

INTERNSHIP REPORT ON

“INVENTORY MANAGEMENT PROCESS AND INTERNAL AUDIT PROCEDURE OF SQUARE TOILETRIES LTD.”





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To

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Subject: Submission of Internship report on “**Inventory Management Process and Internal Audit Procedure of Square Toiletries Ltd.**”.

Dear Sir,

With due respect, I am submitting the internship report on the topic titled “**Inventory Management Process and Internal Audit Procedure of Square Toiletries Ltd.**” as a part for the completion of BUS 400 course.

It is my pleasure to inform you that it was undoubtedly an interesting opportunity for me to work on Square Toiletries Limited, Corporate Head Quarter office and also assigned topic to enhance our knowledge in the practical field. I would like to thank you for giving me the opportunity.

I have given my utmost effort to reflect experience, skill and knowledge. All of my efforts will be successful if the report can serve its purpose. Please find the report attached herewith.

Therefore, I sincerely hope that you will appreciate my effort and I shall be grateful if my report is accepted for the appropriate purpose.

Thank you.

Sincerely yours,

Ujjayinee Progga Mitra

ID: 13104169

X

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Acknowledgement

First of all I want to thank my internship supervisor Ahmed Abir Choudhury, Lecturer- BRAC Business School, BRAC University for his inspiring guidelines, valuable suggestion, positive criticism and constant help throughout the work and in preparation of this report. The successful completion of this report might never have been possible in time without him whose inspiration and suggestions made it happen.

I also want to thank to the management and officials on Square Toiletries Limited, Corporate Head Quarter. I would like to acknowledge toward Mr. Golam Kibria, Director, Accounts & Finance, SQUARE Toiletries Limited(STL). Without his tremendous help it wouldn't be possible to make this report with such an important project and also giving me the opportunity to work independently along with required support. I express my profound gratitude towards my line manager in STL, Razzakul Haider, Executive, for being patient with me and supporting me for 3 months program and helping me to complete the report in time. My colleagues at office had also been very kind and helpful and they made my internship more comfortable one. I would like to show my respect to my colleagues of SQUARE Toiletries Limited to give a clear idea about Internal Audit department and it works.

Finally my gratefulness goes to my family, friends and classmates for being supportive in all the walk of my academic life.

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Executive summary:

Fast moving Consumer good business now-a-days has become one of the core business in Bangladesh. Square Toiletries limited- sister concern of Square Group is one of them. Within a tiny period it has shown it's potentiality. I am writing this report on this fast growing company. Last 3 months I had an opportunity to work in this organization for my internship purpose. It was a great journey with lots of new knowledge. During my internship, I got chance to know about the audit procedure of this company as I worked on audit department. This report will reveal the company backgrounds the scopes and limitation of this study. In this study I tried to explain my job experience in this beautiful working environment, my responsibilities and the guidance i have got from the supervisor and line managers. Moreover, in this report I tried to explain what methods the audit department follows, the main Control processes of Inventory requisition and issuing process, ordering procedure and the guidelines STL follows. The analysis has shown that STL maintains its procurement and Inventory Management process wonderfully which is a indicator of future success. Furthermore, this study contains company's future plans and possible solution regarding the finding i came up with.

Chapter-01

Introduction

1.1 Background of the report:

For completing BBA program in business studies Internship is now compulsory. In academic life, students generally learn the theoretical part. When they enter in job life they often don't find any similarities between what they have studied and what they have got to work. Internship program is sort of connecting link between these two which helps to gain some practical knowledge about their own learning. Square Toiletries Ltd. is a well-known company which provides chance to learn and gain knowledge from internship to the under-graduate student. I was offered by STL on this matter for fifteen weeks internship program in their accounts and finance department. I started my internship from 8th January, 2017 and ends on 18th April, 2017. As my major is Accounts and Finance i was assigned to work on the internal audit of A&F department. While working on there, I selected Accounts related topic for my report and I decided to do a report on **“Inventory Management Process and Internal Audit Procedure of Square Toiletries Ltd.”** In this matter my advisor Ahmed Abir Choudhury, Lecturer of BRACU approved my topic and authorized me to prepare this report. This internship is an actual experience of the practices in FNCG Company and helped to develop a broad understanding about the detailed process of information management system of Square Toiletries Ltd. This practical operation is also having positive development in professional field

The manufacturing sector is relatively a minor sector of Bangladesh economy according to their GDP growth. It is generally accepted that this sector need to be develop. In this case Square group is playing a vital role to improve this sector.

1.2 Statement of the study:

This study is based on the evaluation of Inventory management process of Square Toiletries Ltd. The following questions is required to analyze the condition of IMS and Internal Audit :

- How Internal Audit department is performing?
- How STL is maintaining their procedure of auditing?
- How STL is performing in the management issue of inventory?

1.3 Scope of the Study:

During the study I have got to know about some scopes by which I can enhance my internship reports. The data given in this report depends on individual perception, research and employment encounter obtained amid the entry level position period. This report for the most part concentrates on the budgetary execution of Square Toiletries Limited and the examination is put forth through inspecting the money related expressions of the organization and literary works. It likewise gives a thought of the general interior review and inside control strategy.

1.4 Objective:

The main objective of the report is to introduce with the information contained in the audit guideline and to give the opportunity to use this information in preparing a report on a target company.

The objective of the study may be viewed as:

- General Objective
- Specific objective

❖ General objective:

The general objective of the study is getting the real life experience or getting the corporate zest by performing three months' internship at SQUARE Toiletries Limited

❖ Specific objective:

This study also covers some specific objectives which are:

- To get clear and practical knowledge about STL.
- To highlight the internal audit department's work procedure of the company.
- To identify the problematic areas of the organization.
- To get a practical idea about the organizational environment

- To make recommendation that will help to improve their performance in future

1.5 Limitation of the study:

There is some limitation of the research. Some information I found during conversation period was not granted to disclose in report as a result I had to skip some important part. I faced problems while choosing my topic due to unavailability of financial information. As STL is a private limited company, they do not prepare annual report for the fiscal year. Lastly I decided to do analysis on inventory management procedure. I needed to calculate Cost Profit analysis but it was also not possible. As STL is a private ltd company, i could not complete ratio analysis and also could not compare among the rivalry companies.

1.6 Methodology:

Source of data:

My report's topic is **“Inventory Management Process and Internal Audit Procedure of Square Toiletries Ltd.”** I have used both primary and secondary data in the method of collecting data. All of the information that I needed to make this report is collected from the following source:

Primary source:

- Face to face conversation with the representative personal of STL's accounts & finance department.
- By interviewing the organization's officers time to time.

Secondary source:

- Relative research papers.
- Websites of the company.
- Guideline of Auditing
- Approval of trade programs

Chapter- 2

Company Overview

2.1 Company Profile:

SQUARE now a day symbolizes a name—a state of mind. But it faces so many difficulties to get this success and growth. From the inception in 1958, it has burgeoned into one of the top line corporations in Bangladesh. **SQUARE** is a Bangladeshi industrial corporation. The industries under this group include Textiles, Pharmaceuticals, Toiletries, Consumer products. Services provided by **SQUARE** include Healthcare (Hospitals), Information and Communication Technology. Square toiletries limited (STL) started in 1988 as a diversion and ISO: 9001 certified company. In 1994 square toiletries limited began its journey as a private limited company. Now STL is the country's leading manufacturer of international quality cosmetics and toiletries products. At present, STL is the country's leading manufacturer of international quality cosmetics and toiletries with 20 brands and more than 55 products

Currently Square Groups has more than 3,000 employees. As it has a good sociable working environment and highly motivating culture, Square Group is enjoying the lowest employee turnover rates in the management level.

Besides core business functions, STL has different philanthropic activities like employment generation program for vulnerable community, financial aid to disadvantaged and natural disaster affected people, helping acid victims, tree plantation, creating mass awareness on health and hygiene issues, supporting education and various local community programs and many more. Square Toiletries Ltd. symbolizes innovation. From the beginning STL is the pioneer in bringing in new products and packaging concepts in Bangladesh. Currently, In Rupshi and Pabna STL is operating their Production process with latest equipment and automated machineries

Square Toiletries Limited (STL) launched its operations with Jui Coconut Oil. Gradually it became the branded Pure Coconut Oil market in the country. Today, STL is consist of over 42 product lines and an annual sales exceeding 2.00 billion taka and has now become one of the leading local toiletries companies in Bangladesh. STL manufactures and markets a wide array of consumer toiletries products ranging from Hair Oils, Toilet Soaps, Fabric Care to Winter Care and Summer Products, Baby Care, Dental Care and Shaving products, among others. The company also has a sister concern Health Products Limited (HPL), and through it markets

Feminine Hygiene products. Most of the popular brands of STL are Jui, Meril, Kool and Chaka, it operates successfully as a major player in the exceedingly competitive marketplace.

2.1.1 Concerns of Square Group:

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

2.1.2 History of Square:

Year	Milestones
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 Pharmaceutical 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 Care 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 is 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	<ul style="list-style-type: none"> ✓ 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	<ul style="list-style-type: none"> ✓ "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.

2.2 Square Toiletries Ltd:

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.

2.2.1 Vision:

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

2.2.2 Mission:

- To treasure client understanding collectively of our most valued assets and thereby exerting each effort to grasp consumers' dynamic necessities to modify the product.
- To provide client product at reasonable value by strictly maintaining associate unyielding stance with quality. With continuous R&D and innovation STL try to form product obliging 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

2.2.3 Objectives:

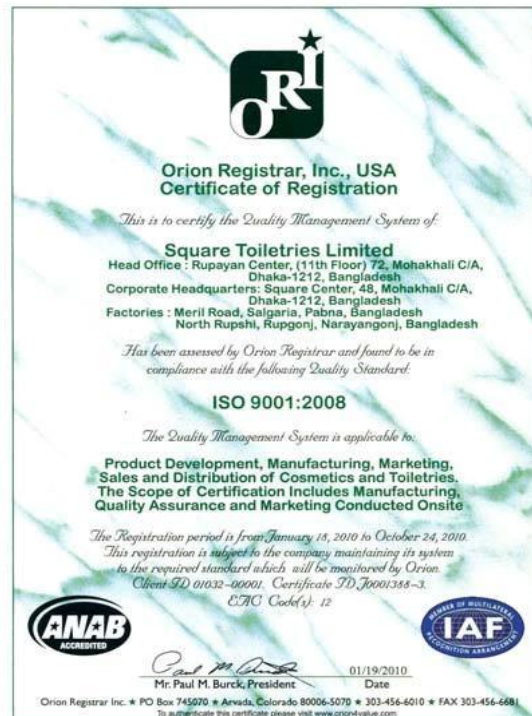
- To strive hard to optimize profit through conduction of transparent business operations within the legal and social framework with malice to none and justice for all.
- To create more jobs with minimum investments.
- To maximize export earning with minimum imported inputs.
- To be competitive in the internal as well as external markets.
- To reduce the income gap between top and bottom categories of employees.

2.3 Values & Principles:

Well-being of consumer, worker and society, STL Measures this as the 3 foundation pillars of the values and a principle of Square Toiletries Ltd. Square Toiletries Ltd. believes that it's their duty to figure out the welfare of society. In spite of being a profitable organization STL does not perpetually want profits, rather it tries to be even additional centered towards the fulfillment of its commitments to society. Thus, it has an intense sense of responsibility to its client, its individuals and its society as an entire. From the day to day business operation of quality policy, in each single activity of STL these core values and principals Square mirrored.

2.3.1 Quality Policy

- Providing maximum satisfaction to the customer according to their needs and maintain every effort to achieve market.
- Striving to continuously upgrade in manufacturing technology to maintain optimum level of quality measures in conformity with the international standard – ISO 9001: 2008.
- Training employee and maintaining congenial working environment continuously to reach the quality objective



2.3.2 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. STL provides their employee so many facilities which make them feel special working in this organization. They are able to get festival bonus, profit bonus along with entertainment bonus, transportation service, annual leave along with casual leave with payment.

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.

2.3.3 Management Committee:

Board of Directors

Name	Designation
1. Mr. Samuel H. Chowdhury	Chairman
2. Mr. Anjan Chowdhury	Managing Director
3. Mrs. Anita Chowdhury	Director
4. Mr. Tapan Chowdhury	Director
5. Mr. Charles CR. Patra	Director
6. Mrs. Ratna Patra	Director

Company Secretary

Name	Designation
Mr. Khandaker Habibuzzaman	MBA, ACS

2.3.4 Organogram of Square Group:



2.4 Departments of Square Toiletries Limited

- Production:
- Quality Control:
- Product Development: mainly Chemistry background people are engaged.
- Technical Services: deals with Purchase of a machine for making new Products.

- Marketing: activities are directly related to profitability.
- Sales & Distribution: export is done under this dept.
- Accounts & Finance: deals with all monetary activities.
- Commercial: deals with buying of raw & packaging materials).
- Human Resources:
- Engineering: required when a new machine is installed.
- Production Planning & Inventory Control:

2.5 Products:

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

1. Health and Hygiene Products
2. Toiletries Products

The products under these two sections are given below:

<u>Health and Hygiene Products</u>	
1. Senora	<ul style="list-style-type: none"> ➤ Senora Confidence Ultra ➤ Senora Confidence ➤ Senora Eco Belt ➤ Senora Regular
2. Supermom	<ul style="list-style-type: none"> ➤ Baby Diaper

The first Section Contains Baby Hygiene products called supermom baby diaper with different 3 sizes; another one is feminine hygiene which is introduced by square many years back. From then this product is well known for better quality in such a low price.

The second section contains all sorts of toiletries product, we usually use in our everyday life. It contains baby items also s these baby product takes extra care of baby skin.

Meril is a brand containing soap, shampoo, olive oil, petroleum jelly and so on.

Toiletries Products

1. Meril	<ul style="list-style-type: none"> ➤ Meril Splash Beauty Soap ➤ Meril Baby Gel Toothpaste ➤ Meril Baby Lotion ➤ Meril Baby Powder ➤ Meril Baby Olive Oil ➤ Meril Baby Shampoo ➤ Meril Chapstick ➤ Meril Glycerin ➤ Meril Olive Oil ➤ Meril Gift Pack ➤ Meril Petroleum Jelly ➤ Meril New Fresh Gel Toothpaste ➤ Meril Lip Gel ➤ Meril Conditioning Nail Polish Remover ➤ Meril Select Plus Shampoo ➤ Meril Revive Shampoo ➤ Meril Revive Winter Moisturizing Lotion
2. Chaka	<ul style="list-style-type: none"> ➤ Chaka Ball Soap ➤ Chaka Laundry Soap ➤ Chaka Washing Powder
3. Chamak	<ul style="list-style-type: none"> ➤ Chamak Fabric Whitener
4. Jui	<ul style="list-style-type: none"> ➤ Jui Pure Coconut Oil ➤ Jui Hair Care Oil
5. Kool	<ul style="list-style-type: none"> ➤ Kool After Shave Lotion ➤ Kool After Shave M. Gel ➤ Kool Deodorant body Spray ➤ Kool Shaving Foam ➤ Kool Deo Talc Powder
6. Revive	<ul style="list-style-type: none"> ➤ Revive Body Spray ➤ Revive Perfect Fairness Talcum Powder
7. Madina	<ul style="list-style-type: none"> ➤ Madina Attar
8. Magic	<ul style="list-style-type: none"> ➤ Magic Tooth Powder
9. Xpert	<ul style="list-style-type: none"> ➤ Xpert Dishwashing Bar
10. Shakti	<ul style="list-style-type: none"> ➤ Shakti Liquid Toilet Cleaner
11. Sepnil	<ul style="list-style-type: none"> ➤ Sepnil Hand Sanitizer ➤ Sepnil Handwash

12. Spring	➤ Spring Air Freshener
13. White Plus	➤ White Plus Toothpaste
14. Xpel	➤ Xpel Aerosol
15. Zerocal	➤ Zerocal Sachet ➤ Zerocal Jar

It can be said that one of the few Bangladeshi companies that are successfully exporting its products in foreign countries is Square Toiletries Ltd. STL is exporting its products in –

- 1. United Kingdom**
- 2. Germany**
- 3. South Africa**
- 4. Australia**
- 5. Malaysia**
- 6. Myanmar**
- 7. India**
- 8. Singapore**
- 9. United Arab Emirate**
- 10. Qatar**
- 11. Kuwait**
- 12. Bhutan**

2.6 CSR Activities of SQUASRE Toiletries Ltd.:

1. Investment in Bangladesh:

- Though Square Toiletries Ltd. has been commerce its heterogeneous merchandise to different countries for its growth, it's not however situated any of its plants or manufactory to the foreign country. This means a fullest investment in Bangladesh for its goods.
- As STL is exportation its product to the foreign countries, there's associate degree flow of foreign currency in Bangladesh and it's a major contribution in income of country.
- STL itself hoisted its voice against the marketing antagonism at the time of the detrimental effect of offshore products.

2. Employment Generation:

- It has successfully employed 1200 permanent employees and it is a matter of fact that they are concerned of the interests and sanctuary of the employees which is a big deal.
- There is a true existence of equal employment opportunity for which we can see that there are about 38% employees who are women and it is indeed a clear notification of women empowerment.
- Due to the best possible working environment there is a lower turnover rate of the employees which is an indicator of employee satisfaction.

3. Works for the underprivileged people:

- Those who are not well off are given monetary assistance by SQUARE Toiletries Ltd.
- It is a great thing that SQUARE Toiletries Ltd. is giving monetary support to a Training Centre named Naksha Training Centre for the helpless women who are actually trained up there for operating sewing machines vocationally.
- STL provides Daily transportation service via its sister concern company “Suncom” which also makes support.
- The company arranges funds for medical treatment and assistance in their another organization Square hospital Limited for their employees fruitfully.

4. **Cultural concentration:**

SQUARE Toiletries has been successfully arranging the cultural event Meril-Prothom Alo Taroka Jorip – country's most honoring & luminous event – a once –in –a year. It is an award giving program in the field of —culture and entertainment which is sponsored by the company to inspire the people engaged in the cultural field.

5. **Telephonic Service to concerned mother:**

Meril Baby Supermom could be a sponsored platform referred to as telecommunication service by that the mother will communicate and raise the net doctors for the progress and development from the physiological state to the kid birth that could be a nice help for them. Besides, there's a digital version of service for the mother United Nations agency lives within the urban areas.

6. **Responsibility towards the immediate neighborhood and the residents:**

Square is deeply involved with the communities where it operates, and hence has an intense sense of responsibility to its neighbors.

- School in Pabna – Square Kindergarten
- Library in Pabna – Ananda Gobinda Library
- Ambulance to Pabna Municipality
- Tree Plantation in Pabna
- Job Opportunity for qualified neighbors
- Disaster Management during Flood, Cyclone etc.

Chapter- 3

Job Descriptions &

Job 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:

1. Financial Accounting
2. Cost Accounting
3. Managerial Accounting
4. Financial Management
5. Auditing

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 (3) 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 (18) sister concerns of Square Group and two (02) audit teams in Square Center. One is under Square Pharmaceuticals Ltd. where eleven (11) of the concerns are audited and another one is under Square Toiletries Ltd. where the rest seven (07) sister concerns are audited. In Accounts and Finance Department of Square, every auditor has to do tasks for different concerns of Square Group. For example, I was appointed as an audit intern of Square Toiletries Ltd., still my job was to check bills, vouchers, disbursements of different concerns of Square Group like Square Food and Beverage Ltd, Square Air Ltd, Aegis Services Limited, Mediacom Limited, etc. by this time I was able to understand how the other concerns of Square Group work.

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

- **Razzakul Haider** – Executive, Accounts and Finance, Square Toiletries Ltd.
- **Rajib Khan** – Junior Executive, Accounts and Finance, Square Toiletries Ltd.
- **Masum Billah**- Executive, Accounts and Finance, Square Food & Beverage Ltd.
- **Abdul Ohide**- Executive, Accounts and Finance, Square Food & Beverage Ltd.

My supervisor assigned me to assist Razzakul Haider – Executive, Accounts and finance Department, He was my line manager. Under his guidance it was a great journey. I learned a lot new things about auditing from him. He was very helpful and generous enough to correct me whenever I was making mistakes. And I felt comfortable more in my workplace because of all of them.

There were several tasks I have performed throughout my internship period in Square:

✓ **Barcode Bill Entry.**

- I learned how to do barcode bill entry for per product through which a comparison can be done about the percentage of sale of that particular product sales between two years.

- ✓ **Checked the Display Program of *Radhuni Mastered oil* all over the country.**
 - The display program was about giving a cash discount to the retailers who displayed *Radhuni Mastered oil* on their shelves more within a certain period of time. And how much it sales it has increased.
- ✓ **Checked the Mobile Allowances of the employees of Square Toiletries Ltd. and Square Food and Beverages Ltd.**
 - Square Group provides employees mobile allowance for official purpose communication. My duty was to check the actual bill with the claim they proposed .The motive was to analyze the actual bill amount and the given amount of mobile allowance to the employees. If any employee's bill exceeds his allocated allowance, then the rest of the amount will be deducted from his salary account.
- ✓ **Checked the Trade Program of *Ruchi Jhal Chanachur & Daal Vaja* all over the country.**
 - The purpose of this is to get a clear vision of the accuracy of the amount the Sales Department is asking for. A retailer takes 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. If the retailer purchase or take order for a particular amount then he will get a trade bonus as free product. I cross checked whether their claim was true based on the invoice paper.
- ✓ **Checked Overtime Allowances of the employees of Square Food and Beverages Ltd., Square Toiletries Ltd.**
 - My task was to verify their start and end time of the day and the extra hours they spent on their job. An overtime rate is proposed in the circular for every category of employee. I checked the overtime allowances the employees claimed and cut the rest if it is more than the allocated allowance according to their respective positions.
- ✓ **Checked 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, my task was to identify whether the goal has been achieved or not.

X STL Toiletries Trade Program.xlsx					
A	B	C	D	E	F
	STL				
SLno.	Invoice No	Retailer Name	Total Sale	Discount	
1		S.M Store	21308	1000	
2		Horipada Store	22553	1000	
3		Jamal -01 Store	21590	1000	
4		Aktar Store	23360	1000	
5		Hekim Store	22772	1000	
6		Bhai Bhai Store	21182	1000	
7		Dipak Store	21470	1000	
8		Taaju Store	21046	1000	
9		Shamsul Store	21552	1000	
10		Asad Store	21324	1000	
11		Wasim Store	21248	1000	
12		Bikrampur Store	22044	1000	
13		Parimol Store	21032	1000	
14		Nupur Store	21100	1000	
15		Paloan Store	21815	1000	
16		Sajib Store	21224	1000	
17		Khan Store	21180	1000	

- ✓ **Checked 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.
- ✓ **Performed a tasting survey and an upcoming advertisement review of *Ruchi Jhal Chanachur* and *Ruchi BBQ Chanachur*.**
 - We took part of a campaign and invited 20 students from AIUB in square Centre to perform the taste test of *Ruchi Jhal Chanachur* and the review of an upcoming advertisement of *Ruchi BBQ Chanachur*. We tried to take opinion of the youth in Dhaka about those two products for further improvement.

3.3. Functions of the Department:

3.3.1 Internal Audit: 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.

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.

3.3.2 Reasons for Performing Internal Audit: An audit should involve following all financial transactions through the record book to be sure that receipt /flyer have been properly accounted for and expenditures made as authorized by the Directors and in conformity with the by law, insurance and procedures, and budget limitation. Adequate explanation of expenditures is confirmed so that it can be understood by anyone looking through the records

3.3.3 Requirements to Perform Internal Audit: The financial records shall be provided by the treasurer as requirements, 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 accountable to answer any questions or help to explain. Organization should have formal guideline, sufficient funding and independence.

3.4 Internal Audit Policy and Procedure:

There are some policies and procedures to examine the financial books and records of the association that determine its accuracy and completeness. Moreover, after checking, if any recommendation needs to correct the errors audit is responsible to prepare that

- a. **Policy:** All money related records might be evaluated toward the end of every year. The Board of Directors can ask for an exceptional review whenever, if esteemed important, and a review ought to be performed when there is a change in monetary officers. The review advisory group (comprising of no less than 2

individuals) is delegated by the Board of Directors. An inner review ought to be performed by a fair-minded individual not identified with the president or treasurer or any administrator taking care of assets and, if conceivable, not by one approved to sign checks.

- b. **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 inconformity 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".

3.4.1 Basic Guideline for Internal Audit:

1. Identify Audit Committee Members from audit department, who must have ICMA membership, Code of ethics, yearly formal training, negotiation and accounting skills and competency.
2. Select a time and place for the internal audit process and notify audit committee.
3. Inform the authorized person 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. Maintain internal audit checklist
6. Complete and sign the audit of the checking account balance sheet, this should be verified by at least two people of audit department.
7. Prepare internal audit report which should be presented at the next board meeting. Signature it, record any errors if 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.

3.4.2 Internal Audit Checklist:

- **Warrants/ Vouchers:**
 - Amount in figure and in words
 - Amount on check matches amount on warrant/voucher.
 - Adequate explanation for all expenditures.
 - Date is accurate
- **Receipts/ Bills:**
 - The amount on the receipt/bill matches the amount on the check.
 - Receipts or bills for every check written.
 - Proper explanation written for any missing receipts/bills.
 - Date of bill
 - Signature is valid
 - Approval of bills
- **Checks/ Disbursements:**
 - No missing checks.
 - Voided checks saved.
 - All checks recorded in check register.
- **Expenditure check**
 - Detailed record of all income received.
 - Requisition for the goods. And supporting bills.
 - All deposits recorded in check register

3.4.3 Example of How Auditing is done in STL:

Details of work experiences are given below with example:

Program Title: Mustard oil Duranta Offer For January & February 2017

Background:

In 2017 first two months SFBL expects a lean period for sales due to some aggressive activities of competitors. So with the help of trade promotion program on Mastered oil items SFBL is expecting a better closing. In this continuity we want to propose a trade program on toiletries items for the month of January and February.

Objectives:

- To increase cumulative sales in volume & value.
- To Block Retailers stock and Staying Competitive.
- Motivate customers to increase investment apart from regular.

Program Duration: 01-01-2017 to 28-02-2017

Scheme details:

Target	Target Revenue	Slab	Slab Quantity	Revenue per Slab	Cost per Slab (%)	Cost total Slab
2793403	1396702	80 ml	1068	65,233,008	4.17%	1294589
2436601	974640	250 ml	1296	73,387,134	4.17%	2192941
	487320	250 ml	2592	24,462,378	6.25%	1644706
						5,132,505

Total cost: **BDT 5,132,505** will be adjusted from sales budget.

Program Details:

1. Slab will be 80 ml, 250 ml, 250 ml (48 pcs); the discount will be Two 80ml, one 250ml, two 250 ml free respectively.

Here, if one retailer buys a carton of 80mls mustard oil can, he will get Two bottles 80mls can, respectively if he buys a carton of 250mls mustard oil can, he will get one bottle 250mls can, Again if he buys a carton of 250mls mustard oil can which contains 48 pcs, he will get Two bottles 250mls can.

2. Party must fulfill the slab in one invoice.
3. One party could enjoy more than one slab.

Findings: Mustard oil Duranta Offer For January & February 2017

Total Sale	Total Comm.	Distributors Claim	GRAND TOTAL	Deduction	Dist
375,546	18,473	19,374	44,088	12,072	
89,436	5,077	5,077	14,542	1	
35,148	1,312	1,722	11,582	935	
-	-	-	5,145	1,195	
252,012	10,358	10,402	63,163	4,010	
43308	2290.5	2,452	2,291	162	
72432	3234	3,396	4,589	202	
28896	1547	1,601	1,867	54	
364428	18326	23,336	66,226	16,442	
123528	5391.5	4,842	46,367	1,726	
216096	10030	11,056	24,610	1,886	
1,600,830	76,038	83,258	284,468	38,683	
				-	

After working in this trade program we found that, according to the information, we have identified that during the month of January 2017, distributors from all over the country claimed tk 83,258 as commission based on their sales (IMS) Tk. 1,600,830. But due to several reasons like providing the same number invoice twice, Date overlapping, using fluids, difference between invoice and approved program, overwriting the date and invoice number and so on; we reject commission Tk. 7,220 which is 8.67% of total distributors claim. The distributors get the rest 91.33% of total commission which is tk 76,038. Another approval is given in appendix.

Chapter-4

Inventory Management

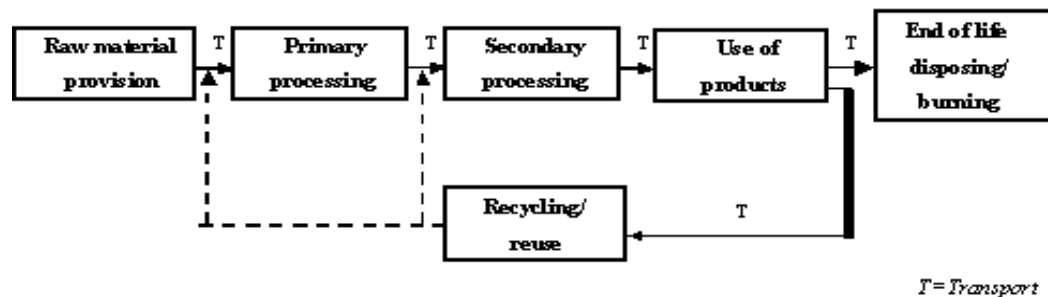
And

Audit Procedure

4.1 Inventory Management process of STL:

The Inventory Management refers a process of supervising and controlling of the stock items for a company. The inventory management ensures that the company always has the needed materials and products on hand while maintaining the cost as low as possible. Effective inventory management is at the core of supply chain management excellence. To identify whereas the inventory management is working accurately or not Square Toiletries Limited engages its Internal audit department along with it. Warehouse needs to supervise the storage of:

- Raw materials or components that a company will use in the production of the items.
- Quantities of finished products for sale.



4.2. Raw material Acquisition process:

This process begins with, the Inventory Control Department performs a status check on the Amount of raw materials and finished goods and then sends the report to Production Control Department of STL. Meanwhile, the Marketing department analyzes the future market condition and the demand of the products. They tell productions department which amount needs to produce. The production department which is in pabna matches the inventory status of the raw materials and total amount of the finished goods demanded by the Head sales office. If production departments see that they need raw materials to reach the demand, they approach to the purchase department. Purchase Department follows the following flow chart while they buy any raw material for further production.

The main Control processes of Inventory requisition and issuing process:

4.2.1 Requisition part:

- At first they receive purchase request from the production department. To approve it permission of higher authority is required. When a note written to the top management for permission get checked and signed then they complete the transaction. They generally issue 3 invoices. One invoice they send to the accounts department- so the accounts department can know all the details of the newly purchased of the raw materials and they can easily cross check, one to the inventory control to notify when the raw materials enter into the warehouse. Finally, they keep one copy filed in their own department.
- When production control issues raw material requisition, they send 3 copies of material requisition authorized by the Head of production control to the inventory control. The other copy of the Material Requisition is filed numerically in Production Control department.
- In the Inventory Control Department, copy 1 of the Material Requisition is sent to the Cost Accounting Department (for the posting of material cost to WIP), copy 2 is forwarded to the Production Department (with the direct and indirect materials), and copy 3 is filed numerically within the Department.
- When the raw materials arrive to the warehouse the Inventory control journalize the Inventory account debit and Bank account credit. They match the amount they credited with the invoice they received from the purchase department, and send a Xerox to the accounts for maintain file.

4.2.2 Issuing Part:

- When the materials go the production from the inventory, the inventory control journalize the transaction by showing WIP debit, manufacturing overhead debit and raw materials (direct and indirect) credit.
- The accounts department receives the copy of the purchase order from the purchase department and the received copy of newly purchased raw materials form the inventory control department. They send it to the internal audit department so that they can easily cross check the total cost and the quantity. They post all the transaction information to general ledger. 5

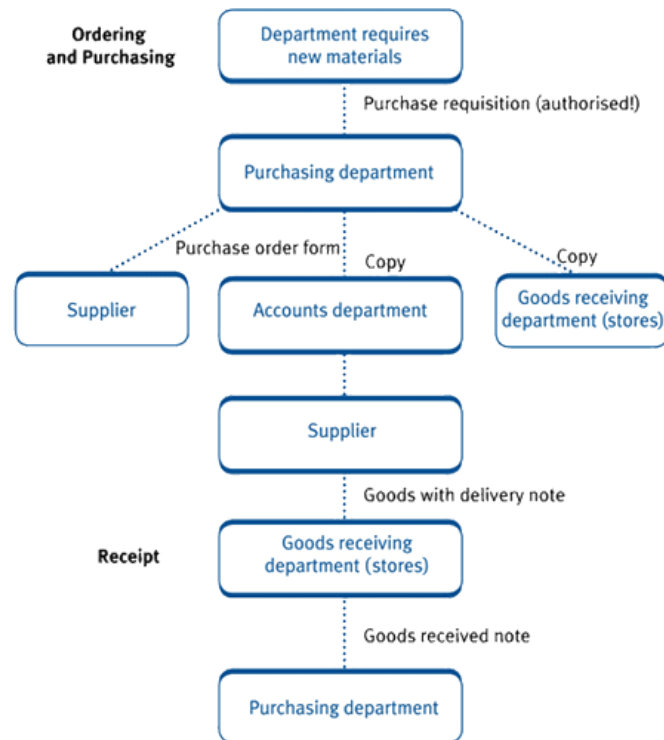
4.2.3 Finished goods to Inventory Part:

- When production is finished they issue 3 copies of the finished goods inventory record. One copy they send to the accounts department, one to the inventory control department and they preserve one copy for the future use.
- When the finished goods enter into the finished goods inventory, the inventory control made the journal entry by Finished Goods Debit and Work in process credit.
- The finished goods enter the warehouse from the finished good inventory. The warehouse manager receives the goods and made 3 received copies and sends to the inventory control, accounts department and production department. The production department crosschecks the produced goods and the number of goods warehouse received and verified it.
- The accounts department finally receives 3 copies from 3 different departments. From that they can cross verification and they give entry to the general ledger. Then the internal audit department's work starts.

4.2.4 Inventory receiving process

After that a few number of control activities take place. The first step is to unload and check the shipment. To ensure that the complete consignment or order has been received, the number of container or package of inventory unloaded from the carrier's vehicle is checked against the carrier's freight bill or delivery order. The received items should be matched with the description stated on the accompanying bill of lading also the description on the related purchase order. If there is no authorized purchase order, then purchasing manager cannot issue any waiver, the delivered goods are rejected. All the containers or packages of inventory are inspected thoroughly for external damage, any goods damages are inspected by the carrier's representative and noted in the receipt where the receiving clerk signs.

After the inspection each item delivered is identified and labeled properly with a bar coded tag that includes the item number, quantity and unit of measure. The receiving log is then updated with the date and time of receipt of each delivery, also including the name of the shipper, supplier, purchase order number, and description of the received goods. Then a copy of the signed bill of lading is send to the billing clerk in the accounting department, in addition the requisitioned and the purchase department receives a copy of the bill.



4.3 Order & Inventory Recording and Warehousing:

Square Toiletries limited has a very specific process for the recording of inventory which follows fourteen step by step processes. These processes are maintained very strictly as this is also a requirement for their ISO 14000 certification requirement. The process starts with preparing a Requirement List which is also known as “LC Opening List” and it ends with approval of QOD (FDA 0081: Drug Approval). Unlike other structure, the process of recording inventory doesn’t stop with the receiving of Goods in the factory rather through a very high security testing the factory warehoused goods require the QOD and once the approval is given, the inventory recording process ends. The discussion below shows the Procurement of Existing Raw Materials of STL in a Warehouse which is also known as Inventory Recording Process.

Step four: The final preparation of Price Comparative Statement is prepared and match it with previous cost benefit analysis for cross-references. Once the lowest bid is identified the next step of communicating the supplier begins.

Step five: The supplier is contacted for further price reduction and the help of local agents are used for negotiation purpose.

Step six: The top level management is usually notified in this step in order to proceed with the supplier.

Step seven: Collection of indents or the pro-forma invoice from the lowest bidder take places in order to precede it to the drug administrator of SQUARE. The figure below shows the MIF form which is collected from the lowest bidder.

Material Indent Form

Format No.:

SR	PRODUCT / MATERIAL	QTY	UNIT	EXPECTED DATE	REMARKS

REQUIRED FOR / PURPOSE OF INDENT	
ISSUED BY	VERIFIED & APPROVED BY

Step Eight: A “block list” containing all the suppliers except the lowest bidder is created to put a halt on purchase with them. This list is sent to the “Administrator”.

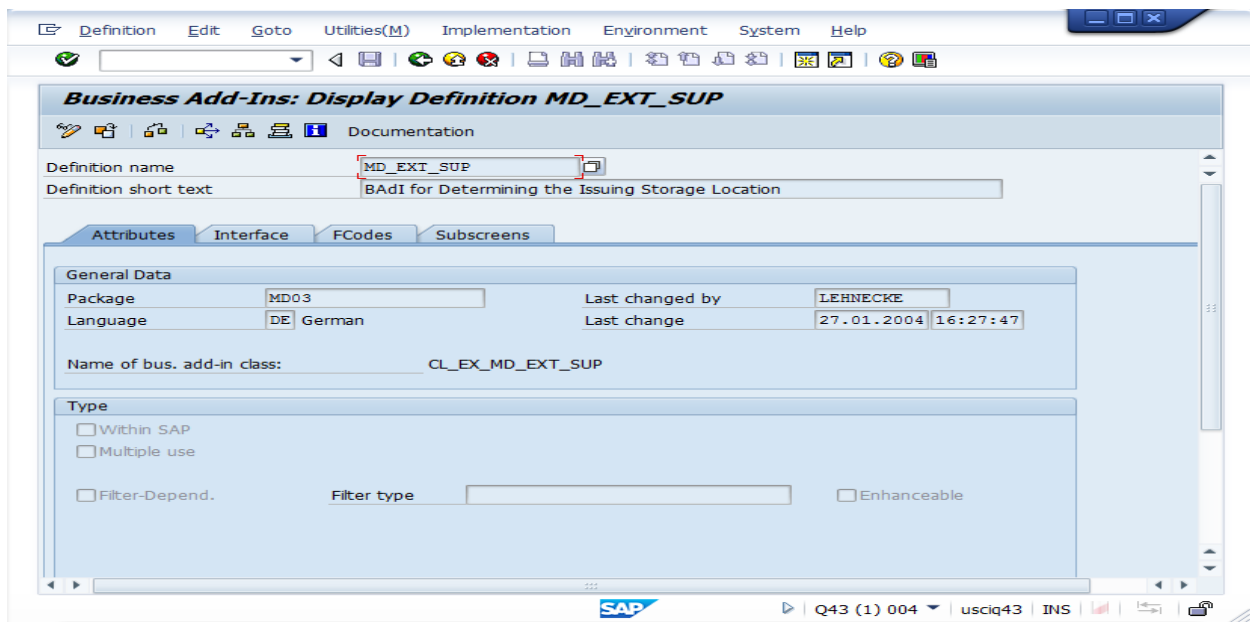
Step Nine: A justification report is prepared by the procurement dept. in order to clarify the necessity of the raw materials in production with authenticated papers of lowest bid (obtained from step four and seven) is presented.

Step Ten: The Accounts dept. cross check the collected papers from step nine, four and seven and finally open an LC for placing the order.

Step Eleven: A copy of the LC is shared with the local agents to communicate with the supplier for the shipment of goods.

Step Twelve: Follow up the shipment of goods and delivery to the factory with the shipment paper and bill of lading which are provided to the QCC (Quality Control Checker) and Drug Administrator (DA).

Step Thirteen: Receiving Goods at Factory Warehouse with an SLT (Storage Location Transfer) for any further movement from the warehouse. The figure below shows the SLT. Finally, the warehousing process ends once the QOD is approved by the DA (Drug Administrator) and sent for production or WIP.



4.4 Inventory Valuation

Inventory valuation refers the dollar amount associated with the items contained in a company's inventory. Initially the amount figures as the cost of those items. However, under certain situations this cost could be replaced with a lower dollar amount. The inventory valuation includes all of the costs to get the inventory items in place and ready for sale. The inventory valuation excludes the costs of selling and administration. Since the inventory items of Square Toiletries Limited are constantly being sold and restocked and since the costs of the items are constantly changing, STL prepares a cost flow assumption. Cost flow assumptions include first-in, first-out; weighted average; and last-in, first out. According to AIS a company must consistently follow its stated cost flow assumption so does STL. A manufacturer's inventory valuation will include the costs of production, namely direct materials, direct labor, and manufacturing overhead. Manufacturers are also required to consistently follow their cost flow assumptions. From the beginning of the company, STL follows First-in ,First-out system.

Inventory valuation is important in that it affects the cost of goods sold reported on the company's income statement. Inventory is also an important component of a company's current assets, working capital, and current ratio.

To make sure that the inventory is valued properly and that there is no theft or misplacing of inventory, some internal control measures are used widely within organizations.

- ☐ Physical Count
- ☐ Inspecting all incoming inventory
- ☐ Tagging all inventories with barcodes/ codes/ serial numbers
- ☐ Segregation of Duties for receiving, recording and managing inventory
- ☐ Authorizing inventory outflow
- ☐ Cycle Counts
- Physical Count: Counting all the inventories physically by the authorized employees and cross checking with the inventory management software figures to ensure accuracy.

- Inspecting all incoming inventory: All incoming inventory, whether from outside suppliers or finished goods from within the company, should be inspected by representative to avoid damaged goods and purchase return.
- Tagging all inventories with barcodes/ codes: All inventories should be tagged with codes, so that the process can be accurately measured and monitored. The valuation techniques of LIFO, FIFO and AVCO can be implemented when the arrival of inventory to the warehouse can be identified
- Segregation of duties: Different personnel should be appointed for handling the different stages of inventory management, to avoid theft and misrepresentation of figures.
- Authorizing inventory outflow: For all outflows of inventory, there should be proper documentation and authorization process.
- Cycle Counts: Counting the inventory levels by the auditors periodically to ensure the correctness of the figures provided by the inventory management software and physical counts done by the employees.

4.5 Activities of internal Audit in Inventory Management Process:

After going through all of these steps it seems finally inventory management process is done. Basically it is not done until Audit department of STL checks and verifies it. The process of auditing starts when bills of purchasing inventory reach in Accounts Department. Accounts Department transfers the bills with all supporting's, vouchers and invoices they collected and filed before. Then internal audit checks those bills with following activities:

- At first auditor will check the requisition slip for the inventory item. Is the requisition form is genuine or fake.
- Is the amount of inventory needed mentioned in the requisition slip.
- Requisition must be raised by the production Department.
- Is there any approval regarding the requisition slip-
- Approval is signed by respected authority or not
- The Comparative Statement of Raw material rates from different sources

- The selection process and approve order of supplier
- Date of Bill, Date of Challan with no.
- Party original challan with store receiving confirmation seal and sign.
- Comments from Maintenance
- Clearance from Procurement department that materials are not damaged
- Cross check the work order and Bill regarding the supplier name.
- Amount of TK in word and in Figure
- Claimed amount does match with accurate amount or not

After checking all of these issues from audit bill checking section, the bills will be forwarded to the accounts and finance department for payments with a signature and seal “checked and verified”

Chapter-5

Recommendation & Conclusion

5.1 Findings:

The study of this report shows some findings regarding the Internal Audit Procedures and Inventory Management Process. Those are:

1. The company does not use automation system to place order for Raw material.
2. All of the important documents which are strong supporting of Inventory management Procedure are posted via mail, which can be lost any time.
3. Raw materials are not tagged by bar code
4. Maintaining Accrual-basis Accounting System which only considers an event of expense when sales has occurred. It does not consider whether the cash payment is done or not.
5. All Respected Employees of Internal Audit department works in pressure as they have to look almost 7 sister concerns audit related work
6. Audit Department of STL is placed with the marketing and sales department.

5.2 Recommendation:

During this short time of period it is tough to find company's flaws. However, by getting the chance to talk freely with the instructor I have found some possible solution of previously mentioned problem. Those are:

- Company has started automation service in retailer house for placing order. It could be easy for them to introduce same kind of software to place order for raw materials. It will reduce time, risk and increase reliability.
- As STL is a really growing company, it needs to be more careful about their confidential and important papers. They can start personal distribution channel who also will give postal service.
- They can maintain bar-coding system in ware house that will reduce the risk of losing.
- More employees should be recruited in Audit department to get error free service.
- Audit department should be arranged in separate place from any other department. Otherwise decision of any sale related issue could be biased.
- Finally, STL can introduce credit purchase option to maintain the flow of production.

5.3 Conclusion:

It is genuinely hard to find a man in Bangladesh who does not think about Radhuni, Meril cleanser, Square Hospital and Medicine, Kool moisturizer and so on. From the rustic to urban zone everyone knows about Square. Maybe individuals don't know to a great degree well about the association that has been conveying these stunning administrations throughout the years however they absolutely seize the chance to use these. There is no doubt that Square Toiletries limited has become a competitor or existing FMCG multinational companies by maintaining international standard. Working in such a fantastic organization was definitely pleasure for me. i have discussed about the internal audit department where i worked, how this department works and most importantly the procedure of maintaining smooth inventory service. The audit procedure, sales promotional activities (TRADE Program), Procedures of STL are very efficient in financially but the weaknesses are to be addressed with effective solutions for which it can uphold its position as a business icon. If they can overcome their limitation the sales growth and fame will increase day by day.

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Appendix:

Interview:

Question: Can you sir please tell about Accounts And Finance department Mechanism?

Answer: Sure, in STL there are five sections. Financial Accounting, Cost Accounting, Managerial Accounting, Financial Management, Auditing. Based on this, Finance and Accounts department has 5 major wings. Those are- Receivables, Payables, VAT, TAX, Budgeting.

Question: Can You Please Explain the Payable Part Sir?

Answer: yes, basically in Payable we categorize the purchase procedure, It can be Stationary, Raw Materials, Expenditure will also include if there is any deal prepared when it occur.

Question: In there anything to audit in Stationary Purchasing?

Answer: To analyze the stationary items which stationary shop has given better product in terms of quality, quantity along with the amount of the product that is offered by the shop. As a result, square toiletries limited will buy their necessary stationary items from that shop who will offer better product with an accurate price. In this case, on the basis of this analysis STL can charge that stationary shop who offered cheap product with high price and will make a report on this.

Question: What do you think, How STL is doing, I mean how the performance is?

Answer: Definitely as a local brand Stl is doing great, it is competing with many multi national brands now a days. It's a really good sign.

Question: My Last Question, what improvement STL audit should care about?

Answer: In audit department, we need more employees; we have a lot of things that only interns cannot manage. We have been overseen seven (7) sister concern. And it is a tough things no doubt. Well, other weakness you will find gradually.