



Internship Report

On

“Internal Audit procedure Of Square Toiletries Limited”

Submitted To

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SQUARE TOILETRIES LTD.
Expect the same **SQUARE** Quality

Letter of Transmittal

Aug 28th, 2016

Riyashad Ahamed

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BRAC Business School,

BRAC University.

Subject: Submission of the Internship Report Titled “Internal Audit Procedure of Square Toiletries Ltd. (STL)”.

Dear Sir,

It is an immense pleasure for me to submit to you the internship report titled “**Internal Audit Procedure of Square Toiletries Ltd. (STL)**”. My main incentive was to prepare this internship report according to your guidelines and in accordance with your directions. I have tried my best to make the work as per your structures. I hope that I have done a satisfactory job considering my level of experience and capability and have been able to relate the fundamental things with realistic applications.

I have enjoyed a lot during my internship program through understanding details of the particular areas and also on writing this report .I have tried my best to compile the appropriate information as comprehensively as possible. I am extremely thankful for your support and for giving me the opportunity to participate in the internship program which is partial requirement, a prerequisite, for the completion of the BBA program and express my ability. I intently hope that you will like the work that I have done.

Sincerely,

Faria Tabassum Amin

ID: 12104180

BRAC Business School (BBS)

BRAC University

Acknowledgment

This report was prepared with tremendous amount of work, research and dedication. But it would have been incomplete if I did not have the support of many individuals and organization. Therefore, I would like to spread my sincere gratitude to all of them.

I am grateful towards Almighty Allah for giving me the opportunity, strength and ability to complete this task.

First, I would like to thank my academic advisor **Mr. Riyashad Ahamed, Assistant Professor** of BRAC Business School, BRAC University, for providing me with necessary guidance and sharing superior knowledge concerning report completion. I am also thankful for his patience to let me complete this paper in an efficient way and to enhance my basics in finance and accounting during the report works.

Secondly, I would like to thank **Mr. Golam Kibria, General Manager**, Accounts and Finance (A&F) Department, Square Toiletries Limited (STL) for helping me tremendously with such an important project and giving me the opportunity to work independently along with required support.

I would also like to thank **Md. Ali hossain litu**, Senior Executive of Square Toiletries Ltd for his continuous support & inspiration regarding Completion of my internship Paper.

Then I express my profound gratitude to my direct supervisor in STL, **Razzakul Haider**, Executive. Without his cooperation, this report might have remained incomplete. I will be ever grateful to him for his brilliant and excellent guidance and assistance to complete this report.

Nevertheless, I express my gratitude toward my family and colleagues for their kind co-operation and encouragement which helped me in completion of this report.

Executive Summary

Square Toiletries Ltd. (STL) is one of the largest and leading "Fast Moving Consumer Goods" company in Bangladesh. This report provides an in-depth analysis and interpretation of "Internal Audit Procedure of Square Toiletries Ltd. (STL)". It consists of the job responsibilities I was given during my internship in the Finance and Accounts department of STL. A detail about my critical observation is given about the way they record their daily transactions with their third parties, the way they analyze and verify their every small to huge monetary transactions by auditing, the way they measure their production workers performance, and also how they maintain good relationship with their retailers through winter gift promotional campaign and etc., Then I also gave a description about my critical observation about the activities of STL including my recommendation to change some of their monitoring processes to increase revenue. STL's overall performance and remedial actions are also given to overcome any major area of weaknesses. I have also explained a brief explanation about Internal Audit and Internal Control of Square Toiletries Ltd. in my report, along with the procedures and guidelines, which was my prime focus for the report.

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CHAPTER - 01

INTRODUCTION

1.1 Background of the Study

Any academic course has a great value when it has practical application in the real life. Only a lot of theoretical knowledge will be little important unless it is applicable in the practical life. So we need proper application of our knowledge to get some benefit from theoretical knowledge to make it more fruitful when we engage ourselves in various fields. Such an application is made possible through ‘internship’. The main purpose of internship is to train the students and prepare themselves for the real work situation in job markets. After gaining knowledge from my internship program from Square Toiletries Limited under Accounts and Finance department, I have developed this internship report as a pre-requisite to acquire the BBA degree. I have tried my best to make this report with sufficient resources to make it an informative and showcase my real-life knowledge.

1.2 Origin of the Study

As a requirement for the BBA program I needed to do the internship program in any business organization that is well reputed in this field. Square Toiletries Ltd. helped me on this matter by offering me three months internship program in their accounts and finance department as my major is on finance. I started my internship from 8th May, 2016 and ends on 7th August, 2016. As I was working in the Accounts & Finance department, particularly in the Audit Department of STL, My supervisor Mr. RiyashadAhamed, assistant professor of BRAC University, assigned me with the topic “Audit Procedure of Square Toiletries Ltd. (STL)”. In these three months I have got the opportunity to learn how their day-to-day operations work and the methods they follow to verify their every transaction. With the most updated information that I have acquired through closely looking at their activities, I successfully completed this report.

1.3 Objective of the Study

General Objective:

The objective of the study is to focus on one broad issue that is “Audit Procedure – Square Toiletries Ltd.”. This paper also covers some other factors related to the finance and accounts functions of Square Toiletries Ltd. (STL) and its importance which mentioned in the specific objectives below:

Specific Objectives:

- To know about the company’s mission, vision, objectives, values and principles.
- To know about the different brands of STL.
- To have a practical idea about the operations of finance and accounts department of STL.
- To analyze the strengths and weaknesses of the financial management of STL.
- To have an idea about the Internal Audit and Internal Control procedure of STL.
- To make recommendation that will help to improve their performance in future

1.4 Scope of the Study

This report gives a brief idea on Square Toiletries Limited and its operation. The information provided in this report is based on personal observation, research and job experience acquired during the internship period. This report mainly focuses on the financial performance of Square Toiletries Limited and the analysis is made through reviewing the financial statements of the company and literatures. It also gives an idea of the overall internal audit and internal control procedure.

1.5 Methodology of the Study

This report was prepared through a series of processes starting from selection of the topic to the completion of the report. I explained my experience as an intern in Square Toiletries Ltd. during these three months in this report. Along with it, I used the following methodology:

Selection of the Topic:

My supervisor helped me to selection this topic for my report so that I can come up with an informative and well-organized internship report.

Sources of Data:

➤ Primary data:

- Face to face conversation with the executives.
- Appointment with the General Manager of Accounts and Finance Dept.
- Daily activity conducted by me at STL.

➤ Secondary data:

- Website of Square Toiletries Limited
- Official records of the clients.
- Some historical reports of STL
- Internal Audit Inspected Report.
- Group Business Principal manual and Business Instruction Manual
- Informative documents provided by the company supervisors
- Online search for more topic-related information

1.6 Limitation of the Study:

This study has suffered from certain constraints noted below.

- Authentication of primary data cannot be ensured and therefore collecting it is really difficult.
- To maintain confidentiality, it is obvious that supervisors might be skeptical about sharing certain company information with the interns. Therefore, getting the exact picture is always a challenging.
- My understanding and experience about the corporate world of STL which I have explained in this report might not be accurate or sufficient and in some cases I have used my own assumptions. This is because it was my first practical experience about the corporate world of STL which was only for about three months.
- It was difficult to understand the overall general financial management system of a giant local conglomerate- Square Group in just three months.
- STL only provided their balance sheet and income statement from their audited annual report. They have not published their annual report. So it was difficult to get a comprehensive understanding of the financial position of the company as well as their market share.

CHAPTER -02

THE ORGANIZATION

2.1. SQUARE Group:

SQUARE today symbolizes a name – a state of mind. But its journey to the growth and prosperity has been no bed of roses. From the inception in 1958, it has today burgeoned into one of the top line conglomerates in Bangladesh. Square Pharmaceuticals Ltd., the flagship company, is holding the strong leadership position in the pharmaceutical industry of Bangladesh since 1985 and is now on its way to becoming a high performance global player. It was a partnership effort of four young and enterprising men whose determination and passion saw it through the turmoil's of the incipient period. By its four year *SQUARE* turned into a profit making organization. Today *SQUARE* Group is becoming a leading local corporate conglomerate in Bangladesh.

2.2 Concerns of Square Group:















Name	Logo	Name	Logo
1. Square Pharmaceuticals Limited		2. Square Hospitals Limited	
3. Square Toiletries Limited		4. Square Air Limited	
5. Square Textiles Limited		6. Square Texcom Limited	
7. Square Food & Beverage Limited		8. Mediacom Limited	
9. Square Informatix Limited		10. Maasranga Television	
11. Square Agro Development & Processing Limited		12. Square Securities Management Limited	
13. Square Herbal & Nutraceuticals Limited		14. Sabazpur Tea Company Limited	
15. Square Yarns Limited		16. Aegis Services Limited	
17. Square Fashion Limited		18. Square Denims Limited	

Table 2.1: Concerns of Square Group

2.3 History of Square:

Year	Milestone
1958	Debut of Square Pharma as a Partnership Firm
1964	Converted into a Private Limited Company
1974	Technical Collaboration with Janssen Pharmaceutical, Belgium, a subsidiary of Johnson and Johnson International, USA
1982	Licensing Agreement signed with F. Hoffman-La Roche Ltd. Switzerland
1985	Achieved first position in the Pharmaceutical Market of Bangladesh among all national and multinational companies.
1987	Pioneer in Pharmaceutical export from Bangladesh
1994	Initial Public Offering (IPO) of Square Pharmaceuticals shares. Square Toiletries Ltd becomes a Private Limited Company.
1995	Chemical Division of Square Pharmaceuticals Ltd starts production of pharmaceutical bulk products.
1997	<ul style="list-style-type: none"> ➤ Won the National Export trophy for exporting medicines. ➤ Debut of Square Textiles Ltd ➤ Mediacom Limited starts its journey
1998	<ul style="list-style-type: none"> ➤ Establishment of second unit Square Textiles Ltd ➤ Agro Chemical & Veterinary Products Division of Square Pharmaceuticals start its operation
2000	Square Spinning Ltd starts its journey
2001	<ul style="list-style-type: none"> ➤ Establishment of Square Knit Fabrics Ltd ➤ Establishment of Square Fashions Ltd ➤ US FDA/UK MCA standard new pharmaceutical ➤ Factory went into operation. ➤ Square Consumer Products Ltd started its operation. ➤ Establishment of Square Informatix Ltd ➤ Incorporation of Square Hospitals Ltd
2003	<ul style="list-style-type: none"> ➤ Management agreement with Bumrungrad Hospital International of Thailand for the management of Square Hospitals Ltd. ➤ United States Food & Drug Administration ➤ United Kingdom Medicines & Health Card Products Regulatory Agency
2005	Square Yarns Ltd is established
2008	<ul style="list-style-type: none"> ➤ Square Spinning Ltd, amalgamates with Square Textiles Ltd ➤ Square Multi Fabrics Ltd is established
2009	Square Air Limited was established.
2010	<ul style="list-style-type: none"> ➤ Square Pharmaceuticals Dhaka sit's Insulin Manufacturing Unit goes into operation ➤ Acquisition of Mithapur Textiles Ltd. Now converted into Square Texcom Limited ➤ Acquisition of Markup Cot Spin Ltd

	➤ Acquisition of Markup Spinning Mills Ltd
2012	➤ Square Pharmaceuticals Ltd, Dhaka Unit and Square Cephalosporins Ltd get the “Therapeutic Goods Administration” (TGA) of Australia Approval ➤ Square Multi Fabrics Ltd is voluntarily Liquidation.
2013	➤ “Samson H Chowdhury Center of Excellence” started its operation ➤ Markup Spinning Mills Ltd amalgamated with Markup Cot Spin Ltd and thereafter renamed as Square Fashions Yarns Ltd ➤ Establishment of Square Denims Ltd
2014	Square Consumer Products Ltd. Now converted in Square Food and Beverages Ltd.

Table 2.2: History of Square Group

2.4 Square Toiletries Limited

Square Toiletries Limited started (STL) its journey in 1988 as a separate division of Square Pharmaceuticals Limited. Being a concern of Square Group, Square Toiletries Limited enjoys the prestige of Square Group and exploits the consumer confidence by their passion and hard work. In 1994 STL became a private limited company.

At present, STL is the country’s leading manufacturer of international cosmetics and toiletries with 20 brands and more than 55 products covering a wide range of categories like skin care, hair care, oral care, baby care, fabric care, male grooming and OTC.

Along with the business, STL takes part in different philanthropic activities and programs like creating mass awareness on health and hygiene issues, tree plantation, and employment generation program for vulnerable community, financial aid to disadvantaged and flood affected people, supporting education and various local community program.

Square Toiletries Ltd. is one of the largest and leading FMCG (First-moving consumer goods) company in Bangladesh with a turnover of USD 75 million. The company is marketing 20 Brands in different segments like health & hygiene, oral care, hair care, fabric care etc. Major Brands of the company are Jui, Chaka, Senora, Magic, Meril Protective Care & Meril Baby. Square is also exporting its finished products to 13 countries- UAE, Germany, UK, Australia, Malaysia etc.

STL has been built around one core asset, and it is its people. That is what makes working so special here. STL believes that work is more than a place you go every day. It should be a place of exploration, professional growth and creativity. It's about being inspired and motivated to achieve extraordinary things. STL wants its people to take pride in their work. After all, it's the combined talents, skills, knowledge, experience and passion of our people that make us who we are. Currently STL is employing over 2,000 employees ensuring their consistent welfare and security. Due to its sociable working environment and highly motivated employee, STL is enjoying one of the lowest employee turnover rates. STL emphasizes on equal employment opportunity resulting in 38% women employees. Besides, STL also provides employment opportunity to physically challenges persons.

2.5 Vision

STL attempt to understand the unique needs of the consumer and translate the needs into products which satisfy them in the form of quality products, high level of service and affordable price range in a unique way.

2.6 Mission

- To treasure consumer understanding as one of our most valued assets and thereby exerting every effort to understand consumer's dynamic requirements to enable us in offering maximum satisfaction.
- To offer consumer products at affordable price by strictly maintaining uncompromising stance with quality. With continuous R&D and innovation we strive to make our products complying with international quality standards.
- To maintain a congenial working environment to build and develop the core asset of STL-its people. As well as to pursue for high level of employee motivation and satisfaction.
- To sincerely uphold the responsibility towards the government and society with utmost ethical standards as well as make every effort for a social order devoid of malpractices, anti-environmental behaviors, unethical and corruptive dealings.

2.7 Objectives

To strive hard to optimize profit through conduction of transparent business operations within the legal and social framework with malice to none and justice for all.

- To create more jobs with minimum investments.
- To be competitive in the internal as well as external markets.
- To maximize export earning with minimum imported inputs.
- To reduce the income gap between top and bottom categories of employees.

2.8 Values and Principals

Well-being of consumer, employee and society are the three foundation pillars of the values and principles of Square Toiletries Limited (STL). It believes that it is their obligation to work for the welfare of society. In spite of being a commercial organization, SPL does not always opt for profit, rather tries to be even more focused towards the fulfillment of its commitment to the society and hence has an intense sense of responsibilities to its customer, its people and its society as a whole. From the day to day business operation to quality policy, in every single activities of STL, these core values and principles are reflected.

2.9 Quality Policy

- Dedicated to make every effort to understand consumer needs to provide maximum satisfaction and to achieve market leadership.
- Strive to continuously upgrade manufacturing technology and to maintain optimum level of quality measures in conformity with the international standard- ISO 9001:2008.
- Committed to achieve quality objective through continuous employee training and maintaining congenial working environment.

2.10 Employees

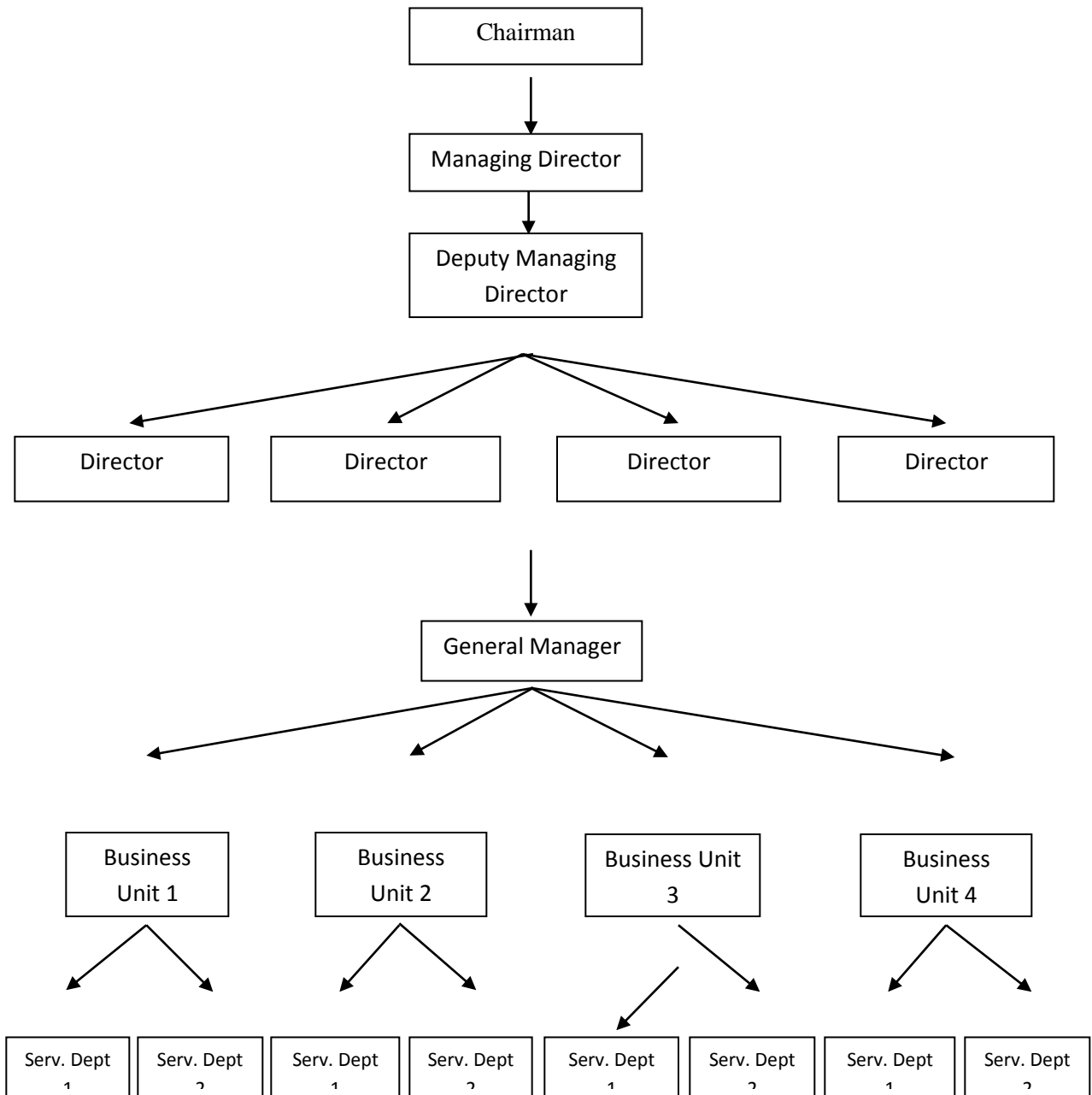
STL has been built around one core asset, and it is its people. This is what makes working in STL so special. STL believes that work is more than a place you go every day. It should be place

of exploration, professional growth and creativity. It is about being inspired and motivated to achieve extraordinary things. STL wants its people to take pride in their work. After all, it is the combined talents, skills, knowledge, experience and passion of its people that makes it what it is today. Currently, STL is employing over 2,000 employees ensuring its consistent welfare and security. Due to its sociable working environment and highly motivated employees, STL is enjoying one of the lowest employee turnover rates. STL emphasizes on equal employment opportunity to physically challenges persons.

2.11 Organizational Hierarchy

The management comprised of a group of senior and mid-level experienced professionals like CAs, BBAs, Engineers and lawyers having long experienced and qualification in the respective fields.

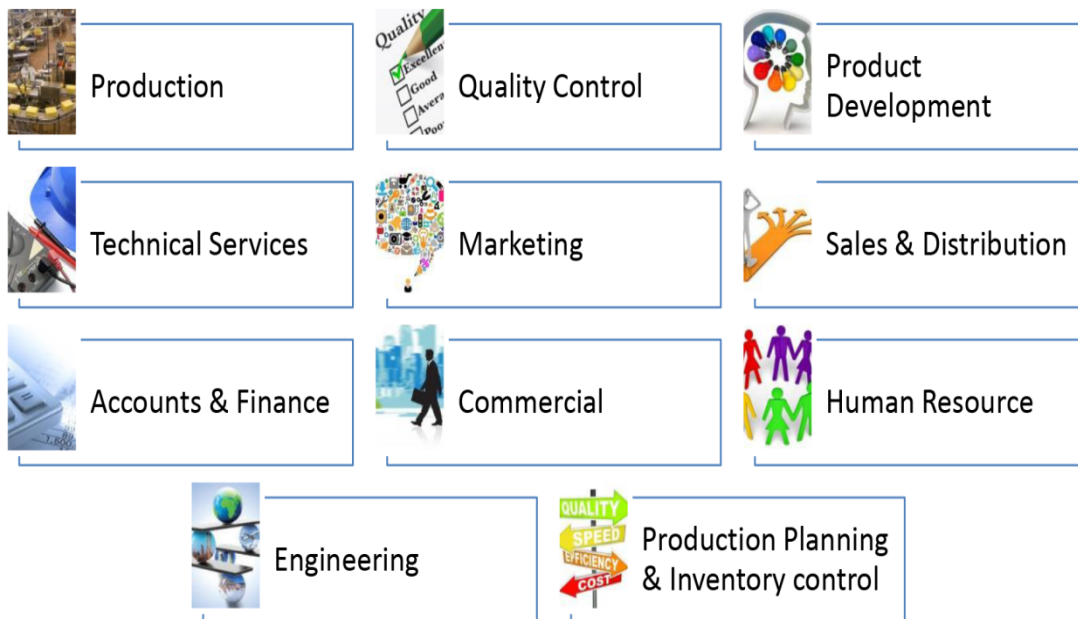
Executive and junior officers with adequate experience and qualification in the respective functional areas assist the senior management pool. They have designed their management like this way -



2.12 Board of directors:

<u>Board of Directors</u>	
<u>Name</u>	<u>Designation</u>
Mr. Samuel S. Chowdhury	Chairman
Mr. Anjan Chowdhury	Managing Director
Mrs. Anita Chowdhury	Director
Mr. Tapan Chowdhury	Director
.Mr. Charles CR. Patra	Director
Mrs. Ratna Patra	Director

2.13 Departments of Square Toiletries Limited



Trend 2.1: Departments of Square Toiletries

2.14 Products they offered:

The products of Square Toiletries limited are divided into two sections. These are:

- Health and Hygiene Products.
- Toiletries Products.

The products under these two sections are given below:

Health&HygieneProduct		
Senora	SenoraConfidenceUltra	
	SenoraConfidence	
	SenoraEcoBelt	
	SenoraEcoPanty	
Supermom	BabyDiaper	

ToiletriesProduct		
Meril	MerilSplashBeautySoap	
	MerilBabyGelToothpaste	
	MerilBabyLotion	<p>“ভিজাইন করে নয়, এখন জামা বানাই একটু বড়ো করে। এতেও যে সুখ আছে, তুমি পেতে না আসলে বুঝতাম না কোনদিন।”</p> <p>হাজারে কষ্ট আর ব্যথা ঝীলারের মধ্য দিয়ে আসে যে ছাত্রের সপন, তার জন্যই আমাদের সর্বোচ্চ সফলতা যত্ন- মেলিবে বেঁধে।</p>  
	MerilBabyPowder	
	MerilBabyOliveOil	
	MerilBabyShampoo	
	MerilChopstick	
	MerilGift pack	
	MerilGlycerin	
	MerilOlive Oil	
	MerilPetroleumJelly	
	MerilNewFreshGel Toothpaste	
	MerilLipGel	
	Meril Conditioning Nail Polish	
	Remover	
	Meril Revive Winter Moisturizing	
Chaka	ChakaBallSoap	

	ChakaLaundrySoap	
	ChakaWashingPowder	
Chamak	ChamakFabricWhitener	
Jui	JuiPureCoconutOil	
	JuiHairCareOil	
Kool	KoolAfterShaveLotion	
	KoolAfterShaveMoisterGel	
	KoolDeodorantBodySpray	
	KoolShavingFoam	
	KoolDeoTalcPowder	
Revive	ReviveBodySpray	
	RevivePowder	
	ReviveShampoo	
Madina	MadinaAtoor	
Magic	MagicToothPowder	
Saaf	SaafDishwashingLiquid	
Sakti	SaktiLiquidToiletCleaner	
Sepnil	SepnilHandwash	
WhitePlus	White Plus Toothpaste	
Xpel	Xpel Toilet Cleaner	
zerocal	Zerocal Jar	
	Zerocal Sachet	

2.15 Recommendation:

Since Square Toiletries Limited (STL) always strive to bring out new products in an attempt to keep their customers happy, they can bring out "Body Wash" as a new item in their product list. This is because nowadays people are becoming very much skin conscious. Besides, STL is a renowned company which makes people to have extreme trust on their products. So bringing out their own "Body Wash" might increase their sales revenue.

CHAPTER – 03

JOB DESCRIPTION

AND

RESPONSIBILITIES

3.1 Accounts and Finance Department of Square Toiletries Ltd.

The Accounts and Finance Department of Square Toiletries Ltd. is divided into five sections. These are:

- Financial Accounting
- Cost Accounting
- Managerial Accounting
- Financial Management
- Auditing



Figure 3.1: Sections of Accounts and Finance Department.

Out of these five sections of Accounts and Finance Department, I was assigned to the Auditing section as an Internal Audit Intern.

3.2 Job Description of an Internal Audit Intern:

- Assist in evaluating existing internal control documentation, testing current processes and providing recommendations.
- In addition, the Internal Audit Intern will assist the Internal Audit Executive in administrative duties, observations, and inquiries.
- Assess compliance with financial accounting and auditing standards, and company policies to ensure company assets are safeguarded.
- Examine and evaluate the adequacy and effectiveness of information systems and business controls.
- Provide advisory and consulting services to improve efficiency, effectiveness, and utilization of company assets.
- Assist in assuring audit practices conform to department and professional standards
- The Internal Audit Intern is expected to constructively work with departments to improve internal controls across the organization.
- Follow up to ensure that approved recommendations are implemented.
- All other duties as assigned.

3.3 Internship Activities Undertaken and Job Responsibilities

As an intern of Square Toiletries Ltd. (STL), I had to do a number of activities within a period of three months. But mostly I did the Audit based works as I was assigned under the audit team of the Accounts and Finance Department. There are approximately eighteen sister concerns of Square Group and two audit teams in Square Center. One is under Square Pharmaceuticals Ltd. where eleven of the concerns are audited and another one is under Square Toiletries Ltd. where the rest seven sister concerns are audited. But here in the Accounts and Finance Department of Square, everyone has to do tasks for different concerns of Square Group whenever they are assigned to. For example, I was appointed as an audit intern of Square Toiletries Ltd., but I had

to audit bills, vouchers, disbursements of different concerns of Square Group like Square Food and Beverage Ltd, Square Air Ltd., *Maasranga* Television Ltd., Aegis Services Limited, Mediacom Limited, etc. In this process I was able to understand how the other concerns of Square Group work.

Under the Audit team, I basically assisted five people in their works. They are -

- Md Ali Hossain Litu- Sr.Executive, Accounts and Finance, Square Toiletries Ltd.
- *Razzakul Haider*– Executive, Accounts and Finance, Square Toiletries Ltd.
- *Abdul Oahid*- Junior Executive, Accounts and Finance, Square Toiletries Ltd.
- *Masum Billa*- Junior Executive, Accounts and Finance, Square Food and Beverage Ltd
- *Rajib Khan* – Officer, Accounts and Finance, Square Toiletries Ltd.

Under their guidance I was able to perform my tasks well. I learned a few new things about auditing from them. They were very helpful and generous enough to correct me whenever I was making mistakes. And I felt comfortable more in my workplace because of their help.

The tasks that I have performed throughout my internship period in Square are:-

- **Audited the Trade Program of *Ruchi*Pickle, Sauce and Jam all over the country.**

The display program was about giving a gift package to the retailers who displayed *Ruchipickle*, sauce and jam on their shelves more within a certain period of time. And how much it sales it has increased.

- **Audited additional bonus of mustered oil and mustard oil Dhamaka offer:**

The objective was to block retailers stock and staying competitive

- **Audited the Mobile Allowances of the employees of Square Toiletries Ltd. and Square Food and Beverages Ltd.**

The goal was to analyze the actual bill amount and the given amount of mobile allowance to the employees. If any employee's bill is more than his allocated mobile allowance, then the rest of the amount is cut from his salary account.

- **Audited an Incentive Program of RuchiJhalChanachur&DaalVajaall over the country.**

The motive of this is to get a clear vision of the accuracy of the amount the Sales Department is asking for. Retailers take product at a Trade Price (TP) which is less than the Maximum Retail Price (MRP). The difference between the TP and MRP is the profit of a retailer. But distributor cannot make a profit in this circle because they take products to sell to the retailers at TP. So here, they get a commission for par package they sell to the retailers. We calculated how much we have to give to the sales department for the incentive program and how much accurate their calculation is. If our calculation does not match with theirs, then we will not give them the money rather we will ask them to revise the Program details and give it back for further verification.

- **Audited the Toiletries Program of Square Toiletries Ltd all over the country.**

The motive here was to find out whether the commission given for per slab is correct or not. And as this program was operated in order to increase the sales, so my task was to identify whether the goal has been achieved or not.

- **Audited Overtime Allowances of the employees of Square Food and Beverages Ltd., Square Toiletries Ltd., Square Air Ltd. and Aegis Services Ltd.**

My goal was to verify their start and end time of the day and how much extra hours they spent on the job. Then allocated the overtime allowances to the employees according to their respective positions.

- **Audited the Tour Programs of Area Manager (AM), Zonal Manager (ZM), Regional Sales Supervisor (RSS) and Area Sales Supervisor (ASS) of Square Food and Beverages Ltd.**

The goal was to analyze whether all of them followed their tour plan which was approved by the General Manager (GM) or not. If they did follow the plan accordingly, they will get the Travel Allowance (TA) and Daily Allowance (DA); but if they somehow did not follow the plan, they will have to give proper justification for that or else the TA and DA will be deducted.

- **Audited the Display Program of Radhuni Mustard Oil over Dhaka Region.**

The goal was to identify how much the sales of Radhuni Mustard Oil increased and accurately how many gift packages the retailers will get for that program.

- **Audited the Winter Program of Ruchi, Radhuni and Chashi products all over the country.**

It was a seasonal program of Square Food and Beverages Ltd. The goal was to analyze the accurate amount of commission that the sales department has to provide to the distributors according to their performance.

- **Reconciliation of packaging materials:**

I reconciled that the amount and the cost is written correctly or not. Is there any mistake in Excel sheet or not.

- **Auditing TA/DA bills:**

They give daily allowances, Hotel bills, travelling allowances of field force. They have some sections Head quarter, ex-headquarters, out Station. They created a chart which they follow. I checked whether those particular things match with the list in Excel.

- **Trade Offer:**

Mostly we audited the trade offers of Square throughout the internship. We checked winter program, toi program, supermom trade program, senora whole sale program, pharmacy program etc.

- **Updating proposal index :**

It is also an important task of promotional proposal index. Here I had to prepare some promotional proposal of Square Toiletries Ltd. In this Section Company wants to know when the proposal will be created, what product will be the applicable for this promotion, proposal details, proposal duration, how much budget would be necessary for it and finally who made the proposal.

SL. No.	Date of Proposal	Name of the Product	Description of the proposal	Duration	Approved amount from Mkt Budget in BDT	Proposal arise by
62	07.06.2015	Zerocal	Sampliing with 3 leading lifestyle magazines	2 Months	121510	Md.Masud Reza Joardar,Senior Brand Manager
63	23.06.2015	Meril	Cross promotion of meril baby soap with supermom diaper	1 Month	12811	Md.RuhulQuddus ,Brand Executive, Marketing

First of all I put down date wise proposal and then I describe the proposal with duration. After that I have shown here how much budget will be necessary. Finally I have shown the name that made the proposal.

3.4 Lesson learned from the internship program

In Accounts and Finance department of SQUARE Toiletries Ltd I have learned so many valuable knowledge which helped me a lot to understand the Accounting & Finance activities and as well as to prepare this report. Through this internship affiliation report I got a chance to have a very closely observe all the Accounts and Finance activities of SQUARE Toiletries Ltd. From this internship program the lesson that I have learned are given below.

- First of all, I have learned the MS EXCEL worksheet which is one of the most important software for SQUARE to keep their data.
- Learned how to use the different formula in Excel worksheet.
- Learned about VAT calculation in practical sphere.
- Learned about different accounting calculation in practical sphere.
- Learned how to they keep their financial statements.
- I have learned about the organizational behavior, i.e. how individuals and groups act in the organization, what is the people-organization relationships in terms person, whole group, whole organization etc.
- Learned about organizations culture & discipline.
- Learn how to maintain the official dress code.
- Learn how to make a project proposal
- Learn how to make a report through different graphs and tables.

3.5 Recommendations:

- **Flexible management is a problem:**

Since STL is a huge organization, total management is extremely flexible. This causes indiscipline and inefficiency which may eventually have a detrimental impact on the organization. During my internship period, I was not directly assigned to the floor of Accounts and Finance rather I was doing my job with the Audit Team on the floor of Sales and Marketing of Square Food and Beverages Ltd. There was so much chaos and noise on that floor that sometimes I found it difficult to concentrate on my work. I complained it to the authority but there was no immediate response. They tried their best to fix it earlier but probably it got tied up in bureaucracy. Therefore, the management should be stricter for the betterment of the company.

- **Purchase of more distribution vehicles:**

STL should buy some transporting vehicles to minimize their distribution expenses. Although Square Toiletries Company has transporting vehicles but they are not enough. Most often they rely on hire vehicles. That is really very expensive for the company. So if this company can increase their vehicles, they can reduce expense in the long run.

- **Problems with Auditing:**

Retailers are so much eager to fulfill the slabs of the different program campaigns that sometimes they do a lot of overwriting in their sales invoice to be enlisted for the attractive gifts of the promotional programs. Sometimes the auditors fail to identify these culprits and therefore have to give them expensive gifts. This is a huge expense for the company which needs to be addressed by carefully monitoring the audit process, in other words, invoice which has a lot of overwriting on it should be rejected.

CHAPTER- 04

INTERNAL AUDIT

PROCEDURE

4.1 Internal Audit

4.1.1 Definition

An internal audit is a formal examination of the financial books and records of the component association to determine their accuracy and completeness, to detect and recommend correction of errors, and to assure the board and membership that the records are correct. Internal Audit evaluates whether the process leading to the identification of risks is working well, checks whether controls already in place are working according to the way they are intended to, and evaluates an organization's governance system and process.



4.1.2 Certain Time of Performing an Internal Audit

Internal audits are performed at specific times generally at the end of each year. In addition, the Board of Directors can request a special audit at any time, if demand necessary, and an audit should be performed when there is a change in financial officers.

4.1.3 People who can perform Internal Audit

An Audit Committee (consisting of at least 2 component association members) is appointed by the Board of Directors. An internal audit should be performed by an impartial person not related to the president or treasurer or any chairman handling funds and not by one authorized to sign checks.

4.1.4 Reasons for Performing Internal Audit

Internal audit deals with issues that are fundamentally important to the survival and prosperity of any organization. It looks beyond financial risks and statements to consider wider issues such as the organization's reputation, growth, its impact on the environment and the way it treats its employees. In sum, internal audit helps organizations to succeed. This is done through a combination of assurance and consulting. The assurance part of work involves telling managers and governors how well the systems and processes designed to keep the organization on track are working. Then, consulting is offered to help to improve those systems and processes where necessary.

4.1.5 Requirements to Perform Internal Audit

All of the financial records shall be provided by the treasurer for the audit, including the checkbook register, bank statements, canceled checks, deposit slips, treasurer's reports, expense vouchers/warrants with bills/receipts, the annual treasurer's report, etc. The treasurer should be available to answer any questions or help explain the organization of the financial records.

4.1.6 Internal Audit Procedure

The internal audit process begins with the Risk Based Audit Plan, which is updated annually and approved by the Audit Committee of the Board of Governors. Once approved, the Plan becomes a guideline for conducting audits in the coming year. In addition to the audits performed under the Plan, Internal Audit also conducts special audits and consulting work on demand.

Planning Phase

In the planning phase, the audit staff reviews any past audit work, looks over literature on the area being reviewed, and makes a preliminary review of the unit budgeted and actual revenues and expenses. The auditors also formulate the audit scope and objectives on which they base the fieldwork phase. The planning phase also includes an introductory meeting to discuss objectives, timelines, and other important information that can ease the internal audit process. At this time, the audit staff may request few pieces of information, such as an organization chart, a contact list and literature describing the unit's procedures, if available.

Fieldwork Phase

In the fieldwork phase, typically the lengthiest part of the audit, the audit staff gathers information about the auditee's operations, gains an understanding of the unit's functions, and identifies both strengths and weaknesses. This work includes reviewing financial activity, administrative and business procedures, overall unit functions, and other activities specific to each section in the unit. The audit staff interviews key personnel, observes unit procedures, and periodically reviews the audit progress with the unit's heads and personnel. Ultimately, this phase allows the audit staff to identify areas of risk and concern in the unit's internal controls and procedures, all of which are discussed with the auditee before or at the conclusion of the fieldwork.



Fig: Internal Audit Procedure

Reporting Phase

In this phase, all fieldwork results are compiled, presented and discussed with the client. The client must provide action plans with timeframes that address all recommendations. A final summary report then goes to Senior Management and the Audit Committee for review.

Follow-up Phase

Based on timeframes in the action plans, a follow-up is performed to ensure that the required measures have indeed been implemented.

4.1.7 Basic Guideline for Internal Audit

1. Identify Audit Committee Members.
2. Choose a time and place for the internal audit and notify audit committee.
3. Notify the treasurer to have all the records available for the audit committee and to be available for questions or to help explain the organization of the financial records.
4. Have calculators available.
5. Use the internal audit checklist as guide.
6. Complete and sign the audit of the checking account balance sheet, this should be verified by at least two people.
7. Complete and sign the internal audit report. This should be presented at the next board meeting. List any errors found or corrections made. It is not necessary to list details you have added to make explanations more complete. The entire audit committee should sign this report.
8. After the audit is completed, mark the ledger (if there is one) and the checkbook register by drawing a double line across the sheet where the audit concludes and sign and date, using different color ink stating “Examined and found correct by _____ (name) _____ on _____ (date) _____.”
9. Keep all audit paperwork with the financial records that were audited. Send a copy of the Balance Sheet and Internal Audit Report to the AAMT office and your component board partner.
10. The minutes should reflect that an audit (internal or external) has been done

4.1.8 Internal Audit Checklist

Warrants/Vouchers:

- Written for all checks, including voided checks.
- Amount on check matches amount on warrant/voucher.
- Adequate explanation for all expenditures.

Receipts/Bills

- The amount on the receipt/bill matches the amount on the check.
- Receipts or bills for every check written.
- Written and signal explanation for any missing receipts/bills.

Checks/Disbursements:

- No missing checks.
- Voided checks saved.
- All checks recorded in check register.

Bank/Reconciliation

- No missing bank statements.
- Ending balance agrees with last bank statement (adjusted for outstanding checks and deposits not posted to bank statement).
- Bank charges and interest recorded in check register.

Income

- Income received matches deposits.
- Detailed record of all income received.

- All deposits recorded in check register.

4.1.9 Examples of How Auditing is done in STL

Example 1:

All the employees from executive level to top are provided with a “Grameenphone” sim card from Square. Mobil bill of the employees are verified in a systematic way. Employees have their mobile allowances according to their positions. The allowances are given below:

<u>Designation</u>	<u>Mobile Allowance</u>
Junior Executive	500
Executive	800
Senior Executive	1000
Manager	1500
Senior Manager	1500
General Manager	2500
Managing Director	3000+

Table 4.1: Mobile Bill Ceiling in STL¹⁴

When we get the bills from Grameenphone in hand, we keep our own list of the people with their provided numbers where it is mentioned that how much their allowances are and how much we have paid to Grameenphone for that number. For example, If a bill of the number “01723xxxxxx” is given BDT 1708.89, then 1st we search for that number in our own list to see the amount of allowances does that person have. If it is above BDT 1708.89, then we see whether the amount of bill matches with our summary. If it matches, we mark that as verified. If it does not match, then we see in the Grameen phone bill whether that person had any due bill in the previous month or not. And if everything is clear to us, we mark that as verified. But suppose, that person’s allowance is up to BDT 1500, then only BDT 1500 will be paid by Square and the rest of the amount will be deducted from the holder’s account.

Example 2:

Winter Program Gift Distribution in STL:

The winter gift promotional program is usually held for a short period starting from 15th October to 22nd December of every year. This is a gift distributing program which has slabs of ten different amounts. The figures are given below:

Slab Number	Amount to Purchase
1	15,000
2	30,000
3	40,000
4	60,000
5	75,000
6	100,000
7	150,000
8	225,000
9	275,000
10	400,000

Table 4.2: Winter program gift distribution in STL

Only retailers are entitled to this program. The retailers need to purchase goods from the distributors of STL in order to be a part of this program. If they contract for a particular slab, they have to make a purchase minimum of that amount or more within that specific period (15th October to 22nd December of every year). Based on this, retailers are awarded upon their contribution of winter gift promotional campaign. I had to check the invoice of those retailers to see whether their total amount of sales fall under their contracted slabs and also if it falls within October to 22nd December of every year.

Example 3: Senora whole sale program

Their objective of this program is to:

- increase weighted distribution
- Push bulk amount of senora in big volume retailers shelf
- To increase value sales
- To have a better grip on whole sale parties maintaining a good rapport
- Nurture large retailers

Slab	Slab target
120000	5
80000	15
45000	30
20000	350

We checked whether the slabs are fulfill or not. Is there any double invoice or not if they did any mistake we're check that and identified that and did meeting with the distributors why this happened.

Example 4: Incentive Distribution in STL.

All distributors of Square Toiletries Limited (STL) are get incentive according to their whole month performance. Incentives are divided into four categories and they are:

- Toiletries
- Soap
- Senora
- Diaper

For the calculation of Toiletries incentive we have to calculate the selling number of volume of the product, priority of the product and rest of the product. For getting incentive in Soap and Senora distributor have to achieve 100% target.

Here is the calculation for the incentive of Toiletries for the month of October 2015:

The screenshot shows an Excel spreadsheet with the following data points for October 2015:

SL	Market Code	Market Name	Ach %	Regular	Extra	Total	Target	IMS	Incentive	Target	IMS	Incentive	Target	IMS	Ach 100%	Incentive	Target	IMS	Ach 100%	Incentive	Target	IMS	Ach 100%
6	1	2404 Basabo (D-26)	69%	0	0	0	12	7	4500.00	17	3	-	30	4	13%	-	2	0	0%	-	10	0	0%
7	2	2308 Banashree (D-35)	77%	0	0	0	12	6	-	17	9	-	30	11	37%	-	6	4	67%	-	14	10	71%
8	3	2409 Mugda (D-54)	73%	0	0	0	12	4	-	17	7	-	30	9	30%	-	2	0	0%	-	12	19	158%
9	4	3470 Maya Kanon (D-66)	111%	3500	1125.9	1100	4600	12	8	-	0	0	-	1	100%	1,500	2	2	100%	8	10	6	60%
10	5	Mugda Bazar	80%	0	0	0	0	0	0	0	0	0	0	0	0%	-	0	0	0%	-	0	0	0%
11	6	2301 Captan Bazar (D-2)	55%	0	0	0	12	3	-	17	0	-	30	2	7%	-	3	4	133%	16	17	7	41%
12	7	2302 Fokirapool (D-4)	63%	0	0	0	12	4	-	17	6	-	31	8	26%	-	3	2	67%	-	24	10	42%
13	8	2305 Sutrapur (D-24)	73%	0	0	0	12	2	-	17	6	-	31	13	42%	-	1	0	0%	-	17	7	41%
14	9	2307 Arambag (D-34)	79%	0	0	0	12	8	-	17	6	-	31	7	23%	-	1	1	100%	4	21	24	114%
15	10	2309 Shamabag (D-52)					12	2	-	0	0	-	0	0	0%	-	3	1	33%	-	22	12	55%
16	11	3565 Shajahanpur (D-61)	83%	0	0	0	2	2	-	17	7	-	30	11	37%	-	0	0	0%	-	0	0	0%
17	12	Shamabag Bazar	69%	0	0	0	0	0	0	0	0	0	0	0%	-	-	-	-	-	-	-	-	-
18	13	2303 Dhonia (D-14)	81%	0	0	0	12	2	-	17	7	-	31	13	42%	-	3	2	67%	-	14	14	100%
19	14	2304 Jatrabari (D-21)	74%	0	0	0	12	3	-	17	5	-	30	10	33%	-	1	2	200%	8	33	2	6%
20	15	2306 Jurain (D-25)	67%	0	0	0	12	4	-	17	4	-	30	8	27%	-	1	0	0%	-	27	11	41%
21	16	2406 Matuail (D-36)	87%	0	0	0	12	7	-	17	9	-	31	14	45%	-	4	0	0%	-	19	1	5%
22	17	2606 Kajla (D-41)	90%	0	0	0	12	10	1,500	17	8	-	31	11	35%	-	1	0	0%	-	11	3	27%
23	18	3416 Kodomtoli (D-56)	75%	0	0	0	12	6	-	17	10	-	30	12	40%	-	0	0	0%	-	55	10	18%
24	19	3674 Dookhola (D-77)					12	0	-	0	0	-	0	0	0%	-	0	0	0%	-	0	0	0%

Here we can see that if one distributor has his IMS (Inter Market Sale) is more than 12 then he will get 4500 BDT as Incentive, if IMS is more than 11 then incentive will be 3000 BDT and if IMS is 10 then incentive will be 1500 BDT otherwise 0.

4.1.10 Few Examples of Audit Guideline of STL

Guideline to Check Payment of Overseas Traveling Bill:

Bill checking section will check the following documents:

- Approved Tour Program
- Quotation from traveling agents
- Approved CS
- Original ticket from Airlines
- Advance adjustments (if any) Currency rate
- Approval of bill
- Date of bill

Amount in figure and amount in words after proper scrutiny, Bill Checking section will forward the bill to Accounts and Finance (A & F) Department for payment.

Guideline to Check Payment of Water & Sewerage Bill

Bill checking section will check the followings:

- Supporting bill from Dhaka water supply & sewerage authority
- Approval bill
- Log book (if possible)
- Bill
- Date and period of bill
- Amount in word / Amount in figure

After proper verification, it will be forwarded to A & F Department for payment.

Guideline to Check Payment of Stationary Bill (Monthly pen, pencil, writing pad, etc.)

Bill checking section will check the followings:

- Cross check with bill and work order (party name)
- Requisition copy, bill no. & date, challan no. & date, W/O no. & date mention on the bill
- Store receiving confirmation on original challan and billing quantity with receiving quantity & requisition quantity
- Billing rate with rate approval
- Amount in word and amount in figure

After verification, it will be forwarded to A & F Department for payment.

4.2 Internal Control

4.2.1 Definition

Internal control is a process designed by an organization's governing board to provide reasonable assurance regarding the achievement of objectives. Internal Control is made up of procedures, policies and measures designed to make sure that an organization meets its objectives, and that risks that can prevent an organization from meeting its objectives are mitigated. While the Internal Audit function is performed by internal auditors, Internal Control is the responsibility of operational management functions. Another point of contrast is frequency. An internal audit is a check that is conducted at specific times, whereas Internal Control is responsible for checks that are on-going to make sure operational efficiency and effectiveness are achieved through the control of risks. Some risk experts even say that Internal Control is a part of a company's day-to-day management and administration.

The definition reflects certain fundamentals concepts:

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is effected by people. It is not merely policy manuals and forms, but people functioning at every level of the institution. All personnel are responsible to communicate problems in operations, deviations from established standards, and violations of policy or law.
- Internal control is geared to the achievement of objectives in several overlapping categories.
- Internal control can be expected to provide only reasonable assurance to an organization's leaders regarding achievement of operational, financial reporting, and compliance objectives. It is not absolute assurance.

4.2.2 Benefits of Internal Control

- Internal controls help prevent errors and irregularities from occurring. If errors or irregularities do occur, internal control will help ensure they are detected in a timely manner.
- Internal controls encourage adherence to prescribed policies and procedures.
- Internal controls protect employees:
 - 1) By clearly outlining tasks and responsibilities,
 - 2) By providing checks and balances, and
 - 3) From being accused of misappropriations, errors or irregularities

4.2.3 Key Control Activities

➤ Segregation of Duties:

Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for receiving cash or checks, preparing the deposits to the Cashier's office, and reconciling the deposit to the cashier's receipt and Balances should be separated.

➤ Structure:

Organizational structure – lines of authority and responsibility – should be clearly defined so that employees know where to go to report performance of duties, problems and questions related to position and the organization as a whole. An organization chart is a good means of defining this structure as long as it is kept up to date. Part of the structure is also the rules that employees must abide by. Written policies and procedure provide guidance to employees in carrying out their duties, provide for clear rules on allowable and expected activity, as well as provide means for enforcement. The department's lines of authority and policies and procedures should be reviewed periodically to ensure they are in agreement with the organization's strategic mission.

➤ **Authorization and approval:**

Transactions should be authorized and approved to help ensure the activity is consistent with departmental or institutional goals and objectives. For example, a department may have a policy that all purchase requisitions and invoice vouchers must be approved by the director. The important thing is that the person who approves transactions must have the authority to do so and the necessary knowledge to make informed decisions.

➤ **Reconciliation and review:**

Performance reviews of specific functions or activities may focus on compliance, financial or operational issues. Reconciliation involves comparing transactions or activity recorded to other sources to help ensure that the information reported is accurate. For example, revenue and expense activity recorded on accounting reports should be reconciled or compared to supporting documents to ensure that the transactions are recorded timely, in the correct account, and for the right amount.

➤ **Security:**

Security may be physical or electronic (information system controls) or both. Equipment, inventories, cash, checks and other assets should be secured physically, and periodically counted and compared with amounts shown on control records. For example, the periodic physical confirmation of equipment by individual departments is a physical security control. Virus detection software should be current and updated regularly to help protect integrity of system. Hardware and access controls (passwords) should be changed periodically and rigorously safeguard to protect from unauthorized access to database, computer system, etc. special physical and software controls issue (such as encryption software) should be developed for systems containing sensitive and/or confidential information.

4.2.4 Control Limitations:

Internal controls, no matter how well designed and operated, can provide only reasonable assurance regarding the achievement of objectives. The concept of reasonable assurance recognized the cost of internal controls should not exceed the benefits derived and also recognizes evaluation of these factors requires estimates and judgment by management. For objectives related to the effectiveness and efficiency of operations, internal control can only help to ensure management is aware of the entity's progress or lack of it.

Limitations which may hinder the effectiveness of an otherwise adequate system of internal controls include:

- Resource constraints
- Inadequate skill, knowledge or ability
- Degree of motivation by management and employees
- Faulty judgments
- Unintentional errors

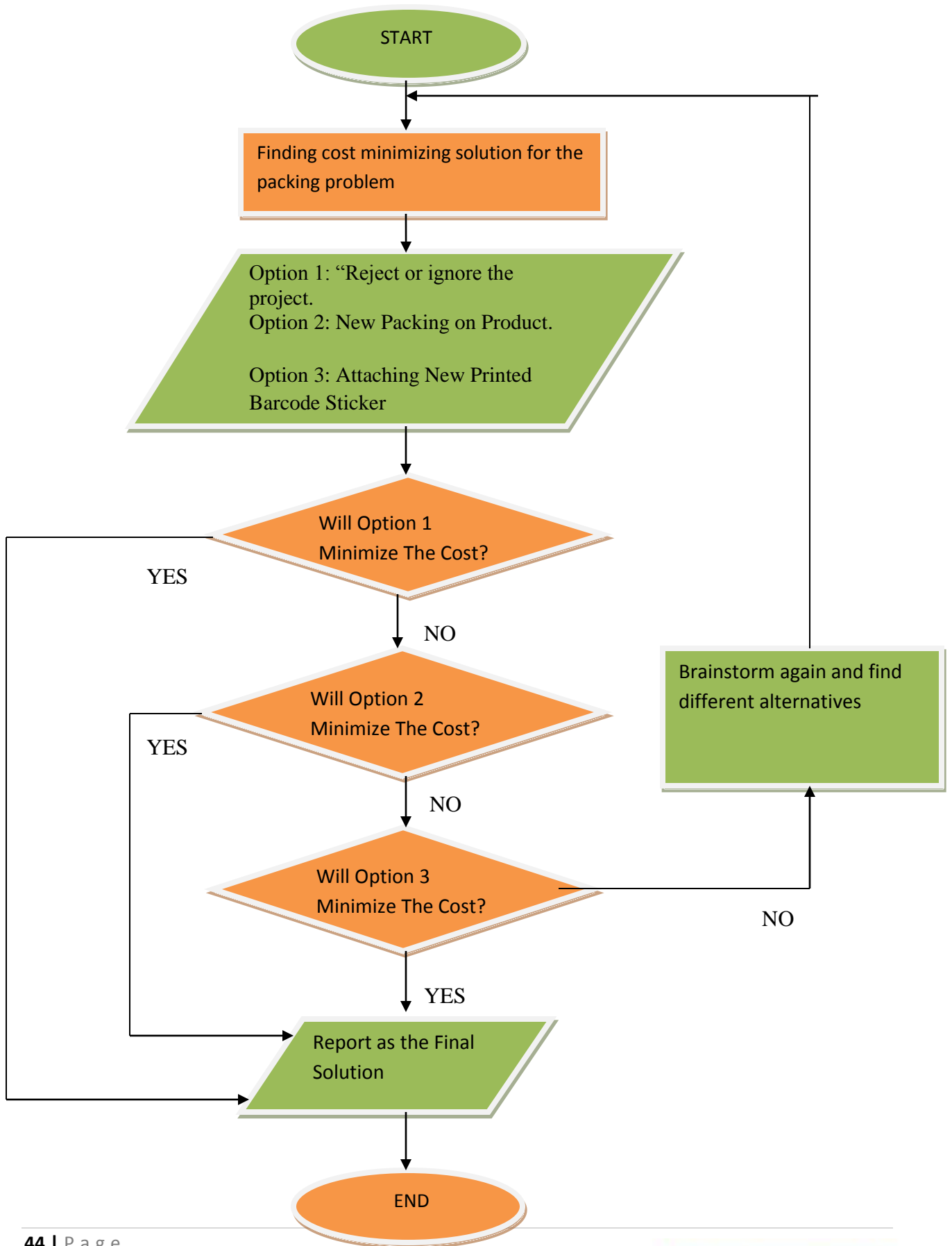
Additionally, controls can be circumvented by collusion of two or more people. Even more important to recognize, management has the ability to override the internal control system these factors, combined with changing needs and personnel, make it risky to project any evaluation of internal control to future periods. On an ongoing basis, management must evaluate business risks and the controls needed to manage those risks and keep existing controls effective. Management evaluation generally leads to periodic adjustments and corrective action, which also helps assure the continuing effectiveness of the internal control system.

4.3 Findings

On the period of my internship, there was a problem occurred when few cartons of “Meril splash beauty soap” were returned from a retail store. The reason behind this was the barcodes on the packages of those products were not readable. And the barcode reader could not read those barcodes and entry those products into their database. I was assigned with one of the auditors to figure out few alternatives and to come up with a possible cost minimizing solution for this problem. We brainstormed the problem and found out that the problem was occurring because of bad packaging. The packaging overlapped the barcode on the product. After finding the reason of the problem, we initially thought of three alternative solutions to think over. Those were,

- 1) Reject or ignore those products.
- 2) Packaging those products with new packages.
- 3) Attaching printed new barcode stickers over the old packages.

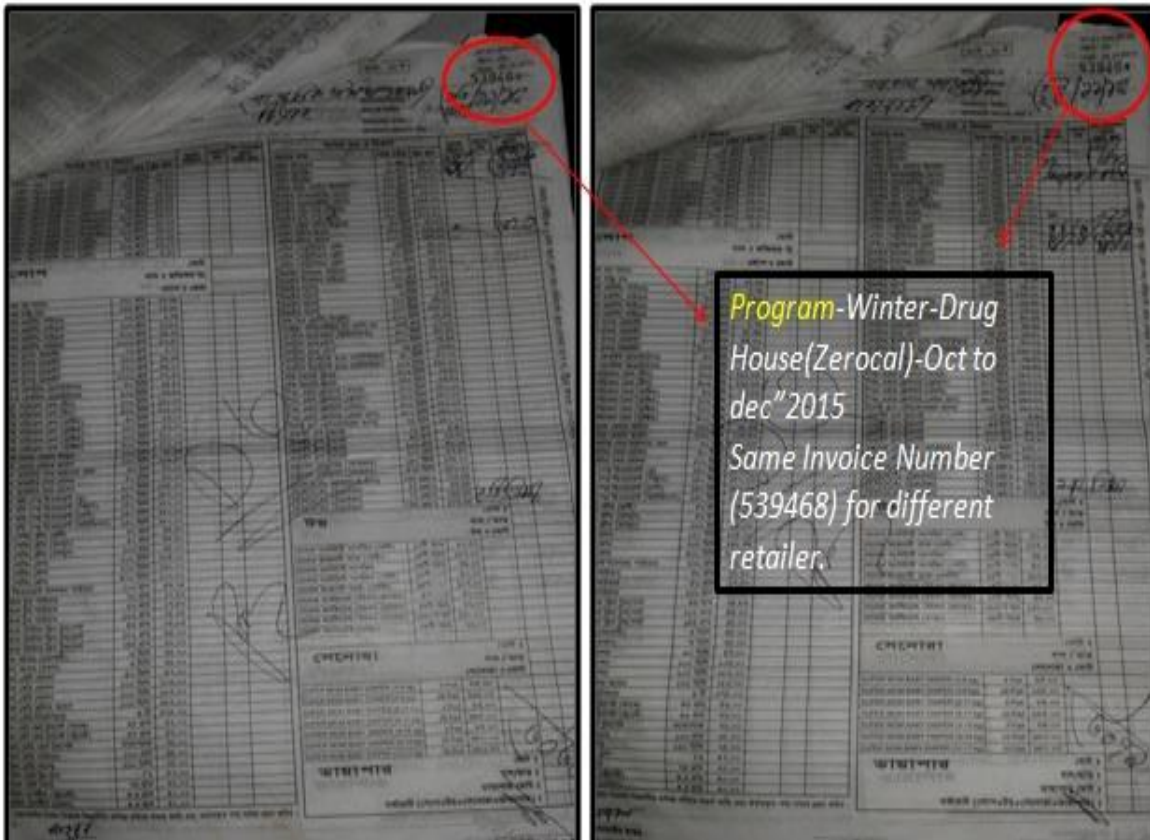
After that we went through a flow chart to find out which of these alternatives is the most preferable to minimize the cost. Flowchart example of how internal control is ensured in STL is given below:-



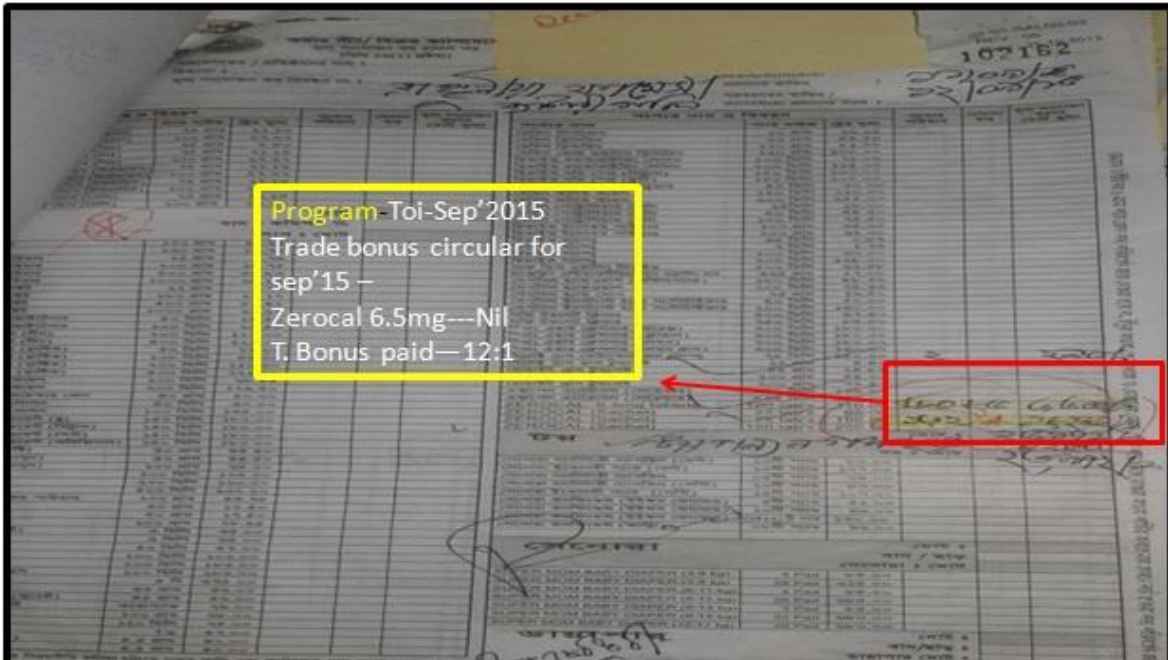
While Auditing I also found some other problems which occurred frequently. These are:-

- Double invoice problem
- Tear the invoice numbers.
- Calculation mistake to fulfill the slab
- Demand for the discount whether they fill the slabs or not

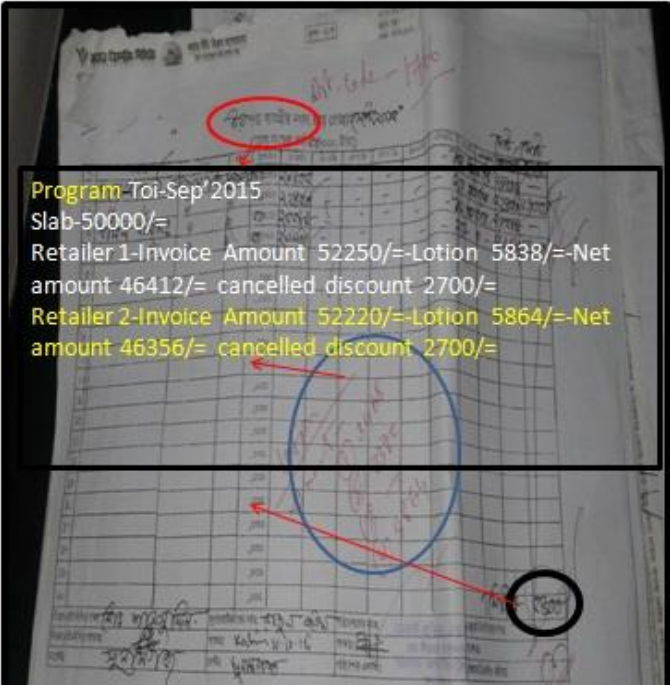
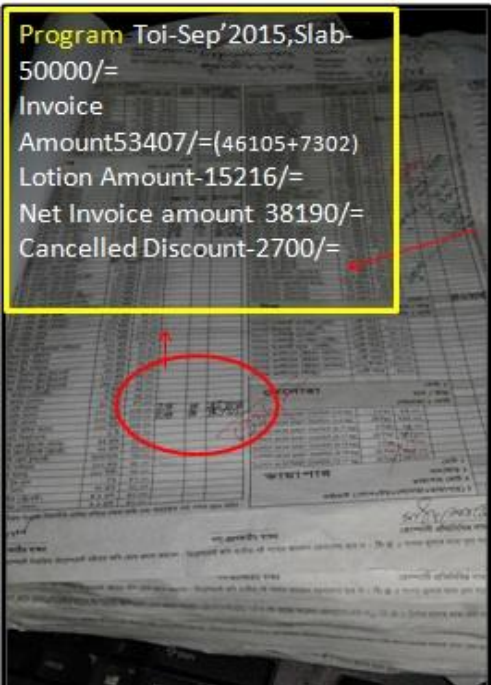
Submit Huge Quantities of double invoices for same program



Paid unrecognized trade bonus in retailer invoices.



Not complied with Trade program circular.



Wrong Calculation By MIS Department.

Distributor: Ami Ent, Voirob.
Adjustable value after MIS departments Calculation 57,300/=

Adjustable value After Audit departments calculation 44,100/=

Cancelled Invoices.
Program-Winter-Drug House(Zerocal)-Oct to dec"2015
Double Invoice Found 60 pcs

Program-Winter-Drug House(Zerocal)-Oct to dec"2015
Not Paid Zerocal to retailer in invoice

4.4 Recommendation:

i. Increasing the number of People in the Internal Audit Team of STL:

As I have mentioned earlier that the audit team of Square Toiletries Ltd. has to perform audit for seven sister concerns of Square Group which is quite difficult to maintain for a three people audit team. Because audit team has to verify every little to big transactions made by these concerns and sometimes it takes a very long time to actually be able to perform an audit properly. So, they should consider hiring more qualified people to distribute the work evenly so that number of mistakes can be reduced and the verifying time of a transaction can be quicker.

ii. Automation:

They should start an effective sales automation solution that would automate and implement best in class sales process to achieve aggressive sales objectives. They have already started to practice it with six of their clients but they need to extend this. Moreover, some problems are arising in implementing this system. STL needs a partner who can build a standardized, flexible, and scalable sales automation solution that would be easy to use and quick to deploy. By using it STL can save their time and it will help them for increasing sales.

CHAPTER-05

CONCLUSION

Conclusion

Square Toiletries Limited has already made significant progress within a very short period of its existence. The organization has been graded as a top class organization in the country. It has achieved tremendous popularity and credibility among the people for its products & superior services. Moreover, it is one of the organizations in Bangladesh which follows international standard in Accounting and Finance.

In this report I have tried to figure out the problems and strengths in Accounts and Finance departments of Square Toiletries Ltd. as a valid pretender in the competitive business sector of Bangladesh. During the internship period, I have prepared some important report of accounts and finance department of STL. I have tried to find out the weakness and given some recommendation of general activities of STL. Hope that the recommendation I have made will also help them to improve their quality of service.

It was a great experience working as an intern in STL. The working environment was good and the all responsible officer helped a lot in my journey of internship. During the three months of internship period in STL head office I was able to gather valuable experiences of real life dealing activities. This knowledge and experience may help me to build my professional career.

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