

Internship Report:

# Special Audit in Manufacturing Company



Inspiring Excellence

## BRAC University

Submitted To:

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Submission Date:

20<sup>th</sup> August, 2017

Letter of Transmittal

20<sup>th</sup> August, 2017

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**Subject: Submission of Internship Report.**

Dear Sir,

This is to inform you that, I am Tasnim Ara (ID: 1410414), submitting my internship report on “Special Audit in Manufacturing Company: A case study in Sarah Composite Mills Limited” to you. I have done 12 weeks of internship with ACNABIN Chartered Accountants which provided me a great experience and also enhance my practical knowledge.

Main focus of the study is to find out the audit scopes for a manufacturing company and the changes in this sector to cope up with the versatile industry.

The report is prepared under your supervision and respectfully acknowledges your guidance and help. I used my at most caliber to make the report and accomplish the requirements. Hence, I am always prepared to welcome any further clarification that may require.

Sincerely yours,

Tasnim Ara

ID: 14104141

Dpt: B.B.S

## Letter of Approval

This is to certify that Tasnim Ara is the student of BRAC Business School, BRAC University, Dhaka, has successfully completed her internship report entitled “Special Audit in Manufacturing Company”.

She has done the report according to my suggestion and guidance. She has done her best in order to complete the report. I think this program will help her in future in order to build her career.

I wish her success and prosperity.

---

Suman Paul Chowdhury, PhD

Assistant professor

BRAC Business School,

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## **Acknowledgement**

Firstly, I express my gratitude to the Almighty Allah who gave me the opportunity to complete the internship and the report successfully.

I would like to thank my supervisor Suman Paul Chowdhury, PhD, Assistant Professor, BRAC Business School, BRAC University, who has been a tremendous guide for me regarding the report. He gave me the right direction that helped me to prepare this report. His final retouch suggestion enhances the quality of the report.

I would honestly express my gratitude to Muhammad Aminul Haque, FCA, partner of ACNABIN as well as a respected faculty member of BRAC Business School, who encouraged me to enroll in ACNABIN for internship. I am sincerely grateful to Firoz Mahmud, ACA (manager of ACNABIN), Rimon Hossain (Assistant Manager), Khalid Hasan (Senior student), A-S- Javed Ahmed (Senior student) and Habiba Akter (Semi Senior Student).

Despite of my highest effort of making the report perfect, there might be unconscious errors. I expect pardon for my shortcomings and always ready to appreciate any further studies.

Finally I would like to express my gratitude to ACNABIN to arrange the scope for the students for internship. It was a great journey with wonderful experience. I hope that I have expressed my experience in this report.

## **Abstract**

This report titled “Special Audit in Manufacturing Company” is an outcome of BBA internship program. This kind of internship program facilitates the students to relate theoretical knowledge with the practical apply. This report contains the detail of the special audit practice by ACNABIN in manufacturing company in Bangladesh context.

ACNABIN is one of the top ten chartered accountant firms in Bangladesh, evaluated by Bangladesh Bank. This firm is in a good business relationship with many organizations and in practice of consultant of many organizations. This Firm has many renowned partners who are enriching the firm with their high caliber. ACNABIN is also a member of many reputed accounting organization which are enhancing the students’ value.

In these 12 weeks of internship period, I worked in audit department with the client Sarah Composite Mills Limited for the special audit purpose which provides the reasonable assurance in its audit report.

In the report, introduction part consists of methodology, limitations and over view of ACNABIN. In the next part, scopes of special audit in manufacturing company are discussed. In this part, the sectors which need ginger concentration is needed. This part is mainly written in the light of Bangladesh context. Later part is about the job responsibility of an intern in ACNABIN. The last part is a case study where Sarah Composite Mills is the subject to study for the related topic.

At the end, there is work citation for reference and some internal control questioner are added for more clarification.

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# Chapter: 1

## Introduction

## **Introduction:**

Without having a practical knowledge, academic sector is not sufficient to prepare a person for the work life and help him to choose right career. Internship is a way to introduce a student to the job life which aims at helping a student to choose the right career path for his life. In order to complete this target, in BRAC University BBA programme, students need to complete 12 weeks of internship in business organization.

I have done my internship in ACNABIN Chartered Accountants for 12 weeks. As a student of accounting major, I have interest in professional accountants. Therefore, I chose a chartered accountant firm to know about this profession. After entering in the firm, I joined with the audit team and went for the special audit in Sarah Composite Mills Limited. The audit was partially completed during my internship period which helped me to get initial but practical experience about special audit.

## **1: ACNABIN at a Glance:**

ACNABIN Chartered Accountants is one of the top ranked CA Firms in Bangladesh according to the Bangladesh Bank for auditing Banks and Non-Bank Financial Institutions approval. From the very beginning, ACNABIN has been successfully providing market survey, consultancy services to clients actively involved in various industries, for example, management review, microfinance, health, education, agriculture in private, NGO sectors in Bangladesh and UN agencies. ACNABIN is hired by various governmental and non-governmental organizations to provide consultancy services for donor aided development projects.

### **1.1 : History:**

ACNABIN was formed in February 1985. Its mission is to continuously adding value through helping the clients succeed. The then largest partnership firm was founded with a vision to build an institution which would foster an environment for leadership, continuous growth, learning, and collaborations. The firm is now one of the leading and most reputable chartered accountancy firms in Bangladesh with various global affiliations. ACNABIN has ten partners with extensive expertise in the field of auditing, accounting, reviewing, business consulting, business process outsourcing, technology solutions, training and taxation. It enables this firm to become a firm of

multidisciplinary organization. The partners have many years of experience of working both at home and abroad and with international consultants.

ACNABIN is providing market survey, management, review and consultancy services to clients actively involved in various industries. It is also providing services to UN agencies and other development partners. ACNABIN is also appointed by various governmental and non-governmental organizations to carry out consultancy services. ACNABIN has sufficient depth in conducting market survey expertise as well as adequate logistics facilities to carrying out research.

ACNABIN is affiliated with various global organizations. The global affiliations of ACNABIN have enabled it and its people to obtain training overseas and acquire up-to-date information and knowledge in the profession. ACNABIN is an independent member firm of Baker Tilly International.

## **1.2 : Profile of the ACNABIN:**

**Name of the firm:** ACNABIN Chartered Accountants

**Date of registration:** 15 February 1985

**Mailing Address:** BDBL Bhaban (Level-13) 12 Kawran Bazar C/A, Dhaka-1215 Bangladesh

**Phones:** (88 02) 8144347 to 52 **Fax #:** (88 02) 8144353

**E-mail:** acnabin@bangla.net **Web:** <http://www.acnabin-bd.com>

## **1.3 : Vision:**

We go beyond the traditional auditor and client relationship by becoming your Trusted Business Advisor.

## **1.4 : Mission:**

We adhere to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information-and the maintenance of trust-demands it. We have built our success on such principles. We do our utmost to earn-and keep-client trust.

### **1.5 : Strategic Intent:**

We want to become trusted leader in the market ensuring highest level of professional ethics and competencies. While securing safe & trusted position in the market for financial institutions, telecommunications, foreign branch & liaison offices and NGOs/NPOs, we still see wider space for us to get involved in other sectors in the country and in the region.

### **1.6 : Affiliation:**

ACNABIN is an independent member of Baker Tilly International which is the 8th largest network in the world with 145 independent member firms in 110 countries.

ACNABIN has relationship with International Accounting Firm. Since 18 February 2003 to 2010, it was associated with ASNAF-ASEAN Accounting Firms, Singapore. Until July, 2002, ACNABIN was also an authorized representative firm of former Andersen SC.

They have been enlisted by the United States Office of Regional Inspector General/Audit, Singapore to perform financial audits of USAID fund recipients in Bangladesh in 1993. To conduct financial audit of the recipients of their fund, ACNABIN have been enlisted by the European Commission and Canadian International Development Agency.

ACNABIN has alliance with other consulting firms which enable them to establish close working relationship with many national and international consulting firms in Bangladesh to provide efficient and dedicated services. So, various affiliations, ACNABIN has thus enriched its professional base to provide services to the clients.

### **1.7 : Memberships:**

ACNABIN is the member of Metropolitan Chamber of Commerce and Industries, The Dhaka Chamber of Commerce & Industries and American Chamber of Commerce in Bangladesh.

### **1.6 : Partners:**

The partners of ACNABIN are: ABM Azizuddin FCA, Itekhar Hossain FCA, A.S.M Nayeem FCCA, FCA, Mohammad Nurun Nabi FCA, ATMA Bari, FCA FCEA, MD. Rokonuzzam FCA,

MD. Moniruzzaman FCA, MD. Mominul Karim FCA, MD. Reajul Karim FCA and Muhammad Aminul Hoque FCA.

The partners of ACNABIN came from different background to ensure high-quality service through unique and proven execution process map. They made partnership with today's innovators and leaders to meet short term needs. Besides, they remain focused on their long term financial goals.

ACNABIN Partners are different as they offer clients the expertise of Big 4 in a friendly service environment. They made their structure and design in such a way that enables their engagements to ensure and facilitate communications between the service team and the client. This is strategy that helps them to quickly and effectively address their client concerns and thus smoothly running from start to finish.

### **1.7 : Services:**

ACNABIN provides a wide range of services. Briefly they are described below:

#### **1.7.1 : Audit & Assurance services:**

The expert professionals of ACNABIN provide a range of audit services. They have a strong base on understanding the accounting principles of the Bangladesh Standards on Auditing and International Standards on Auditing along with appropriate knowledge of business systems. They are committed to deliver a personalized and focused service to their clients. They provide solution based advice to give their clients and stakeholders. Their risk based audit approach ensures to focus on significant business issues affecting their client's.

Their Audit services includes, Statutory audit, Internal audit, Special audit, Cost audit, Compliance audit, Forensic audit, Management audit, Performance audit, Forensic audit, Interim audit, Review engagement, NGOAB audit and Donor audit.

#### **1.7.2 : Tax and legal advice:**

ACNABIN provide services of Tax & Legal advices. These are designed to help their clients to apply the most effective business strategies to increase its efficiency and effectiveness. ACNABIN'S wide-range of industry knowledge and experience helps them to deliver their clients service efficiently and meet their highest expectations. They work closely with clients to

deliver timely, high quality tax services to maximize tax planning opportunities and help them to find the right way to handle new tax challenges in their respective industries. They offer tax advice based on client's needs and circumstances.

Their tax services includes, Corporate & individual tax planning, Personal Income Tax, Deferred tax computation and application, Indirect tax, Tax investigations, Capital gain tax, Designing VAT Management System and Compliance Audit, Tax compliance and preparation of various tax returns, Assistance in handling queries & requests for information from tax authorities, Tax assessments and appeals, Preparation of income tax returns, Import Duty and Customs cases, Inheritance tax planning, International tax services, Tax effective remuneration planning and Tax investigations.

### **1.7.3 : Advisory:**

ACNABIN provides various types of advisory services. They are, Formation, incorporation, liquidation and winding up of companies, Preparation and filing of Annual Return, Preparation of AGM minutes, Preparation of Directors' minutes, Formation and registration of companies and close corporations, Maintenance of statutory records, Conversions of companies and close corporations, Amendments to and registration of statutory details, Increase of share capital, Change of company name, Change of Articles & Memorandum, Preparation of Special resolutions, Advice on secretarial matters relating to the Companies Act., Management of Litigation, Management of Legal Disputes, License Issues, Legal Opinion on Laws, Licenses, AOA etc., Compliance with Relevant Laws & Regulations, IP Rights (Logo, Trademarks, Copyrights), Correspondence with Corporate Regulatory Bodies, Drafting, Reviewing & Providing Opinion on: Agreement, MoU, NDA, Undertaking etc., RFP, PO/WO, LOI and Legal Notice etc.

### **1.7.4 : Consultancy:**

The consultancy services of ACNABIN includes, Management Accounting Services, Management Consultancy, Structured financing advisory, Business planning and project feasibility studies, Standard operating procedures (SOP), Fixed assets management, Accounts receivables management, Payroll management, Project appraisal, Inventory Management, Performance measurement, Business Valuation, Process Improvement Services and Cost Management Services.

#### **1.7.5 : Outsourcing:**

ACNABIN offers wide range of business outsourcing solution. Their main outsourcing services includes, Accounts payable processing, Payroll and payroll tax processing, General ledger and financial statement processing, Accounting services, Human resource support, Preparation of management accounts and management information systems, Preparation & Maintenance of books of accounts, Support in day to day Transaction Processing, Book keeping and preparation of final accounts and Fixed Assets verification and completion of records

#### **1.7.6 : Others:**

The others services of ACNABIN are:

- Accountancy and management training
- Data processing with computers
- Privatization consultancy (includes pre-privatization review, restructuring, valuation in particular and privatization assistance in general)
- Other accounting ancillary services including investigation, internal and management audit
- Micro-finance consulting
- Human Resource Development Issues

#### **1.8 : Why ACNABIN?**

ACNABIN has their very own mission and vision thinking for the future require and consequences. They always tries to make sure that their staffs and employees are getting proper training, support, guidance and latest updates. This enables the employees to provide the latest services wanted by the clients in this dynamic working environment. The administration of ACNABIN makes sure that all the staffs getting proper training and environment for doing their duties efficiently. Throughout the journey with ACNABIN will be able to meet and gain knowledge and insight. They ensure their trainees get utmost care to get the best work experience by increasing own versatility.

### 1.9 : Objective of the Study:

The objective of the study can be classified in to three main strata: Primary objective, secondary objective and tertiary objective

Primary Objective of the report is to complete the internship program. Being a student of B.B.A, a student has to work in any organization for three months to acquire pragmatic knowledge about the job field and career choice.

Secondary Objective of the study is to have a detail insight on the audit process in a manufacturing company specially when there is a scope of embezzlement of fund and mis-accounting.

Tertiary Objectives of the study are:

- ❖ To know the audit process in Bangladesh perspective
- ❖ To increase adaptability in an organization
- ❖ To know about the current scope for professional accountants in Bangladesh

### 1.10 : Methodology:

It is a descriptive study which mainly focuses in qualitative data rather than quantitative data. Some quantitative data were also collected which was for ensuring the qualitative information. However, the data was collected from two sources: Primary source and secondary source.

Primary Source:

- ❖ Client office staying
- ❖ Client's factory visit
- ❖ Interview the employee of the client company
- ❖ Discussion with the engagement partner, audit managers and senior students of ACNABIN

Secondary Sources:

- ❖ Financial statement of the company
- ❖ File and documents of the client company
- ❖ Official website of ACNABIN



- ❖ Official website of Client company

### **1.11 : Limitations of the study:**

The audit was conducted under much facilities and the client company was always ready to serve as far as possible. Nevertheless, still we face lack of proper authenticated and authorized data as the client company was not maintaining back data and the trail of transactions are sometimes not preserved. Some more limitations were:

- Sometimes instant industry visit was required which was not always possible.
- Previous year's financial data was created by a chartered accountant firm, but those data was not accepted as authentic data source since those data was not supported by the source documents.
- Sometimes the client's employees are not ready to co-operate as auditors' adverse report may hamper their job.
- The organization was observed for a limited time which was not enough to understand the business practice properly.
- 12 week duration is not ample time to understand and get the idea of practical work life.

# Chapter: 2

## Responsibilities as Intern

## 2. Responsibilities as Intern:

ACNABIN is a firm with versatile students and staffs. In a team, usually various types of students of different specialities are accumulated to get the joint result.

In ACNABIN, there are CA senior students, CA junior students who are specialized in TAX, audit, cash incentive etc. There was staff from ACCA also. The team consists of an engaging partner, manager who is a ACA, an assistant manager, a deputy manager, 2 senior students, 1 semi senior students and as an intern I joined with the team.

There is no structured job description for an intern in ACNABIN. The main objective of taking intern in the firm is to encourage them about the CA. A student whenever have the interest to be a professional accountant, he usually choose a CA firm to do his internship.

As an intern, the main responsibility was check list fill up with the necessary supporting document collection. Some of the check lists are attached as appendix. The check lists are mainly for investigating internal control. Whenever any inconsistency found in the answer of the check list, observation was pointed out and presented as report.

Another responsibility was to work with the wages. Cross checking the wage sheet with the wage summary within the system, within the hard copy and soft copy, with the workers' time card to the developed wage sheet.

As a whole, as an intern, my responsibility was to help the senior students and the staffs regarding the workings and learn the audit process from a very close view.

# Chapter 3:

## Special Audit in Manufacturing Company

### **3. Special Audit in Manufacturing Company:**

A manufacturing business is the business where the components are used and transformed to something else and sold to others. Manufacturing businesses in today's world are normally comprised of machines, robots, computers and humans that all work in a specific manner to create a product (www.study.com) . Therefore, it can be said that, in a manufacturing company, many types of works are done to complete the total process. This kind of process is versatile in type but leads towards the final work.

Special audits are needed when there is suspect of being violated of laws or regulations of financial management of any organization. Along with investigating violations, audits can be carried out pertaining to duties, authorisations, responsibilities and internal control guidelines. (www.bdo.fi)

In manufacturing companies, the main departments are human resource management, production and engineering and MIS. While auditing a manufacturing company it is needed to check some crucial and usually most malfunctioned areas, which are:

- Inventory
- Wages and salaries
- Production
- Management Information System activities

#### **3.1 : Inventory:**

##### **3.1.1 : Physical control:**

GAAP requires auditors to observe the inventory cardinally. Companies' inventory should be counted in front of the auditor and they can independently judge any counting procedure scrutinize. This regulation is created in order to ensure about the physical presence of the goods according to the account balance. There are two types of counting the inventory: "floor-to-sheet" and "sheet-to-floor (Freedman).

- Floor-to-sheet: The auditors select items from the inventory warehouse and ensure that the item is in the list.
- Sheet-to-floor: The auditors select the item from the list and ensure that the item is in the inventory with the right quantity.

### **3.1.2 : Control Testing:**

Internal control over inventory management is important to protect and utilize the inventory properly. Inventory entrance, inventory storage, inventory movement and inventory issuing for production is important for auditors to audit as those are sophisticated account and most of the time inventory stays a bit far from direct supervision of authority.

### **3.1.3 : Price Testing:**

The amount of inventory which is included in the financial statement is needed to justify by auditors. When the inventory physical appearance is tested, the price of inventory is also needed to check. This is also a risky sector to be malfunctioned. Price testing is the verification is mainly verification of cost of the inventory which is paid by company. In order to do so, the auditors choose some items in sample basis from the inventory list and verify through the analysis of supporting documents. Invoices, quotations, challan are considered as supporting documents for price verification.

### **3.2 : Wages and Salaries:**

In manufacturing companies, wage is a huge part which needs continuous update and workings. Manufacturing companies usually depends mainly on workers. Thus, there are many scopes of misleading information and fraudulent. In order to audit the wage section, auditor needs to review the following sectors:

- Working Time Period
- Wage Payment
- Back Wages
- Accounting procedure
- Labor Law
- Employee enrollment and discharge procedure.

### **3.2.1 : Working Time Period:**

Workers working time is a factor which needs continuous check and update as the payment usually depends on the working hour. In order to do so, the time duration recoding system needs to be standardized and it should reconcile with the shifting system. Time duration can be recorded in two ways: manual system and automated System.

- Manual system includes time card, name register etc where personnel are employed on behalf of the company. Those personnel signs in the time card or register book and records the workers working hour in their individual time card.
- Automated System includes finger print system, retina scan system, card punch system, face recognition system etc. In automated system, machine automatically record the time duration and submit it to the admin.

Which system is preferable depends on the worker volume. Along with that, workers educational qualification, technological knowledge etc also needed to consider.

### **3.2.2 : Wage Payment:**

Wage payment system is also one of the important issues to audit. Usually wage payment includes wage according to the working hour or production rate and other bonus and benefits. This calculation is usually long and time consuming as different level of workers have different payroll and different bonus option. Along with that, the same organizations have various payroll criteria used at the same time. Therefore, while auditing the wage payment, these criteria are needed to be examined.

Along with that, wage disbursement procedure is a factor to audit. Usually in jute mill, payment is done weekly, in garments- payment is done monthly. The more frequent the disbursement is, the more workings it needs to be done to prepare it. More frequency also leads to more fraudulent and errors. Since, the payment is done manually by hand, improper disbursement system may create mayhem. Usually a certain day in the week or certain date in the month is declared for payment disbarment. Some company declare various date of disbursement for various departments in order to lessen the chaos.

### **3.2.3 : Back Wages:**

As in manufacturing companies have huge number of workers, employee turnover and employee absenteeism is very common every day. Therefore, in the wage disbursement day, some people might not be present to collect their wage. This wages should be back to the office and recorded in back wages. Auditors need to track down the back wage and payment of back wages to the respective worker whenever claimed by him.

### **3.2.4 : Accounting procedure:**

As wage is a frequent and there is a large amount of money which is going out, wage accounting procedure needs to be audit scrutinize. This amount has a significant impact in the financial statement, thus any wrong entry will change the financial position of the company in a significant number.

### **3.2.5 : Labor Law:**

As manufacturing companies have to manage a large number of workers to carry on their business smoothly, sometimes they ignore labor laws which cause them a large amount of penalty when government inspectors visit. Along with that, working hour, labor rate, workers' age, working environment etc are also matter of check while auditing as those issues might cause them to face legal harassment.

### **3.2.6 : Employees Enrolment and Discharge Procedure:**

As more than one worker are entering everyday and even leaving the company. While enrolling any employee or discharging any one, it is important follows the standard procedure, otherwise it may cause nepotism or other fraudulent activities.

## **3.3 : Production:**

Production sector is one of the main sectors to audit in manufacturing companies. The focus points are:

- Production performance overview
- Wastage and scrap management
- Environment issues
- Accounting Practice



### **3.3.1 : Production Performance Overview:**

Production performance is an indication of company efficiency and success of a manufacturing company largely depends on the efficiency of the production capacity. Everyday production report needs to be compared with recent other production reports.

Recording process in the production is a significant factor. If there is any miscalculation in recording, overall company decision related to production will not be relevant and pertinent. Therefore, it is better to audit production reporting process being present in the factory level.

### **3.3.2 : Wastage and Scrap Management:**

In production, there might be scrap with significant value. Usually this scrap is sold to other company which uses those scrap as their raw material. If the value is material to the producer, they need to arrange a separate department. Auditors need to check the scrap recognizing, recording and selling process.

Wastage is another factor which should be under close supervision. If the rate of unusable wastage is much high, auditors need to identify where the wastage is created significantly and need to make plan to reduce it in order to make the production more efficient.

### **3.3.3 : Environment Issue:**

A factory needs to follow certain rules and regulation regarding environment given by government. These regulations aim at ensuring no harm to environment and going for sustainable environment gradually. Auditors need to check whether the factory built abiding by the regulations or not.

### **3.3.4 : Accounting Practice:**

Accounting procedure of the work in progress and finished goods in the factory needs to track down and record it appropriately. Auditor needs to check the recognition system of these.

## **3.4 : Management Information System Activities:**

In this modern era of technology, it is expected that every company should maintain its activity through updated technologies. In order to do so, most of the companies are gradually updating their system one by one department. However, as the companies are updating every day, there

might be possibility of wrong logic and miscalculation system. Thus auditors need to certain areas like:

- Wage producing system.
- Employee attendance and salary system.
- Production performance monitor

#### **3.4.1 : Wage Producing System:**

Developing Wage producing system is one of the significant works not only for MIS but also for the company. If MIS makes slightest error, that will be harmful for the whole company at a time. It is because users are not always aware of the technological loopholes and these loopholes might be used for fraudulent activities.

#### **3.4.2 : Employee attendance and salary system:**

Usually making the employee attendance digitalized is the first step to start a digitalized employee attendance system. Time limit to consider late, working hour and shift maintenance, out of the office work etc are the main considerable sector to audit.

#### **3.4.3 : Production performance monitor:**

Manufacturing company has to monitor their production continuously as efficient production is the key success factor for them. It is also related with the wage management system. Therefore the production performance information is sophisticated information which needs to be audited.

In a nut shell, in a manufacturing company where large number of people work and the administration needs to handle lots of wages now and then, there are a lot of scopes to audit and it also needs to establish a reliable office practise.



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**Appendix: A- ICQ Sales**

<b>Client:</b> Sarah Composite Mills Limited	<b>Prepared by:</b> Tasnim Ara	<b>Date:</b>
<b>Accounting Period:</b> July 1, 2015-June 30,2016	<b>Reviewed by:</b> Rimon Hossain	<b>Date:</b>
<b>Subject:</b> Internal Control Questionnaire of Purchase System		

Sl.	Questions/Issues	Y/N	Remarks	Ref.
1.	What is the procedure for sales of customer's orders? Is there any authority for negotiating the various terms like prices, discounts, delivery schedules, etc.?	N	Procedure given in client procedure;	
2.	How documents are linked between acceptance of the order and dispatch of goods?	Y	System generated production order sends over E-Mail to factory;	
3.	Who is responsible for granting credit or special discounts to customers?	Y	Managing Director	
4.	How the record of outward goods is reconciled with the customer's orders, challans and invoices?			
5.	Does the sales ledger staff have access to cash, cashbook or stocks?	N		
6.	How are the duties segregated among different persons for recording sales, maintaining accounts of customers, procuring orders from customers and dispatching goods?	N	No segregation of duties;	
7.	What control procedures are followed for inspecting the Quality of the goods before dispatch?	Y	Done by Quality control and inspection team;	
8.	Is there any periodic review of overdue accounts? What action is taken against defaulting customers?			

Sl.	Questions/Issues	Y/N	Remarks	Ref.
9.	Periodic management review of revenue data for trends such as: unexplained variations in sales or sales of certain product lines, changes in ratios such as inventory turnover or shrinkage, comparison of budgeted to actual revenue, etc.			
10.	Does the Unit have procedures which accurately record revenue from all sources: cash, check, credit card charge, internal charge, etc.?			

**Appendix: B ICQ on Purchase**

SL.	Queries	Yes	No	Remarks
1.	Is there independent matching of goods in and out with purchase documentation?			
2.	Are all invoices approved prior to payment?			
3.	Are there controls to ensure that, discounts are taken wherever possible?			
4.	Are supplier statement reconciliations carried out where available?			
5.	Are purchase ledger and VAT control account reconciliations carried out?			
6.	Are purchases invoices checked to pre-numbered goods received notes, which in turn are checked to authorized orders?			
7.	Are invoices marked when they are being paid to prevent them being entered into the system again?			
8.	Is input tax only claimed when evidence is received?			
9.	Are all invoices retained and accessible?			
10.	Does client check that all invoices are correctly addressed to him as the registered trader?			

Appendix: C- Labor Law

SL#	Particulars	W.r ef	Yes or No	Remarks
1	<b>Classification of workers and period probation:</b> a) If classification of workers is followed or not (As per labor act)?			
2	<b>Letter of Appointment and Identity Card:</b> a) If any employee appointed without any appointed letter. b) No employee shall appoint without any Identity card and a Photograph. c) Are they maintaining service book?		No  Yes  Yes	ID card along with EIN is in practice.  Time card is in practice
3	<b>Calculation of 'One year', 'six months' and 'wages' in certain cases :</b> a) Any worker who has been worked for not less than 240 days and 120 days shall be deemed to have completed one year or six months respectively. b) Did they follow the certain criteria?		No  No	365 days from joining date is in practice.
4	<b>Death benefit :</b> a) If any worker getting death benefit. b) Check whether his nomine is getting the benefit as per the compensation rules. c) Any other benefit like gratuity, insurance whichever he is entitle to.		No  No  No	No policy regarding this matter has been established.
5	<b>Procedure for punishment:</b> a) Before punish a worker they must follow section 23 of Labor act.		No	No policy is found.



6	<p><b>Termination of employment by employers otherwise than by dismissal, etc. :</b></p> <p>a) Termination notice is provide or not at the time of termination.</p>			
7	<p><b>Termination of employment by workers:</b></p> <p>a) At the time of resign whether workers giving notice.</p> <p>b) Are they following notice time table.</p>			
8	<p><b>Retirement of worker:</b></p> <p>a) Are they following retirement rules</p>			
9	<p><b>Payment of WPPF:</b></p> <p>a) Who is entitle to WPPF?</p>		No	Not in practice.
10	<p><b>Participation committee :</b></p> <p>a) What type of participation committee they retain?</p>		No	No such committee is formed.
11	<p><b>Application of the chapter (WORKERS 'PARTICIPATION IN COMPANIES PROFITS):</b></p> <p>a) Which rules will make eligible a company for workers participation in company profits?</p>		N/A	
12	<p><b>Establishment of Participation Fund and welfare fund :</b></p> <p>a) How a participation fund and welfare fund facilities will distribute to workers?</p>		N/A	
13	<p><b>Payment of provident Fund :</b></p> <p>b) Who is entitle to provident fund?</p>		No	PF is not in practice.
14	<p><b>Prohibition of employment of children and adolescent :</b></p> <p>a) Is there any child labor. (Check fitness certificate and NID)</p>		No	

15	<p><b>Employment of adolescent on dangerous machines :</b></p> <p>a) Proper instruction was given or not about dangerous machine. (training, instruction, supervision need to maintain)</p>			
16	<p><b>Exception in certain cases of employment of children :</b></p> <p>a) How many hours he work, any school facility was given or not.</p>		No	No such case is found.
17	<p><b>Amount of maternity benefit :</b></p> <p>a) How maternity benefit is calculating? b) What is the Payment method?</p>		No N/A	Not in practice.
18	<p><b>Safety of building and machinery :</b></p> <p>a) Are they maintaining building safety protocol?</p>			
19	<p><b>Precaution in case of fire :</b></p> <p>a) Are they taking necessary fire precaution?</p>			
20	<p><b>Fencing of machinery:</b></p> <p>a) Are the taking adequate step to fence the machinery?</p>			
21	<p><b>Excessive weights:</b></p> <p>a) Check if there any person is assign to lift excessive weight.</p>			
22	<p><b>Protection of eyes :</b></p> <p>a) Are they wearing protecting goggles?</p>			
23	<p><b>Notice to be given of accidents :</b></p> <p>a) Notice of any accident must provide?</p>			
24	<p><b>Information about dangerous building and machinery :</b></p> <p>a) Are they taking necessary steps to aware workers about danger?</p>			

25	<p><b>Restriction of employment of women in certain work :</b></p> <p>a) Is there any women work in such certain area?</p>			
26	<p><b>First-aid appliances :</b></p> <p>a) Is there enough boxes of first aid?</p>			
27	<p><b>Shelters, etc. :</b></p> <p>a) What type shelter facilities a company should provide.</p>			
28	<p><b>Rooms for children :</b></p> <p>a) Are they providing children room facilities?</p>		No	
29	<p><b>Compulsory Group Insurance :</b></p> <p>a) How they provide group insurance services?</p>		No	
30	<p><b>Daily hours :</b></p> <p>a) Whether company is ensuing daily hours of working time or not?</p>		Yes	
31	<p><b>Weekly hours :</b></p> <p>a) Are they following weekly hour basis time?</p>		No	
32	<p><b>Extra-allowance for overtime :</b></p> <p>a) When an employee get extra allowance for overtime, and its process.</p>		No	
33	<p><b>Limitation of hours of work for women:</b></p> <p>a) What are the precautionary taken for limiting women work?</p>			
34	<p><b>Sick leave :</b></p> <p>a) Does the worker getting the sick leave facilities?</p>			
35	<p><b>Fixation of wage-periods :</b></p> <p>a) Is there any wage-period?</p>		Yes	
36	<p><b>Time of payment of wages :</b></p>			

	a) Did the company pay on time wages to their workers?		Yes	
37	<b>Establishment of Minimum wages Board:</b> a) Is there any minimum wages board?		No	
38	<b>Medical examination :</b> a) Did the worker get medical examination facilities?		No	
39	<b>Trade unions of workers and employers :</b> a) Does the workers maintain their relation with trade union?		No	
40	<b>Disqualification for being an officer or a member of a trade union :</b> a) Is there any such officer in a trade union?		N/A	No Trade union was formed.
41	<b>Cancellation of registration :</b> a) What are the criteria to cancel trade union registration?		N/A	
42	<b>Utilization of participation fund :</b> a) Is there proper utilization of participation fund?		No	
43	<b>Audit of accounts of the fund :</b> a) Are they audit this fund time to time?		No	
44	<b>Provident funds for workers in private sector establishments :</b> a) Does they have any provident for workers?		No	
45	<b>Recovery of damages :</b> a) What is the procedure of recovering the damage?			
46	<b>Penalty for non-compliance of labour court's order under section -33 :</b>			

	a) What is the punishment for section-33?			
47	<b>Penalty for contravention of the provisions of chapter IV by an employer:</b> a) What is the punishment for chapter IV?			
48	<b>Penalty for payment or wages at a rate below the minimum rate of wages :</b> a) Check whether they follow minimum wages rate and what is the sentence for this.			
49	<b>Penalty for unfair labor practices :</b> a) Is there any unfair labor practice?			
50	<b>Penalty for failing to implement settlement etc. :</b> a) What is the punishment for failing to implement settlement?			
51	<b>Penalty for activities of unregistered trade unions :</b> a) Is there any unregistered trade union activities?			
52	<b>Penalty for using false certificates of fitness :</b> a) Check the verification of fitness certificate.			
53	<b>Penalty for wrongful disclosure of information :</b> a) What would be the impact of wrongful disclosure?			
54	<b>Penalty for contravention of law with dangerous results :</b> a) What type of punishment for breaching this kind of law?			
55	<b>Accounts and audit :</b> a) Are they audit there accounts in every year?			
56	<b>Notice to chief Inspector before commencement of work :</b> a) What kind of notice need to submit to			

	inspector?			
57	<b>Conduct towards female workers :</b> a) Are they behaving with female worker properly?			
58	<b>Powers to collect information :</b> a) Are they collecting information properly?			
59	<b>Payment of equal wages for equal work :</b> a) Does they follow equality in payment term?			

**Overall Conclusion/ Disposition:**

Based on a composite evaluation (as evidenced by answers to the foregoing questions), internal control is considered:

Good

Medium

Bad

\_\_\_\_\_  
**ACNABIN**  
 Chartered Accountants

\_\_\_\_\_  
**Company Official**  
 Sarah Composite Mills Ltd.