. This thesis paper will help me a lot in my future career life.

Thank You very much for your guidance and cooperation during the course without which this thesis paper cannot be completed.

Moreover, if you have any further inquiries concerning any additional information, I would be very pleased to clarify that.

Yours Sincerely

_____

Shahidul Islam

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Program: MBA Major: Accounting

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Declaration of Student

This is to notify you that, the thesis paper on "**Internal Audit Procedure of Zaman and Co,**", has been prepared as a part of my dissertation formalities. It is an obligatory part of my MBA program to submit a thesis paper.

Moreover, I was inspired and instructed by my supervisor Shahnaz Sharmin, Lecturer, Department of Business Administration, Sonargaon University.

I am further declaring that I did not submit this report anywhere for awarding any degree or certificate.

Yours Sincerely

_____

Shahidul Islam
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Certificate of Supervisor

This is to certify that the thesis report "**Internal Audit Procedure of Zaman and Co,." has** been prepared as a part of completion of the MBA program from Department of Business Administration, Sonargaon University (SU), carried out by Shahidul Islam, bearing ID: MBA2401031030 under my supervision. The report or the information will not be used for any other purposes.

_____

Shahnaz Sharmin
Lecturer
Department of Business Administration
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Acknowledgment

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 Internal Audit Procedure at Zaman and Co. is prepared to fulfil the requirement of MBA program.

I would like to thank my honorable supervisor Shahnaz Sharmin, 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 Zaman and Co. 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.

Shahidul Islam

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Abstract

Internal audit, nowadays, plays a vital role for today's corporate world. For continuous improvement of a company Internal Audit Procedure is very important. Zaman and Co are one of the leading group of companies encompasses about 15 large companies. To control the all concerns and for better internal control, Internal Audit Procedure is made decentralized. This report, Internal Audit Procedure at Zaman and Co, 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.

Zaman and Co is growing continuously for its unique strategy and plan and Internal Audit Procedure is facilitating the growth one step further.

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Chapter One

Introduction Part

1.1 Introduction

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

Since the 1950s, Zaman and Co, is focusing on the improvement of RMG, Food and few others sectors consistently. The astonishing growth of Zaman and Co, makes it different from others. High conviction portfolios and rigorous research helps it to be focused surprisingly. Zaman and Co become 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 Zaman and Co, 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 complexes, 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 Procedure activities and Zaman and Co is not different from the others. By acknowledging the importance of the Internal Audit this report focuses on the Internal Audit Procedure of Zaman and Co and its role.

1.1 Objectives

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

1.1.1 Primary Objectives

- ✓ To fulfill the requirement of MBA program
- ✓ To identify how Internal Audit Procedure adds value to the company
- ✓ To know different work procedures in Internal Audit Procedure of Zaman and Co,

1.1.2 Supportive Objectives

- ✓ Identifying the current processes of Internal Audit Procedure
- ✓ Preparing a report as a part of Thesis

1.2 Significance of the Study

Internal audit is a part of internal control system. It is directly connected with the management. Sometimes it may have influenced by the management if it's a privately owned company. Now a day's risk factors are becoming an alarming concern in business. Internal Audit Procedure 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 Procedure. 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 Zaman and Co, 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 Procedure of Zaman and Co and prepared this report, where I have tried to show the role of the Internal Audit Procedure in Zaman and Co.

1.3 Methodology

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

1.3.1 Primary Sources

Internal Audit Procedure, Zaman and Co, [Data Collection: 01 July 2023]

- Manager, Supervisor and other employees of Zaman and Co
-

1.3.2 Secondary Sources

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

1.4 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 Procedure 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 Procedure, I focused on qualitative information rather than quantitative information.

Chapter Two

Literature review

2.1 Literature Review

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.

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.

This study is an empirical analysis of the role of Internal audit (IA) in an effective management control in public sector. It examines if effective management can be achieving 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 show 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.

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 comparative 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 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 mechanism, 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 Three

Related Works

3.1 Overview

Internal audit procedures are varied company to company. Every company has its own internal audit plan. The role of Internal Audit Procedure 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 Procedure of Zaman and Co, 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 Procedure 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 Four

Company Profile

4.1 Overview of Zaman and Co,

Zaman and Co, 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, Zaman and Co, comprises of 15 operating companies in five business sectors. Recently Zaman and Co, entered in to restaurant business with the launch of IZAKAYA Restaurant. Besides few projects are now under process. Among them one is, 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 Key Aspects of Zaman and Co,

Zaman and Co, is achieving a good position for its quality products and long-term strategies. The key feature that differs Zaman and Co, from others are

- Passion for the fashion

Zaman and Co, 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

Zaman and Co experienced and knowledgeable team has been able to overcome the challenges in the uncertain supply chain of Bangladesh with better planning and proactive actions.

Zaman and Co has already established a seamless production process by using its own facilities in a controlled manner.

- Unique craftsmanship

Zaman and Co, 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 Zaman and Co, is producing the most aesthetic and trendy final product. Zaman and Co, has a consistent record of overcoming manufacturing challenges and on time delivery.

- Transparency and commitment towards customers

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

- Consistency in performance

Zaman and Co, is keeping up with the practice of consistently doing the right thing at the right time.

- Sustainable production and green manufacturing

Zaman and Co, 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, Zaman and Co, 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

4.2 Various Departments of Zaman and Co,

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

Table 2 - Departments of Zaman and Co,

4.3 Running Concerns of Zaman and Co,

- Roxy Paints Ltd
- Dekko Garments Ltd
- Globus Garments Ltd
- Dekko Apparels Ltd
- Dekko Readywears.
- KlubHaus
- Izakaya
- DITECH
- Sprintex Enterprise
- Agami Fashions Ltd
- Agami Washing Ltd

- Ecovia Ltd
- Fashol Dotcom Ltd

4.4 Product and Services

Garments	
Top (Shirt Project)	**Buyer:**
MLS	**Tommy**
MSS	**Kiabi**
LSS	**Best Seller**
BLS	**Lindex**
BSS	**Espirit**
LSS	**Prominent**
G - Skt	**G - Star**
	CV

Roxy Paints

4.5 Monthly Production Capacity

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

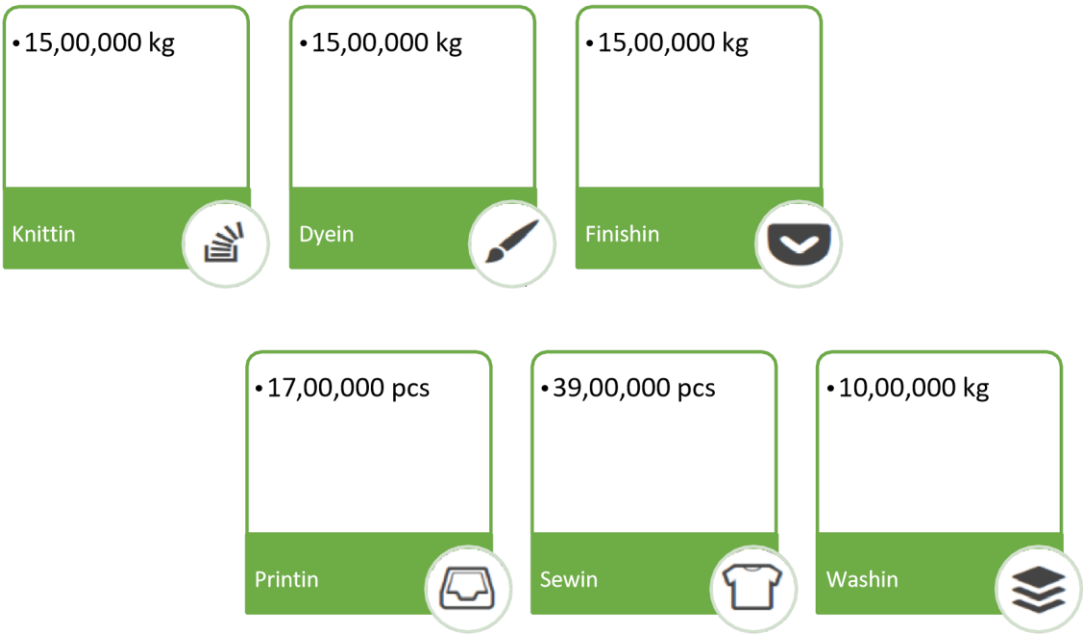
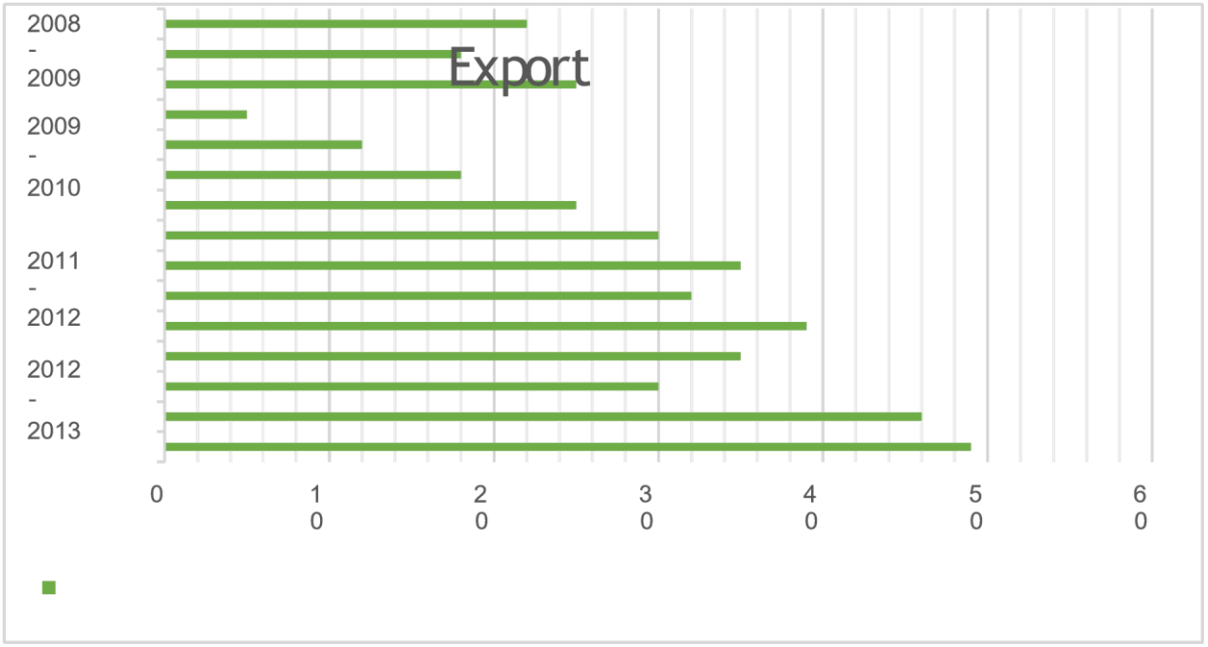


Figure 1 - Monthly Production Capacity

4.6 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.



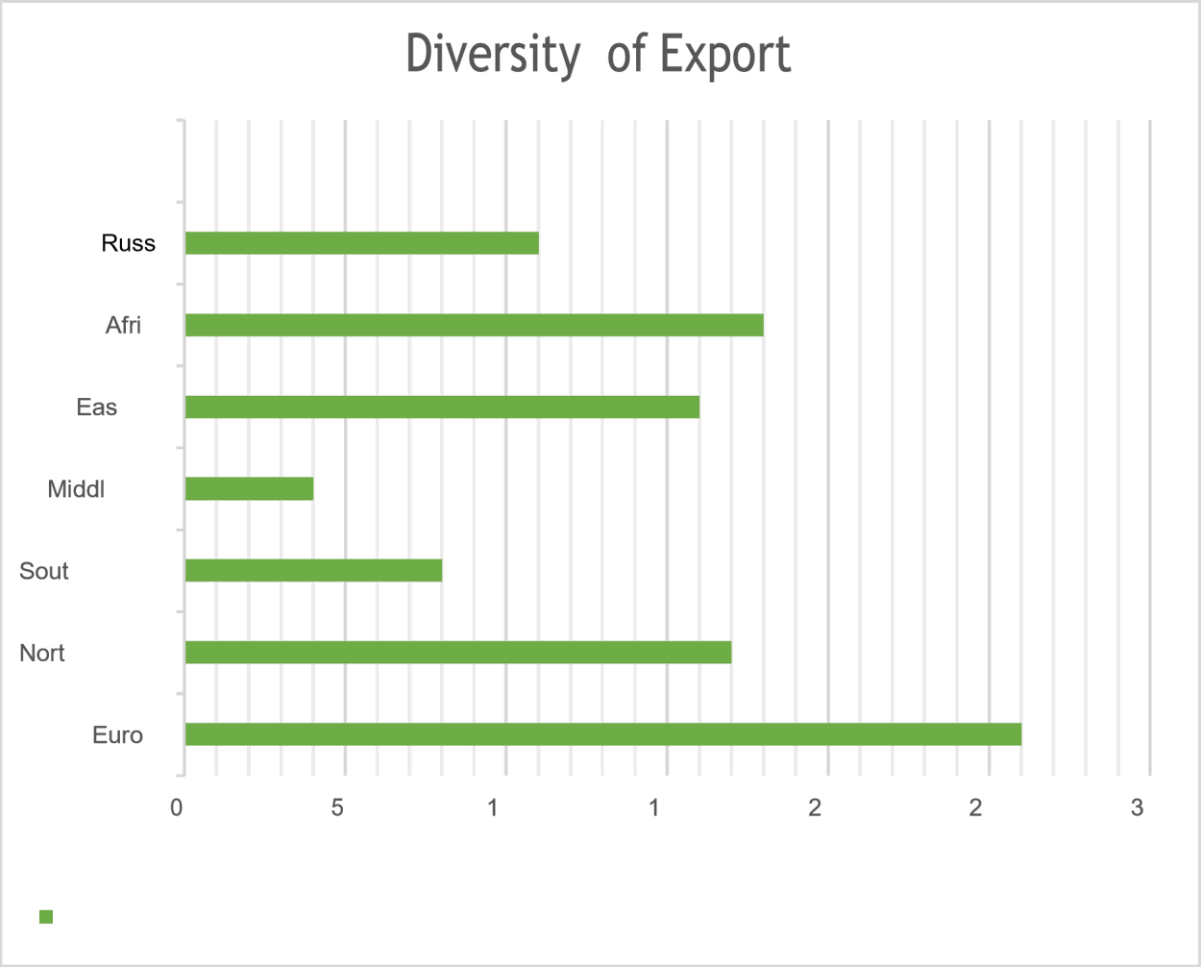
	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Growth %	49 %	46 %	30%	35%	39%	32%	35 %	30 %	25 %	18 %	12 %	5 %	25 %	18 %	22 %

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.

4.7 Diversity of Export

Largest market of Zaman and Co 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.



	Europe	North America	South America	Middle East	East Asia	Africa	Russia
Growth %	26%	17%	8%	4%	16%	18%	11%

Figure 3 - Diversity of Export

4.8 Capacity Share of Buyers

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

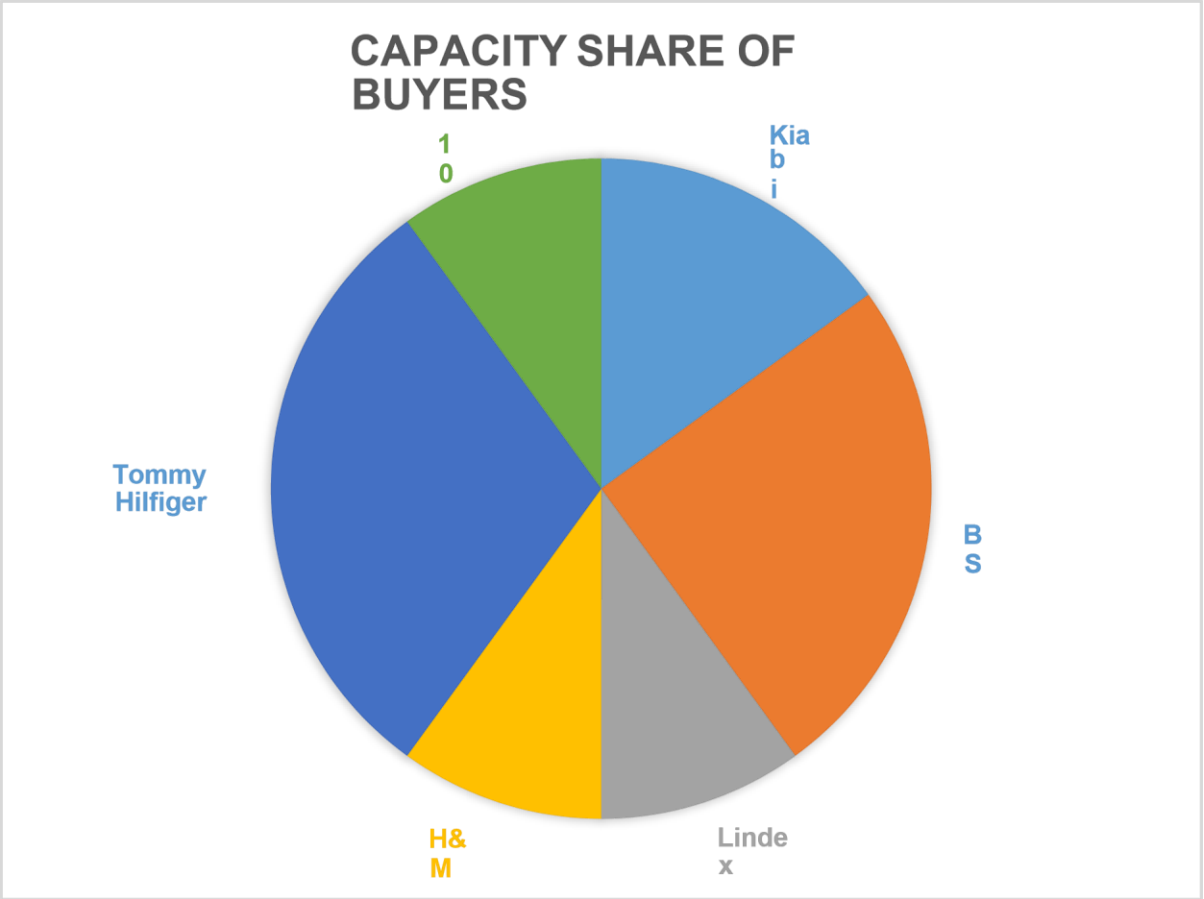


Figure 4 - Capacity Share of Buyers

4.9 Organizational Hierarchy of Internal Audit Procedure

Internal Audit Procedure of Zaman and Co, 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.

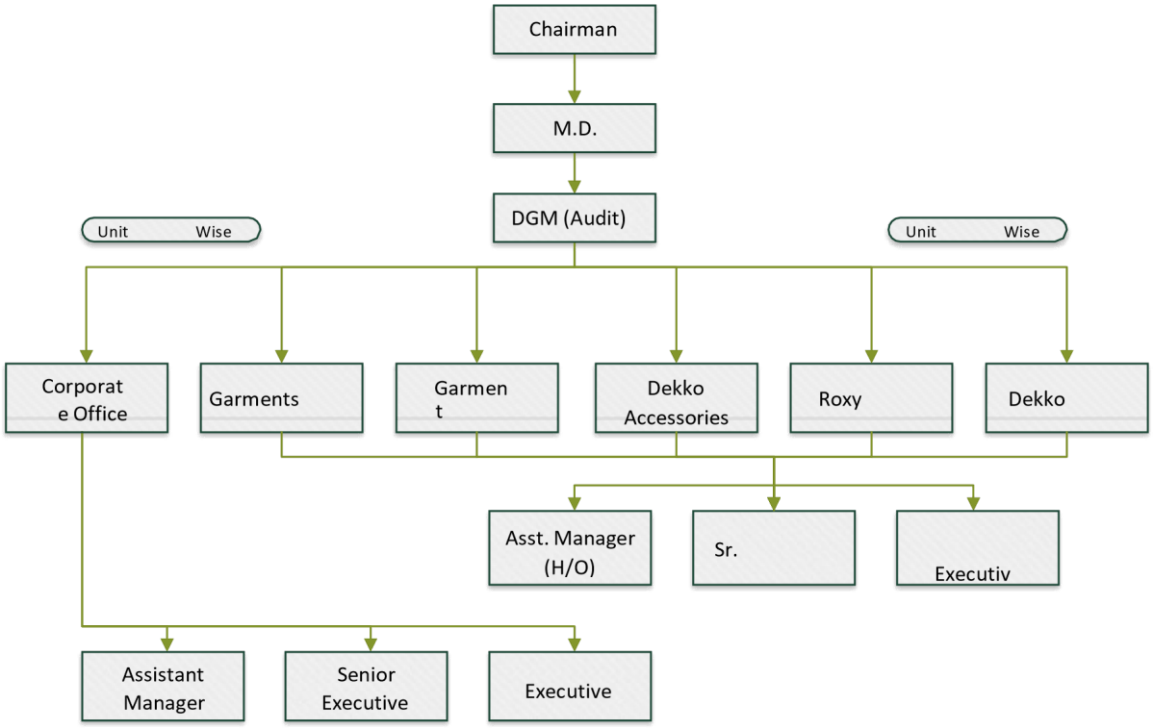


Figure 5 - Organizational Hierarchy of Internal Audit Procedure

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 Five

Thesis Position and Duties

I worked as an Employee at Internal Audit Procedure of Zaman and Co. 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 Zaman and Co

- ✞ 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 Zaman and Co, Garments Ltd twice. Zaman and Co, Garments Ltd and both are situated at Mawna Gazipur. DGL is shifted from Dhaka to Gazipur, started production ten years ago. 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.

5.3 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.

5.4 Izakaya Restaurant

Izaakay Restaurant is a recently launched concern of Zaman and Co 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 Six

Role of Internal Audit, SWOT Analysis

6.1 Overview of Internal Audit Procedure of Zaman and Co,

Internal Audit Procedure of Zaman and Co, 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 Zaman and Co, Corporate office auditors are the core of the Internal Audit Procedure which accumulates and manage all audit activities of all units through unit wise auditors.

The role of Zaman and Co'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 Procedure effective, all works should be specified perfectly and audit arena and Role should be quantified. Zaman and Co, 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 recognized 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 transaction 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 is 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 judgment 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 depend 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 need 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 donor 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 cause 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 proceeds, 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 byCash 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 Zaman and Co have its own auditing process. Internal audit processes followed by Zaman and Co is shown below with a flowchart-

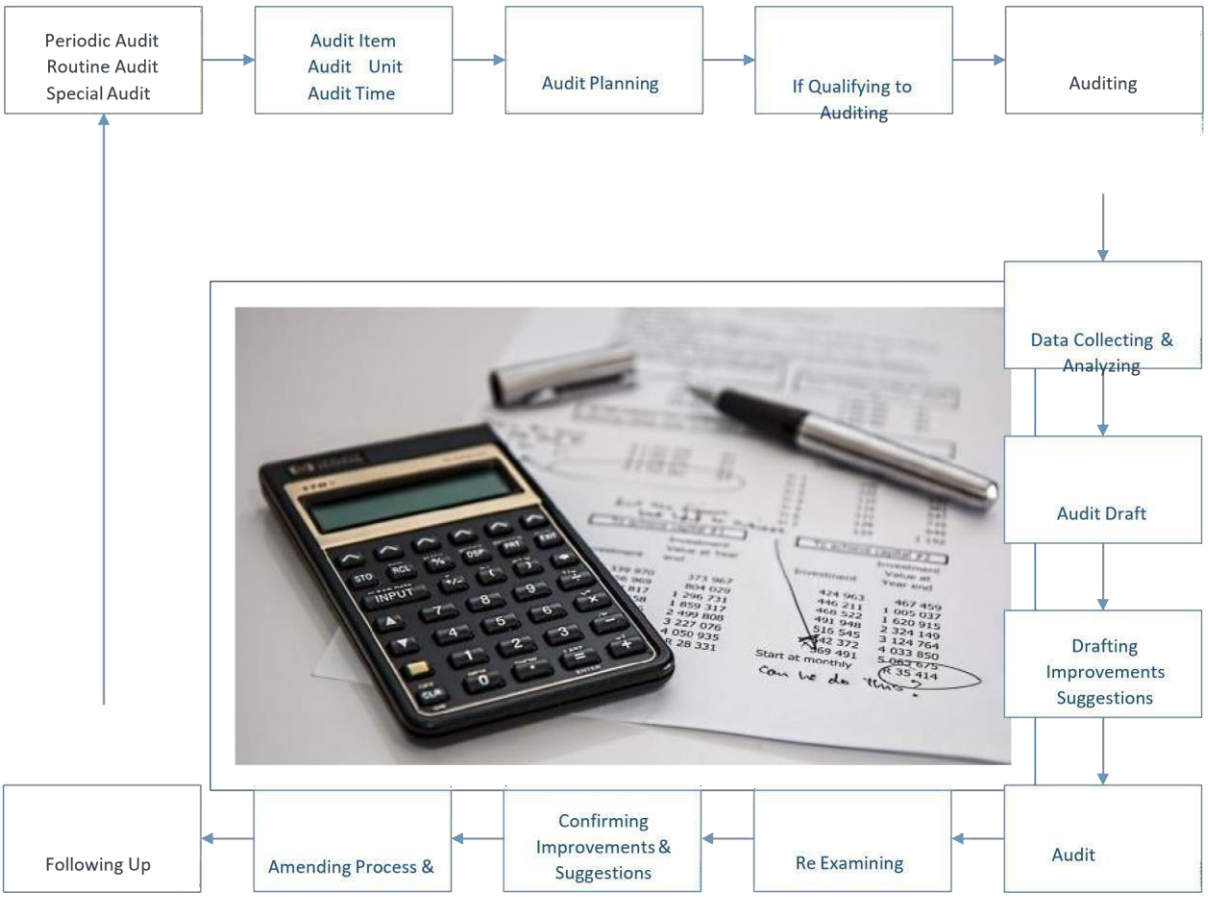


Figure 6 - Internal Audit Flowchart

6.4 Periodical Audit Activities of Zaman and Co

Zaman and Co Internal Audit Procedure 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-

6.5 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 is the key process of weekly cash audit. This process is followed for Izakaya Restaurant, a recently launched concern of Zaman and Co.

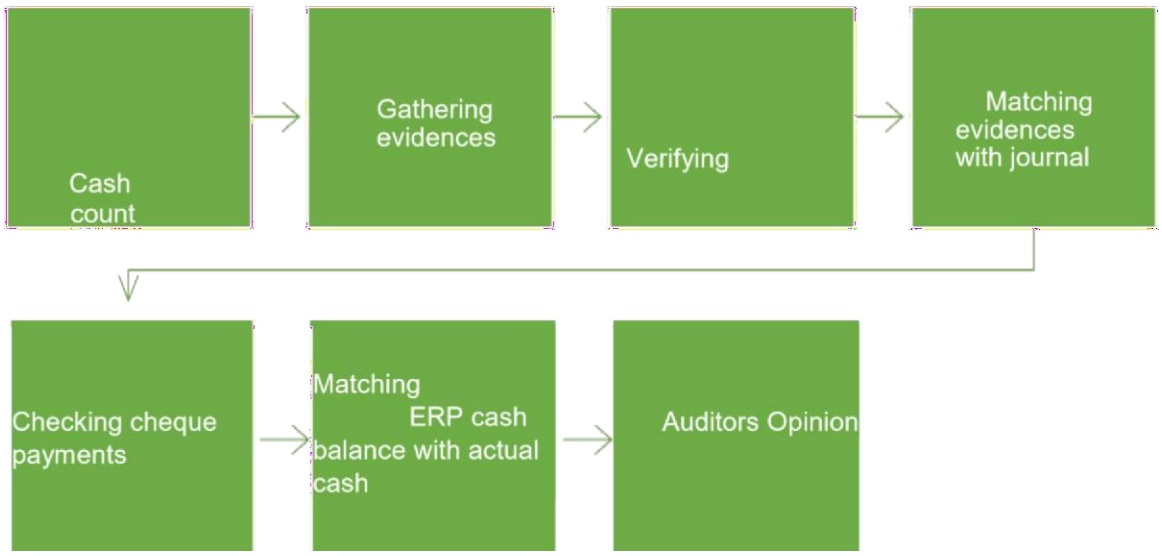


Figure 7 - Cash Audit Procedures

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

6.6 Inventory Audit

Inventory audit mainly depends on the type of inventory that has to be audited. Every concern of Zaman and Co 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 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

6.7 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.

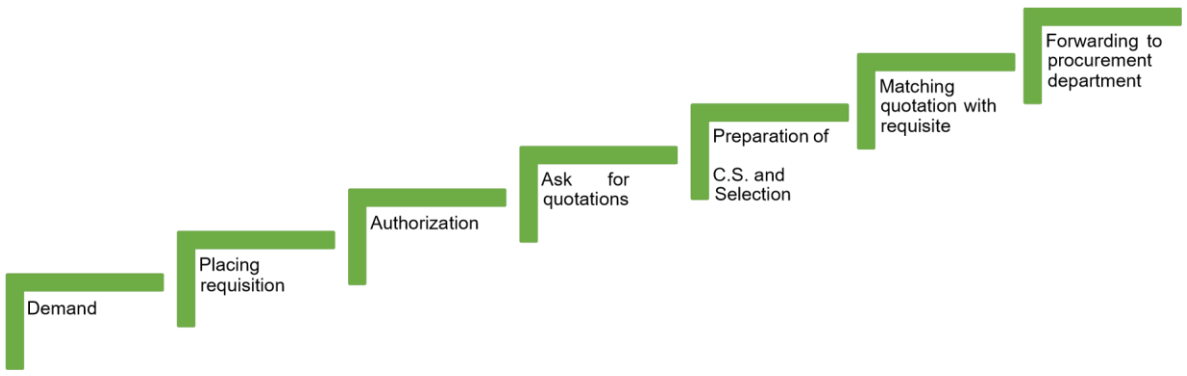


Figure 9 - Auditing Requisition

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.

6.8 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 Zaman and Co'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 Zaman and Co. After that it comes to the Internal Audit Procedure through EBS and commercial department.

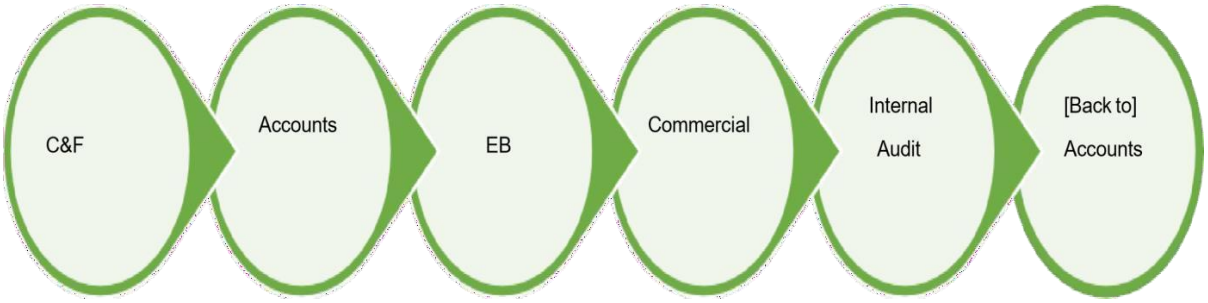


Figure 10 - Dealing with C&F Agents

Internal Audit Procedure verifies the documents, fess and authorize the documents before payment. Once it is approved by the Internal Audit Procedure 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.

6.9 Market Sourcing

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

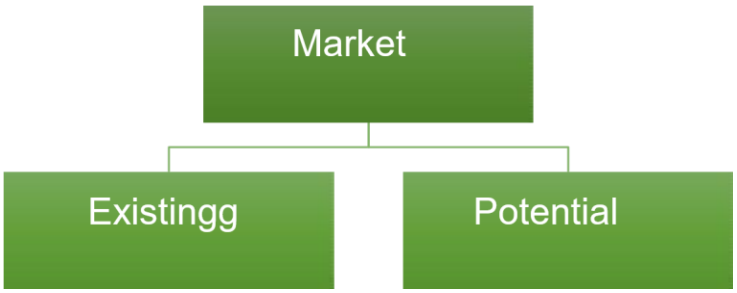


Figure 11 - Market Sourcing

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

Zaman and Co have 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.

6.10 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 suppliers is not more than 5. In some cases, it can be extended.

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

Benefits of C.S.

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

6.11 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.

6.12 Reporting

Audit reports depend on the type of audit. As it is internal audit, the report must be differed from the external audit. In external audit the main focus is Financial Statement auditing as well as compliance and others. But in case of Zaman and Co internal audit, the audit is mainly prepared on specific or periodical operations. Zaman and Co 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 analyses 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. Zaman and Co is mainly divided into two parts- Tops Division and Bottom Division.

Previously there was one AGM (Audit). But now both divisions have their own AGM (Audit).

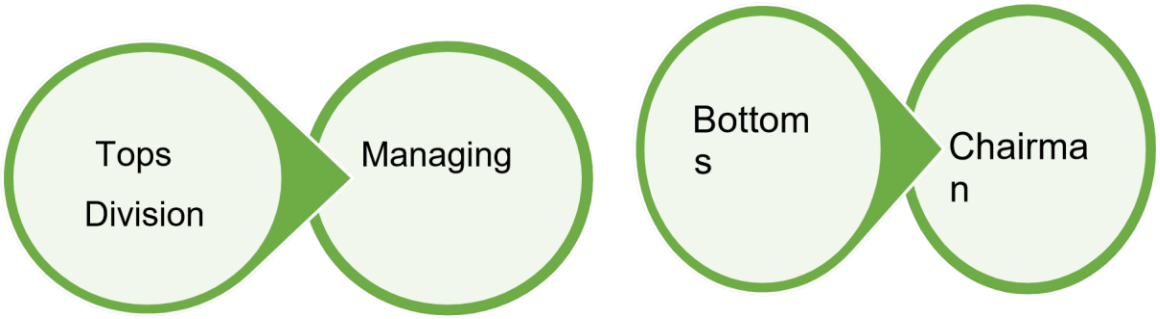


Figure 12 - Audit Reporting

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

6.13 Efficiency of Internal Audit

Audit data of Zaman and Co 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
Civil & Constructions	2% - 10%
Machineries	2% - 30%
Computer, Mechanical & Electronics	5% - 60%

Table 5- Cost Savings (observed)

6.14 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 Zaman and Co, I have tried to represent the SWOT analysis of that department, internal audit.

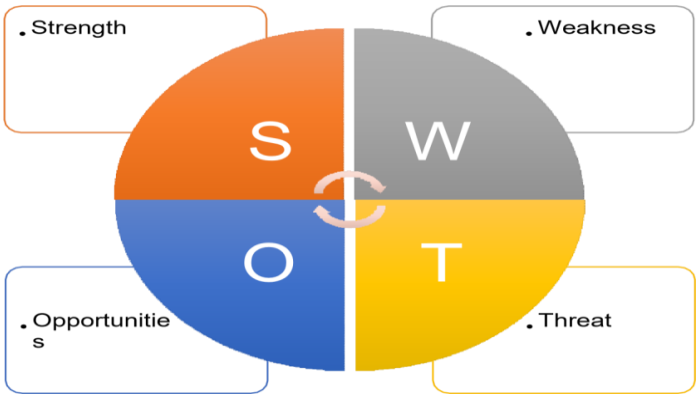


Figure 13 - SWOT Analysis

6.14.1 Strengths

- Freedom of work benefits the employees of Audit department to detect fraud and errors by others.
- Make employees to go with company's rules and regulations.
- Internal Audit Procedure's decisions are taken priority basis by other departments and top management highly appreciate the auditing process.
- Rules & regulations and policies and procedures are defined with standards.
- Concerns are divided in to different audit teams which enables perfectly observe the all concerns.
- Skill building program and employee training system are available.
- Assurance of quality, appropriate internal control and risk management all are takes place in internal audit.
- There is a perfect recommendation process and internal audit team also follow up the process.
- 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.
- Internal audit sometimes acts as a procurer for the betterment of purchase process.
- Thought auditor's job is to give opinion, here internal audit can take decision on some particular areas.
- In order to keeping all documents safe, there is a document out register for all departments as well as Internal Audit Procedure.
- Recycling and using both side of paper for draft print reduces company expense.

6.14.2 Weaknesses

- As the internal audit performs pre auditing instead of post auditing, bills and documents are hold for verification which slow down the process.
- As it is privately owned company, top management holds the right to skip some decisions taken by Internal Audit Procedure.
- Internal Audit Procedure'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.

- 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.
- Auditor's opinion is sometimes skipped by top management. Besides other departments don't like to interfere audit team in their works.
- There is a little bit fear works among the other departments for the existence of Internal Audit Procedure, though internal audit helps to protect other departments from being taken wrong decisions.
- 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 remained pending for a long time.
- Recently audit department separated into two groups, tops and bottoms division which causes the number of staffs in each division.

6.14.3 Opportunities

- Performance and compliance audit will help to determine the employer and employee contribution to the company.
- Educate or train employees to the newest legal rules and regulations to ensure that the company is going under those rules and regulations.
- 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.
- Represent the role of internal audit inside or outside the company will help to increase the value of the company.
- Taking initiative to the newest quality assurance techniques, integrating modern KPI and incorporating updated internal control system.

6.14.4 Threats

- Lack of cooperation in certain situation by another department.
- 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.
- Opportunity of taking benefit from outside can be a threat though this kind of occurrences are not seen yet.
- 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.

- Employees' wrong perception on audit department may reduce productivity.

- 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.

Chapter Seven

Findings

7.1 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
- Internal Audit Procedure helps company to reduce cost better than other departments like procurement or commercial.
- If necessary, auditors went to the market for price verification.
- Auditors frequently visit to the concerns to make sure that everything is going well.
- Paper recycling practices reduces company costs.
- Even holiday, auditors visit to the factory to ensure that the securities are doing their job well.
- As there is multiple concern in the same industry it helps Zaman and Co to easily compare the overhead costs, manufacturing costs which leads a greater control.
- Internal Audit Procedure of Zaman and Co is acting as internal control.
- Auditors have freedom of work which enables more internal control.
- Document processing standard time is not specified.

Chapter Eight

Recommendations and Conclusions

8.1 Recommendations

Based on the presented Thesis report and my own experience at Zaman and Co, 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 Procedure 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.

8.2 Conclusions

Large companies have 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 Procedure of Zaman and Co plays a vital role to keep the company at the right path.

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