

BRAC University



Internship Report

On

‘Financial Statement Analysis & Internal Audit procedure Of Raj Lanka Power Company Limited’

Prepared For

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Letter of Transmittal

21st September, 2016

Dr. Suman Paul Chowdhury
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Subject: Submission of Internship Report.

Honorable Sir,

It is a pleasure to be able to hand over the report of my internship program on “*Financial Statement Analysis & Internal Audit procedure*” of “**Raj Lanka Power Company Limited**”. The Program provides me with valuable exposure to the working environment of Raj Lanka Power Company Limited. The internship program has provided me the opportunity to work with the employees of the different department in **Raj Lanka Power Company Limited** which gave me valuable insights to the professional life in an organization. While preparing this report, I came to know about different aspects of “*Financial Statement Analysis & Internal Audit procedure*”. The knowledge and experience I have gathered, while preparing this report, will help me a lot to enrich my career in future.

I, therefore, convey my thanks to my supervisor for his kind cooperation, supervision and advice in conducting and preparing this report. I have completed the whole program with great enthusiasm. I have tried my best to compile the appropriate information as comprehensively as possible. If you need any clarification, I will be obliged to provide further clarification.

Yours Sincerely,

Nurshia Jahan
Master of Business Administration
BRAC University

Acknowledgement

With the help of the most merciful Almighty Allah it has been possible for me to perform the internship program on “*Financial Statement Analysis & Internal Audit procedure*” of “**Raj Lanka Power Company Limited**”.

First of all I would like to thank **Mr. Dr. Suman Paul Chowdhury** my supervisor for his valuable advises in preparing the report which he himself primarily designed for me and supervised me to make it a analytical finance related report and helped me to increase my understanding of the content of the report.

In Raj Lanka Power Company Limited my special thanks to **Mr. A B Siddique**, Head of Operations for helping me to obtain important data on different aspects.

My cordial thanks to **Mr. Thamaka Thimbiripola** – Country Manager, Power Plant Operation, my internship coordinator for being so nice with me and helping me in all aspects in spite of his busy schedule.

Then I express my profound gratitude to **Ms. Rokhsana Akter**, Finance Manager. I will be ever grateful to her for kind support, inspiration and open-minded behavior which she has shown towards me during preparation of my internship report. Without her cooperation, this report might have remained incomplete.

All the officers and staffs of Raj Lanka Power Company Limited were very considerate and helpful. They provided me all assistance to complete my internship successfully. I thank them for being so friendly and cordial to me. Thanks to all.

ABBREVIATIONS

RLPCL	Raj Lanka Power Company Limited
BPDB	Bangladesh Power Development Board
BB	Bangladesh Bank
LL	Lakdhanavi Limited
SEC	Securities & Exchange Commission
BOI	Board Of Investment
JBL	Janata Banka Limited
CC (Hypo)	Cash Credit Hypothecation/ Pledge
CBC	Commercial Bank of Ceylon
NDB	National Development Bank
MPEMR	Ministry of Power, Energy and Mineral Resources
PGCB	Power Grid Company of Bangladesh Limited
PPA	Power Purchase Agreement
IA	Implementation Agreement
HFO	Heavy Fuel Oil
GOB	Government of Bangladesh
FDI	Foreign Direct Investment
WC	Working Capital

Executive Summary

Raj Lanka Power Company Ltd (RLPCL) is a 52.2 MW Power Plant situated at Borovita, Natore, Rajshahi, Bangladesh. It's a subsidiary of LTL Holdings. It is promoting only 1 brand that Electricity. As a foreign Company they gain Government trust by their quality production of Electricity. This report applies Financial Performance Evaluation of Raj Lanka Power Company Ltd. It means how well the Company performs. The main data is collected from the annual financial reports of the company from 2015 (March) to 2016 (March) which are provided by the employees of the company. Different financial ratios are evaluated such as liquidity ratios, asset management ratios, profitability ratios, debt management ratios and finally measure the best performance of the company. The graphical analysis and comparisons are applied for the measurement of all types of financial ratio analysis. Liquidity ratio is conveying the ability to repay short-term creditors and its total cash. It determines the performance of short term creditor of the company under the three categories such as current ratio, quick ratio and cash ratio. Asset management ratio is measured to know how the company is using and controlling its assets. Profitability ratio and debt coverage ratio are also measured to know overall market position of the company in the current market. I hope this report will be helpful for the management of the Company who are responsible for taking decisions and formulating plans for future. It will also help the creditors who are the provider of loan capital of the Company. They can decide whether they want to extend their loans or not in future. In the recommendation part I have tried my best to give some advice based on their problems that I found from the analysis. So this report will show a clear picture about RLPCL's performance in the last Three years.

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Chapter: One

1.1 Background of the Study

Gaining knowledge and learning on a particular subject can only be evaluated properly if it is linked with theory and real-life practice. Theory is learned in a detailed manner from the academic courses. However, when it comes to attaining practical knowledge on the subject matter to be studied, it is important to get a real life experience where the theory can be implemented. This can be gained by a program namely “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 Raj Lanka Power Company Limited under Accounts and Finance department, I have developed this internship report as a partial requirement to acquire the MBA degree under direct supervision of Dr. Suman Paul Chowdhury. 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

This report is a partial fulfillment of the internship program to complete my postgraduate. My supervisor **Dr. Suman Paul Chowdhury** assigned me with the topic “Financial Statement and Audit Procedure – Raj Lanka Power Company Limited”. My internship period in RLPCL was about three months and 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 “Financial Statement Analysis and Internal Audit Procedure – Raj Lanka Power Company Limited.” This paper also covers some other factors related to the finance and accounts functions of Raj Lanka Power Company Limited and its importance which mentioned in the specific objectives below: Specific Objectives:

- To know about the financial Statement of Square Toiletries Limited.
- To know about the company’s mission, vision, objectives, values and principles.
- To know about the Parent of Raj Lanka Power Company Limited.

- To have a practical idea about the operations of finance and accounts department of RLPCL.
- To analyze the strengths and weaknesses of the financial management of RLPCL.
- To have an idea about the Internal Audit and Internal Control procedure of RLPCL.
- To assess the performance of RLPCL compared to its competitor, Northern Power, through analyzing financial ratios.

1.4 Scope of the Study

This report gives a brief idea on Raj Lanka Power Company 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 Financial Statement Analysis & Internal Audit procedure of Raj Lanka Power Company 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 Raj Lanka Power Company Ltd. during these three months in this report. Along with it, I used the following methodology:

1.6 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.

1.7 Sources of Data:

- **Primary data:**

I had several face- to-face discussions with my supervisor, Head of Operations, Finance Manager, executives of RLPCL and with the Country Manager regarding collection of

information. Through my personal observation as an intern in RLPCL, I got some information which I have used in this report.

- **Secondary data:**

- ✓ Website of Raj Lanka Power Company Ltd
- ✓ Annual reports of Raj Lanka Power Company Ltd from the year 2013 to 2015
- ✓ Annual report of Northern Power for the year 2013 and 2014
- ✓ Informative documents provided by the company supervisors
- ✓ Online search for more topic-related information.

1.8 Limitations of the Study

- ✓ 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 RLPCL 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 RLPCL which was only for about three months.
- ✓ It was difficult to understand the overall general financial management system of a giant foreign conglomerate- Raj Lanka Power Company Limited in just three months.
- ✓ RLPCL 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.
- ✓ Raj Lanka Power Company Ltd is not enlisted in the stock market. Therefore, for analyzing their performance through financial ratios, I could not use the "stock-market ratio"

Chapter: Two

2.1 Introduction to the Raj Lanka Power Company Limited

Raj Lanka Power Company Ltd (RLPCL) is a subsidiary of Lakdhanvi Ltd (LL) and a member company of LTL Holdings (PVT) Ltd (LTL) which is the holding company of Engineering Group in Sri Lanka. LTL Group is a major player in the power generating sector in Sri Lanka and its business is now diversified and spread to Asian and African regions, especially in the countries such as Bangladesh, Singapore, Uganda, Kenya, and Tanzania. **RLPCL** was incorporated to build, operate, and own 52.2 MW heavy fuel oil power plant in Natore, Rajshahi to supply power to the Bangladesh Power Development Board (BPDB) under a Power Purchase Agreement (PPA) entered into with the BPDB for 15 years. **RLPCL's** power plant is planned to commence its commercial operations in December 2013. Raj Lanka Power Company Ltd. owns and operates a heavy fuel oil power plant. The company is based in Rajshahi, Bangladesh. Raj Lanka Power Company Ltd. operates as a subsidiary of Lakdhanavi Ltd. Before going to the main topic I would like to share some information about Raj Lanka Power Company Limited' Subsidiary LL.

2.2 Background

Raj Lanka Power Company Limited (RLPCL) is a public limited company set up by a consortium of sponsors, namely Lakdhanavi Limited of Sri Lanka, Lanka Energy International (Private) Limited of Sri Lanka, and A&A Fashion Sweaters Limited of Bangladesh, to build, own and operate 52.2 MW Heavy Fuel Oil (HFO) fired power plant at Natore, Rajshahi, Bangladesh to supply electricity to the national grid of Bangladesh under a Power Purchase Agreement (PPA) signed with Bangladesh Power Development Board (BPDB) for a period of 15 years.

Lakdhanavi Limited was prequalified in an international procurement process floated by BPDB in 2010 to invest in 50MW HFO based independent Power Producer (IPP) project in Rajshahi. In the tender held in October 2011, Lakdhanavi's bid was accepted. A PPA was signed on 16 January, 2013, and an Implementation Agreement was signed in 27 November, 2011. RLPCL is one of the first IPP's in Bangladesh to secure a 15 year Fuel Supply Agreement (FSA) with Bangladesh Petroleum Corporation (BPC) on 6 September, 2012.

The power plant at Natore, built with the most renowned equipment, was financed by a USD 12M equity invested as Foreign Direct Investment (FDI) from Sri Lanka. Further

USD 19M was borrowed from Sri Lankan Banks at attractive interest rates. BDT 1,700M preference share was placed with Janata Bank Limited, Investment Corporation of Bangladesh, ICB Unit Fund and Standard Bank Limited to finance the remaining project cost. The project was completed in January 2014 within the scheduled completion date. Since then the Power Plant in Natore has had a very satisfactory and profitable operation. RLPCL is servicing all the debt obligations on schedule.

2.3 Nature of Business

RLPCL operates the HFO fired power plant at Natore having installed capacity of 53.54 MW and supplies the electricity generated at the power plant to BPDB through the national electricity transmission lines.

2.4 Operations

The electricity produced at the power plant is supplied to BPDB as per the Power Purchase Agreement (PPA) signed with BPDB on 16 January, 2013 for 15 years, which may be further extended upon expiry of the tenure of the agreement.

The power plant is set up on 4.159 acres of land at Natore. Power Plant engines were bought from Wärtsilä, Finland. The plant has six HFO fired engines with the capacity of 8.9 MW each for the generation of electricity. The plant receives HFO supply from BPC. The plant started to generate electricity from 24 January, 2014.

2.5 Distribution

RLPCL has signed a 15 years PPA having exclusive right of refusal with BPDB for uninterrupted supply of electricity through National Transmission Grid under Private Sector Power Generation Policy of Bangladesh. The Company's power plants maintain interconnection lines and sub-station equipment with the national transmission grid through which it supplies electricity.

2.6 Sources of and Requirement for Power, HFO and Water

2.6.1 Power

The operational power requirement of the power plant is met from its own generation.

2.6.2 HFO

The power plant requires Heavy Fuel Oil (HFO) for generation of electricity. BPC facilitates the necessary HFO supply through three oil marketing subsidiaries. Summary of the company's Fuel Supply Agreement (FSA) is appended below-

2.6.3 Water

RLPCL extracts water from underground water level to meet up its water needs through its own water pump.

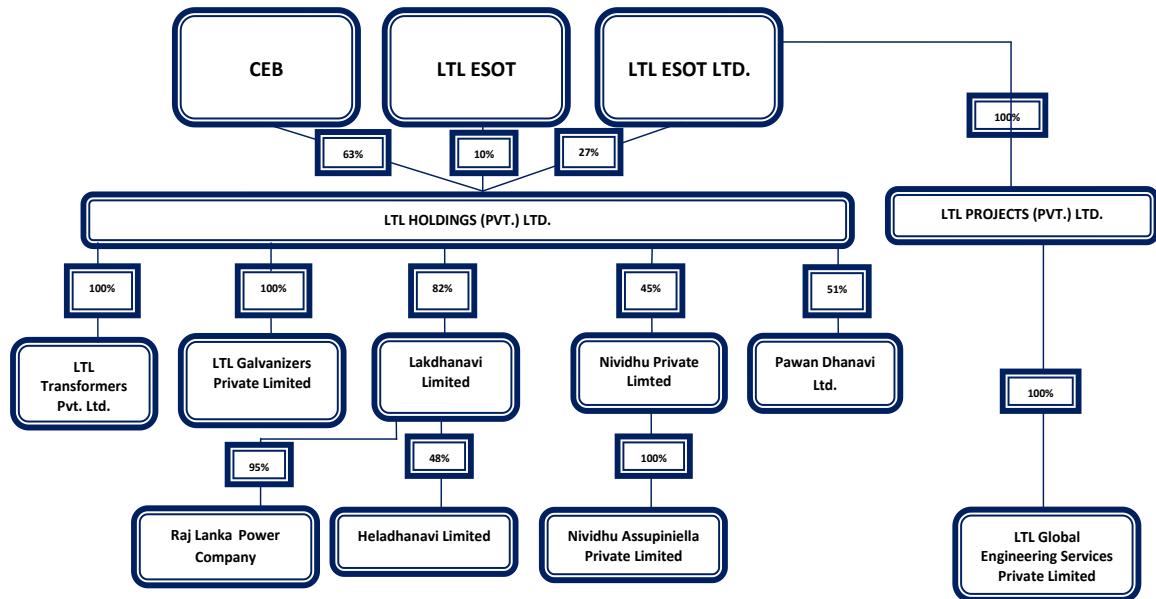
2.6.4 Ownership

2.6.5 Shareholding Structure

RLPCL has issued 95,355,000 ordinary shares of BDT 10 each and the shareholding structure is as follows:

Sl. No.	Shareholders Name	Number of Shares	Value(BDT)	% of Holding
1	Lakdhanavi Limited	77,034,000	770,340,000	80.78%
2	Lanka Energy International (Pvt.) Ltd.	15,720,000	157,200,000	16.49%
3	A & A fashion Sweaters Limited	2,601,000	26,010,000	2.73%
Total		95,355,000	95,355,000	100%

2.7. Structure:



2.8 The existing Redeemable Convertible Cumulative Preference Shares

RLPCL issued 170,000,000 RCCPS of BDT 10 each on 01st February 2014. The summary of RCCPS is tabled below-

Summary of RCCPS	
Issued Value	BDT 1,700,000,000
Issue Date	01 st February 2014
Dividend Rate	9% (with 15% conversion option) 13% (Without conversion option)
Redeemed Amount(as at 30 September 2015)	BDT 309,090,911
Yet to be redeemed(as at 30 September 2015)	BDT 1,390,909,089

2.9 Financing Mix for the Project

The total cost of the Power plant was BDT 3,808 million. It was financed through Equity: Quasi Debt and Term Loan mix of approximately 23:77. The Quasi Debt portion was

financed through issuance of RCCPS. The financing mix of the project is appended below-

Source of Financing	Amount (BDT)	Percentage
Ordinary Shares	953,600,000	23%
Preference Shares	1,700,000,000	41%
Debt	1,482,000,000	36%
Total	4,135,600,000	100%

2.10 The proposed Redeemable Cumulative Preference Shares

Dividend Rates and Dates of Repayment

Dividend for the Preference Shares is payable at a fixed rate of 9.50% per annum. The Dividend is cumulative and compounding in case of any deferred dividend payment. Dividend payment will be on quarterly basis starting from end of 3rd month from Subscription Date.

Redemption

RLPCL shall redeem the Preference Share in equal quarterly installments starting from end of 3rd month from the subscription date. The Mandate Lead Arranger (MLA) will create and/or determine and/or change the actual Issue size, redemption period, redemption amount, and redemption schedule based on the actual disbursement/drawdown made in consultation with the Issuer if required.

The Issuer will be entitled to redeem the Preference Shares fully/partially only with an early redemption charge @ 0.50% on the Principal Amount outstanding at the time of early redemption.

Mode of Payment of the Principal and Dividend

Payment of the Dividend and Principal sum will be made after deducting any applicable withholding tax and or any other taxes or charges thereon by account payee cheque or by electronic fund transfer mechanism recognized by the banking system of Bangladesh.

Rights and Obligations on the Preference Shares

The holders of the Preference Shares are entitled to,

- ✓ Receive the principal sum and dividend at the end of every three month as per the terms and conditions of the issue.
- ✓ Receive the annual report/audited financials of RLPCL.

Benefits of Investing in RLPCL Preference Shares

- ✓ An attractive dividend for a fixed period of time
- ✓ Opportunity to realize capital gain according to interest rate fluctuations in the financial markets.
- ✓ Security of the investment through mortgages of assets of the Company

Transfer of the Preference Share

The Preference Shares are freely transferable subject to the terms and conditions of the documents creating and evidencing the Preference Share.

Rating of the Preference Share

Credit Rating Agency of Bangladesh (CRAB) has assigned a rating of AA3 (SO) to the Preference Shares. A copy of the rating report issued by CRAB in respect of these Preference Shares is attached in the Annexure.

Inspection of Documents

The Audited Financial Statements of RLPCL for the Financial years ending 31 March 2015 and 2014, rating reports, material contracts (if any) and all other documents pertaining to proposed preference shares to which references are made in this Information Memorandum could be inspected by the prospective Preference Shareholders during working hours at RLPCL head office before the subscription

2.11 Power Sector of Bangladesh: Production and Consumption Scenario

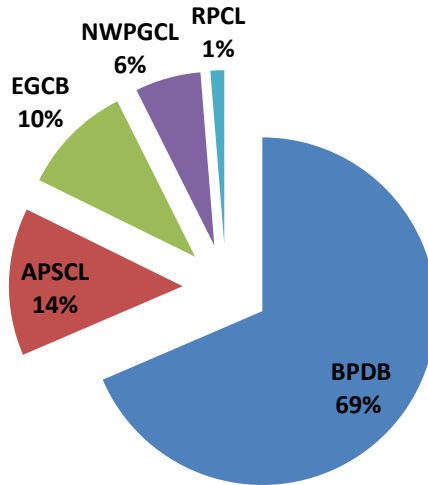
With rapid urbanization and increased industrialization of the country, the demand for power has been increasing at an accelerated rate over the years. According to Ministry of Power, Energy and Mineral Resources, presently, 68% of the total population of Bangladesh has access to electricity and per capita generation is 348 kWh per annum, which is very low compared to other developing countries. So, there lies a significant opportunity for improvement in the power segment. As such, the government has made power sector development one of its major focuses in the medium and long term to facilitate the industrial development of the country and has undertaken the Power Sector Master Plan 2010. Bangladesh has small reserves of oil and coal, but very large natural gas resources. Commercial energy consumption is mostly [natural gas](#) (around 66%), followed by [oil](#), [hydropower](#) and [coal](#).

According to Bangladesh Power Development Board (BPDB), the total generation capacity as of May 2015 stays at 11,203 MW out of which 54% is from public sector and 46% is from private sector as shown below:

Public Sector	Installed Generation Capacity (MW)
BPDB	4,126
APSCCL	827
EGCB	622
NWPGCL	368
RPCL	77
Subtotal	6,020 (54%)
Private Sector	Installed Generation Capacity (MW)
IPPs	2,212
SIPPs (BPDB)	99
SIPPs (REB)	251
15 YR. Rental	167
3/5 YR. Rental	1,954
Power Import	500
Subtotal	5,183 (46%)
TOTAL	11,203

Power generation capacity (%) within the public sector of Bangladesh

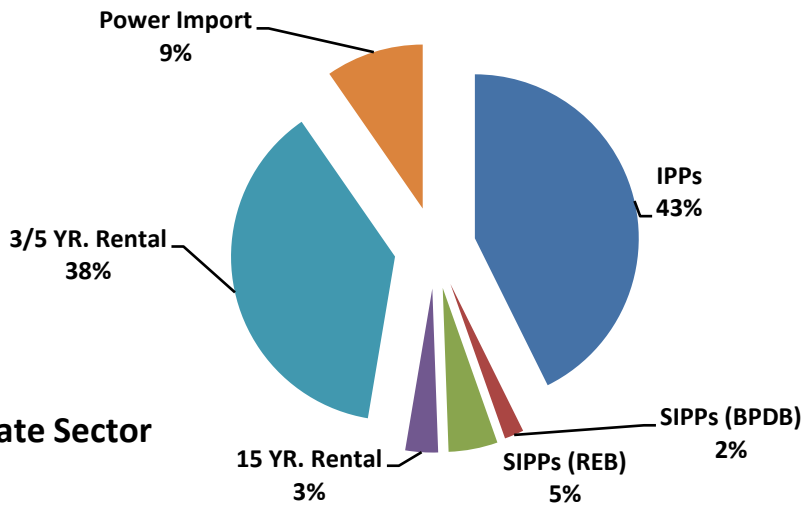
Installed Generation Capacity (%)



Public Sector

Power generation capacity (%) within the private sector of Bangladesh

Installed Generation Capacity (%)

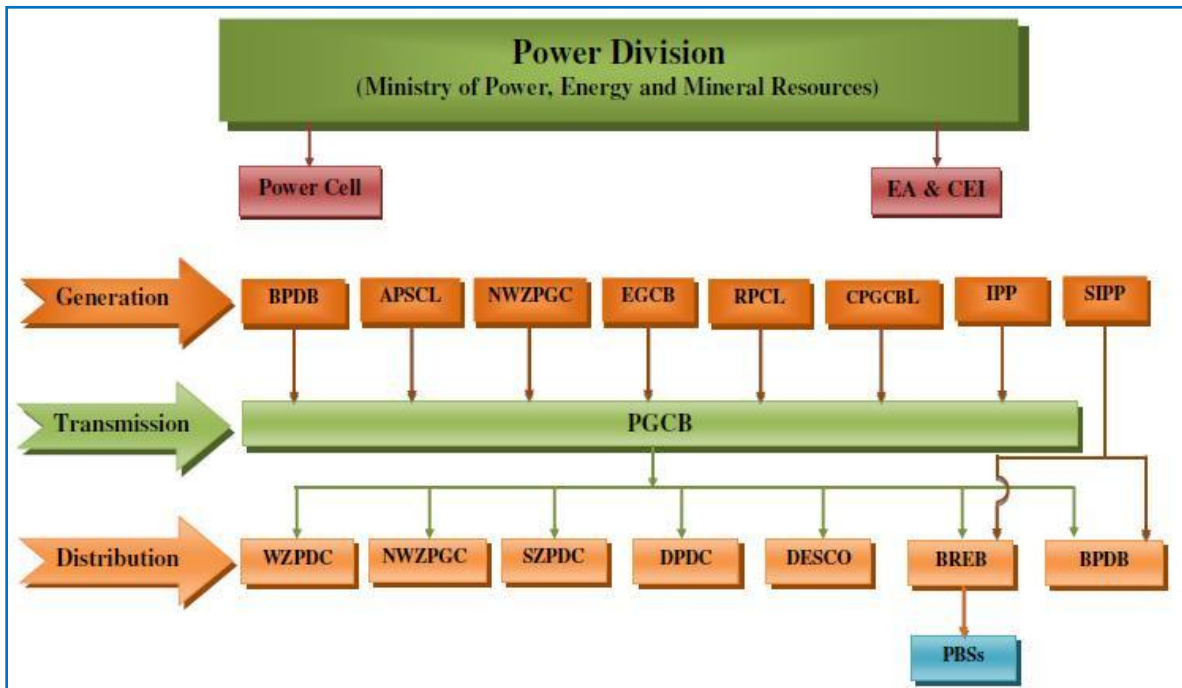


Private Sector

2.12 Power Sector Structure

Power Division of Ministry of Power, Energy and Mineral Resources (MPEMR) is responsible for formulating policy relating to power and supervise, control and monitor the developmental activities in the power sector of the country.

To implement its mandate the Power Division is supported by a number of organizations, related with generation, transmission and distribution. The organizational linkage is as follows:



Power Cell has been created by the government under Power Division, Ministry of Power, Energy and Mineral Resources under TA for Implementation of Bangladesh power sector reform project to carry forward the Power Sector reform activities of the government of Bangladesh.

2.13 Vision

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

2.14 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 electricity at affordable price to BPDB.
- To maintain a congenial working environment to build and develop the core asset of RLPCL-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.

2.15 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.
- To be competitive in the internal as well as external markets.
- To maximize the supply of electricity.
- To reduce the income gap between top and bottom categories of employees.

2.16 Values and Principals

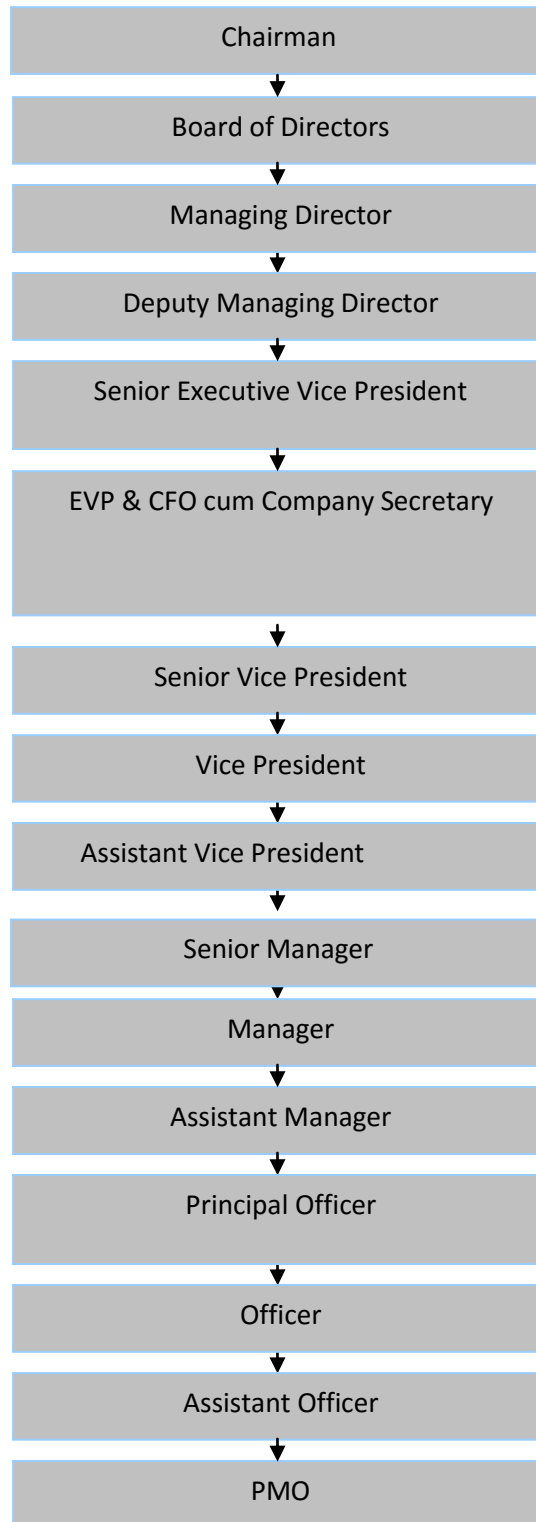
Well-being of consumer, employee and society are the three foundation pillars of the values and principles of Raj Lanka Power Company Limited (RLPCL). It believes that it is their obligation to work for the welfare of society. In spite of being a commercial organization, RLPCL does not always opt for 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.

2.17 Employees

RLPCL has been built around one core asset, and it is its people. This is what makes working in RLPCL so special. RLPCL 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. RLPCL 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, RLPCL is

employing over 160 employees ensuring its consistent welfare and security.² Due to its sociable working environment and highly motivated employees, RLPCL is enjoying one of the lowest employee turnover rates. RLPCL emphasizes on equal employment opportunity to physically challenges persons.

2.18 Organizational Structure (Straight-line)



2.19 Recommendation: Raj Lanka Power Company Limited (RLPCL) always try to do their best. RLPCL has no diversity of product they only produce electricity and sell them to BPDB.

Chapter: Three

3.1 Accounts and Finance Department of Raj Lanka Power Company Limited

The Accounts and Finance Department of RLPCL is divided into five sections. These are:

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



3.2 Sections of Accounts and Finance Department

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

3.3 Job Description of Financial Statement Analysis and an Internal Audit Intern

Assist in preparing Financial Statement Analysis and evaluating existing internal control documentation, testing current processes and providing recommendations.

- To assist the Finance team over preparation of Financial Statement Analysis.
- 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 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

3.4 Historical Financial Performance

Statement of profit or loss and other comprehensive income

In BDT	For the year ended 31 March	
	2015	2014
Revenue	3,368,716,730	456,833,449
Cost of sales	(2,941,873,352)	(380,164,150)
Gross Profit	426,843,378	76,669,299
Administrative expenses	(33,491,059)	(16,254,974)
Operating Profit	393,352,319	60,414,325
Finance income	33,560	6,020,093
Finance cost	(300,371,308)	(27,555,818)
Profit before tax	93,014,571	38,878,600
Income tax expense	-	(2,257,535)
Profit for the year	93,014,571	36,621,065
Other comprehensive income/(loss)	(20,748,152)	-
Total comprehensive income	72,266,419	36,621,065

3.5 Historical Financial Position

Statement of Financial Position

In BDT	31 March 2015	31 March 2014
Assets		
Property, plant and equipment	3,734,851,715	3,784,180,977
Capital work-in-progress	-	-
Non-current assets	3,734,851,715	3,784,180,977
Inventories	149,487,522	104,002,119
Advances, deposits and prepayments	59,139,428	8,524,095
Trade and other receivables	615,897,182	544,985,400
Cash and cash equivalents	15,300,600	190,192,518
Other current assets	-	-
Current assets	839,824,732	847,704,132
Total assets	4,574,676,447	4,631,885,109
Equity		
Share capital	953,600,000	953,600,000
Share money deposit	149,757,400	10,800
Exchange reserve	(20,748,152)	-
Retained earnings	129,635,636	36,621,065
Pending share allotment	53,670,000	-
Total equity	1,265,914,884	990,231,865
Liabilities		
Loans and borrowings	2,265,920,339	2,283,506,666
Finance lease	13,538,653	-
Non-current liabilities	2,279,458,992	2,283,506,666
Trade and other payables	173,080,884	632,542,576
Finance lease	2,952,500	-
Loans and borrowings	606,645,362	723,948,477
Bank overdraft	244,968,300	-
Current tax liabilities	1,655,525	1,655,525
Current liabilities	1,029,302,571	1,358,146,578
Total liabilities	3,308,761,563	3,641,653,244
Total equity and liabilities	4,574,676,447	4,631,885,109

3.6 Historical Financial Analysis

Sl.	Description	2015	2014**
1	Current Ratio	0.82	0.62
2	Quick Ratio	0.67	0.55
3	Debt to Equity Ratio (%)	64:36	66:34
4	Debt to Total Assets Ratio	0.72	0.79
5	Accounts Receivable Turnover Ratio (days)	62.89	39.96
6	Inventory Turnover Ratio (days)	18.55	18.33
7	Asset Turnover Ratio (%)	73.64	53.73
8	Debt Service Coverage Ratio	1.32	2.19
9	Return on Assets (%)	8.56	7.81
11	Net Asset Value per Share	13.3	10.4

**** Figures for the year ended 31 March 2014 been annualized since the company started Commercial operations on 24th January 2014.**

3.7 Recommendation with July'16 Financial Statement Analysis:

After these analysis I have been doing July'2016, Financial statement which one given below with some notes:

Raj Lanka Power Company Limited
Statement of financial position
As at 31 July 2016

<i>In Taka</i>	Note	31-Jul-16	31-Mar-16
Assets			
Property, Plant & Equipment	7	3,561,333,931	3,606,634,810
Non-Current Assets		3,561,333,931	3,606,634,810
Inventory	8	63,321,139	82,787,171
Advances, deposits and prepayments	9	77,323,987	78,092,107
Trade and other receivables	10	796,055,453	637,781,813
AIT receivables		486,803	-
Investments in FDR	11	15,335,676	14,945,497
Cash and cash equivalents	12	4,182,380	12,244,212
Current Assets		956,705,438	825,850,799
Total Assets		4,518,039,369.06	4,432,485,610
Equity			
Share capital	13	953,600,000	953,600,000
Exchange reserve		(23,734,179)	(24,760,000)
Retained Earnings		312,793,505	261,438,267
Pending Share Allotment		203,427,401	203,427,401
Total Equity		1,446,086,727	1,393,705,668
Liabilities			
Loans and borrowings	14.1	1,933,907,889	2,033,256,147
Finance Lease	15	11,329,745	12,645,662
Non Current Liabilities		1,945,237,634	2,045,901,809
Trade and other payables	16	96,056,348	142,843,992
Loans and borrowings	14.2	462,578,084	441,555,190
Finance Lease	15	3,904,053	3,904,053
Bank overdraft	17	563,699,232	402,600,801
Current tax liabilities	18	477,291	1,974,097
Current Liabilities		1,126,715,008	992,878,133

Total Liabilities	3,071,952,642	3,038,779,942
Total Equity and Liabilities	4,518,039,369.52	4,432,485,610

Raj Lanka Power Company Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 July 2016

<i>In Taka</i>	Note	For the month of July '16	For the month of June '16	Monthly Variance	Monthly Variance
Revenue	1	201,512,070	311,415,482	(109,903,412)	-35%
Cost of Sales	2	(162,835,540)	(272,039,597)	109,204,057	-40%
Gross profit		38,676,530	39,375,885	(699,355)	-2%
Administrative Expenses	3	(2,828,040)	(3,885,150)	1,057,110	-27%
Operating profit		35,848,490	35,490,735	357,755	1%
Finance Cost	4	(22,916,494)	(23,486,562)	570,068	-2%
Finance Income	5	76,541	104,117	(27,576)	-26%
Profit before tax		13,008,537	12,108,289	900,247	7.4%
Income tax expenses	6	-	(105,903)	105,903	
Profit for the year		13,008,537	12,002,386	1,006,150	8.4%
Other comprehensive income/(loss)	-		1,025,820	(1,025,820)	
Total comprehensive income		13,008,537	13,028,206	(19,670)	

Raj Lanka Power Company Limited
Statement of Changes in Equity
For the period ended 31 July 2016

<i>In Taka</i>	Stated Capital	Pending allotment	Retained Earnings	Exchange Reserve	Total
Balance as at 1 April 2015	953,600,000	203,427,401	137,889,617	(20,748,152)	1,274,168,866
Exchange reserve	-	-	-	(4,011,848)	(4,011,848)
Net profit for the Year	-	-	123,548,650	-	123,548,650
Balance as at 31 March 2016	953,600,000	203,427,401	261,438,267	(24,760,000)	1,393,705,668
Exchange reserve	-	-	-	1,025,821	1,025,821
Net profit/(loss) for the Year	-	-	51,355,238	-	51,355,238
Balance as at 31 July 2016	953,600,000	203,427,401	312,793,505	(23,734,179)	1,446,086,727

Raj Lanka Power Company Limited
Cash Flow Statement
For the period ended 31 July 2016

In Taka	Note	Period ended 31-Jul-16	Year ended 31-Mar-16
Cash Flows From / (Used in) Operating Activities			
Net Profit/(loss) before Income Tax Expense		51,534,725	132,170,303
Adjustments for			
Depreciation of property, plant and equipments	7	45,316,419	135,195,661
Income from Investments		(390,899)	(1,051,324)
Finance Cost		90,831,824	292,496,440
Operating Profit before working capital changes		187,292,070	558,811,081
(Increase)/Decrease in Inventory		19,466,032	66,700,351
(Increase)/Decrease in Trade & Other receivables		(158,760,443)	(67,660,886)
Advances, deposits and prepayment		768,120	36,312,321
Increase/(Decrease) in Trade & Other Payables		(48,284,449)	(39,407,062)
Cash Generated from Operations		481,329	554,755,805
Income Tax Paid		(179,487)	(367,673)
Finance Cost Paid		(90,831,824)	(292,496,440)
Net Cash From Operating Activities		(90,529,982)	261,891,691
Cash Flows From /(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	7	(15,540)	(6,978,756)
Income from Investments		390,899	1,051,324
Investments in FDR		(390,179)	(14,945,497)
Net Cash Flows (Used in) Investing Activities		(14,820)	(20,872,929)
Cash Flows From /(Used in) Financing Activities			
Exchange reserve		1,025,821	(4,011,848)
Loan Repayments (net)		(79,641,281)	(397,695,802)
Net Cash From / (Used in) Financing Activities		(78,615,460)	(401,707,650)
Net Increase in Cash & Cash Equivalents		(169,160,263)	(160,688,888)

Cash & Cash Equivalent at the beginning of the year		(390,356,588)	(229,667,700)
Cash & Cash Equivalent at the end of the period	12	(559,516,851)	(390,356,588)

Notes:

**Raj Lanka Power Company Limited
Notes to the financial statements**

1 Revenue

<i>In Taka</i>	Note	For the period ended 31-Jul-16	For the year ended 31-Mar-16
Supply of electricity		1,101,118,337	2,927,546,982
		1,101,118,337	2,927,546,982

2 Cost of sales

Fuel Consumed		862,866,755	2,259,530,123
Direct expenses	2.1	84,277,113	221,548,187
		947,143,868	2,481,078,310

2. Direct expenses

1

Fuel testing		-	2,288,139
Fuel transport		16,539,840	33,644,352
Chemical purchase		519,300	214,797
Operation and maintainance fee		23,379,745	53,920,745
Depreciation		43,838,228	131,480,154
		84,277,113	221,548,187

3 Administrative expenses

Depreciation	1,478,192	1,917,606
Fees and charges	2,350,018	8,397,393

Insurance	2,100,202	7,458,884
Miscellaneous	32,663	569,441
Office maintenance	5,686,683	9,548,020
Salary and allowances	-	3,080,628
Travel expenses	351,060	135,262
	11,998,819	31,107,233

4 Finance cost

	Not e	For the period ended 31-Jul-16	For the year ended 31-Mar-16
<i>In Taka</i>			
Interest on long term borrowings		19,840,508	62,756,074
Preference share interest		50,379,329	167,125,853
Prepaid loan amortization fee		951,144	2,853,432
Lease interest		805,202	2,475,499
Overdraft interest		15,919,246	47,646,502
ICB advisory fees		1,879,826	6,249,068
Exchange gain/ loss on loan revaluation		1,056,570	3,390,012
		90,831,824	292,496,440

5 Finance income

Interest Income	390,899	1,051,324
	390,899	1,051,324

6 Income tax

Current income tax expense	179,487	367,673
	179,487	367,673

**Raj Lanka Power Company Limited
Notes to the financial statements**

8. Inventory

<i>In Taka</i>	<i>Note</i>	As at	
		31-Jul-16	31-Mar-16
HFO Stock		28,738,418	39,784,014
Lube Oil		11,910,410	10,667,051
Auto Diesel		1,669,791	1,506,786
Goods in Transits		21,002,520	30,829,320
		63,321,139	82,787,171

9 Advances, deposits and prepayments

Prepaid expenses		67,880,724	70,074,240
LC margin		629,777	2,238,511
Cash advances		4,173,356	4,179,356
Deposits		4,640,130	1,600,000
		77,323,987	78,092,107

10 Trade and other receivables

Bangladesh Power Development Board		789,444,093	617,390,247
Receivables from related parties	10.1	1,558,717	14,019,764
Other receivables		5,052,644	6,371,802
		796,055,453	637,781,813

10.1 Receivables from related parties

	<i>Relationship</i>		
Lakdhanavi Limited	Parent	1,467,912	14,019,764
Lakdhanavi Limited Branch office	Related party	90,805	-
		1,558,717	14,019,764

Chapter: Four

Internal Audit

4.1 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.

4.6.2 Certain Time of Performing Internal Audit All financial records shall be audited 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.

4.6.3 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.



4.2 Internal Audit procedure:

1. Planning

During the planning portion of the audit, the auditor notifies the client of the audit, discusses the scope and objectives of the examination in a formal meeting with organization management, gathers information on important processes, evaluates existing controls, and plans the remaining audit steps.

Announcement Letter

The client is informed of the audit through an announcement or engagement letter from the Internal Audit Director. This letter communicates the scope and objectives of the audit, the auditors assigned to the project and other relevant information.

Initial Meeting

During this opening conference meeting, the client describes the unit or system to be reviewed, the organization, available resources (personnel, facilities, equipment, funds), and other relevant information. The internal auditor meets with the senior officer directly responsible for the unit under review and any staff members s/he wishes to include. It is important that the client identify issues or areas of special concern that should be addressed.



Preliminary Survey

In this phase the auditor gathers relevant information about the unit in order to obtain a general overview of operations. S/He talks with key personnel and reviews reports, files, and other sources of information.

Internal Control Review

The auditor will review the unit's internal control structure, a process which is usually time-consuming. In doing this, the auditor uses a variety of tools and techniques to gather and analyze information about the operation. The review of internal controls helps the auditor determine the areas of highest risk and design tests to be performed in the fieldwork section.

Audit Program

Preparation of the audit program concludes the preliminary review phase. This program outlines the fieldwork necessary to achieve the audit objectives.

2. Fieldwork

The fieldwork concentrates on transaction testing and informal communications. It is during this phase that the auditor determines whether the controls identified during the preliminary review are operating properly and in the manner described by the client. The fieldwork stage concludes with a list of significant findings from which the auditor will prepare a draft of the audit report.

Transaction testing:

After completing the preliminary review, the auditor performs the procedures in the audit program. These procedures usually test the major internal controls and the accuracy and propriety of the transactions. Various techniques including sampling are used during the fieldwork phase.

Advice & Informal Communications

As the fieldwork progresses, the auditor discusses any significant findings with the client. Hopefully, the client can offer insights and work with the auditor to determine the best method of resolving the finding. Usually these communications are oral. However, in more complex situations, memos and/or e-mails are written in order to ensure full understanding by the client and the auditor. Our goal: No surprises Audit Summary Upon completion of the fieldwork, the auditor summarize the audit findings, conclusions, and recommendations necessary for the audit report discussion draft.

Working Papers

Working papers are a vital tool of the audit profession. They are the support of the audit opinion. They connect the client's accounting records and financials to the auditor's opinion. They are comprehensive and serve many functions.

Working Paper Documentation

Audit Report

Our principal product is the final report in which we express our opinions, present the audit findings, and discuss recommendations for improvements. To facilitate communication and ensure that the recommendations presented in the final report are practical, Internal Audit discusses the rough draft with the client prior to issuing the final report. For an audit report template including an executive summary [click here](#).

Discussion Draft

At the conclusion of fieldwork, the auditor drafts the report. Audit management thoroughly reviews the audit working papers and the discussion draft before it is presented to the client for comment. This discussion draft is prepared for the unit's operating management and is submitted for the client's review before the exit conference.

Exit Conference

When audit management has approved the discussion draft, Internal Audit meets with the unit's management team to discuss the findings, recommendations, and text of the draft. At this meeting, the client comments on the draft and the group work to reach an agreement on the audit findings.

Formal Draft

The auditor then prepares a formal draft, taking into account any revisions resulting from

the exit conference and other discussions. When the changes have been reviewed by audit management and the client, the final report is issued.

Final Report

Internal Audit prints and distributes the final report to the unit's operating management, the unit's reporting supervisor, the Vice President for Administration.

Client Response

The client has the opportunity to respond to the audit findings prior to issuance of the final report which can be included or attached to our final report. However, if the client decides to respond after we issue the report, the first page of the final report is a letter requesting the client's written response to the report recommendations.

In the response, the client should explain how report findings will be resolved and include an implementation timetable. In some cases, managers may choose to respond with a decision not to implement an audit recommendation and to accept the risks associated with an audit finding. The client should copy the response to all recipients of the final report if s/he decides not to have their response included/attached to Internal Audit's final report.

Client Comments

Finally, as part of Internal Audit's self-evaluation program, we ask clients to comment on Internal Audit's performance. This feedback has proven to be very beneficial to us, and we have made changes in our procedures as a result of clients' suggestions.

Audit Follow-Up

Within approximately one year of the final report, Internal Audit will perform a follow-up review to verify the resolution of the report findings.

Follow-up Review

The client response letter is reviewed and the actions taken to resolve the audit report findings may be tested to ensure that the desired results were achieved. All unresolved findings will be discussed in the follow-up report.

Follow-up Report

The review will conclude with a follow-up report which lists the actions taken by the client to resolve the original report findings.

Internal Audit Annual Report to the Board

In addition to the distribution discussed earlier, the contents of the audit report, client response, and follow-up report may also be communicated to the Audit Committee of the Board as part of the Internal Audit Annual Report.

Reasons for Performing Internal

An audit should involve following all financial transactions through the records to be sure that receipts/bills have been properly accounted for and expenditures made as authorized by the Board of Directors and in conformity with the bylaws, policies and procedures, and budget limitations. Adequate explanation of expenditures is confirmed so that it can be understood by anyone looking through the records.

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

4.3 Procedure:

An audit should involve following all financial transactions through the record to be sure that receipts have been properly accounted for and expenditures made as authorized by the Board of Directors and in conformity with the bylaws, policies and procedures, and budget limitations. 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. 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 correctly".

4.6.7 Basic Guideline for Internal Audit¹¹

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.

4.4 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.

4.5 Guideline to Check Payment :

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.

4.6 Guideline to Check Payment Supplier (Bill checking section will check the followings):

- Supporting bill
- 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.

4.7 Guideline to check payment of local conveyance Bill:

Executive or non executive will submit local conveyance bill to his department Head. Department head will recommend the bill for payment. After signature of departmental head, bill will be submitted to “bill checking section”.

Bill selection section will check the followings:

- Date of bill
- Date of travel
- Signature of traveler name designation department of traveler
- Destination (from/to)
- Mode of transport
- Purpose of travel
- Amount in figure and amount in words

- Note(in case of any exception, delay submission of bill or mode of transport CNG for non executive)
- Signature of department head.

Bill checking section after proper scrutiny, will forward the bill into cash section for payment.

4.8 Guideline to check payment of overseas travelling bill

Bill checking section will check the following documents:

- Approved tour program
- Quotation from traveling agents
- Approved CS
- Advance adjustment
- Currency rate
- Approval of bill
- Date of bill
- Amount in figure and amount in words.

4.9 Internal Control:

Definition Internal control is a process designed by an organization's governing board to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations



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 affected 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.

4.10 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

4.11 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.

4.12 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.

4.13 Few Examples:

Audit Guideline of RLPCL 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.

Activities performed during the visit are as follows-

During my Internship period Company made one surprise visit forme, that one located at Natore. And I have done some Internal Audit-

1. Supervise record keeping (books, ledgers, registers, accounts etc.) and satisfy its accuracy, timeliness, filling, reporting & safekeeping):

Checked the below documents/records-

- Petty Cash records, General ledgers, security registers, payment vouchers, deposit slips, IOU slips, employee attendance register, salary/OT sheet.

Observations:

During the reviewing procedures I noticed that most of the documentations process is being maintained properly; some areas required improvement, which are appended below

-

- Employee attendance card is not signed by the Line In charge while the employee is working outside of the plant (for fuel unloading/fuel transporting/fuel handling) and could not punch the in time or out time in a particular day. Mainly two persons who are working for fuel loading, unloading related work and can't punch their cards.
- Some petty cash vouchers are not signed by Plant Manager before making the payment. And some payment vouchers payees signature is missing.
- Proper GL code was not used for some instances while recording expenditure, we made the corrections for the December recordings in the system/print copy wherever applicable. In some instances O&M cost was charged to Owner and vice versa, we segregated the expense codes properly and explained the rationale for segregation (I.e. ISO training expenses sometimes booked as owner cost sometimes as O&M cost)
- For some instances, while providing cash advances IOU slips authorized signature is missing. Reconciliation of bank account balances and petty cash balance is maintained properly.
- All staff attendance records and leave records are maintained and kept properly.

Recommendation:

- As per the general practice of the plant, Employee attendance card has to be signed by the Line In charge while the employee is working outside of the plant (for fuel unloading/fuel transporting/fuel handling) and could not punch the in time or out time in a particular day.
- Petty Cash Voucher has to be signed by the Plant Manager before transacting the cash.
- On spot we make the expense GL corrected and provided guidance to the accounts officer for future recording and reporting of financial records.
- It was recommended to do mail communication for purchasing instead of verbal communication to make it acceptable/more reliable.

2. Checks on sludge disposal, prices, quantities and income recording:

Plant people are keeping the sludge disposal, prices, quantities and income records properly as instructed. After selling the sludge they record that sludge in a register then deposit the money into bank and send the details to the Dhaka Office for recording in the system.

3. Checks on Plants Store:

Store keeper is keeping records separately in bin cards and in register as well. We took a bin card on a sample basis and traced the product from bin card to physical location. Then we tried to trace it with GRN to identify whether the receiving details and recording details are identical, we found they did not record the GRN number in the bin card, on spot we made the store keeper rectify the relevant card and instructed to update all cards accordingly.

For Example, Wartsilla parts he maintains different register, for Gea different register. But some lackings are there. They are maintaining but not in the proper way. They are recording but some information is missing there like some dates, GRN no etc.

4.14 Findings:

While I Audited I find some problems which should be minimize:

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

4.15 Recommendation:

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

As I have mentioned earlier that the audit team of Raj Lanka Power Company Limited has to perform audit is quite difficult to maintain for a three people audit team. Because audit team has to verify every little to big transactions 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.

- **Flexible management is a problem:**

Since RLPCL is a huge organization, total management is extremely flexible. This causes indiscipline and inefficiency which may eventually have a detrimental impact on the organization. Therefore, the management should be stricter for the betterment of the company.

- **Problems with Auditing:**

Suppliers 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. Sometimes the auditors fail to identify these culprits. 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.

- **Increasing the number of People in the Internal Audit Team of RLPCL:**

As I have mentioned earlier that the audit team of Square Toiletries Ltd. has to perform audit 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.

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

- Ms Rokhsana Akter-Finance Manager, Accounts and Finance, Raj Lanka Power Company Limited.
- Moin Uddin Ahmed– Executive, Accounts and Finance, Raj Lanka Power Company Limited.
- Humayun Ahmed- Executive, Accounts and Finance, Raj Lanka Power Company Limited.

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.

4.16 The tasks that I have performed throughout my internship period in Raj Lanka Power Company are:

- Financial Statement Analysis from 2014 to 2016 along with Payment Voucher, Bank Reconciliations, Journal Entries, Trial Balance, Ledger and Payment Cash Book.
- Audited the Mobile Allowances of the employees For Example, executives are getting 1,000, whereas Manger and others are getting separate allowance.
- Audited Overtime Allowances of the employees
- Plant Visit (Audited at Plant)
- Audited Petty Cash Summary

4.17 My learning from Raj Lanka Power Company Limited:

I learned a lot throughout my internship period in RLPCL. First of all I learned Discipline. They are very much well organized and follow their discipline strictly .They are much strict about time table. I gain the knowledge of an organization. I learned How to work in corporate life. I understand the Financial Statement and auditing part which I never learned outside. I gain knowledge's from my seniors they are very cooperative and friendly. I enjoyed a lot to work with them. The Program provides me with valuable exposure to the working environment of Raj Lanka Power Company Limited. The knowledge and experience I have gathered, will help me a lot to enrich my career in future.

Chapter: Five

5.1 Conclusion

After analyzing the last 3 years financial data of Raj Lanka Power Company Limited I came to the conclusion that RLPCL is one of the leading Power Company of Bangladesh. They are very punctual to their work. In this Company their Accounting and Financial procedure are very much active. Active in this sense, they are using Sri Lankan software. They also have Inventory software. Monthly basis they are doing their Accounts, reporting. Practically I have learned how to prepare Financial Statement analysis. There are lots of steps for preparing this statement. Under this FS Preparation some steps are strictly followed one after one that is-

- i) Bank Reconciliation
- ii) Direct Debit, Credit Transfer
- iii) Journal Entries

After input of these three things into Accounts Management System (AMS) then Trial balance, Single Accounts will come automatically through system. But for preparation of FS there are some other sheets which also have to fill. These sheets are for Closing Stock, HFO, LFO Calculation etc. Here is one issue that I found in the Bank statement. Actually here respective officer have to submit the monthly report by 5th of beginning month. So, they are preparing Bank Reconciliation on 30th or 31st. But after preparation is complete the other day we saw some transaction was there. For example, loan payment, bank charges etc Banks are deducting on 31st evening. These are the things I have learned throughout my internship.

And from auditing part I have learned how to catch the mismatch of accounts. I checked some bills of office car. Drivers are submitting bills to the cash officer. In one bill I saw bill is for 306 but drivers wrote tk 396. Then some date issue, bills are not approved by the authorized person, Appropriate VAT, AIT deduction problem etc. Actually there are lots of things that I have learned. Here my suggestion is- If cash officer saw some bills which is overwritten then the officer shouldn't take the bill and mustn't provide the bill amount.

At my visiting time I also saw some **engineering parts** at their plant that-

- i) how they are operating machineries,
- ii) how they are filling their HFO, LFO Tanks with oil
- iii) how their bowsers are filling etc

After working with RLPCL I understand the Accounting and Auditing procedure of Their Company, I came to the conclusion that RLPCL is one of the best Sri Lankan based Multinational Company. Here working environment is very much friendly and all the officers are Cooperative and well behaved. Within small span of time I gathered lots of knowledge. Almost all of the ratios of RLPCL show that they are solvent enough and they have the efficiency. In the last I would like to add that RLPCL Audit management practice needed to be improved and they need to take some effective solution so that RLPCL can hold their reputation as a business icon in the Power sector.

Finally I want to say that, RLPCL have gained considerable popularity in Bangladesh. These Company help to generate electricity as instruction of BPDB, which is often a challenge to them. They are maintaining Proper schedule for example BPDB gives them instruction on daily basis, how much electricity, full load or not etc. However overall performance of the company is satisfactory. It is said to comply with a satisfactory level to its business objectives.

Chapter: Six

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