

Report On

The internal control mechanism in Treasury Finance at Berger Paints Bangladesh Ltd.

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelors of Business Administrator

BRAC Business School
BRAC University
April 2020

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Asfee Mahmud Chowdhury
16104058

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Saif Hossain
Assistant Professor, BRAC Business School
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Letter of Transmittal

Saif Hossain
Assistant Professor
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “The internal control mechanism in Treasury Finance at Berger Paint Bangladesh Ltd”

Dear Sir,

With all due respect, I would like to inform you that I have composed my internship report, which exhibits my effort on understanding the structure of internal control in Treasury Finance of Berger Paints Bangladesh Ltd.

The preparation of this report has helped me to apprehend the framework and significance of internal control in the finance department as well as it has given me a better insight about the other departments of Berger Paints Bangladesh Ltd. I have done my ample best to compile the report with all the necessary required details to justify the topic.

Sincerely yours,

Asfee Mahmud Chowdhury
16104058
BRAC Business School
BRAC University
Date: April 21, 2020

Non-Disclosure Agreement

This agreement is made and entered into by and between Berger Paints Bangladesh Ltd and the undersigned student at BRAC University, Asfee Mahmud Chowdhury, ID 16104058

Acknowledgement

“In the name of Allah, the Most Beneficent, the Most Merciful. All the praises and thanks to Allah, the Lord of The Alamin ”

Frist and foremost I am grateful to the Almighty Allah for blessing me with good health and sound ability to successfully complete this report. The completion of this report is a product of patients, strengths and favorable circumstances bestowed by Allah.

I owe a great debt to my academic advisor, Saif Hossain, Assistant Professor of BRAC Business School at BRAC University, who has granted me his wise guidance for writing this report on time. I shall never deliberately forget his effort and support. He has driven me to find an assemblage between my four years of learnings, in the under-graduation program, with my little exposure in the corporate world.

The accumulate compilation of this paper would have been impossible without the help of my on-site supervisor, Mohammad Azizur Rahman, Manager of Financial Report and Control at Berger Paints Bangladesh Ltd. He has accommodated a friendly and supportive work experience for me, where he has wholeheartedly accepted my contribution and significantly aided me with the required information for writing this report. I am also sincerely gratitude to all the members of Berger Paints Bangladesh Ltd who has helped me to find and gather information about different departments.

Executive Summary

This report focuses on the internal control mechanism of Treasury Finance in Berger Paints Bangladesh Ltd. There are illustrations that explain the systematic procedure of internal control framework maintained in Treasury Finance. This report discloses the measurements taken by the Treasury Finance to eliminate the risks, which may hinder the operational activities throughout the company. In addition, their mechanism of internal control signifies the integral contribution made by all other departments. Therefore, this explains how Treasury Finance is profoundly related with other departments. Apart from the findings on internal control mechanism, there are two other segments of the paper, which highlights the background, mission, vision, values and objectives of Berger Paint Bangladesh Ltd. There is a brief insightful narration on the operational function of other departments like Supply Chain, Marketing and Information Technology departments. Overall, this paper aims to serve a percipient overview about the organizational structure and denote the procedure of internal control in Treasury Finance.

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List of Acronyms

BPBL	Berger Paints Bangladesh Ltd
BBBL	Berger Becker Bangladesh Ltd
BFBL	Berger Fosroc Bangladesh Ltd

Chapter 1

Overview of Internship

1.1 Student Information

Name	Asfee Mahmud Chowdhury
Student ID	16104058
Program	BRAC Business School
Major	i. Accounting ii. Finance

1.2 Internship Information

1.2.1 General Information

Period	3 months 26 th December 2019 to 25 th March 2020 Extended to 25 th June 2020
Company	Berger Paints Bangladesh Ltd
Department	Treasury Finance and Financial Accounting
Address	House 08, Road 02, Sector 03, Uttara, Dhaka

1.2.2 BBPL Supervisor Information

Name	Mohammad Azizur Rahman
Designation	Manager Financial Reporting and Compliance
Department	Treasury Finance and Financial Accounting
Contact	Mobile: +880 1777 739690 E-Mail: azizur@bergerbd.com

1.2.3 Job Scope

Berger Paints Bangladesh Ltd is one of the profound name in the paint industry of Bangladesh since 1971. They have been expanding their range of activities such as manufacturing of liquid and non-liquid paints, varnishes, emulsions, coating and home decor. BPBL has a subsidiary company, Jenson & Nicholson Ltd and two associated companies Berger Becker Bangladesh Ltd and Berger Fosroc Bangladesh Ltd. In this internship program, I have gotten the opportunity to work for Berger Becker Bangladesh Ltd. The tasks that I have been assigned were to support the dealings of BBBL. Such that:



Preparation of bills on SAP and Ramco.



Checking supporting documents of the bills.



Frequently updating cheque registers on Microsoft Excel.

1.3 Internship Outcomes

1.3.1 BPBL's Perquisite

As per the acceptance letter, I have been appointed to assist the Manager Financial Reporting and Compliance, Md. Azizur Rahman, who directly deals with the financial proceedings of

BBBL. Therefore, I have tried to aid him to complete certain tasks more swiftly and firmly. The tasks given to me were aim to provide support to the BBBL factory, which is located in Savar.

1.3.2 Learnings from this program

BPBL has given me great opportunity to learn about their corporate grooming, etiquettes and culture. This has been my first exposure in this corporate world through the paint industry in Bangladesh. Throughout the internship program, I have learned many soft skill techniques and personnel tactics. For instance, I have learned to use the accounting software SAP and Ramco. In addition, I have tried to pick up the skill to response more quickly in a constructive manner, while replying, explaining or addressing an issue.

1.3.3 Difficulties during the internship program

The work environment in BPBL corporate head office has been very relaxing and smooth, as the functions are well structured and monitored. Despite of having this edge, I have struggled to get a hold on using the accounting software. I have made errors while recording an entry on RAMCO, but fortunately, my supervisor has rectified the errors.

1.3.4 Recommendations

BPBL is a prominent company in the paint industry of Bangladesh; as a result, the work matrix and atmosphere are already well nurtured. Base on my little experience I have gathered during the program, I have come to recognize that BPBL acknowledges and promote punctuality, diversity and inclusion. Often in weekly meetings, members of BPBL have addressed the success of teamwork and integrity among themselves. Once on a particular gathering of a week, Sazzad Rahim Chowdhury, CFO, denoted the difference and importance between diversity in workplace and inclusion; which may signify that BPBL deeply respects the effort of unity.

Chapter 2

Overview of Berger Paints Bangladesh Ltd

2.1 Introduction

2.1.1 Objective and methodology

The aim of this segment is to know about Berger Paints Bangladesh Ltd. The illustration below sums up the objectives of this segment and the methodology to satisfy these objectives.

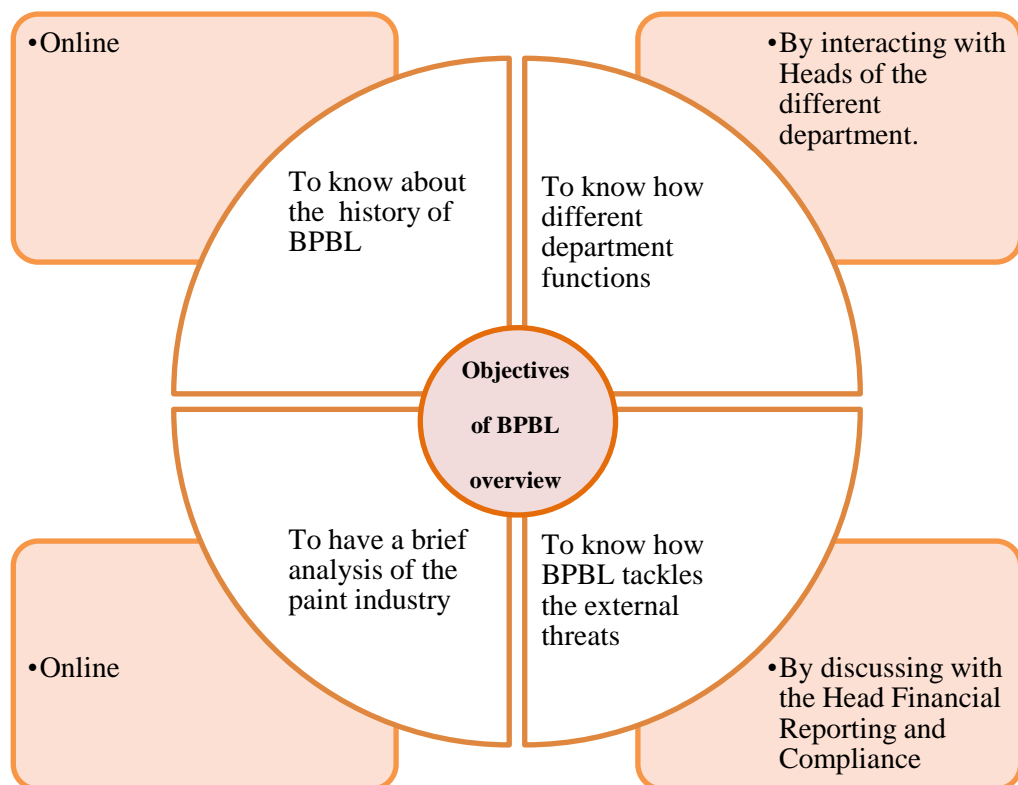


Figure 1 Objectives and Methodology

2.1.2 Scope of the report

This part provides an insight information about the functions of BPBL. Simultaneously, it contains a brief industry analysis and market condition of paint industry in Bangladesh. The spectrum of this segment has also highlighted the oligopoly and dominance of MNCs in Bangladesh.

2.1.3 Limitation and Significance

Limitation	Significance
<ul style="list-style-type: none"> 🚩 Too much information needed to be narrowed down. 	<ul style="list-style-type: none"> 🚩 Elaborative insight of BPBL.
<ul style="list-style-type: none"> 🚩 Some details were not accessible. 	<ul style="list-style-type: none"> 🚩 Highlights BPBL’s contribution to Bangladesh economic growth.

Table 1 Limitation ad Significance

2.2 Compendium of BPBL

2.2.1 History of Berger Paints

(Berger Paints India Ltd, n.d.) The story of Berger Paints had been painted in Europe during 18th century by a young color chemist called Lewis Berger, who manufactured Prussian Blue using classified chemical formula. Soon, it was demanded by many households and designers, especially it had been used in making of uniform for European armies. The excellent texture and art of Blue color had been the starting point for innovation, formation and revolution of paints.



Figure 2 The Founder

2.2.2 Expansion of Berger Paints

As centuries went by there was rapid growth of Lewis Berger & Sons Limited, which lead them to a merger with Hadfield's (India) Limited in 1923. Shortly, after few changes in ownership, in 1969, Jenson & Nicholson (U.K) owned a majority of shares and became a member of Berger Group. The product range of Berger Paints India Limited expanded furthermore and introduced industrial, marine and decorative segments.

2.2.3 Colorant in Bangladesh

(The Lawyers and Jurists, n.d.) In 1970, BPBL had set up their first factory in Chittagong where the major shareholders were- Jenson & Nicholson (J&N), Duncan Macneil & Co Ltd and Dada Group. After independences in 1971, Government of Peoples' Republic of Bangladesh and Jenson & Nicholson bought the shares of Dada Group and Duncan Macneil & Co Ltd respectively. The ownership of Berger Paints Bangladesh Ltd was totally transferred to J&N. Thereafter, the kaleidoscopic work and art of BPBL dilated architectural paints, industrial coatings, marine paints or powder coatings. (Berger Paints Bangladesh Ltd, 2019) In 2005, BPBL has transformed into 'Public' company ltd by enlisting their shares on Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) in 27 December 2005 and 21 December 2005 respectively.

2.2.4 Mission and Vision

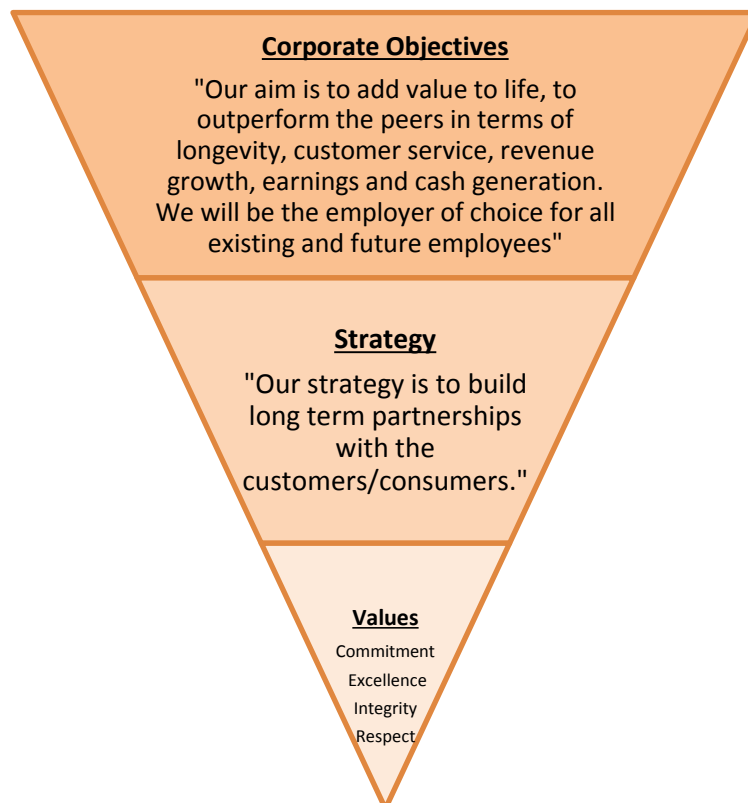


“To be the most preferred brand in the industry ensuring consumer delight”

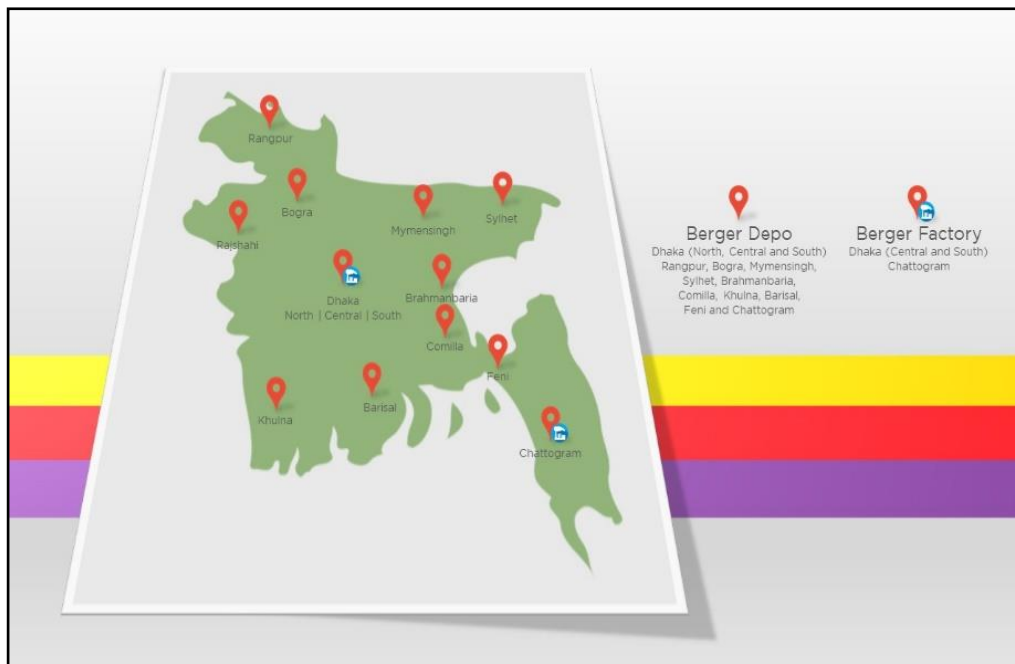
“We shall increase our turnover by 100 percent in every five years .We shall remain socially committed ethical company”



2.2.5 Corporate objectives, strategy and values



2.2.6 BPBL's coverage and product range



Corporate Office

Dhaka

Factories

Chittagong

Dhaka

Sales offices:

Barisal

Bogra

Brahmanbaria

Comilla

Chittagong

Dhaka

Feni

Khulna

Mymensingh

Rajshahi

Rangpur

Sylhet

Figure 3 Coverage of Berger Paints Bangladesh Ltd

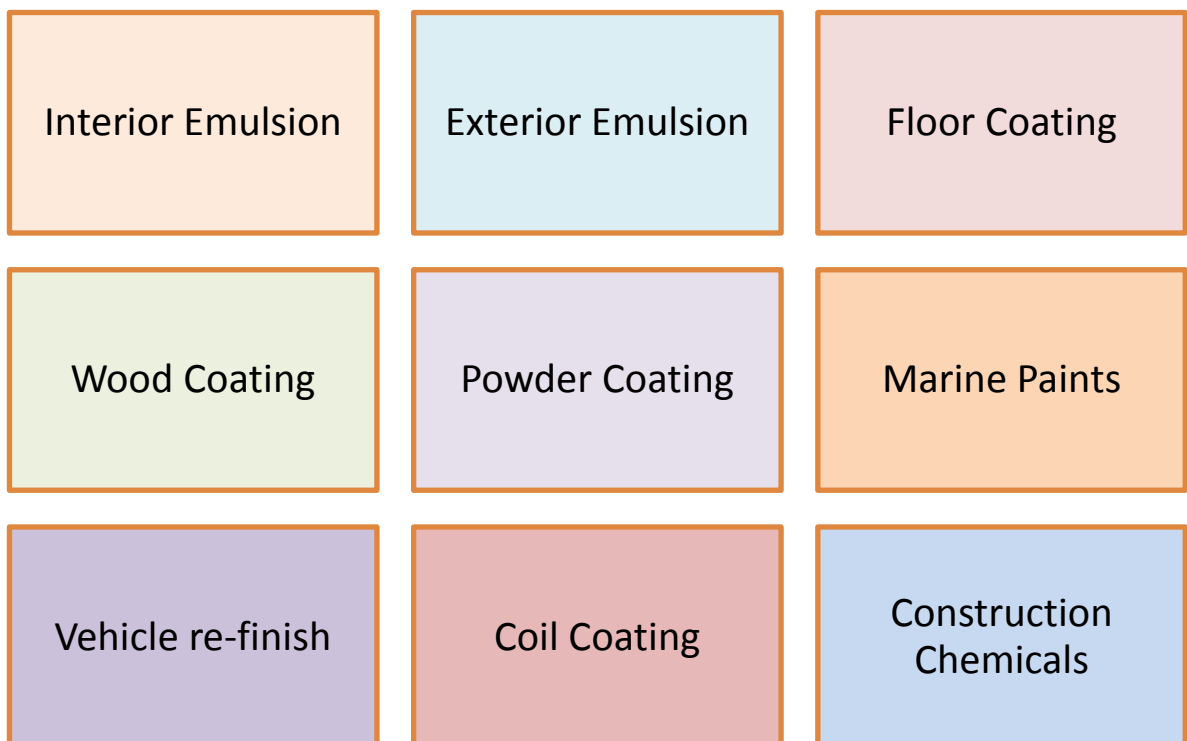
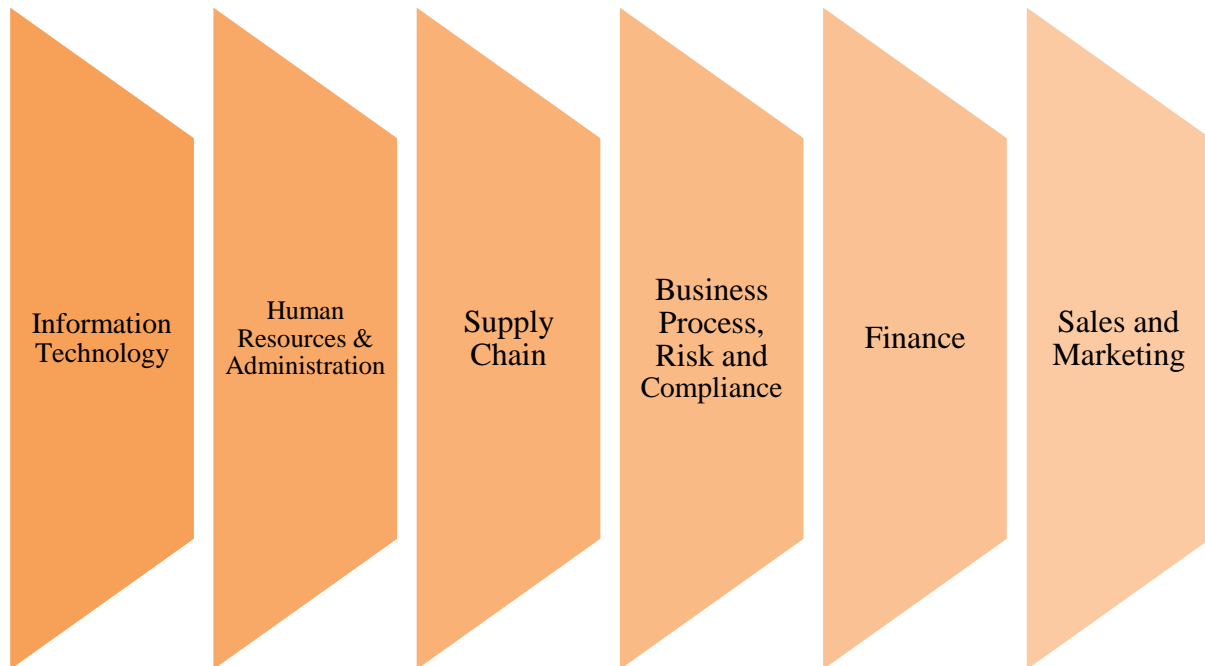


Figure 4 Product range

2.2.7 Departments of BPBL Corporate



2.2.8 Organogram of BPBL

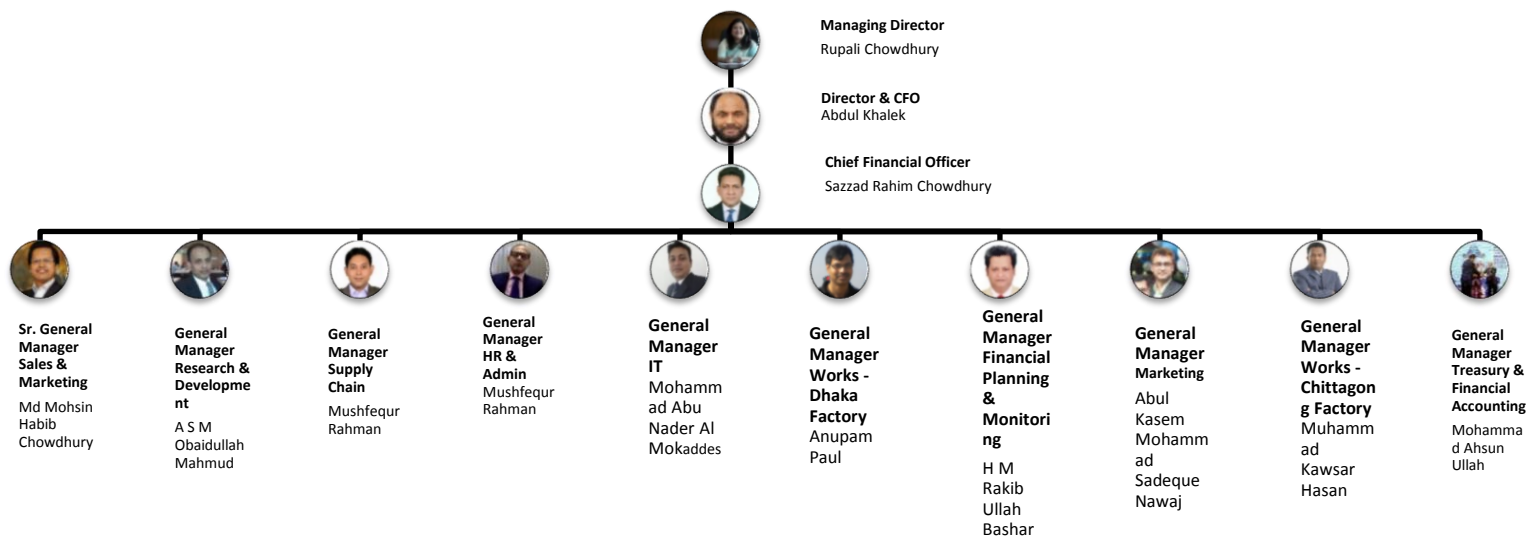


Figure 5 Organogram of Executive Management Team

2.2.9 Activities and Achievements of BPBL

(TBS Report, 2019) In 2019, BPBL has received the Supply Chain Excellence Award 2019 from the Bangladesh Supply Chain Management (BSCMS) in the category of customer service,

warehousing and distribution. This is in recognition of the achievement of Dhaka South Sales and Distribution team, who have succeed on BPBL's Customer Focused Lean Six Sigma Project.



Figure 6 Awarded for Supply Chain Excellence

(Muntasir, 2019) BPBL has been awarded from Honorable Finance Minister Mr. H M Mostafa Kamal, FCA, MP, for being one of the top VAT compliant company in Bangladesh for the year 2017-18. (Berger Paints Bangladesh Ltd, n.d.) This is particularly significant because there are other companies who pay higher VAT than BPBL but cannot make it to the honor board in comparison to the compliance record.



Figure 7 Rupali Chowdhury received the awarded of Top VAT Payer

(FE REPORT, 2019) The Institute of Cost and Management Accountants of Bangladesh (ICMAB) has given BPBL the fame of Best Corporate Award 2018 in the category of multinational manufacturing industries for its sales and financial performance, contribution to national exchequer, HR management, corporate governance, shareholders' return, investment growth and CSR activities.



Figure 8 Mr. Mohammad Ahsun Ullah, GM-T&FA, received the award of ICMAB Best Corporate Award

2.3 Management Practice

BPBL has well-nourished and supportive management team, who are responsible for maintaining all the resources in order to steer all the departments in the direction defined by the organization's mission, vision, goals and objectives. Among a vast numbers of HR practices, one of the prime task is recruiting. Ms. Afrina Nazneen, HR Apprentice- Culture & Employer Branding, has helped me to understand their recruitment process. There are four major steps of recruitment process.

2.3.1 Recruitment Process

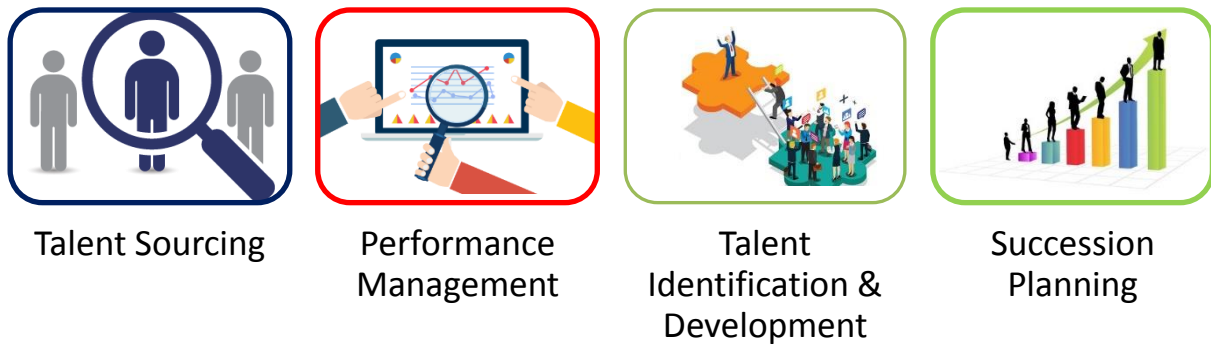


Figure 9 Four major process of recruitment

1. Talent sourcing

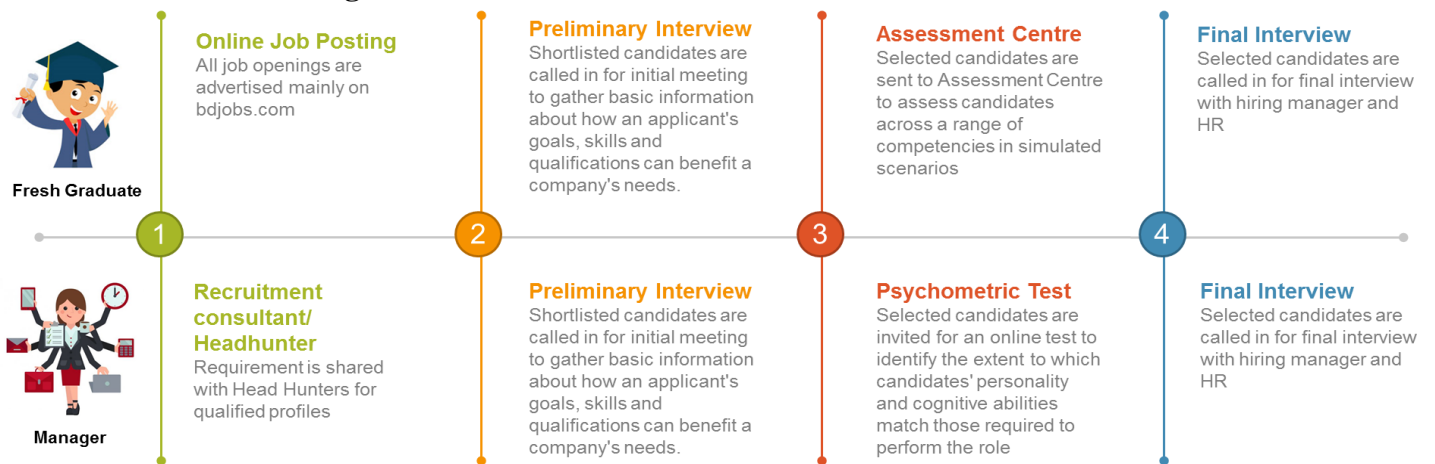


Figure 10 Talent sourcing

2. Performance management

In order to ensure that the set of activities and outputs meet BPBL's goals in an effective and efficient manner, HR follows Universal Competency Framework which focuses on eight factors. These eight factors work as a guideline for measuring the performance of the candidates.

Universal Competency Framework



Great 8 factors



Figure 11 Universal Competency Framework

3. Talent identification and development

There is a matrix to highlight the position of a potential candidate. It is a combination of adaptability and performance. This matrix is also used for appraisal of employees along with other measures.



Figure 12 Talent & Development matrix

4. Succession planning

Succession planning increases the availability of experienced and capable employees by identifying and training high-potential workers for advancement into key roles. As a result, BPBL has skillful and efficient employees for favorable outcomes.

2.3.2 Maintenance of core values

In addition to this recruitment process, BPBL’s HR team scrutinizes the maintenance of their core values- respect, integrity, commitment and excellence. An example of their commitment

will be their effort of employee engagement. Therefore, BPBL proudly claims, “We will be the employer of choice for all existing and future employees”.



Figure 13 Employee Engagement

2.4 Information Technology

BPBL has been successfully satisfying their customers with excellent and distinct service and paint quality because one of the prime reason is they have a strong and eminent support from their IT team. According to Tanvir Ahmed, IT Support Officer- the IT department governs, secures and integrates the assets and functionality of other operations. They are liable to serve around 1300 users of BPBL, which includes all of the employees, few vendors and banks. There are three vital wings of IT department, which are development, infrastructure and basis team.

2.4.1 Development Team

This group is design to provide technical support to the members of BPBL all over Bangladesh. They aim to create, resolve and aid the development of various program, software and tools, which enable the BPBL’s users to customize the information. Development team tries to coordinate ideas for creating a work process that boost productivity. For example the

implementation of Success Factor. It is a project that is accountable for handling some HR activities like appraisal of employees. Another important task of development team is they have to secure their servers from third party invasion. In addition, the concept of “work from home” is a very feasible idea for BPBL due to the assistance provided by the development team.

2.4.2 Infrastructure team

Infrastructure team is made up of four members who are in charge of maintaining and organizing the hardware and technical activities. They focus on the technical requirement of the company such as sanctioning the requests of new laptops, scanners or any other peripherals. They also conduct and manage Purchase Portal Online- that systemize and synchronize the purchase requisition, quotation, selection, production, delivery and clearance.

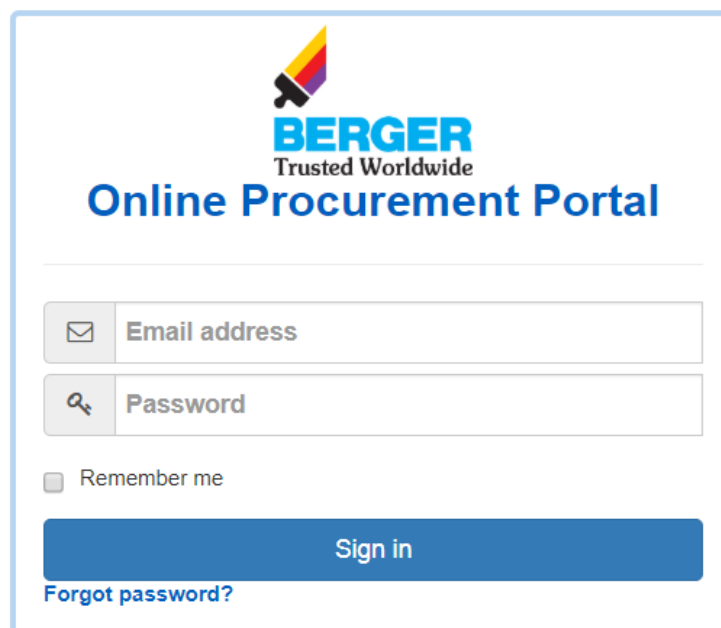


Figure 14 Purchase Portal Online

2.4.3 Basis team

BPBL uses SAP and Ramco accounting software, which is monitored and authorized by the basis team. They authorize the accessibility of t-codes and provides trainings of SAP to BPBL users. The subsidiary and associated companies of BPBL uses different accounting software.



Berger Paints Bangladesh Ltd



Berger Becker Bangladesh Ltd



Berger Fosroc Bangladesh Ltd

Figure 15 Different Accounting Software

2.5 Sales and Marketing practice

The success of BPBL is illustrious because one of the reason is their marketing practice is noteworthy. (Rahman, 2018) As the economy has grown so did the real estate sector which has been a huge factor for expanding the paint market. There is quick growth in economy due to rise in urbanization and spending pattern of middle class and high-class people. This is where BPBL's marketing team helped BPBL to effectively occupy major market share.

According to data by the Bangladesh Paint Manufacturers Association, Berger alone holds 48 percent of the market share, followed by Asian Paints at 18 percent, Roxy at 7 percent, Elite at 7 percent, Pailac at 5 percent and Aqua Paints at 2 percent.

(Tuhin, 2019)

2.5.1 Market segmenting

In order to capture 48% of the market, BPBL has segmented their products for different industries and customers, as they serve high-end residence as well as economy class. Recently they have launched new products like WeatherCoat Antidirt Supreme, WeatherCoat Touch

Putty, WeatherCoat Bio-Wash and Berger Xpress Sealer, each satisfies distinct demand of different market segment. For example, Berger Xpress Sealer enables projects to be complete by three to seven days, which aims for the segment of Economy Brand. Whereas WeatherCoat Touch Putty is made for exterior surface, for binding the emulsion on cement plaster walls, which is an industrial product.

Product for different market segment:



- Decorative Product
- Industrial Product
- Construction chemicals

Products for different customer segments:

- Luxury Brands
- Economy Brands

Figure 16 Market Segment

2.5.2 Activities of marketing team

<p>Berger Wrong Bodle Rongin Kori Campaign</p> 	<p>This aims to create awareness and to warn the society against wrongdoings through giant wall arts. So far, there are 14 buildings-7 at Dhaka, 5 at Chittagong and 3 at Khulna.</p>
<p>Berger Color On Wheel</p>  <p>Color on Wheel (CoW) – will roam around to increase the awareness of paintings among stakeholders</p>	<p>This is the mobile version of experience zone. The van will travel across the country to provide services and solutions regarding painting.</p>
<p>Reality Show: Berger Happy Home</p>	<p>This is first-ever home renovation TV reality show held in Bangladesh on 14th February 2020 on Channel i. Through this program,</p>



BBL aims to point out the common home improvements issues like usages of space, furniture arrangement, light fittings and color combination.

Table 2 Marketing Campaigns

2.6 Supply Chain

The distribution of production to various destinations is accordingly monitored and completed. This achievement is possible due to the promising support from BPBL's supply chain. They decide how to meet the demand of different products as well as create a competitive edge against its rivals; such as ACI Formulations Ltd, Asian Paints, Elite Paint & Chemical Industries Ltd, Roxy paints, RAK Paints (pvt) Ltd, Pailac Paint & Chemical Co. Ltd, Aqua Paints and others. Supply chain department plays a vital role in budgeting and work close with the Sales team of BPBL.

2.6.1 Raw materials

All the raw materials are imported from foreign vendors such as MOBIL, HOECHST and BASF etc. Some of the example of materials are solvent like Xylene, additives like Plasticisers, pigments and many other ingredients. These materials are brought by shipments in Chittagong port and Khulna port, where local agencies like M/S Soma Enterprise, Bondhu Transport Agency etc. work on clearance of the custom duty.

2.6.2 Factory to local sales depot

Once the raw materials reach the factory in Dhaka and/or Chittagong, manufacturing process kicks off. The finished goods are distributed to twenty-two sales depots around Bangladesh by using road transport such as Lorries.

2.7 Business Process, Risk and Compliance

BPRC is the smallest department of BPBL but they perform the most effective function. As they are responsible for overall audit plan and audit program. They run different tests, like; substantive tests of transaction where they measure the misstatement of transactions upon the correctness of financial statements; or perform analytical procedure where they compare recorded amounts with the budgets. In addition, they measure the materiality and risks. Such as, they calculate the magnitude of missing records of accounting information.

2.7.1 Audit Committee

(Berger Paints Bangladesh Ltd, 2019) All the members of BPRC is also entitled as the Audit Committee of BPBL. They review the internal audit reports, the interim and annual financial statements and the financial performance of BPBL. The Audit Committee also reviews the Management Discussion & Analysis included in the Annual Report.

2.8 Finance department

The finance department is the backbone of BPBL's success. They process the quantitative data of BPBL. Most of the dealings with international or local vendors are covered through different bank accounts. BPBL has accounts in Standard Chartered Bangladesh, HSBC Bank, BRAC Bank, Citi Bank, Commercial Bank of Ceylon PLC, and Eastern Bank Ltd. There are two wings of finance department- Treasury Finance and Financial Accounting.

2.8.1 Treasury finance

This sub-department is responsible for making payments, receiving deposits, and preparing complete reports. Within this wing, there are different management groups handling different issues for instance Cash Flow management, Cost management, Payable Import management, Account Receivable management and few other management team.

2.8.2 Financial Accounting

Here, the members perform financial analysis using the data provided by the Treasury Finance wing. Their core activities are working-capital management, asset management, analysis of short-term investments and preparation of budgets.

2.9 Industry and Competitive Analysis

2.9.1 Overall market condition

(Chowdhury, 2019) Over the last decade, Bangladesh has taken major initiatives in development of infrastructure. This has boost up the paint industry of Bangladesh, as a result, there has been more employment opportunity in this industry. As per Bangladesh Paint Manufacturers' Association report, the paint industry is growing as the number of potential manufacturer is coming up with innovative solutions and services. There has been a contribution over 550 BDT crore to the national income, in the form of taxes on 2017 from this sector. This sector is growing by 8-10% annually. Factors that leads to the growth of the paint industry are:

1. Accessibility to more house loans.
2. Change in real estate industry as more people are shifting to their own permanent houses.
3. Development in construction of ships and other floating vessels.

In addition, paint industry indirectly benefits the architects, interior designers, paint contractors, paint applicators and shopkeepers which significant affect the national income per capita. (Rahman, 2018) There are around 30 local paint companies, which makes up to 20% of the market. Therefore, the paint industry in Bangladesh is heavily dominated by foreign manufactures. The local paint companies hold a small portion of market because they are

unable to invest much on research & development facilities to produce good quality of paints as they have lower capital.

2.9.2 SWOT Analysis

Strengths

- **Strong Brand Image:** BPBL has loyal customers and they can impressively lock the attention of new potential customers.
- **Sustainable double digit business growth:** Over two decades BPBL has maintained a sustainable level of profit.
- **Strong R&D center:** BPBL invests heavily on R&D sector for continuous creative outcome.
- **Backward linkage:** BPBL has production of both emulsion and Tin container.
- **Country-wide strong network:** BPBL consists four factories, 20 offices and 3000+ dealers.

Weakness

- **Spiralling prices of raw materials:** In international markets the price of raw materials are rising up.
- **Depreciation of the local currency:** Exchange rate depreciation has inverse effect on the profitability level of BPBL.
- **Limited Pricing Power:** Due to oligopoly in the market BPBL is the price taker.

Opportunities

- **Innovation and investment:** Through BPBL's strong R&D outcome, they can produce more eco-friendly paints and mitigate pollution.
- **CSR activities:** Berger Paints Group has contributed 1 crore 48 Lac taka to Bangladesh Labor Welfare Foundation in the fiscal year of 2018-19. Therefore, such activities can increase their brand image.
- **Diversification:** BPBL has recently started the production of ink. Expansion like this can increase the revenue scope and spread the expenses at a broader product line.

Threats

- **Amendments in constitutions and laws:** Recently there has been some changes in Tax policies. In addition, a new standard has been set by Bangladesh Standards and Testing Institution (BSTI) for the paint manufacturer in order to recude pollution.
- **Natural disaster:** There has been a fall on share price due global pandemic of COVID 19.
- **Slower growth rate of real estate:** Excessive land prices may slow down the growth of real estate and industrial projects.

Figure 17 SWOT Analysis

2.10 Conclusion and recommendation

Berger Paints Limited has been in this market for more than 250 years and over last four and a half decade, it has been serving in Bangladesh. Consecutively for the last eight years, they have been awarded for the best paint brand in Bangladesh. This is due to their finely established and sustainable functions of Sales, Marketing, Manufacturing, Research and Development, Quality Assurance, Finance, Supply Chain, Information Technology, Internal Control, Project Management, Health Safety and Environment, and HR and Administration. However, BPBL relies on collaborations with other multinationals, which creates dependency. (Babul, 2018) Ninety-five percentage of ownership belongs to sponsor-directors so there is a possibility for manipulation of authority. On the bright side, BPBL is dominating the paint industry by a greater share. This provides a competitive edge for BPBL to overcome the external threats at a faster speed.

Chapter 3

Internal Control Mechanism of Treasury Finance in Berger Paints Bangladesh Ltd

3.1 Introduction

3.1.1 Objective and methodology

The purpose of this segment is to learn and understand the internal control of finance department of Berger Paints Bangladesh Ltd. The specific objectives of attaining this purpose has been illustrated below, along with the methodology for supporting the objectives.

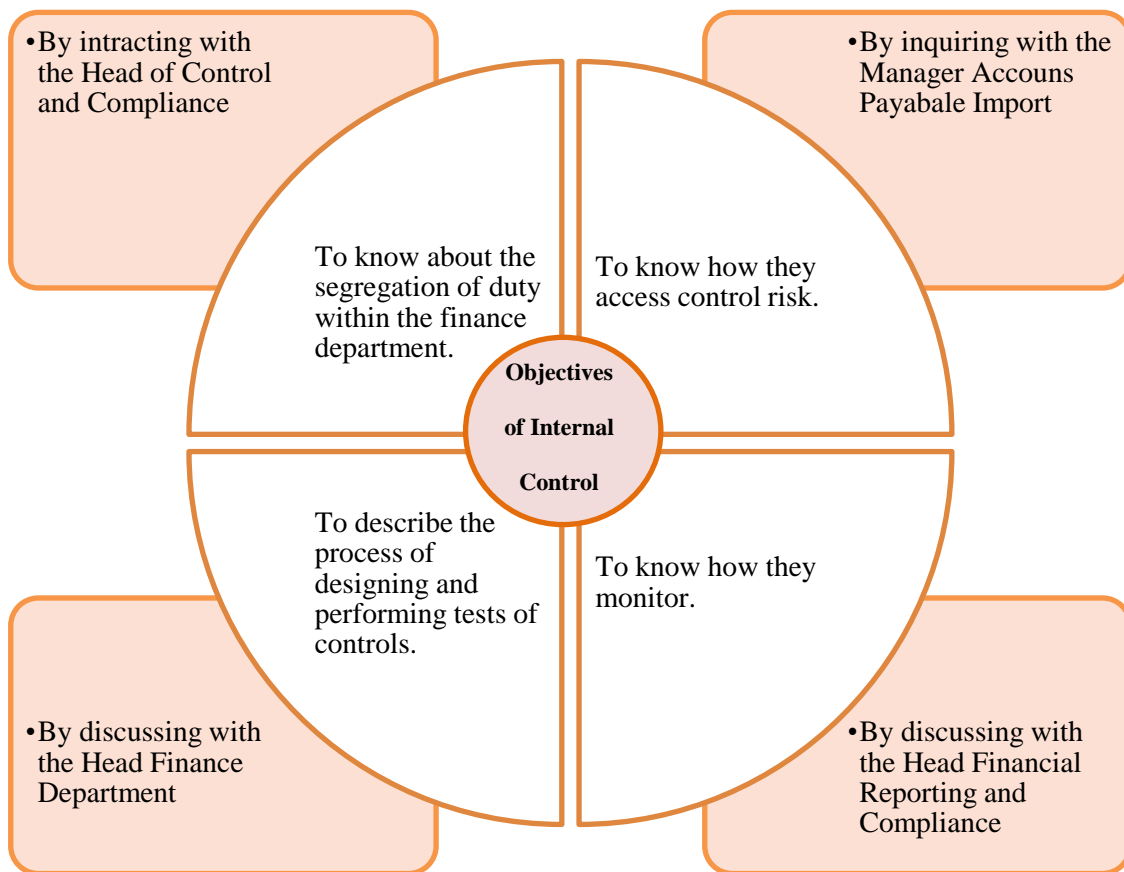


Figure 18 Objectives and Methodology

3.1.2 Scope of the report

This segment is concentrated to draw a conceptual structure of internal control in the Treasury wing of finance department at BPBL. This segment covers the aspect of the controlling and monitoring of financial dealings.

3.1.3 Limitation and Significance






Limitation	Significance
 Some of the measurement of internal control is vague. Such as quantifying ethical values.	 There is possibly more percipient information about BBBL.
 The structural size of finance department is inconvenient to cover.	 More focus is been given to accounting aspect of recording, reconciling and reporting.
 Some of the relevant information is rigid enough to collect.	

Table 3 Limitation and Significance

3.2 Findings and analysis


3.2.1 Importance of internal control


The underlying reason for BPBL to imply an internal control is to meet the objectives denoted by Board of Directors within a designated period. Objectives can be like meeting a certain level of revenue, generating enough profit to support building of new factories, or having a strong working capital etc. Besides, an effective internal control assures the efficiency of operation, reliability of financial reporting, mitigates fraudulence and build compliance with company policies.

3.2.2 Assumption for internal control

There are some prerequisite conditions that set the limitation for internal control assessment.





Such as;

 **Inherent risk:** The assessment of internal control acknowledges its dependability on the competency and accountability of people using it.

 **Reasonable assurance:** BPBL considers that an effective internal control will not lead to an absolute assurance of financial measurements because the design of internal control needs to be cost effective as well as feasible.

3.2.3 Modification of the COSO

(Professional Accountants in Business Committee, 2006) The Committee of Sponsoring Organizations of the Treadway Commission and SAS 78 has established the traditional internal control framework in 1992. Later in 2004, another framework has been added to signify the management risk. However, Mohammad Azizur Rahman, the Manager of Financial Reporting and Compliance of BPBL said that it is an idle approach to measure internal control; and they have established the internal control framework by prioritizing the control of risks. Therefore, there is a set of activities carried by the Treasury wing for identifying and eliminating the risks.

-  Maintenance of designed authority matrix;
-  Segregation of duties for authorizing a decision;
-  Possession of proper documents and activities;
-  Protection of assets and records.

3.2.4 Maintenance of authority matrix

The Treasury wing follows a procedure to complete a transaction. There are general authorization policy and specific authorization policy. The specific authorization procedure systematically prevents fraudulence and increase reliability.

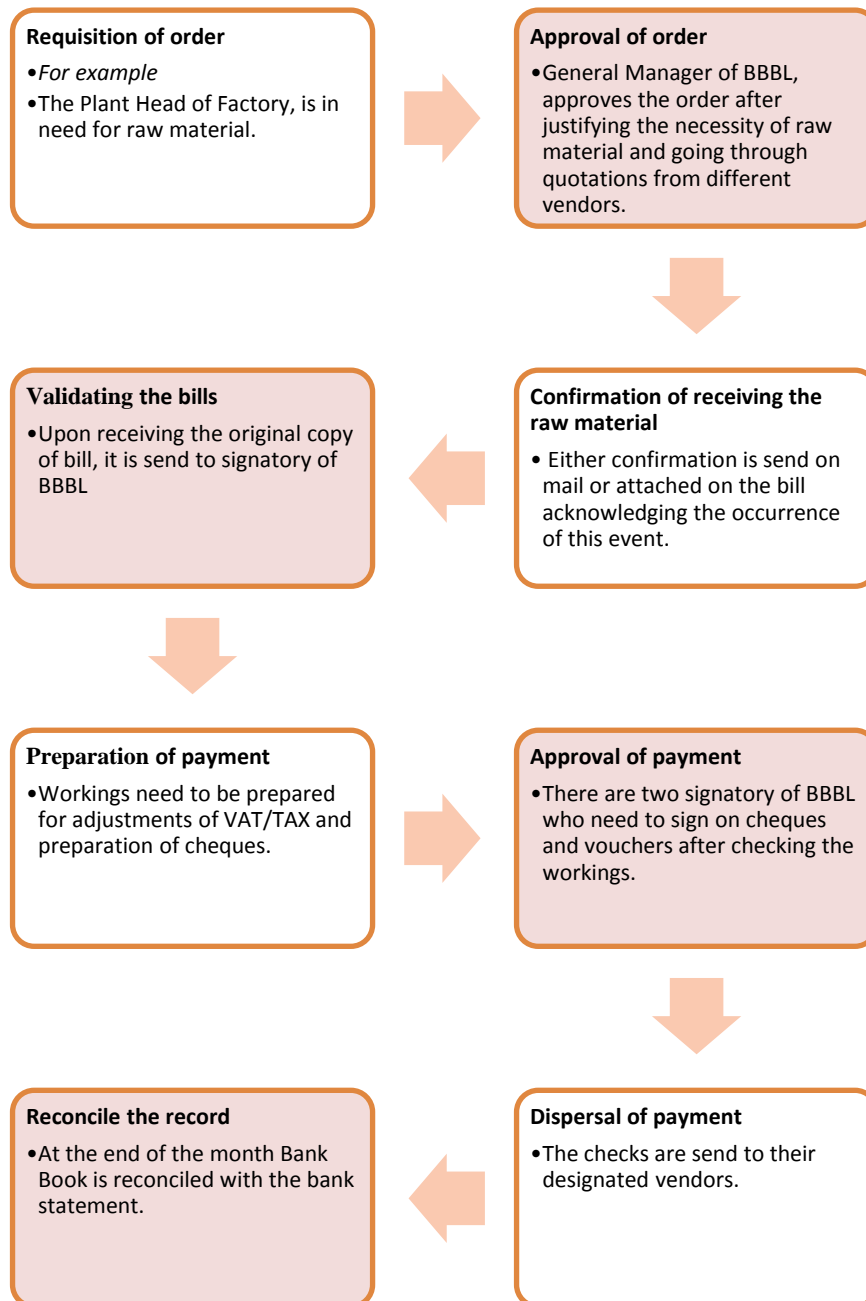


Figure 19 Payment procedure

Each step is performed by different personnel to prevent overwrite of authority. The filled area in Figure 19 highlights the element of internal control in payment procedure.

3.2.5 Segregation of duty

Within the Treasury wing all the personnel has specific roles to play, which directs their activities toward obtaining the stated objectives of that period. For example, the delegation of duty within the Account Receivable management is illustrated below:

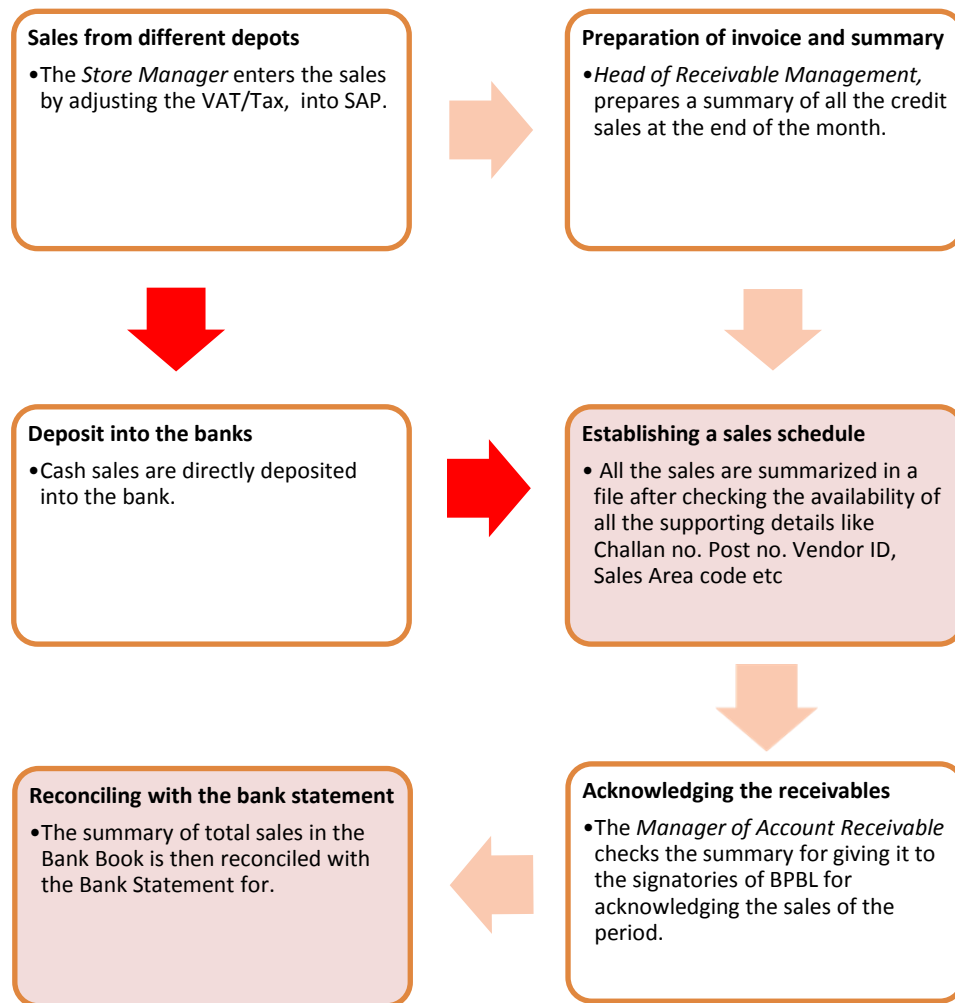


Figure 20 Collection process of sales revenue

The shaded area in Figure 20 resembles the practice of internal control. In short, the officers of the different management team within the Treasury wing, reports to the Head of the management teams who then presents it to the Manager and signatories for acknowledgement of the revenue assurance. Later the Manager of the management team reconciles the Bank Book

with the Bank Statement. **Figure 21** reflects the delegation of duties for Treasury sub-department, which is then altered with the role of Financial Accounting wing.



Figure 21 Segregation of duty

3.2.6 Possession of records

Every transactions is only said to be completed when there is sufficient supporting documents attached with the original bills/receipts. Proper documentation is clearly monitored in each step of payment and collection procedure. The soft copies is protected and monitored by the Development wing of IT department.

3.2.7 Protection of assets and records

All the recordings like sales invoice, purchase orders, general ledgers, custom duty pay order, or mail confirmation of payments/receipts, and other entries into the system software, are safeguarded properly. The electric records have back-ups in operational clouds handled by the IT department's Infrastructure wing. The physical documents are often stored by the date of occurrence of the document, which makes it easier to retrieve for any inspection at later date. However, different issues have different system of storing, for instant the documents of Exclusivity Checks¹ given to various payables is hoard by the Sales Area code.

3.3 Summary and Conclusion

The Treasury Finance wing of BPBL works systematically. There are standard procedure for carrying every events completely. The reporting of every transaction has minimum possible risk as the personnel in Treasury Finance try to effectively follow the policies for achieving the objectives. Treasury wing is deeply integrated with all other departments, which means the

¹ Exclusivity checks: Given to the dealers after crossing the maturity date of credit terms.

degree of effective control on other departments, such as supply chain or marketing, has an impact on this department. The Executive Management Team faithfully relies on the financial outcomes because the control activities within the Treasury wing satisfies the correctness, completeness and presentation of every transaction. In order to do that, all the management teams within this wing maintains a clear and accurate communication of information. Therefore, this assessment supports the Finance department while preparing the major four financial statements.

3.3 Recommendation

Even though this department is systematic, there are few glitches in the process. For example, sometimes the Letter of Credit number does not match with the Purchase Order number, which creates difficulties for clearance of custom duty, or while reconciling with Advised Sheet provided by the Advised Bank. Another example is lack of supporting documents in Petty Cash. Sometimes transactions are made through third party without approval of order from authorities, in this case the billing procedure and payment period is extended as clarifications upon making this deal needs to be justified through a written confirmation. Therefore, the management team can emphasize on proper entry in SAP for smoothly clearing the custom duty payment and reconciling; and need to emphasize in correct maintenance of authority matrix. Overall, the mechanism of internal control in Treasury Finance covers a wider range of activities but they follow the same controlling framework.

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