

Internal Check, Internal Control and Internal Audit Procedures of a
Conglomerate Company - A Case Study of
KHADEM GROUP LIMITED

Prepared by:

MD Abrar Ali

ID: 173011074

Supervised By:

Prof. Milan Kumar Bhattacharjee, PhD

Submitted in Partial Fulfillment of the Requirements for the Degree

Bachelor of Business Administration



October 03, 2021

Internship Report Approval Form

Student Name: MD Abrar Ali ID No. 173011074

Major: Accounting Year: 2021

Mobile Phone: +8801832624049 e-mail: abrar.ali.bba@ulab.edu.bd

INTERNSHIP/PROJECT INFORMATION

Internship Organization: Khadem Group Ltd.

Internship /Project Report Topic: Internal Check, Internal Control and Internal Audit Procedures of a Conglomerate Company – A Case Study of Khadem Group Ltd.

Term (Tick one): ☐ Spring 2021 ☒ Summer 2021 ☐ Fall 2021

SUPERVISOR APPROVAL

(Tick One)

☒ Approved ☐ Not Approved ☐ Partial Re-write ☐ Full Re-write

Remarks (For Not Approved): _____

Signature:  Date: 03/10/21

Name: Professor Milan Kumar Bhattacharjee

E-mail: milan.kumar@ulab.edu.bd

Phone: 01738 410909

PLAGIARISM DECLARATION

1. I know that plagiarism means taking and using the ideas, writings, works or inventions of another as if they were one's own. I know that plagiarism not only includes verbatim copying, but also the extensive use of another person's ideas without proper acknowledgement (which includes the proper use of quotation marks). I know that plagiarism covers this sort of use of material found in textual sources and from the Internet.
2. I acknowledge and understand that plagiarism is wrong.
3. I understand that my research must be accurately referenced.
4. This assignment is my own work, or my group's own unique group assignment. I acknowledge that copying someone else's assignment, or part of it, is wrong, and that submitting identical work to others constitutes a form of plagiarism.
5. I have not allowed, nor will I in the future allow, anyone to copy my work with the intention of passing it off as their own work.

Name: MD ABRAR ALI (BLOCK LETTERS)

ULAB ID #173011074

Signature: MD Abrar Ali Date: 03/10/21

Acknowledgement

First of all, I would like to extend all my praise and appreciation to the Almighty God (SWT) for my health, knowledge and opportunity for the success of this report. The success of this internship report is the result of the contribution and participation of many, especially those who have taken the time to share thoughtful guidelines and suggestions for improving the report. We would like to express our deep gratitude to Professor Milan Kumar Bhattacharjee, who is an excellent academic advisor of business school at the University of Liberal Arts in Bangladesh. I am very grateful for his support and supervision, suggestions and valuable information that is absolutely necessary for the completion of this report. I am especially grateful for providing me with his precious time whenever I need it. Special thanks to Mr. Jahangir Alom, Manager of Internal Control and Compliance Department at Khadem Group Ltd. for supporting the entire internship who provided useful information on Khadem Group Ltd.'s Internal Control and Compliance Policy. increase. We would like to express our deepest gratitude to the Deputy Directors of Internal Control and Compliance, Zahidul Islam and Shahjahan Khan, Senior Management. I was able to directly learn the fact that the corporate environment and the internal controls and audits performed by the Khadem Group for the entire duration of the internship program. Last but not least, I would like to thank my family, friends, classmates, and colleagues for their support and thanks in writing this report.

Executive Summary

Khadem Group Limited (KGL) is one of the largest companies in Bangladesh. KGL is a limited company. Internal control and compliance is a support department established at Khadem Group Limited to maintain effective and smooth functioning within the organization and to oversee all activities of KGL and its subsidiaries, from planning to revenue at each stage. It is one. This report is based on internal audit, internal control and internal audit of a major division of Khadem Group Ltd. with three months of practical knowledge working as an intern in the Internal Control and Compliance (IC & C) department.

Internal audit is the most important part of an organization to maintain basic corporate governance in all organizations. Khadem Group Limited (AML) is one of the largest production-based organizations, and it is very difficult for companies to expand nationwide and maintain proper corporate governance. The goal of the internal audit department is to work with KGL to support the entire system of all businesses to prevent grabs of all kinds.

This report is broadly divided into "A" and "B" parts. Part A provided the activities, observations, and discoveries, recommendations, and conclusions of the internship program to explain the Organizational Profile (KGL). Part B contains the research design of the report. This section provides details on internal inspection, internal control and internal audit. The most important part B also included the definitions, procedures and systems of internal inspection, internal controls and internal audit of KGL's IC and C divisions. At the end of the report, a summary of the findings of KGL's IC & C division and some important recommendations are also added. Then the sector is likely to improve further in the future.

With limited learning and experience, I am committed to completing this report. However, as expected, a pragmatic and conscientious interpretation of the documented experience. Profession The workplace also experiences various restrictions on the strengthening of processes and the maintenance of moral norms.

Contents:

Part-A: Internship Experience		
Particulars		Page No.
Chapter One: Organization Profile		1
1.1	Overview	1
1.2	Origin and Expansion	2-3
1.3	Company Values	4
1.4	Vision and Mission Statement of Khadem Group Ltd.	5
1.5	Organogram of KGL	6
1.6	Porters Five Forces Model	7-8
1.7	SWOT Analysis of Khadem Group Limited	9-10
Chapter Two: Internship Role and Responsibilities		11
2.1	Job Description	11
2.2	Responsibility	11
2.3	What I have learned?	12
2.4	What problem did I face?	12
Chapter Three: Observations, Recommendations and Conclusion		
3.1	Observations	13
3.2	Recommendations	13
3.3	Conclusion	13
Part B: Research Project		
Chapter One: Research Design		14
1.1	Background	14
1.2	Origin of the Study	14

1.3	Justification of the Study	14
1.4	Objectives of the Study	15
1.5	Methodology of the Study	15
1.6	Scope of the Study	15
1.7	Limitations of the Study	16
Chapter Two: Theoretical Background		17
2.1	Concepts of Audit and Auditing	17
2.2	Audit Objectives	17-19
2.3	Audit Functions	19
2.4	Types of Audit	19-20
2.5	Audit Procedures	20
2.6	Audit Program	20
2.7	Audit Report	21
2.8	International Standards on Auditing (ISA)	21
2.9	Internal Check	22
2.10	Internal Control	22
2.11	Internal Audit	11
Chapter Three: Analysis and Findings		23
3.1	Internal Audit Department of KGL	23-24
3.2	Internal Audit vs. External Audit	25
3.3	Internal Check Mechanism	25-26
3.4	Internal Control Mechanism	26-28
3.5	An Overview on Internal Check, Internal Control & Internal Audit	28-30
3.6	Problems Observed Relating to I.C. & C. Control, Check and	30

	Audit	
3.7	Remedial Measures to Overcome the Problems	30
Chapter Four: Recommendations and Conclusion		31
4.1	Summary of Findings	31
4.2	Recommendations	31-32
4.3	Conclusion	32
Appendices		33
	References	33
List of Figures		
Figure 1	Core Values of KGL	1
Figure 2	Organogram of Khadem Group Limited Corporate Head Office	6
Figure 3	Porter's Five Forces Model	7
Figure 4	SWOT Analysis of KGL	9
Figure 5	Audit Objectives	18
Figure 6	Audit Categories	19
Figure 7	Organogram of I. C. & C. Department	23
List of Tables		
Table 1	Corporate Profile of KGL	4

Part-A: Internship Experience

Chapter One: Organization Profile

1.1 Overview:

KHADEGROUP established in 1993, is a company having diverse business interests. The constituting units are in the fields of Plastic Industry, Compressed Natural GAS Supply, Bricks Manufacturing, Multiple Agriculture, Import-Export, Real Estate, Air Travel (IATA), Hajj & Umrah Service, Tourism, Manpower Export, Printing & Packaging and so on. While the companies involved in these fields have their individual plans and programs. The holding company tries to co-ordinate, administering and managing their activities keeping in view modern trend, innovation and economy.

In the below table the organization profile is being in short:

Name of the Company	Khadem Group Limited
Year of Establishment	1983
Status of the Company	Private Limited Company
Country of Registration	Registered under Registrar of joint Stock Companies
Number of Employee	Over 1000
Corporate Head Quarters	VIP TOWER (1ST FLOOR), 51/1, VIP ROAD, NAYAPALTAN, DHAKA-1000, BANGLADESH.
Telephone	<u>+880-2-8334015-17</u> , +880-1722099632, +880-1972099632
Website	www.khademgroup.com.bd

Table 1: Corporate Profile of KGL

1.2 Origin and Expansion:

In 1983, Mr. M. N. H. KhademDulal founded his company in the field of travel agencies, and then developed branches from infrastructure development to power plant works and higher education institutions.

M Mr. N. H. KhademDulal, Founder Chairman and Managing Director of KGL, had no working capital early in the business. He came to Dhaka and started to live in the mosques as he was unable to afford hotel rent. After living a personal life for 2 years as a clerk in the Sonali Bank, he lost his job; as the company slashed hundreds of employees at a time. He then started to work as a commission agent in a man power export agency. And finally established his own man power export firm with a small office in the Polwel shopping mall at Naya Paltan.

Started as a family-owned company, KGL has transformed into a comprehensive modern business group. KGL's priority is to focus on building the ability to inject strengths and personalities with employees, business partners, colleagues and stakeholders. KGL is a platform of 1000 talented and skilled workforces involved in various tasks, which is a major milestone in current business expansion.

KGL has actively expanded its activities in the rapid realm of Man power business. As an educational consulting company and plastic product manufacturer, KGL has joint ventures with many international hollow ball manufacturers. Producer of Royal Plastics, Green Bricks, and other carefully selected building materials. It also provides educational services, international consultant services, energy and more.

Under the dynamic leadership of M. N.H. Khadem Dulal, the company has not compromised on eco-friendly, high-quality output, safety and timely delivery. It gained fame and provided an international standard. The company owns various subsidies, such as:

- KHADEM AIR SERVICES
- BRAHMANBARIA OVERSEAS
- STAR CNG FILLING STATION LTD.
- HYGIENE SERVICES
- ROYAL PLASTIC INDUSTRIES LTD.
- DOWLAT BRICKS & CO.

- KHADEM KRISHI BOHUMUKHI PROKALPA LTD.
- TECVY ENERGY LIMITED
- KHADEM PRINTING & PACKAGING
- KHADEM DEVELOPMENTS & TECHNOLOGY
- RANGAN AIR AIR SERVICES
- KHADEM AIR INTERNATIONAL
- KHADEM AVIATION SERVICES
- KHADEM TRAVELS & TOURS
- HIKMAH LIMITED
- SCHOLARS' CITY COLLEGE

1.3 Company Values:

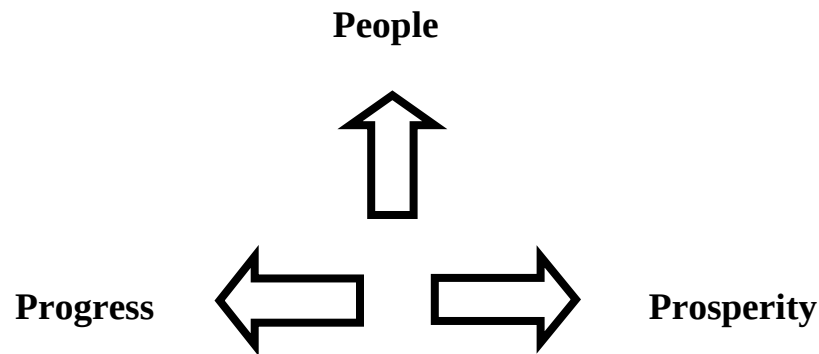


Figure 1: Core Values of KGL

Their core beliefs and values are driven by three aspects:

➤ **People**

“People are our power right away.” Therefore, the company prioritizes to provide and nurture the opportunity to perform as much as possible. We also express our outstanding commitment to meet the needs of our valuable customers, business partners, and society in general, responsibly to create and deliver valuable products, services and business practices. ..

➤ **Prosperity**

“The prospect of prosperity is the key to our success.” The company is making a great contribution to the prosperity of the people and the country. Therefore, we make sure to utilize the advanced skills, skills and knowledge of a dedicated, well-trained and ambitious workforce to provide high-quality products and services to our esteemed customers.

➤ **Progress**

“We seek for progress.” Companies believe in sustainable development by investing in the future of people, businesses, society and the country as a whole. Therefore, we continue to explore ways to develop and improve practices, standards and expectations.

1.4 Vision and Mission Statement of Khadem Group Ltd.

➤ Vision

Optimal use of valuable resources, including humans, to create valuable products and services aimed at contributing to Bangladesh's economic, social and environmental development and prosperity.

➤ Mission

- ✓ We provide value-added products and services by building successful partnerships between people, technology and practices.
- ✓ The vow includes our employees in the organization and builds ongoing relationships with our customers, business colleagues and stakeholders by surpassing our expectations and lifetime trust through outstanding results. It is to establish the absolute meaning of doing.
- ✓ We excel in everything we do and are always challenged to do better and engage in teamwork with the goal of achieving the gradual growth of our business, thereby positively impacting communities and countries in economic and social development.

1.5 Organogram of KGL:



Figure 2: Organogram Khadem Group Limited Corporate Head Office

1.6 Porter's Five Forces Model:

The Porter's Five Forces Model is a basic framework for investigating the competitiveness and status of an organization as a classification and analysis model of the five major competitiveness that form each industry.

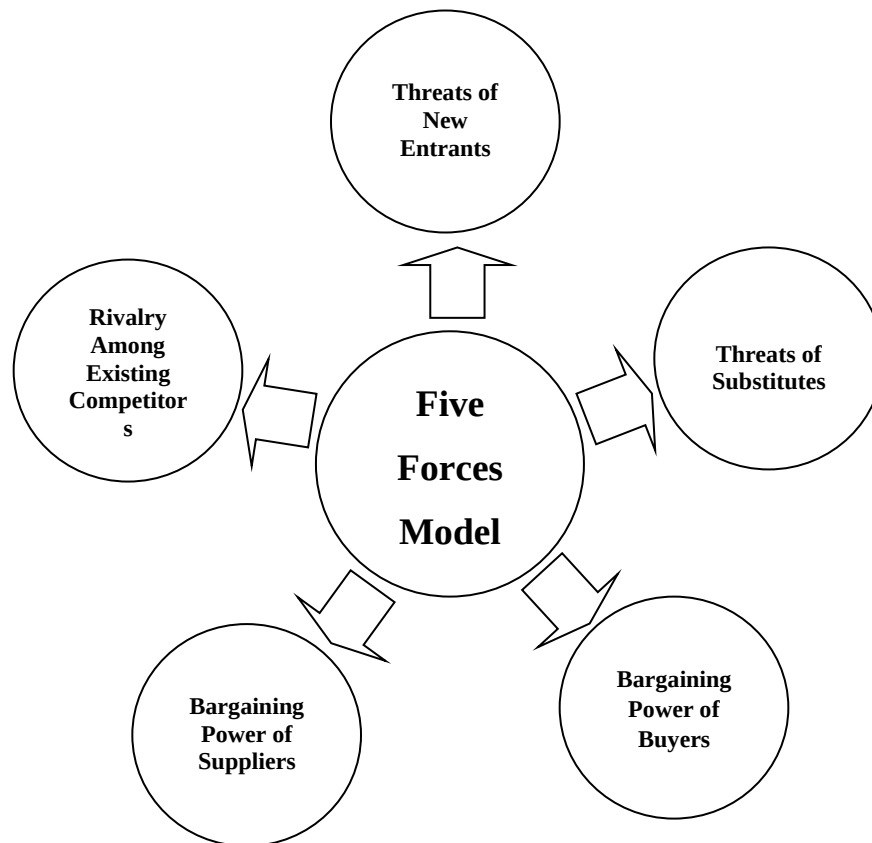


Figure 3: Porter's Five Forces Model

It is even more beneficial for Khadem Group to apply to the Porter Five Forces business in this way. I have selected only two of the business units; Khadem Air Services and Tecvy Energy are the two units chosen to run the Porters Five Forces Model.

- ❖ **Threat of New Entrants:** The entry burden in this industry for the Khadem Air Services and Tecvy Energy is significantly lower. Khadem Air Services and Tecvy Energy are considered the most notable brands in Bangladesh. It has been an important part of the industry for quite some time, and enthusiastic customers are not obliged to try other brands.
- ❖ **Threat of Substitutes:** There are many different types of air services on the market. Tests that were reduced to outward showed that people could not differentiate between Khadem Air and Al Gazi. Of course, there are many different types of Khadem Air services on the market. Among them, Kazi Air can be a substitute for Khadem Air.
- ❖ **Bargaining Power of Buyers:** Certain buyers are not putting pressure on Khadem Air services and Tecvy Energy. End-buyers' brand loyalty lowers their bargaining power.
- ❖ **Bargaining Power of Suppliers:** The main materials of the power plant are gas compressors and transformers. Tecvy Energy is the largest buyer of these vendors from international corporations such as Harimau Petrocon, Iljin Korea, Zeeco and many other world renowned manufacturers and suppliers. On the other hand, Khadem Air purchases in bulk from International Air Transport Association (IATA); of several airlines for example, Saudi Airways, Qatar Airways, Oman Air, etc. Khadem Air is the best known aviation service throughout Bangladesh. Therefore Khadem Air is also the best customer of these providers.
- ❖ **Rivalry between Existing Competitors:** A major competitor these days is Al Gazi Air, which also has a wide selection of aviation services for its brand. Khadem Air and Al Gazi Air is involved in all major aviation services and are heavily dedicated to sponsoring outdoor events and activities. The main challenge for Tecvy Energy is the new competitors in the current business. Previously, Power Man, Vintage Group and Cosmos Group were the major competitors of Tecvy Energy. However, there are currently six to seven competitors. Some of these have come to market with huge investments and strong marketing strategies.

1.7 SWOT Analysis of Khadem Group Limited:

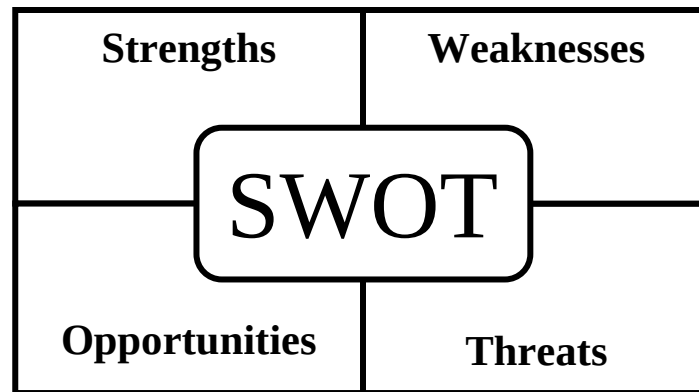


Figure 4: SWOT Analysis of KGL

Strengths:

- 1000 talented workforces
- Largest fleet of Tender bidder
- Highest total investment being developed industry
- Biggest business space in a solitary spot of business

Weaknesses:

- Over dependence on the overall international principal manufacturers
- No checking unit is open for evaluating the execution of workers
- Dependence on imported materials
- Low focus on R&D investment
- Low advertising incentives

Opportunities:

- At present, KGL have only three brands of construction suppliers – Harimau Petrocon, Iljin Korea and Zeeco. The company could transform itself to multinational corporation, Tecvy could do the works independently as of now it is mostly involved in joint ventures.
- KGL recently can disseminate its construction just in Comilla, Chittagong, Khulna, Sylhet and Barishal Division. The getting of the supply works of power and energy

sector; the construction works of infrastructure and the distribution ship of plastic products to the whole country will be a remarkable open entryway for KGL.

- KGL could display a variety of its present items, for instance, online air ticketing, and promotion of plastic products in the international arena.
- Scope of improving the products and services; making it to world class quality. And making the administration sophisticated and advanced.

Threats:

- The number of new competitors in the business is increasing day by day
- Power supply brands that contrast sharply with competitors are limited.
- The predominance of alternative energy materials.
- Raw materials are not available
- Increasing government taxes and value added tax on the construction expense plan can increase expenses and ultimately increase the cost of the construction works provided.

Chapter Two: Intern's Role & Responsibility

2.1 Job Description:

During the internship (July 1, 2021 to September 30, 2021) I worked in the Internal Control and Compliance department and my main business was auditing the internal activities of Khadem Group Limited and its subsidiaries. As a member of IC & C, I have had a lot of practical experience in the corporate world where I spent three months doing various activities. Some of the other tasks are normal sales and provide a brief explanation of the responsibilities.

2.2 Responsibility:

Counseling the unskilled labors for migration

Preparing the daily cashbook manually

Manual data entry of ledger accounts

Worked partly with the Chairman as a helping hand

Tender purchasing and procuring logistics

Attending meetings with clients

Indent/Requisition Checking

2.3 What I have learned?

Some of the most important lessons I have learned as an audit intern are:

- ❖ Understand the meaning of claims and their relevance to account balances, trading and risk assessment of disclosures.
- ❖ Understand how to deal with the client's business with respect to all materials.
- ❖ Understand how transactions are properly checked.
- ❖ Understand how a worker's overtime is calculated and how much the company must pay.
- ❖ Understand the concepts of internal control and external control.
- ❖ Understand the risks of financial statement level and the risks of material misrepresentation.

2.4 What problems did I face?

- ❖ Understanding the culture of the office.
- ❖ I hesitate to ask questions when faced with different types of invoice checks.
- ❖ Common challenges of “How does it work? »
- ❖ How to request a leave or a lunch break?
- ❖ Understand IC&C diagrams.

Chapter Three: Observations, Recommendations and Conclusion

3.1 Observations:

There is another challenge. The challenge is to keep it active in the millennium with its main cutting-edge innovations, administrative agencies and also their categories. Khadem Group Ltd. has innovated many products and is happy to chat with brands like Tecvy Energy, Khadem Air, Hikmah University, etc. This organization aims to achieve customer satisfaction by providing the best quality items. They have a large number of buyers. The Khadem Group provides a good workplace and ensures the well-being of its representatives, which is also a legal necessity as it reduces costs and improves efficiency, quality and employee accountability. . Anyway, despite all these admiring things, I would like to assume that I think they will add a worker development and training program to make the association grow.

3.2 Recommendations:

I believe that the entire mission of Khadem Group Ltd consists of a surveillance device for estimating the evaluation of its employees nevertheless until it is discovered within the confines of the best possible means. In my opinion, they should welcome graduates from private or public universities. They also need to motivate a new generation in order to run the organization.

3.3 Conclusion:

Khadem Group Ltd. As one of the largest manufacturing and travel agents under ten groups of leading companies in Bangladesh. This is a famous group of companies we know. You are most popular for Travel Agent Trading and Tecvy Energy. Tecvy Energy is one of the leading suppliers of power plant materials in Bangladesh. They started building business and then produced products. Gradually they reached the goal and this was not too far to achieve his goals. It has converted into a multidisciplinary modern business group that appreciates the customer. KGL combines many pride contributions to the community and society as the entire social responsibility of the positive and participating company. Their more important focus is to use their valuable resources for creating additional products and services that can contribute to economic, social and environmental development and prosperity of our country.

Part B

Research Project

Chapter One: Research Design

1.1 Background:

Khadem Group Limited is one of the largest corporate groups in Bangladesh. It includes a very potential internal audit department that runs at the highest level to bring a sense of integrity and firmness throughout the organization and maintain a sound corporate governance structure. I often work in IC & C department. It's easier to create this report because it's related to my theme.

1.2 Origin of the Study:

This is mainly an internship report created for the completion of the 6 credits required to graduate from the Bachelor of Business Administration (BBA) at the 'Business School' of the Free Arts University of Bangladesh (ULAB). The main goal of the internship is to provide students with "at work" exposure and the opportunity to adapt theoretical data to gain hands-on experience. The internship program is the most important period for students. The internship program duration from 3 months gives students a lot of experience. The Internship Report focuses on the internal oversight, internal control and internal audit of the large enterprise sector of Khadem Group Ltd.

1.3 Justification of the Study:

IC & C (Internal Control & Compliance) was my department at Khadem Group Ltd. As I was a student of Business Administration and my concentration was accounting. A case study of KHADEM GROUP has been selected as my thesis topic: "Internal Check, Internal Control and Internal Audit Procedures of a Conglomerate Company." Internal Control and Internal Audit have a lot of essential things to perform that are highly beneficial for the organization, thus this issue is quite significant. This is the theme I have picked. In terms of Auditing, it will offer me with a great deal of practical knowledge and practical experience. Those who work in the organization's related field will benefit from reading this document.

1.4 Objectives of the Study:

Broad objective:

The report's overarching goal is to evaluate KHADEM GROUP LIMITED's internal Check and Control Systems over income and capital spending.

Specific Objective:

- ❖ For the purpose of learning how Khadem Group Ltd.'s internal checks, controls and audits function on a theoretical and practical level.
- ❖ Understanding of KGL's construction/manufacturing norms and regulations.
- ❖ Representation of Khadem Group Ltd.'s Internal Control & Internal Audit Procedures.

1.5 Methodology of the Study:

Primary and secondary both data would be included in this report.

Primary Data

- ❖ Talking to the head of internal control and compliance, deputy managers, and other associated officials.
- ❖ Purchase vouchers, invoices, and manufacturing indents are examples of raw data.
- ❖ Incorporating frequent observations in corporate headquarters

Secondary Data

- ❖ Documents relevant to the situation supplied by authorities and personnel
- ❖ Various text books
- ❖ articles on Internal Control
- ❖ Browsing the Web sites

1.6 Scope of the Study:

As a result of the study's scope, it's difficult to collect all the essential data for my report topic. My research focused on the Khadem Group Ltd.'s Air services and construction divisions.

1.7 Limitations of the Study:

- ❖ Being a big corporation, there are a lot of data points; therefore I can't cover them all.
- ❖ Because I'm still a student, I'm not very good at this type of thing. It's difficult for me to create this report due to a lack of information on the subject at hand.
- ❖ Because they have a policy, the audit department does not make their information available to others.

Chapter Two: Theoretical Background

2.1 Concepts: Audit

Auditors examine and scrutinize various books and records, as well as physically inspecting inventories to ensure that all departments adhere to a defined method of documenting transactions, which is called audit. It's done through the way their financial statements are organized.

Often, internal audits are conducted by employees and the department leader. This is done in order to detect misrepresentation or fraud. To identify fraud, all firms must conduct internal audits of their financial data.

Auditing:

Performing an audit is described as examining a sequence of events or actions to verify that they are being documented and preserved in compliance with specified rules, standards, and procedures. Internal auditors on a regular basis and an independent auditor on an annual basis should oversee the assessment.

2.2 Audit Objectives:

To convey a judgment on financial accounts is the goal of an audit. A number of constraints apply to auditing. The auditor would not be able to identify all errors and frauds in the financial accounts due to the limits of his examination, and this isn't the primary goal of the audit.

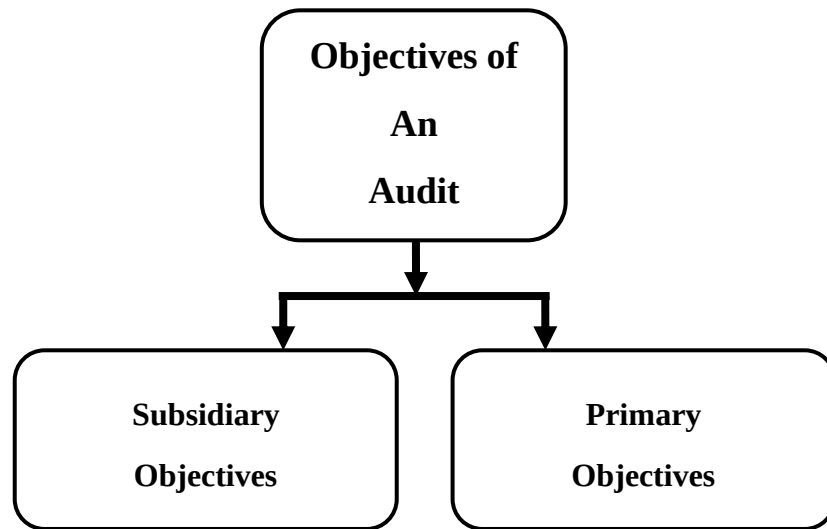


Figure 5: Audit Objectives

As a result of this, the audit's objectives may be divided into two groups. They are.

1. Primary objectives and
2. Subsidiary objectives

Primary objectives:

These are also known as the major audit goals. As follows::

- ❖ Checking arithmetical records, validating the posting, tossing and correcting, and so on are all examples of this.
- ❖ Investigating the internal check system.
- ❖ Evaluating the trustworthiness of trades
- ❖ Confirming the availability of assets and obligations, as well as their worth.

Subsidiary objectives:

In order to achieve the core aims, these are secondary objectives. They are.

❖ **Identification and avoidance of mistakes:**

As a result of negligence or a lack of knowledge, errors might occur and cause confusion. Mistakes might be committed for personal gain or without it. This manner, the information may be thoroughly verified. Errors have different names. To name a few: Errors of Principle; Commission; Compensating; and Omission errors.

❖ **Detection of fraud and avoidance of it:**

Those that work in the company commit cheating by making errors. Some of them may be high-ranking executives, while others may be lower-ranking staff. In order to increase their commission, sell an offer on the market, or to maintain the market price of an offer, they will sometimes file false charges. The auditor's primary responsibility is to detect fraud.

❖ **The stock price is either too low or too high:**

Business leaders or administrators are usually the ones that conduct these types of scams. As a result, the auditors are given a bogus explanation. Auditor's abilities, knowledge, and actualities should be used to identify such fakes.

2.3 Audit Functions:

- ❖ Find the obvious information in the organization's financial reports.
- ❖ Analyze the guideline of a going concern or organization's financial viability.
- ❖ Determine whether there is any deception going on in the company.
- ❖ Consistency of the organization with respect to its legal obligations.
- ❖ Verify the organization's trustworthiness from a natural and social perspective.

2.4 Types of Audit:

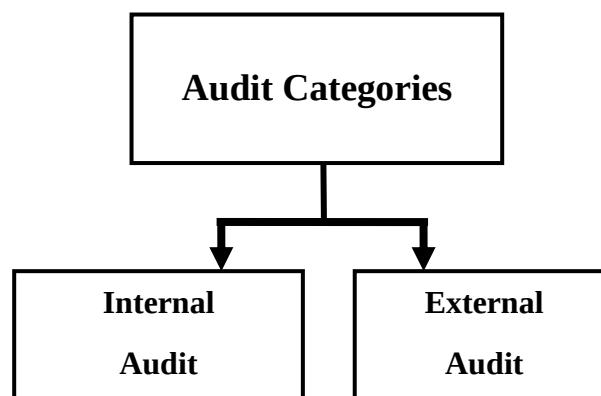


Figure 6: Audit Categories

We are familiar with two sorts of audits. They are:

1. **Internal Audit:** Employees, contractors, and consultants of the firm do these types of audits.
2. **External Audit:** A statutory and financial audit, or external audit, involves an independent auditor examining the financial accounts for accuracy and fairness.

2.5 Audit Procedures:

Various methods or procedures achieve various objectives:

- **Classification testing:** These approaches are used to determine if the ledgers were properly examined for exchanges.
- **Completeness testing:** Records are examined to determine whether there were any omissions.
- **Cutoff testing:** To determine if transactions were recorded in the correct time frame, this test is performed. For example, moving a purchase from one month to the next makes the first month's overall gain appear better than it really was.
- **Occurrence testing:** Examining transactions and accompanying documentation, audits assess whether or not trades really occurred.
- **Existence testing:** For example, it verifies that inventory is indeed in existence.
- **Rights and obligation testing:** As a result of this examination, we can evaluate if a company has all the assets it claims.
- **Valuation testing:** Tests of valuation were conducted to determine whether or not the records established the right value for resources, assets, and obligations.

2.6 Audit Program:

As a plan of action for the auditor, an audit program includes the work to be done, the audit tests and procedures to be used, the people responsible for the work, and the deadlines for completion.

An audit program, according to one official definition, is "a thorough plan of the auditing works to be conducted, focusing on the processes to be followed in verifying each item in the financial statements and giving the expected time necessary."

2.7 Audit Report:

In a financial audit report, an auditor expresses his or her judgment or conclusion on the financial accounts of a business. There are no errors in this report, and it follows commonly recognized auditing standards (GAAS). Listed below are the many kinds of audit opinions:

- **Unqualified Opinion:** Unqualified opinion is given when the financial statements are accurate and offer a genuine picture of the financial statements. It's the absence of substantial inaccuracies.
- **Qualified Opinion:** This indicates that the financial statements are not accurate and substantial misstatements have been made in the financial statement.
- **Adverse Opinion:** Unfavorable opinion is a term used for financial statements that include material errors.
- **Disclaimer of Opinion:** An opinion disclaimer may be invoked under certain circumstances.

2.8 International Standards on Auditing (ISA):

As the name implies, International Standards on Auditing (ISA) is a set of professional standards that governs an auditing firm's obligations while doing a financial audit of financial statements. International Federation of Accountants (IFAC) issued these standards through the International Auditing and Assurance Standards Board (IAASB) (IAASB). As a result, he or she must be well-versed in the entire ISA system, including its explanatory material and implementation, in order to understand its aims. As a result of the following set of standards,

- Internal control
- Planning of audit
- Using expert's work
- Specialized area
- Audit report & conclusion
- Respective responsibilities

2.9 Internal Check:

One approach to structure an organization's or company's accounting system is to have the tasks of different clerks organized in such a manner that the work of one person is mechanically verified by another. Unless there is collaboration amongst the clerks, fraud, mistake, and irregularity are reduced. Unless all three conspire to deceive their employer, this lowers the potential for frauds and mistakes.

2.10 Internal Control:

An interior control system is defined as "not only internal audit but also the entire system of controls, financial statements related and something else, set up by the management so as to carry on the matter of the organization in an orderly manner, safeguard its assets, and ensure as far as possible the accuracy of its records." 'Internal Control' encompasses a wide range of activities. In addition to accounting and financial data, its scope extends well beyond them.

2.11 Internal Audit:

As a result of internal audit definition, risk assessment and audit planning may be carried out. As part of a methodical planning process, this phase is carried out at least once a year. In order to keep the IC&C function up to speed on changes in the business context, it is essential to maintain constant contact with the stakeholders of IC&C throughout the year.

In this procedure, the following major goals are pursued:

- ❖ Assemble enough essential information to have a thorough understanding of the company's business and fundamental operation.
- ❖ Building a connection with stakeholders and understanding their aims, issues and expectations is essential.

Chapter Three: Analysis and Findings

3.1 Internal Audit Department of KGL:

Organogram of IC & C(Internal Control & Compliance) Department

There are now six members of the Internal Control and Compliance (IC&C) Department. GM is also the head of the Internal Control & Compliance Department. There is one Manager, two Assistant Managers and three Executives. Management reports to Senior Management, which reports to the Manager, who reports to the GM, who reports to the Board.

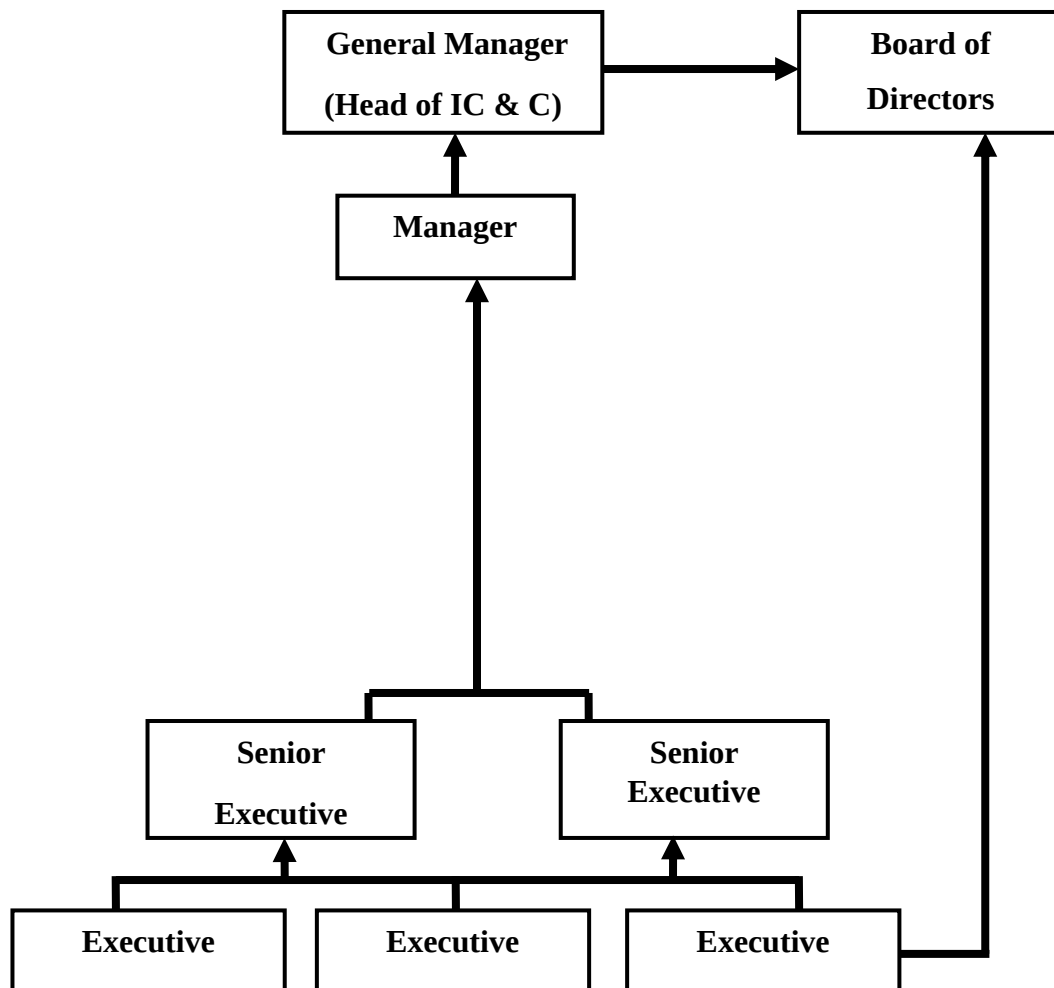


Figure 7: Organogram of IC.& C Department

Functions

- ❖ To conduct an initial review and audit of all costs incurred in the zone depot and factory.
- ❖ Monthly preparation of audit and management reports.
- ❖ As per the sales requisition, check monthly sales reconciliation.
- ❖ Reconciliation of production, store receipt and completed Goods on a monthly basis.
- ❖ Tax & Vat computation according to their rules.
- ❖ Prepare audit work programs in accordance with corporate needs.
- ❖ Verification of stock, petty cash and collection/deposit of funds.
- ❖ Verification of stock movements of raw material and finished product.
- ❖ A monthly physical check of the money.
- ❖ A monthly reconciliation of bank statements is carried out, and the amounts are compared.
- ❖ Checking the mark.

Follow-up Actions

Observations are performed on a monthly basis to check for fraud and anomalies in any department. As soon as the fact is detected, IC&C Department takes action. The IC&C Department sends recommendations and warnings to the appropriate department through email and monitors whether the department is following the recommendations or not. Those in charge are notified if a department does not heed the suggestion. In each department, management takes the necessary actions.

Reporting System

Primarily the Internal Control & Compliant Department reviews all papers before they are released for public consumption. To solve a problem, executives do research and review all relevant documents. As a result, they must report it to their Senior Executive, who in turn reports it to the Assistant Manager, who then reports it to the Deputy Manager, who reports it to the AGM. The AGM or the head of the IC&C department prepares reports on irregularities and fraud detection with the help of Deputy Managers, Senior Executives, and Executives. It's up to the department where the fraud or irregularity happened to decide what to do with it.

3.2 Internal Audit vs. External Audit:

Khadem Group Ltd. was subjected to an internal audit for risk management. To guarantee that the organization's system is properly structured, specialists undertake internal audits on the organization's systems. In order to ensure the greatest use of resources and maximize revenues, internal audit plays an important part in the company's success. People, computers, and various instruments execute the majority of the company's activities, which require periodic inspection to prevent losses. Regular activities are followed by internal controls and internal audits. These terms are sometimes used interchangeably, yet they have very different connotations and connotational connotations.

Members of the company or shareholders who are not part of the organization's structure get reports from external audit. While external audit reports to management, internal audit reports directly to the board of directors and senior management members of the organization's governance structure.

An Internal Report to the Management is received every year from the external auditor/s and finally such report is compared to the report from internal audit. As a result necessary action plan may be taken.

3.3 Internal Check Mechanism:

Internal control and compliance departments utilize Enterprise Resource Planning (ERP) software to verify different bills and purchase orders. It was in 2012 when KGL Company began using ERP Software.

The process of ERP is given below:

- ❖ A material request report (MRR) with price comparison is provided by KGL's different factories first. PR (purchase request) or Demand report are the two terms used to describe it. According to the PR, or Demand Report, the plant needs a certain amount of supplies or services in order to operate. Document must be authorized by the manufacturing manager.
- ❖ In line with the PR, a note is then issued to parties that propose to supply the materials or deliver the service, and price quotations are collected from them.

- ❖ Next, the ERP software sends the PR (purchase request) together with a note and price quotation to the company's main office for approval. On the basis of the PR, management creates a work order for the plant, which is approved by management.
- ❖ Following the work order, the factory purchases goods from that firm which have been approved by management.
- ❖ When the factory is finished, it attaches all of these papers and creates a bill for the accounts department at the corporate headquarters.
- ❖ These papers are sent to the Audit department by the Accounts department.
- ❖ Invoice information is questioned by the audit department. In addition to ERP, they double-check each and every piece of information via phone calls, meetings, and on-site inspection.
- ❖ If any information is discovered to be incorrect, the audit department offers observations and recommendations to the management department.

This department has a set of operational guidelines that have been authorized by the Khadem Group Limited leadership. When it comes to leave, travel and capital expenditures, there are a number of laws and regulations that must be followed by the department.

3.4 Internal Control Mechanism:

Other departments have certain internal control mechanisms in place.

✓ Accounts Department:

The Accounts Department pays the invoices once the IC&C Department checks them.

✓ Sales Department:

Sales incentive or target incentive payments are subject to approval by I&C, which determines whether a recipient qualifies based on permitted conditions. Statements for any transportation expenses incurred by the sales department are reviewed for accuracy by the IC&C department by comparing them with the organization's travel rules and regulations and monthly tour plan. As long as the IC&C department confirms that everything is in order, the statements will be sent to the accounts department for payment.

✓ **Production Department:**

IC&C Department's Consumption Report is used to match production and raw material consumption, and the variance is computed.

✓ **Human Resource Department:**

Compensation and Benefits (IC&C) department verifies all papers related to salaries, bonuses and other allowances as well as promotions and pay increments, among other things. During the process of calculating salaries, workers' authorized trips and travels are verified.

✓ **Brand Department:**

To ensure marketing promotional activities are carried out in accordance with control measures and plans, the IC&C department checks. The IC&C department also checks to see how much progress has been made in accordance with the original plan. Promotions are distributed once the IC&C department has checked them. If the advertising processes for market growth have been followed correctly, IC&C department will also check.

✓ **Procurement Department:**

This is followed by the procurement department issuing an invoice and submitting all the statements for evaluation to the I&C Department after obtaining the supplier's bill, MRE, MRR, and QC report.

- Purchases made on a regular basis require the permission of the procurement department, whereas large purchases require the approval of senior management.
- A bulk purchase may also be approved by the internal control and compliance department (IC&C).

✓ **Commercial Department:**

In the commercial section, international transactions are dealt with checks to see if transactions are taking place in accordance with international business terms.

✓ **Insurance Department:**

There is an insurance cover notation on the L/C for imports and exports. The IC&C department examined to see if the buyer or seller will be responsible for the premium. Apart from that, the

IC&C department monitors and controls various forms of insurance rates and commissions in order to provide information to the insurance department

3.5 An Overview on Internal Check, Internal Control & Internal Audit of KGL:

Internal Check:

If the tasks of multiple clerks are structured in such a manner that the work of one person is mechanically verified by another, then there is less possibility of fraud, error, or irregularity occurring, unless there is collaboration among clerks. This reduces the likelihood of frauds and mistakes, unless all three of them conspire to deceive their employer at the same time.

KGL review their risk assessment file. Enterprise Resource Planning (ERP) software is used by the company for billing and checking purposes. In addition, they match their expenditure sheet with the work order. Otherwise, they can go to their superior if there isn't any match with the work-order.

Internal Control:

For Khadem Group Ltd.'s management to achieve its objectives, goals, mission and vision, they develop control activities and procedures, which include rules, regulations and policies in addition to a control environment.

- **Control Procedures:** There are two major categories addressed, accounting control and administrative control.
 - ❖ **Accounting Control:** It is largely concerned with the structure of the organization, as well as the procedures and records involved in asset protection, fraud detection, and mistake prevention. In addition, you should prepare precise and dependable financial data.
 - ❖ **Administrative Control:** The decision-making process is governed by all management controls.

- **Control Activities:** For example, superior level review; appropriate activity controls across divisions; follow-up on non-compliance; a system for approvals and authorizations; and verification and reconciliation system, a control structure is in place. It is the responsibility of senior management to guarantee that sufficient control actions are carried out that way you can react quickly to changing situations and avoid spending money on things that aren't necessary.

Control activities are involved into following two steps:

- ❖ Control policies and processes will be validated.
- ❖ Policies and procedures will be created.

Internal Audit:

Internal auditing is a dynamic process that has a certain aim in mind that must be achieved. Some irregularities, fraud, and misrepresentation on the part of the organization are to blame.

- **Internal Audit Planning:**

Although the internal audit can go forward in time, it is a procedure that is used for the Khadem Group Ltd.'s activities over the whole accounting year. In Khadem Group Ltd, audit designing is a crucial element of the auditing process. It ensures that critical areas receive adequate attention, that possible difficulties or problems are recognized, that work is performed efficiently, and that work is properly coordinated.

- **Internal Audit Execution:**

In the Internal Control & Compliance (IC&C) department of KGL, internal auditing is conducted using a variety of methods.:

- ❖ Risk evaluations are carried out in real time.
- ❖ Put in place an audit plan.
- ❖ All transactions are verified on a daily basis.

- **Internal Audit Reporting:**

Reports on KGL's internal audits are kept and generated in a timely way by KGL's Internal Control and Compliance department. For KGL, it's a tool to help them achieve their goals in terms of operational objectives, financial and management reporting targets, as well as regulatory compliance. These reports also assist the organization in identifying and correcting any faults or

anomalies that may arise. As a critical component of internal control systems, it has the ability to contribute to attaining corporate goals.

3.6 Problems Observed Relating to IC& C Control, Check and Audit:

There are certain issues that I'm dealing with right now. It's not enough people working in internal control and compliance, given how many activities there are. As a result, every employee's workload is increased. Training and development opportunities for the internal control/compliance department have decreased as a result of revised standards and other developments. Employee performance measurement, incentives, and awards are less common, and primarily the corporate head office's internal control and compliance staff remain nowadays. Moreover, the applications of International Audit Standards are ignored.

3.7 Remedial Measures to Overcome the Problems:

It's not enough people working in internal control and compliance, given how many activities there are. As a result, every employee's workload is increased. For this reason, more qualified individuals must be hired to minimize the workload of existing IC & C staff members. However, more permanent internal control and compliance staff should be placed at factories, depots and building sites. It is true that IC&C uses Enterprise Resource Planning (ERP) software for billing and verification, but it is not required. Premium overseas, Khadem Krishi, and others still haven't completely embraced the ERP system. The result is that many of their bills are still created and manually reviewed. So, the identical bill is typically sent to the IC&C department again, wasting time and resources. A large number of invoices aren't correctly documented, making it difficult for internal control staff to examine the invoices. Because of this, ERP systems should be effectively adopted and deployed throughout the whole corporate operating process.

Chapter Four: Recommendations and Conclusions

4.1 Summary of Findings:

As a result of my internship, I discovered the following:

- ❖ Staffing levels are inadequate for this wide set of corporate operations in the IC&C department. As a result, the company's workload for each and every employee is increased.
- ❖ In most cases, the product quantities do not line up with those listed on a Challan, Material Received Report (MRR), or a Bill of Lading.
- ❖ Supporting papers: Sometimes bills are not properly accompanied by supporting documentation.
- ❖ In certain cases, the product purchase appears in a larger number on a bill.
- ❖ To keep up with the latest requirements, the internal control and compliance (IC&C) department receives less opportunity for internal and external training and development.
- ❖ Application of IAS is completely ignored.

4.2 Recommendations:

Ending with a few suggestions:

- ❖ There may be a distinct Internal Audit Department.
- ❖ A) Internal Check; B) Internal Control; and c) Internal Audit shall be the three wings of that department.
- ❖ For the whole financial year, there should be a precise audit plan.
- ❖ As a result, a well-structured Audit Program should be used in conjunction with the Audit Plan.
- ❖ With the aid of an Internal Audit Team, that program should be constantly performed.
- ❖ The Audit Program should be implemented continuously.
- ❖ Every quarter, an Interim Audit Report is due to the Management.
- ❖ The Reporting Authority may be asked for input on the Interim Report.
- ❖ The Final Report is to be written and submitted based on the comments and review results.

- ❖ There should be periodic reviews of internal audit operations to ensure that they are in compliance with the International Standards on Auditing.
- ❖ Adequate application of International Standards on Auditing should be in practice.
- ❖ Finally, there should be a link and cross checking between internal and external audit.

4.3 Conclusion:

In Bangladesh, Khadem Group Limited is the largest conglomerate. Since its inception, it has been a huge success. An excellent product, a professional and properly trained workforce, dedication, and so forth make this feasible for them. Previous years have seen a significant increase in revenue and a number of notable achievements. They maintain their excellent governance by adhering to a strict code of conduct and employing qualified personnel. Corporate governance at KGL relies heavily on internal audit. Through the examination and evaluation of the organization's various operations, this element plays a significant role in maintaining the integrity and ideals of the organization. Each factory, warehouse, and office of KGL is scrutinized by the company's internal auditors to ensure that no misdeeds are committed that might jeopardize the company's governance. There is no question that KGL's corporate governance will continue to improve, and that its internal audit system will be properly maintained in order to reach their target in the near future. However, the audit department should be staffed with more people.

Bibliography

- Jones, A. (2017). Internal Audit. *How Do Internal Audits Work?*, 50-62.
- report, I. G. (2021). *The difference between internal and external audits*. Washington:Quantivate.
- CHAP, Cannon, Cecilia, Biersteker, Thomas (2020). *The Governance of International Organisations*
- JOUR, Petrascu, Daniela. Attila, Tamas. (2013). *Internal Audit versus Internal Control and Coaching*. Vol 6. *Procedia Economics and Finance*
- ACCA. *Advance Audit and Assurance*. P7 INT, London: Emile Wolf International
- Arens, A., Loebbecke, K., (1999) *Auditing: An Integrated Approach*. 8th ed. Prentice Hall Int.
- Bangladesh Bank. (2005) *Internal Control & Compliance Framework: Industry Best Practices*. Retrieved from
- Holmes, A.W., Burns, D.C. (1979) *Auditing Standards and Procedures*. 9th ed. Irwin
- KPMG Review. (1999). *Internal Control: A Practical Guide*. London: Service point (UK) Ltd.
- Larsen, B., Meigs, B., Whittington, O., Robert, F., (1977) *Principles of Auditing*. 12th ed.
- The Institute of Chartered Accountants of Bangladesh. *Assurances: Professional Stage Knowledge Level*.
- The Institute of Chartered Accountants of Bangladesh, (2012) *Handbook of Bangladesh Standards on Auditing, Assurance and Ethics Pronouncements*. Vol-2.
- Mautz, R. K., and Hussein A. Sharaf, *The Philosophy of Auditing* (Sarasota, FL: American Accounting Association, 1961), 14.