Report On

Analysis of the internal control of the revenue process of FreshNest Limited and how it controls the risks involved.

By

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An internship report submitted to the Brac Business School in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration

Brac Business School
Brac University
February 2025

Declaration

It is hereby declared that

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

Student's Full Name & Signature:

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Shafayat Mohammad Fardeen
Student ID: 20304063

Supervisor's Full Name & Signature:

____

Mr. Saif Hossain
Assistant Professor &
Director (BBA Program)
BRAC Business School
BRAC University

Letter of Transmittal

Saif Hossain
Assistant Professor
BRAC Business School
BRAC University
KHA 224, Progati Sarani, Merul Badda, Dhaka 1212

Subject: Submission of Internship Report

Dear Sir,

It is my pleasure to share with you my research paper titled, "Analysis of FreshNest Limited's Internal Control of the Revenue Process and How It Manages Risks." This paper examines the effectiveness of FreshNest Limited's internal controls in responding to revenue-related risk and identifies key control processes, potential risks, and recommendations for improvement.

I sincerely value your time and effort in reading this research. I hope this research contributes valuable input into the practice of risk management and financial controls.

Thank you.

Sincerely yours,

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Shafayat Mohammad Fardeen
ID: 20304063
BRAC Business School
BRAC University
Date: 15th February, 2025

Non-Disclosure Agreement

This Non-Disclosure Agreement (in this document called the "Agreement") is made between Shafayat Mohammad Fardeen, ID 20304063, a student of BRAC University (hereinafter called the "Recipient"), and ACNABIN Chartered Accountants (in this document named the "Disclosing Party"). The purpose of this Agreement is to maintain the confidentiality of some information shared with the Recipient in the course of his internship at ACNABIN Chartered Accountants, for the sake of preparing an academic internship report. For the purpose of confidentiality, the orginal name of the company has been changed to “FreshNest Limited”.

Acknowledgement

First, I would like to thank the Almighty Allah, the Most Gracious and the Most Merciful, for assisting me in finishing up my internship programme of ACNABIN Chartered Accountants with success. I am really thankful towards my supervisor, Mr. Saif Hossain, Assistant Professor of BRAC Business School, BRAC University, and also towards my co-supervisor, Mr. Riyashad Ahmed, Assistant Professor of BRAC Business School, BRAC University, for their valuable counseling and support towards the preparation of this internship report, which is a requirement for the BUS400 course. I am also really thankful towards Mr. Muhammad Aminul Hoque, FCA, Partner, Audit & Consultancy, ACNABIN Chartered Accountants, for mentoring and guiding me, and for providing me with the opportunity for internship at ACNABIN. Last but not the least, I want to acknowledge heartfelt gratitude towards my team members, in-charges, on-site superiors, and director of the Audit and Consultancy department for their counseling and support towards me during the entire internship period.

Executive Summary

This study discusses the internal controls used by FreshNest Limited, related to its revenue process. The objectives of this study are to recognize the Fraud Risks embedded in FreshNest's revenue process, to assess the company's internal controls' design and implementation, and to judge the overall efficiency of the system of controls to block frauds. The process of FreshNest's revenue analysis identifies some key risk areas such as order fraud, lapses in customer verification, inventory management faults, discrepancies in deliveries, poor management of customer feedback, and suspected accounting irregularities. All these risks have been addressed by the company by implementing certain controls such as customer order verification, product inspection, reconciliation of invoices, and financial reporting controls. Whereas the analysis identifies FreshNest's internal controls system to have an organized method to mitigate risk, certain areas of additional strengthening of the system are proposed. These are increasing verification of orders via AI-based fraud protection, customer identity verification via voice recognition, optimal management of inventory, adding responsibility for deliveries, simplifying the process of customer feedback, and increasing financial controls via periodical audits and data analysis.

Keywords: Customer order verification, Invoice reconciliation, Inventory management, Revenue process, Internal controls, Fraud risk, Risk mitigation, Accounting irregularities.

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List of Acronyms

B2B – Business to Business

CA – Chartered Accountants

CR – Customer Representative

EOI – Expression of Interest

ERP – Enterprise Resource Planning

ETA – Estimated Time of Arrival

FS – Financial Statements

GL – General Ledger

IAD – Internal Audit Department

IAS – International Accounting Standards

ICAB – Institute of Chartered Accountants of Bangladesh

ISA – International Standards on Auditing

MFS – Mobile Financial Service

QAD – Quality Assurance Division

RJSC – Registrar of Joint Stock Companies

TDS – Tax Deduction at Source

VDS – Vat Deduction at Source

Glossary

Customer Order Verification- It is the process of verifying that customer purchases are correct, valid, and made by genuine buyers to avoid fraud and mistakes.

Invoice reconciliation- It refers to the process of reconciling the invoices with the related purchase orders and delivery receipts to ascertain accurate billing as well as payments.

Inventory management- The monitoring of stocks, orders, storage, and usage of commodities to ensure optimal supply levels as well as to minimize losses.

Revenue Process- The sequence of actions that an enterprise undertakes to earn and report revenue arising from the sale of products or services.

Internal Controls- Procedures and policies established by an organization to promote accuracy, efficiency, compliance, and fraud prevention.

Fraud Risk- The risk of loss caused by deliberate dishonesty or fraud activity within financial or operational systems.

Risk Mitigation- Actions or methods used to mitigate the occurrence or effect of known risks. Accounting irregularities Errors or deliberate misstatements of financial data that could suggest fraud or non-compliance with the principles of accounting.

Chapter 1: Overview of Internship

1.1 Student Information

Name: Shafayat Mohammad Fardeen

ID: 20304063

Program: Bachelor of Business Administration (BBA)

Major: Accounting

Minor: Computer Information Management (CIM)

1.2 Internship information

1.2.1 Period and Company Info:

Period: 12 Weeks (3 Months).

From 7 October 2024 to 6 January 2025

Company Name: ACNABIN Chartered Accountants

Address: BDBL BHABAN;12, KARWAN BAZAR, 1215 Dhaka, Dhaka Division, Bangladesh.

1.2.2. Internship Workplace Supervisor's Information:

Supervisor: Nusrat Maria, ACCA, ACA(ICAEW)

Designation: Deputy Director, Audit and Consultancy, ACNABIN Chartered Accountants.

1.2.3 Job Duties and Responsibilities

During my tenure of internship at the ACNABIN Chartered Accountant, I was appointed as a junior audit associate at the Audit and Consultancy department. For the first two weeks, I was assigned minor tasks in the firm, such as printing, delivering audit reports to clients, etc. In the third week, I was assigned to a client named FreshNest LTD. and I continued to be in this client for the rest of the internship period. During my assignment of the client, I was mainly tasked with checking the Fixed Assets addition vouchers that took place in the previous fiscal year. Moreover, I was also tasked with other tasks which are opening balance confirmation, bank and cash ledger reconciliation with the statements, etc. Moreover, I was also involved in the physical asset verification of FreshNest LTD. Furthermore, I was also tasked with other minor tasks such as delivering balance confirmation letters to banks regarding the balance confirmation of the client.

1.3 Internship Outcomes

1.3.1 Contribution to the Organization

One may think that working as an intern means that he/she will have little to no significant contribution to the organisation. However, the opposite seems to be the case when it comes to working in a CA firm, especially ACNABIN. As I mentioned earlier, within the second week of my internship, I was assigned to the external audit of the FreshNest Ltd and also mentioned the tasks that I was assigned during the audit My contribution has helped the organisation I am working for, smoothly complete the audit in a timely manner earning the satisfaction of both the client and the organisation.

1.3.2 Benefits of the internship

(i) Engagement with Real-World Problem-Solving Scenarios: One of the key takeaways from this internship was the ability to work on actual business issues and be involved in resolving them. I was pushed to think critically, interpret data, and come up with viable solutions. Unlike in academics where answers were clear-cut and simple, here I had to deal with a lot of uncertainty and operate under pressure—qualities that are basic in every working environment.

(ii) Better Time Management: Balancing several tasks and following strict deadlines throughout the internship helped me to learn better time management and organization skills. In areas where I used to be lacking during my college years, organizing schedules, client needs, and internal commitments made me more disciplined and effective with my time.

(iii) Practical Application of Specialized Equipment: Throughout the internship, I had the opportunity to work with various software and tools that are considered industry standards. From using accounting systems, audit management systems, and data analysis software, the hands-on experience furthered my technical competence and my confidence in being able to work efficiently in a modern office environment.

(iv) Development of Self-Confidence and Initiative: Working in a professional setting allowed me to develop confidence in my abilities. I was given responsibilities that required independent decision-making, and over time, I found myself growing more proactive about taking on tasks and suggesting improvements. This change in mindset—from student to contributor—was one of the most rewarding outcomes of the internship.

1.3.3 Problems and difficulties during internship

My internship was a great experience as a whole but also had its share of issues. I did however get out of what I went in for in terms of learning and skill development which is detailed below:

1) **Adapting to Fast-Paced Workflows:** Based on my academic background where I had flexible deadlines, I had issues adapting to the fast pace of the work environment. I was expected to turn in the works for which I was assigned within tight deadlines and there was no room for delay. There was a constant rush which required quick thinking and rapid task performance which took time to adapt to.
2) **Limited Initial Guidance:** In the beginning of my internship, I did not have any sort of orientation program. I was expected to pick up things on the go which was quite overwhelming for me. Due to lack of clear instructions and training , I was left to figure out through observation and learn which in turn produced a great deal of confusion and mistakes.
3) **Navigating Office Hierarchies:** During my period of internship, one challenge I didn't expect to have to deal with was the issue of the layers of hierarchy within the firm . I had trouble approaching senior level staff at first. It took time to figure out the right channels of communication and to build the confidence to interact with supervisors and managers more easily.

4) **Balancing Learning with Task Execution:** At some points the pressure to get the work done left no time for in depth learning or reflection. The primary focus would be on the quick completion of tasks due to which I could not fully understand the big picture or the processes involved in what we were doing. Moreover, it was difficult to find that balance between learning and performing to expectations.

1.3.4 Recommendations:

Based on my experience from the internship, there are several ways in which the internship experience could be improved for future participants. The following recommendations are made in the hope that greater structure and clarity could be offered to the experience so that interns can maximize both their learning experience and contributions.

1. **Organized Orientation Program:** A formal orientation program at the beginning of the internship would be extremely beneficial. This may include a short description of the departments of the firm, key policies, and most frequently utilized tools. It would render the onboarding process seamless and transition the interns into their work more easily and effectively.
2. **Clearly defined role and task delegation:** There were times when lines of duties were not clear, particularly at the initial stage. Having a specific list of duties or a weekly formal work plan would assist interns in understanding their duties, prioritizing them, and monitoring progress. This would also synchronize expectations between the intern and the supervisor.
3. **Mentorship and Feedback Mechanism:** Assigning a mentor or lead point of contact for each intern on the team would offer valuable guidance throughout the internship period. Regular check-ins along with constructive feedback meetings could promote continuous improvement for interns and strengthen their perception of support in the learning experience.

4. **Engagement with Varied Roles:** Though audit work occupied a huge share of the internship, incidental exposure to allied areas—taxation, advisory, or compliance—will enhance the experience overall. A rotational schedule, albeit on a small scale, will enable interns to better appreciate the firm's operations. Encouraging Reflective Learning: The culture of regular short knowledge-sharing sessions, in which the interns can explain their weekly learnings or observations, would create an environment conducive to reflection and group building. Moreover, these practices would enable interns to solidify their knowledge and enhance their feeling of ownership of work. The recommendations made below are offered with an awareness of the great learning I gained during my internship and in the hope that future interns can benefit from a more structured and enriching role.

Chapter 2: The Organizational Part

2.1 Introduction:

This part of the report emphasizes the corporate structure and professional setting of the company where the internship was conducted. The report begins with an elaborate profile of the company, stating where it came into existence, where it operates, and the essence of its values. The part then goes on to delve into the manner the company works day by day, noting the way it treats clients, coordinates work flow, as well as controls internally. Attention is paid to technological systems assisting the accounting process, as well as to the way the firm monitors the auditing assignments. To better understand the competitive position of the firm, an overview of the industry is provided, followed by an analogous view of comparable organizations. Final comments provide recommendations to help increase efficiency in operations, as well as to raise the level of service.

2.2 Overview of the firm

2.2.1 About ACNABIN Chartered Accountants:

ACNABIN Chartered Accountants is one of the leading professional service providers in Bangladesh, providing comprehensive audit, assurance, and advisory services. In 1985, it started out with the vision of some accomplished veterans committed to upholding high levels of integrity and service. The firm is under the patronage of the Institute of Chartered Accountants of Bangladesh (ICAB) so as to stay aligned with both domestic and international auditing norms.

Being long established in the profession, ACNABIN has served a varied client base across different industry sectors including banking, manufacturing, development, health, education, and agriculture. Its client base even extends to international development organizations and NGOs. As an independent member of Baker Tilly International, ACNABIN is able to tap into the global network of knowledge, expertise, and resource that Baker Tilly has to offer, augmenting it to deliver to clients both local understanding combined with international expertise

2.2.2 Service offered by ACNABIN Chartered Accountant

ACNABIN Chartered Accountants offers an extensive range of professional services to cater to the varied needs of local as well as international clients. Having operated over the last several decades, the company has gained the reputation for providing reliable, high-quality assistance to various sectors of government, private businesses, as well as donor-funded projects. Some of the prime areas where ACNABIN offers expertise follow:

1. **Audit and Assurance Engagements-** One of the company's core offerings entails statutory audits according to regulatory guidelines and international best practices. Under these audits, ACNABIN aids companies to measure the integrity of financials as well as to ensure adherence to laws. The company performs regular audits for leading companies across industry segments such as telecom, property, pharmaceuticals, as well as community organizations. Assurance

practices by the firm help clients establish credibility with stakeholders by providing them with credible financial disclosures.

2. **Business and Financial Advisory-** ACNABIN facilitates strategic planning by providing solid business guidance and financial advice. These range from financial restructuring and feasibility studies to assistance with mergers or acquisitions. The company also offers hands-on advice on simplifying internal processes, cost management, and planning for the future—equipping clients to evolve with changing business landscapes while remaining financially sound.
3. **Taxation Services-** Specialized tax assistance is an important part of the service offerings at ACNABIN. The company offers tax compliance, planning, and optimization advice to both individual and corporate clients. The company prepares tax returns, evaluates VAT obligations, advises on transfer pricing conflicts, and offers assistance with tax audits or regulatory examinations. ACNABIN offers cross-border tax advice to expatriates and international institutions as well, ensuring complete compliance with both local and international regulations.
4. **Internal Control and Management of Risks-** To assist organizations to fortify operational systems, ACNABIN has internal audit solutions that address governance, risk evaluation, and compliance. These solutions provide an analysis of the operational inefficiencies or possible risk exposures of client operations and suggest improvements to support stronger internal controls. ACNABIN's internal auditing teams are reputed to be hands-on, carrying out on-site assessments and providing comprehensive, actionable reports.
5. **Outsourced Financial Operations-** In recognition of the demand for cost-efficient, adaptable enterprise solutions, ACNABIN offers outsourced bookkeeping, finance, and accounting. The company is available to perform regular bookkeeping, payroll, financial reporting, and regulatory submissions on behalf of clients. Such support is particularly useful for startup companies, foreign branches, and organizations such as NGOs wanting to ensure operational efficiency without employing an in-house finance department. Specialized Services and Capacity Building: Apart from core services, ACNABIN is involved in value-added services like verification of fixed assets, operational audits, system support for implementation, as well as employee training for clients. The company equally assists global clients with local

registration procedures, the development of business strategy, as well as foreign exchange compliance upon establishment of operations within Bangladesh. Through its versatile and comprehensive service offering, ACNABIN remains committed to helping companies gain regulatory compliance, operational excellence, and strategic development.

2.2.3 Vision Mission and Objective

A firm's long-term vision, guiding principles, and core ambitions are usually enshrined by way of vision, mission, and strategic goals. They give direction to development as well as shape professional behaviour and future ambitions. ACNABIN Chartered Accountants embodies these values to ensure it retains the position of a trusted and forward-looking firm.

1. **Vision Statement**: The vision statement of ACNABIN is as follows: "We go beyond the traditional auditor and client relationship by becoming your Trusted Business Advisor". ACNABIN aims to become a professional service leader by providing value-focused solutions to clients consistently. The company aims to create an organization where ethical practice, accountability, and innovation fuel sustainable development and client satisfaction.
2. **Mission statement:** The mission of the firm is to empower companies by providing reliable financial advice and services that promote transparency, compliance, and informed judgements. ACNABIN is dedicated to upholding international standards, developing talent, and fostering long-term relationships grounded on trust and integrity. The mission statement of ACNABIN Chartered Accountants is as follows: "We adhere to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information and the maintenance of trust-demands it. We have built our success on such principles. We do our utmost to earn and keep client trust." (*About Us*, n.d.)
3. **Objective or Strategic intent:** ACNABIN is dedicated to assisting clients to succeed while fostering the development of its professionals. Operating with strong presence across finance, telecom, and NGOs, the company is planning to venture into other sectors of the country and region. Its aim is to be an unmatched market leader with the highest professional and ethical

standards. Operating with a partner-driven approach, ACNABIN provides customized, innovative, and professional services with an entirely client-focused approach coupled with long-term, significant relationships. (*About Us*, n.d.)

4. **Values of ACNABIN:** The values of ACNABIN are driven by the core values of Baker Tilly International. These are as follows:
    - To lead by example
    - To deliver quality services with integrity
    - To communicate openly, to act ethically
    - And to foster a community built around civic responsibilities and teamwork. (*About Us*, n.d.)

2.3 Management Practice

2.3.1 Leadership and Decision Making

The management style of ACNABIN is highly authoritative. Generally speaking, the managers of the firm are its partners, or, in other words, its owners. Usually, the partners discuss every decision or engagement of the company that requires audit approval. The structure of ACNABIN is the following:

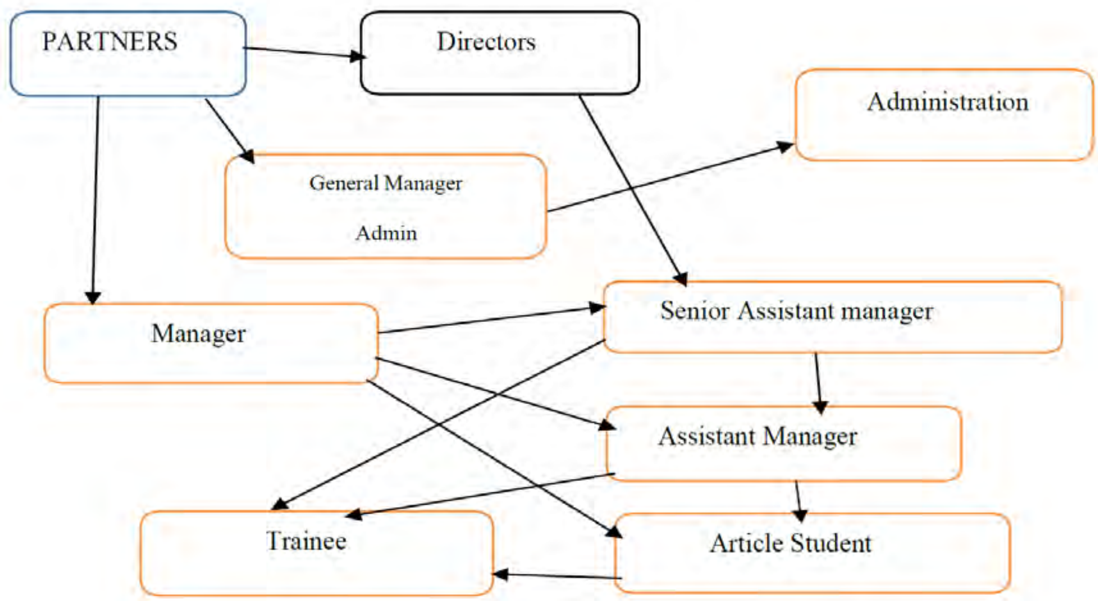

figure 1: leadership structure of ACNABIN Chartered Accountants.

The above figure shows the whole operational procedure of an ACNABIN chartered accountant. In terms of the Audit department, the firm manager and senior assistant manager takes the responsibility of the audit. Generally, the firm partner signs the audit engagement. After that, the firm's assistant manager, article student, and trainee are given the task; they are responsible for performing the audit. The authoritarian leadership style is the most usual leadership style of the CA Firms in Bangladesh. In overall, ACNABIN applies autocratic leadership and functions as any other CA firm would. This sort of leadership strategy can be advantageous in enabling a firm to maintain its earnings along with market reputation.

2.3.2 Human Resource Management

The majority of the human resources in ACNABIN Chartered Accounts are the articled students of the firm. ACNABIN always tries to retain the best and most experienced employees. In the past, the majority of the time, students after completion of their articleship would not be retained by the firm. However, in recent times, the firm observed that many students during their articleship were working with much more efficiency compared to the other employees. As a result, they tried applying the employee retention policy for retaining such employees by offering them additional salary as a gesture of gratitude towards their better work. Employees are retained based on their performance and caliber of work, not on their age, race, gender, or background.

2.3.3 Recruitment and selection process

The ACNABIN Chartered Accountants has two types of recruitment. One is the recruitment of new regular staff, and the other is recruitment for the articles CA students. In case of a regular staff, a manager or an administrative officer would select one to three applicants in a group interview format from those people applying for a job to be regular employees of the organization. However, when it comes to the recruitment of articled students, the panel interview process is usually followed. The articleship applicant needs to first clear an exam conducted by ACNABIN. The student will be invited for a viva where a panel will question them upon completion of the test. In most of the cases, such interviews are conducted by FCAs or the partners of the firm to select the candidate for their respective teams.

2.3.4 Compensation System

The compensation of the Bangladeshi CA firms regarding the articleship students are according to the policy of ICAB. According to the ICAB guidelines, the articleship student would get a minimum of 7000 BDT in the first year, 8000 BDT in the second year, 9000 BDT in the third year, and 10000 in the 4th year (ICAB, 2023). Although these figures differ from firm to firm, these figures are the minimum that the firms are entitled to pay. The students of Dhaka University are given special treatment on their allowance and transportation. On the other hand, the company has to pay the regular staff with a performance assessment method. where the company paid workers more for their labors in order to retain productive staff. ACNABIN pays employees as per their policy and wage structure based on each worker's performance.

2.3.5 Training and Development Process

Training programs in all accounting firms in Bangladesh are a prominent feature. Firms organize training programs at least once in three months in order to make their trainees or article students have a better and an in-depth understanding in particular jobs. The accounting firm provides various types of training such as compliance checking, tax planning, bank audit etc. Moreover, Firms sometimes send their students to ICAB for various specialized training courses, which help them in both the academic and professional fields in life. The critical aims of the training and development are to understand the subjective features of their employment goal and improving the work efficiency of the article students.

2.4 Marketing Practice

ACNABIN Chartered Accountants is a chartered firm which provides audit, tax and advisory services to large commercial enterprises. They deal in business-to-business (B2B) transactions. Their main marketing strategy is to provide audit and tax services to all kinds of clients without diminishing the brand value. ACNABIN uses the following marketing tools:

2.4.1 Marketing Strategy

ACNABIN is implementing the "join venture and referrals" marketing strategies to improve their ranking and reputation in the accounting service provider industry. Each of the strategies is discussed in detail as follows:

- **Joint venture strategy:** ACNABIN is a networking partner of BAKER TILLY International. BAKER TILLY international is presently ranked 10th internationally based on revenue and active workers. A joint venture strategy can be defined as a combination of work of two companies for enhancing each other's reputation and market share in terms of increasing profitability by strategies in the way of marketing (C. Tang, 2022, April 21). The establishment of network partnership of ACNABIN Chartered Accountants with Baker Tilly International is also a similar step taken to increase market share by establishing a network connection with Global networking,
- **Referrals strategy:** The referral process essentially demonstrates that service is a relationship of trust, as well as, builds a network of clients, who have higher motives to seek their services too Tang, C. 2022, and April 21. It should be noted hereby that ACNABIN has already used this concept in the financial services industry within the first few years after the establishment. They built strong working relations based on outstanding services in auditing of large organizations and help every organization build backbones of success with their very existing clientele base.

2.4.2 Target customer, targeting and positioning strategy

- **Target Customers**: Major target customers for ACNABIN includes large enterprises, banks, non-banking financial institutions, hospitals, airlines, cement companies, garment industries, pharmaceuticals, insurance companies, and non-government organizations. The target market's needs for various assurance services are met by the services provided in ACNABIN.

- **Positioning:** ACNABIN positions their offerings to best suit the demands of their customers. As mentioned earlier, ACNABIN provides a large variety of services. In addition to the internal and external audit practices, the company provides auditing services on the financial statements of big institutions and organizations. Tax and advisory services are also provided by the firm to the individual and SME clients. Other services are also provided by the business apart from the ones mentioned above if upon request from its clients.

- **Segmentation:** Chartered accountants ACNABIN categorize target markets based on future potential opportunities and those of relationships with their clients based on mutual trust. In this respect, the business works towards attaining market share by putting future behavioral, geographical, psychographic, and demographic factors into consideration. In this regard, ACNABIN tries to understand present and potential business objectives about their clients. This would enable the company to decide on whether to withdraw from servicing such an industry.

2.4.3 Marketing Channels (For the service of ACNABIN)

Since ACNABIN provides services rather than tangible products, the marketing channel for this organization is rather simple. They provide assurance or other services to those clients who are seeking their services. The accounting firms are allowed to advertise their services to their potential clients but within certain limitations set up by the ICAB. In terms of providing assurance services, the only marketing channel is a letter called Expression of Interest (EOI), which an accounting firm sends to their potential clients expressing their interest to work with them. However, this can only be done with the prior approval of the previous auditor.

2.4.4 Branding Activities

ACNABIN maintains their brand value through maintaining a strong and healthy relationship with huge Corporate giants like ARLA foods, BEXIMCO, BRAC,

2.4.5 Advertising and promotional strategies

The firm mainly focuses on promoting their services through the usage of social medias like facebook and Linkedin. Through these channels, ACNABIN advertises both their services and achievements in a bid to attract not only the potential clients but also potential talented recruits. They also have a website called “www.acnabin .com”, which they have created in order to make the general public aware about their services and policy

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

ACNABIN chartered accountants follow a tried-and-true methodology in order to maintain their financial efficiency. As they are a private limited business, they have a tight policy regarding maintaining the confidentiality of their financial statements. The total service income of the firm is growing in a healthy manner. The partnership firm has achieved a positive turnover growth in the last five years, which is unique from other competitor firms in Bangladesh. ACNABIN has gained a considerable amount of revenue due to its large clientele.

2.5.2 Accounting Practices

Being an auditing and accounting firm of different kinds of corporations from time to time, ACNABIN is bound to maintain the strict rules of accounting for themselves and their clients. ACNABIN chartered accountants apply the same accounting requirements that are set by the ICAB. The company prepares and presents financial statements in conformity with the framework for financial statement presentation under IAS 1. Their financial statements are prepared using the following fundamental accounting principles:

- **The Accounting Principles:** The company in this case prepares its financial statements in conformity with the relevant legislations, regulations along with the IFRS. Also, the statements were constructed using the historical cost approach.
- **Accounting Method:** Most of the other CA firms in Bangladesh follow the accrual basis of accounting, and in this case ACNABIN is no different. Accrual method is used very often to report the revenue for the company. For the recognition of expenses businesses make use of the accrual as well as cash basis concept.
- **Depreciation Methods:** The company values its fixed assets, such as office supplies and furniture fittings, by the declining balance method. In this case, the business presents the cost of its fixed assets at historical cost or at fair value based on the measurement principle. The company applies "IAS-16: Property, Plant, and Equipment" at historical cost and subtracts cumulative depreciation in order to record the depreciation expense in their books. As the company presently does not have any lease assets, the right to use an asset that is an "IFRS-16" lease property is not required to be included in the financial statements of the company.
- **Accounting Disclosures:** The full disclosure concept is not applicable to the financial accounts of ACNABIN chartered accountants as they are private limited companies. Therefore, they are not required to disclose their financial information with third parties. They have strict policies that help them to keep their financial information confidential. Therefore, the business follows: “”IFRS 7 Financial Instruments: “Disclosures to Their Stakeholder or the Firm's Partner" but does not provide financial information to any third parties, such as investors.’”

2.6 Operations Management and Information system practices

2.6.1 Operations Management

ACNABIN Chartered Accountants has a specialized Quality and Assurance Division (QAD), that conducts both hot and cold reviews with an intent to ensure that the quality of the services provided by their business is of the best standards. In hot review, the team makes a surprise visit to the fieldwork location of the audit team's in order to evaluate the quality of the assurance services provided. In terms of cold review, the audit team comes to the home office to provide feedback to the partners. Not only the audit team is under constant monitoring, the performance of the audit supervisor is evaluated every six months by the directors; hence,. In a similar fashion, the directors are also annually reviewed by the partners.

2.6.2 Information System Practices

This practice primarily includes the usage of ERP systems for processing personal data and the distribution of resources.

i) Resource Allocation: Using this method, the audit team supervisor will ask for certain resources (stationary) that will thereafter be suggested for assessment by directors and partners.

ii) Third-party system: ACNABIN uses ERP-based information systems within the organization for storing and processing customer and employee data and managing the daily activities of its staff. Each employee has an ERP login system for submitting a timesheet entry regarding his daily attendance, applying for a job ticket, and getting the monthly allowance. The timesheet and conveyance database are accessible only by the firm partners, and their approval is required in support of it.

iii) ACNABIN itself maintains and sorts customer details on its database. This customer financial information present in the database of ACNABIN is accessible only to the partners. In general words, all the CA firms are supposed to keep their data private. and are required to adhere to these ICAB guidelines for a duration of five years or longer.

2.7 Industry and Competitive Analysis

2.7.1 Porter’s Five Forces Analysis of ACNABIN

The analysis of porter's five forces of ACNABIN are as follow-

Threat of new entrance: High

With a view to offering better auditing services, every year, new CA companies join the industry of auditing services. Few accounting firms have entered the audit services business in recent times. Anika Sultana and Co. is one such business firm which is known well enough to become a strong competitor in the business. These firms have the potential to pose a serious threat to ACNABIN's ability in retaining clients.

Threat of substitution: Low

There is no alternative available for the services provided with regards to auditing or tax planning, and since all the major corporations are required to get a statutory audit every year. Due to legal requirements under The Company Act 1994 section 210 (9), there has to be an annual audit of the company's statement of financial condition for companies who are listed in the RJSC. Thus, as of this moment, there is no threat for the ACNABIN chartered firm of losing their position in the market due to alternative or substitute service..

Bargaining power of suppliers: Medium

In the context of the Bangladeshi CA firms, the current accounting professionals and the articled students are seen as the suppliers. The practitioners and the students of the firms conduct the service, although the partners sign the audit engagement letter. Because of a chain of regulations imposed by the ICAB, the firm has a limited negotiating power regarding the hiring of the articled students. When it comes to hiring professionals, the company has to deal with the bargaining power of the suppliers since experts tend to charge higher rates for their services because of their extensive experience. Still, many industry professionals are interested to work with ACNABIN simply because of their better brand equity.

Bargaining power of buyers: High

The bargaining power of the clients is very high in the case of ACNABIN as there other are reputed firms like ACNABIN in the industry. Some of the reputed companies include, Hoda Vasi Chowdhury & Co, Syful Shamsul Alam & Co, Qasem & Co, Rahman Rahman Huq, Howladar Yunus & Co and many more. In the case of accounting firms, it is very easy for the clients to switch firms due to problems relating to the quality of service.

Rivalry among existing competitors: High

According to the ICAB website, there are a large number of CA firms in Bangladesh. Because of this, companies which are currently in rivalry with one another are fighting hard to attract new customers. The chartered accounting companies in Bangladesh are ranked using categories. There are three categories that are currently in use: A, B, and C. A category companies are believed to be the best in terms of clientele and service quality while C category companies are usually newer ventures that have a limited clientele and work force. However, there are around 50 A category businesses out of the 164 businesses that are currently in operation in Bangladesh. This means ACNABIN, being an A category company, faces a tremendous amount of competition from its existing competitors.

2.7.2 SWOT analysis of ACNABIN

The SWOT analysis of ACNABIN are as follows:

- **Strength:** The most important strength is the brand value of ACNABIN in the accounting industry. ACNABIN has been establishing themselves as one of the top-rated chartered accounting firms in the country for a couple of decades. Besides that, they have produced a considerable amount of skilled professionals in chartered accounting annually. Moreover, they have an extended list of current and past clients. ACNABIN enjoys a strong network among the biggest firms in Bangladesh. Furthermore, the company is also a network partner with BAKER TILLY International which enhances their brand. And lastly, due to the close link between their current partners and ICAB, they enjoy a significant competitive advantage because of it.

- **Weakness:** One of the major issues with ACNABIN chartered accountants is the environment in which they work. The work culture at this established accounting firm is very demanding and dynamic. The culture at ACNABIN is not great. In addition, the article students and professional staff face a lot of pressure due to the deadlines in which they operate, which is not a sensible organizational practice. Moreover, many people shy away from joining the CA profession because of the low success rate of the profession as a result number of article students joining the firm are very low.
- **Opportunity:** With the passage of each day, there are many new businesses which are starting up and have the potential to grow in future. This can pose as a great opportunity for ACNABIN in a bid to expand their existing large clientele
- **Threats:** ACNABIN is in a considerable threat because of the newly formed prospective CA firms in the accounting services industry. Many of the existing clients are changing firms so that they can lower the cost of their audits. Besides, sometimes it is also very difficult to keep all of the client's anonymity as the audit procedure is conducted within a group where both professionals and non-professionals work together. The company can file a lawsuit against the company if the client's information has become public. Lastly, there is a very serious lack of trained workers in the CA profession. because amongst the people who are studying as an articled student, very few qualify as a chartered accountant, and many people pursue articleship just to gain corporate experience which is a requirement for many companies rather than pursuing to become a qualified CA. For this reason, ACNABIN does not have a sufficient number of qualified professionals. Moreover, there are few people who qualify tend to remain at the firm due to the Non-CA companies offering better payscale.

2.8. Summary and Conclusion

This part of the research would basically cover the history, vision, mission, strategic aim, and services of ACNABIN Chartered Accountants. Under the management section would be human resource planning, hiring and selecting process, compensation, training and development protocols, leadership, and decision-making. The chapter also looks at the marketing strategies to be employed in target client and company branding. This chapter also discusses the standards of accounting that are used by the firm. Moreover, this chapter also takes a dive in the ERP system which is a software used by the firm to maintain their resources, manage their Human Resource and clients. Porter's Five Forces and SWOT analysis are the main topics of the chapter's industry and competitive analysis.

2.9 Recommendations:

While doing most of my audits within client company offices during my internship, there were areas where there is room for improvement of ACNABIN in times to come. The areas of my suggestion are listed below

1. ACNABIN can improve its work environment through monitoring of employee performance, time allocation for student training and article students, as well as increase the scope of study through effective contact with a student and their partner to boost learning..

2. The CA business may provide training courses to its article students, and through these training courses, it can help the article students to be more productive and efficient in their work. This will automatically raise the caliber of their services.

Chapter 3: Analysis of the internal control of the revenue process of FreshNest Limited and how it controls risks.

3.1 Introduction

3.1.1 Background Information:

Within the Bangladesh regulatory framework, financial controls and internal controls are the key aspects of corporate governance that assure transparency and risk management. The accounting profession in Bangladesh is regulated by the Institute of Chartered Accountants of Bangladesh, established under The Bangladesh Chartered Accountants Order, President's Order No. 2 of 1973 (ICAB, 2022), and accounts for auditing standards in Bangladesh. Internal control mechanisms, particularly within revenue processes, play a significant role in detecting and preventing risks within businesses. Internal controls, when effective, help organizations safeguard assets, maintain financial accuracy, and facilitate regulatory compliance.

E-commerce companies, such as FreshNest Limited, operate in a fast-evolving online environment in which revenue management and risk minimization are paramount to sustainable growth in the long term. In light of the increased reliance on web-based transactions and automated financial processes, it is critical to have effective internal controls. FreshNest Limited, for example, has various internal control practices that it has implemented to manage its revenue process and minimize the risks, thus ensuring process effectiveness and financial reliability.

3.1.2 Literature Review:

The definition of Internal Control according to ISA (UK) 315, is The system designed, implemented and maintained by those charged with governance, management and other personnel, to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Simply put, Internal control is the system of rules, procedures, and processes that an organization employs to protect its assets, ensure the integrity of its financial reports, enhance the efficiency of its operations, and adhere to policies and regulations. It gives an organization a basis on which it can carry out its objectives without exposing itself to unnecessary risk. Internal control is effective in protecting the integrity of financial reporting, preventing fraud, and ensuring compliance with laws and regulations

Internal control provides the basis of giving reasonable assurance as far as organizational objective achievement goes into operational, reporting, and compliance areas. Generally, an organization designs a system of internal control that will reveal possibilities of exposure and mechanisms through which irregularities and inefficiency are prevented or even detected.

For instance, segregation of duties is perhaps one of the most widely used controls to prevent assets from being used in an unauthorized manner or to anyone's benefit. Similarly, reconciliations and monitoring of transactions enable the immediate detection of errors, which therefore improve the quality of financial reports.

Often, an effective deployment of a strong internal control framework includes several components such as risk assessment, control activities, information and communication systems, and monitoring. Organizations typically rely on widely accepted frameworks like the COSO Framework or regulatory standards to develop and evaluate their internal control. These frameworks outline the principles and practices that will make controls effective, which can readily be modified based on organizational change and other different external influences. It builds stakeholder confidence. Investors, regulators, as well as external parties, are going to lean on proper internal controls as the right signal of good governance and transparency in financial practices. The consequences of a lack of control in terms of loss due to reputational damages, financial damage, as well as judicial action, signify why internal controls become important for sustainable organizations.

3.1.3 Research Objective:

The objective of the research is to get a comprehensive picture of the internal control processes of the revenue process of FreshNest Limited and analyze how these controls help to mitigate risks. The research aims to analyze how efficient the internal control processes are to provide financial accuracy, fraud prevention, and compliance with regulatory stipulations. The research, through the internal control system of FreshNest Limited, aims to discover how the company secures its revenue streams and maintains financial integrity in the rapidly evolving e-commerce market of Bangladesh.

3.1.4 Significance of the Study:

This research is important because it offers an in-depth examination of the internal control measures applied in the revenue process of FreshNest Limited and assesses their effectiveness in reducing fraud risks. As e-commerce grows, companies are exposed to higher risks of fraudulent activities, and hence, robust internal controls are important to ensure financial integrity and operational effectiveness.

The results of this research will be useful to different stakeholders. For FreshNest Limited, the research will provide insights into the strength and weaknesses of its revenue control processes, allowing the company to improve its fraud prevention measures. For e-commerce companies, the research is a case study, providing best practices and possible revenue process control gaps. For auditors and financial analysts, the research offers useful information on the sufficiency of current internal control measures and how they compare with regulatory requirements.

Additionally, this research makes a contribution to the academic community by adding to current literature on internal controls in e-commerce. Future researchers can leverage this research as a starting point for further research on fraud risk mitigation in online businesses. Finally, by improving internal control practices, organizations can establish more trust with customers, investors, and regulatory authorities, ensuring sustainable business growth.

3.2 Methodology:

I accumulated the most important information through direct face-to-face interviews with key persons in FreshNest LTD in an effort to understand the revenue processes and the related controls. Interviews with them provided me with first-hand information regarding how the company generates revenue and how it controls the risks surrounding it. Furthermore, to assess effectiveness of internal controls, we have placed a sample order through the FreshNest LTD platform in order to understand the entire process—from ordering to delivery—and assess whether any loopholes existed in between. Any discrepancies and vulnerabilities detected during the same have been documented for analysis in detail.

3.3 Findings and Analysis

This chapter provides a detailed examination of the internal control processes that have been put in place at FreshNest Limited to control its revenue process and mitigate fraud risks. The examination is based on the findings from the working paper for FreshNest Limited, such as revenue recognition, financial reporting, fraud risks, and internal control effectiveness.

3.3.1 Revenue Procedures of FreshNest Limited.

Revenue refers to the earnings an organization ensures through sales of its various services or products. FreshNest Limited is one of the leading E-commerce Company in Bangladesh. They earn their revenue by selling consumer products, perishable products & other income. The major sources of revenue of FreshNest Limited are given below:

1. Selling of Consumer Product
2. Selling of Perishable Goods
3. Selling of Medicine
4. WFP Program

Based on the information given by the client, we observed that FreshNest Limited generated almost 40% revenue by selling from the WFP program, 59% from grocery products.

The following is the brief description about the revenue process (regular consumer products sales) of FreshNest Limited:

First, the customers order their desired products or services through the FreshNest application or the FreshNest.com website. Then the orders go to the related warehouse as per the delivery location given by the customer. In case of new customers, the orders go to the mapping team of FreshNest Limited. The mapping team then verifies the location, reliability, and authenticity of customers through phone calls. If the verification is satisfactory to the mapping team, the order goes to the dispatch in charge of the warehouse. In case of the existing customers., the orders automatically go to the dispatch in-charge of the warehouse without the intervention of the mapping team. In case the ordered products are not available in the warehouse, products automatically go to the market purchase app. The purchasing executive does the purchase within the selected time (the app selects that time as per the delivery slot). After receiving the order, dispatch in-charge assigns it to a color coded HUB. Then the order appears in the picking app for picking. The person assigned for picking then picks up the required products from shelves and the market purchase zone and puts them in the right HUB. Before placing it in the correct hub, the quality manager verifies the quality of the product. After the quality is verified, the dispatch-in-charge prepares the invoice and oversees the packaging of the product. After that, the order becomes ready for dispatch. The Dispatch-in-charge assigns orders to Customer Representative (CR). The CR then collects assigned orders from the HUB and invoices from dispatch-in-charge. After that, the CR delivers the products to the customers and collects cash on delivery from the customers where applicable. The payment systems of customers are numerous such as cash on delivery, Mobile Financial Service (MFS), Credit Card, Debit Card, etc. After the completion of the delivery, the CR (Customer Representative) then submits proof of delivery and cash to the cashier of the warehouse. In case, a paid order product is returned, it is marked as returned by the cashier, and eventually the paid amount is refunded automatically to the customer. A team overseeing the ETA (Estimated Time of Arrival) monitors the CR for the purpose of the efficiency of delivering the product. This team inspects and observes the time consumption between the dispatch of the product from the warehouse and the product delivered to the customers by CR. The following is the accounting system maintained by FreshNest Ltd for recording their revenue processes.

Accounting Systems:

FreshNest Limited (RL) follows the IFRS 15: Revenue from Contracts With Customers. In case of cash on delivery, following delivery, the delivery man hands over the cash collected from the customers to the warehouse cashier. The revenue is recognised when the Cashier matches the invoice with the delivered product's price and gives a sales entry to the "FreshNest Admin" portal. In case of any return on the spot, no entry is posted. In these cases , the cashier reconciles the invoice and gives entry to the portal. In cash of advance payment (through Bkash, card or others), revenue is recognised when payment is received. If the products are returned before or after delivery, a reverse entry is posted. The accountant has access to the Admin portal. Accountant generates the sales data and provides journal entries to MS Excel manually. The following are the journal regarding the revenue process of FreshNest ltd.

<u>Selling of Goods</u>

Cash on delivery

After reconciliation

GL Code	Particulars	Debit	Credit
	Cash	**100.00**	
	Sales		**100.00**
	Total	**100.00**	**100.00**

Spot return

GL Code	Particulars	Debit	Credit
	no entry		
	Total	**-**	**-**

Return after delivery: cash refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Bkash		**20.00**
	Total	**20.00**	**20.00**

Return after delivery: wallet refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Bkash		**20.00**
	Total	**20.00**	**20.00**

Return after delivery: wallet refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Advance from customers		**20.00**
	Total	**20.00**	**20.00**

Sales against wallet

GL Code	Particulars	Debit	Credit
	Advance from customers	**20.00**	
	Sales		**20.00**
	Total	**20.00**	**20.00**

Prepayment

After receiving prepayment

GL Code	Particulars	Debit	Credit
	Bkash/Bank	**100.00**	
	Sales		**100.00**
	Total	**100.00**	**100.00**

Year end adjustment for goods not delivered

GL Code	Particulars	Debit	Credit
	Sales	**100.00**	
	Advance from customers		**100.00**
	Total	**100.00**	**100.00**

Spot return: cash refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Advance from customers		**20.00**
	Total	**20.00**	**20.00**

Spot return: wallet refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Advance from customers		**20.00**
	Total	**20.00**	**20.00**

Return after delivery: cash refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Bkash		**20.00**
	Total	**20.00**	**20.00**

Return after delivery: wallet refund

GL Code	Particulars	Debit	Credit
	Sales	**20.00**	
	Advance from customers		**20.00**
	Total	**20.00**	**20.00**

The cashier inputs data into the admin app, which the It extracts and sends it to the accounts team. The accounts team uses these data to prepare the journal entries. Each month, the IT team extracts this data and sends it to the accounting team for reconciliation. After reconciling the data with journal entries, the accounting team submits it to the Internal Audit Department. The Deputy Director of Internal Audit reviews the reconciliations, and the Director of Internal Audit or Head of Finance gives final approval.

3.3.2 Analysis of Risks involved in Revenue Process

This section analyzes the potential risks that may be available in the revenue process. In order to analyze the potential risks, a walkthrough test was conducted. To perform the walkthrough test, we placed an order from the account of a FreshNest employee which bore the number of invoice # 12297220A. We observed that since the order was placed from an existing account, it went directly to the in-charge of the Uttara warehouse. In-charge assigned the order to HUB-A. A picker picked the order from the app, collected that product from the shelf, and put it in the HUB-A. Before collecting, the quality officer checked the quality of the product. The warehouse in-charge confirmed that the right product was placed in the right hub and prepared an invoice for dispatch. He then assigned a customer representative (CR) to deliver the product. After delivery, CR collects money from the customer and marked it as delivered on the app. CR deposited all the money available to him to the cashier, and after reconciliation in the FreshNest admin website, the cashier refunded the change money amount to that CR. While conducting this test, we have discovered the potential risks that are involved in the revenue process which are outlined in the following workflow diagram.

The following workflow diagram is a visual depiction of the revenue process of FreshNest LTD. and the identified risks

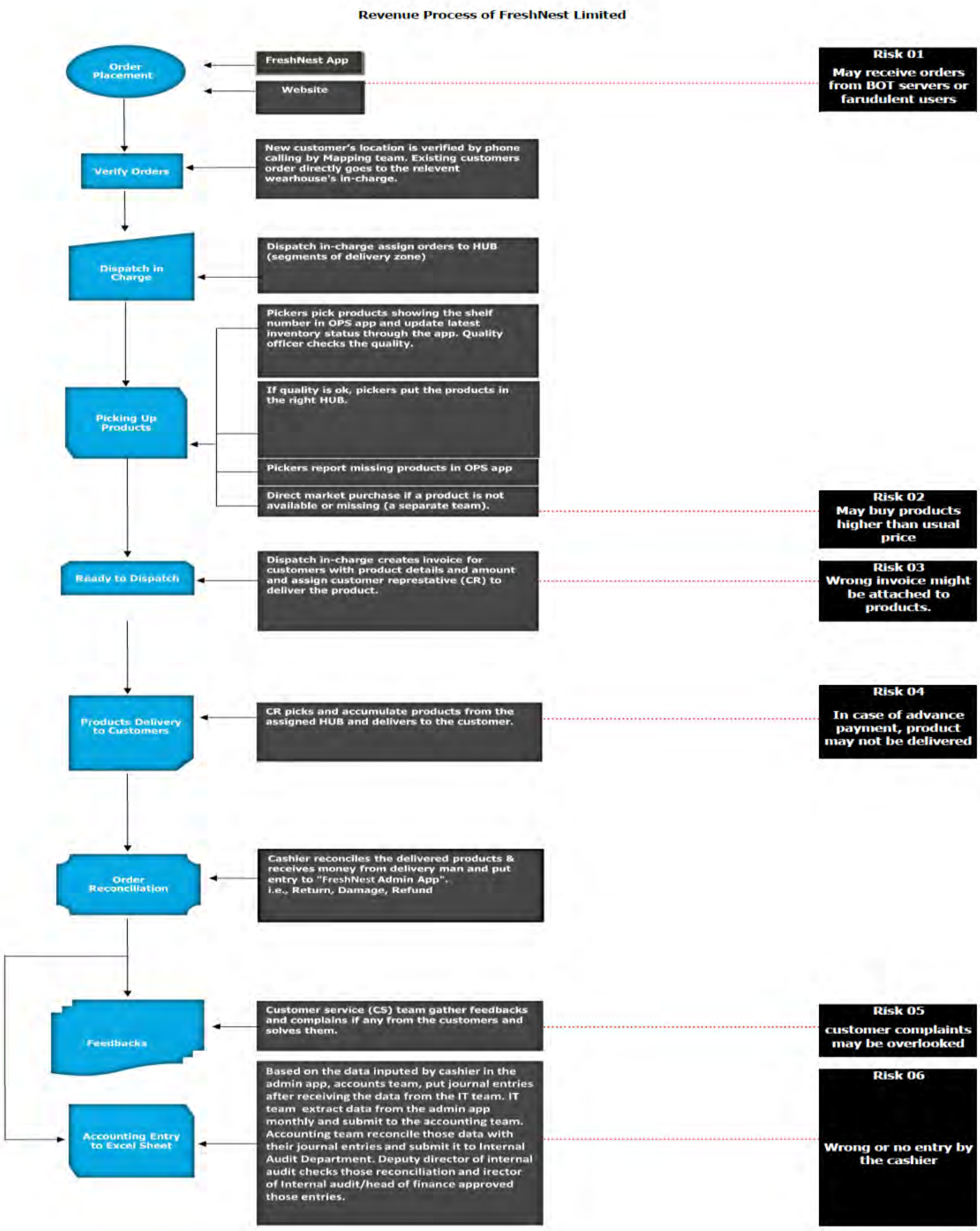

figure 2. The Revenue Process and potential risks

As we can see above in the workflow diagram, we have identified 6 risks that are involved in the revenue process. The first risk is involved in the placement of the order. During this stage, fake orders might be placed through automated bot servers for malicious purposes which can overload the servers resulting in a server crash causing operational disruption that halt order processing and delay service delivery. The next risk is involved in the stage of picking up the products for delivery. If a product is missing from the shelf, the pickers report it to the OPS app, then in order to meet the demand, a separate team purchases the product directly from the market. However, there is a risk that the product might be bought at a higher price than usual. Such cost overruns can erode profit margins, especially if the issue occurs frequently due to poor inventory management. The next risk is associated with dispatch of products. The dispatch stage involves the dispatch-in-charge preparing invoices and assigning customer representatives (CRs) to deliver products within a specific zone. A notable risk here is the potential for invoices to be attached to the wrong products. For example, if the dispatch team mismatches an invoice with a product, customers may receive incorrect items. This error can lead to customer dissatisfaction, returns, or refunds, damaging the company's reputation and potentially causing revenue loss and the loss of customer trust.. The next risk is associated with the delivery of the products to the customers. In this stage, the assigned CR picks up and accumulates the products for delivery. However, in case of advance payment, there is a risk that the product might not be delivered. The CR might mark the product as delivered without delivering it or he might send a message to the customer that the product has been delivered at the doorstep but the reality is opposite. This non-delivery can lead to customer complaints, refund demands, and a loss of trust in the company. It also poses a financial risk, as the company may need to issue refunds or resend products at its own expense, further impacting revenue. The next risk we have identified is involved with providing feedback with customers. The complaints of the customers might be overlooked by the Customer service team who are responsible for providing support for customers which can result in failure of retention of customers and decrease in revenue. Last but not the least, the final risk that we have identified is involved in the accounting entry. As discussed earlier, the cashier reconciles the invoices with the cash received and enters it to the admin portal, from which the accountant extracts these data. While doing so, the cashier might, intentionally or unintentionally, not enter sales invoice data or may enter incorrect data to the admin portal which might lead to unreported sales or decreased, thereby decreasing the company's revenue and thereby their net income and ultimately lead to losses.

3.3.3 Analysis of Internal Control Measures implemented in the Revenue process

This section evaluates the effectiveness of internal control measures that have been implemented by FreshNest Limited in the revenue process. Below is a workflow diagram illustrating the controls.

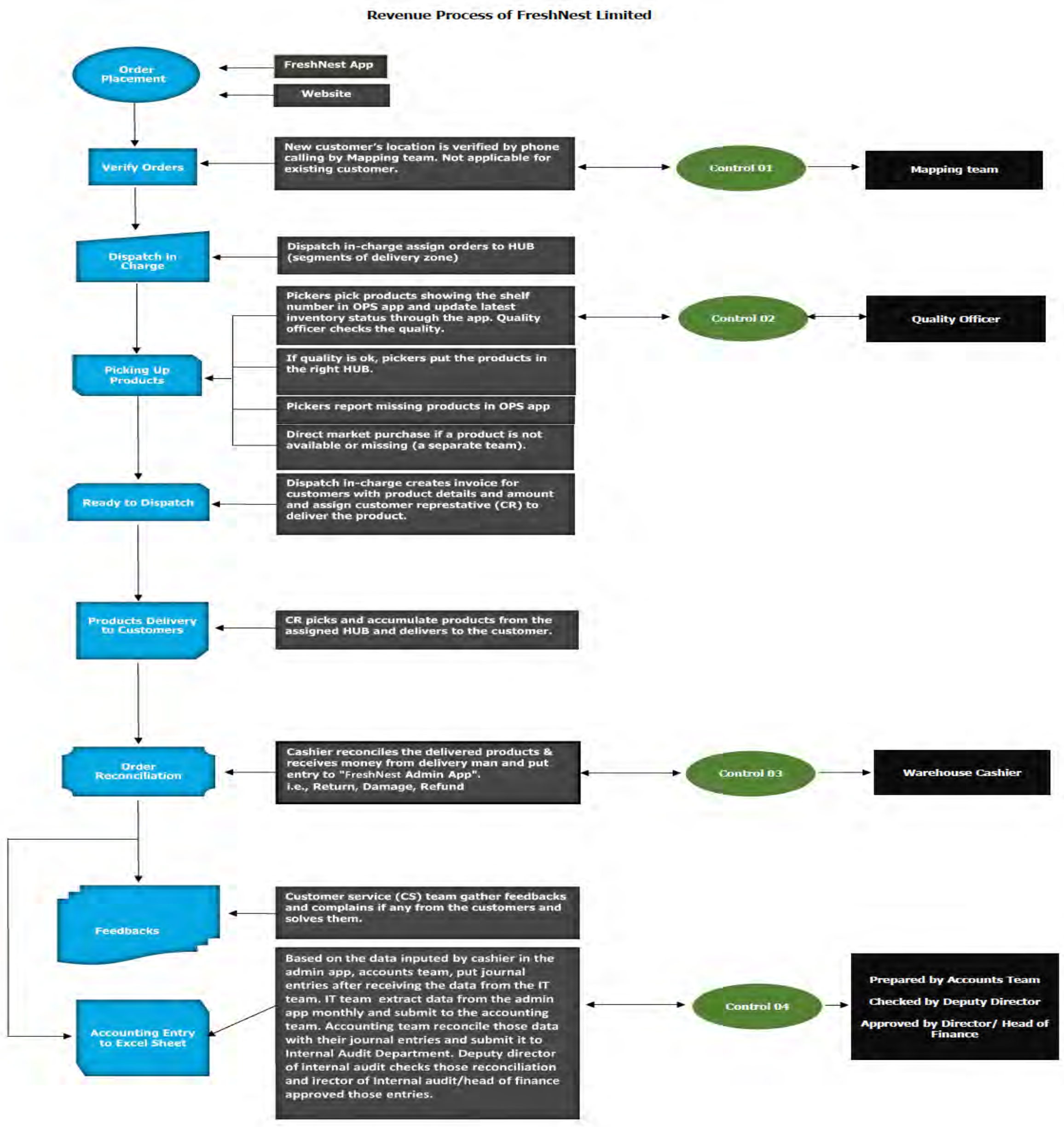

figure 3. The Revenue Process and controls

As we can see in the above diagram, we have identified 4 controls that have been deployed in the revenue process. The first control is associated with the verification of the orders. While taking orders from customers, FreshNest Ltd. need to verify the orders to make sure that the order is genuine and in order to achieve that purpose, they have assigned mapping team, who verifies the location, reliability, and authenticity of customers through phone calls in order to verify that the customers are genuine. The second control that has been deployed is associated with the picking up stage. As we know, during the picking stage, after the products are picked up by the pickers from the shelves, they are responsible for assigning the products to the correct hub. However, the quality of the product that has been picked up by the picker may not be up to the mark which can lead to customer dissatisfaction leading to loss in revenue. In order to tackle this issue, a quality manager is assigned at this stage. Before the product can be placed in the right hub and be available for dispatch, the quality manager checks the quality of the product and makes sure that it is up to satisfactory quality thereby minimizing the risk of delivering damaged goods. The third control that has been deployed is involved with the order reconciliation stage. After the products are ready for dispatch, the CRs are assigned to deliver the intended products to the customers. However, there is a risk that the CR may not deliver the products keeping the products , or they might deliver the product but after they deliver the products they might not report it to the cashiers. In order to tackle this, a copy of an invoice of the product and information of the CR delivering the product is kept with the cashier. After the product is delivered, the cashier collects the cash and reconciles the cash with the invoice thereby decreasing the chances of theft. Lastly, the fourth control that has been implemented is in the accounting entry. As discussed earlier, the cashier, after reconciliation, enters the sales data into the admin portal and the accounts team extracts those data and prepares accounting entries in excel sheets. However there is a risk that the accounting entry posted might be incorrect or the entry might be manipulated. Hence in order to avoid this, the accountants are required to extract monthly sales data from the admin portal and reconcile it with their entries, After reconciliation, they are required to send these data to the Internal Audit Team, where it is reviewed by the deputy director and afterwards approved by the director and the head of finance thereby minimizing the chance of manipulation.

3.4 Conclusion

The analysis of control procedures in the revenue process of FreshNest Limited has indicated potential areas of risk and also the effectiveness of control procedures in preventing such risks. In our walk-through test, seven of the primary risks that were found to be potential areas of risk included order fraud in placement, mis verification of customers, buying products unavailability, inaccuracies in invoicing, discrepancies in deliveries, inefficiencies in customer services, and misstatements in accounting. All of these risks, if not monitored, would lead to operational inefficiencies, financial losses, and loss of company reputation. However, during our walkthrough test, the controls that were identified by us were not adequate and lacking. During our walk-through test, we have identified four primary internal control mechanisms established by FreshNest Limited. These include strict processes of customer verification, product picking checks to determine product quality, invoice reconciliation to check for delivery, and accounting entry controls to prevent financial misreporting. Much as these controls provide a systematic approach to risk mitigation, there are weak spots that are yet to be addressed, such as in order authentication, overlooking of customer complaints, non-delivery, and incorrect sales entry posting. In case of order verification, although FreshNest LTD have assigned a mapping team, it is not effective since the servers can be overloaded through fake orders from bots before the mapping team can even verify whether the orders are real or not. Moreover, in case of overlooking of customer complaints, non-delivery, and incorrect journal entry posting no possible control has been put in place. In case of incorrect entry posted by the cashier, although controls have been deployed in terms of reconciliation by the accounts team, however no controls have been deployed when it comes to entering sales data by the cashier.

Overall, the findings suggest that even though there is an established system of controls in place in FreshNest Limited, there is potential to be improved in strengthening these controls to enhance efficiency, accuracy, and security in revenue processing.

3.5 Recommendations

To mitigate the risks identified in the revenue process of FreshNest Limited, some strategic and technical recommendations can be utilized to enhance the company's internal controls and business operation. Firstly, to address the issue of false orders placed by bots, FreshNest can utilize sophisticated systems to identify bots, such as CAPTCHA verification, device fingerprinting, and IP throttling. These tools can filter out automated traffic prior to processing orders, ensuring only genuine customers are able to place orders. For instance, leading online shopping websites such as Amazon employ these measures to ensure their servers remain efficient and continue running smoothly during peak periods. Second, due to emergency product purchases from external markets, FreshNest has to utilize live inventory management systems, thus stock levels are monitored live. Automated stock monitoring software can alert warehouse staff when stock levels drop below specified levels, prompting them to restock in advance and minimizing the need for last-minute purchases. Such technologies are utilized by retail giants such as Walmart to improve stock and to effectively manage buying costs. Third, to minimize errors with products and invoices in shipping, FreshNest can implement a system that utilizes barcodes to pair products and invoices. By scanning the barcodes prior to shipping, the system is able to verify that every product corresponds to its invoice, which will decrease errors. Similar techniques have been employed by delivery businesses such as DHL and FedEx to enhance shipping precision and customer satisfaction. Furthermore, to prevent fraudulent delivery confirmations by CRs, particularly for prepaid orders, FreshNest must implement GPS-based delivery tracking combined with customer confirmation via a one-time password (OTP) or digital signature. E-commerce websites such as Flipkart employ these practices to ensure deliveries are correct and to prevent erroneous reporting by delivery personnel. Additionally, FreshNest does not have a good mechanism to handle customer complaints. They need to introduce a customer relationship management (CRM) software with ticketing, like Zendesk or Freshdesk, so that all the complaints are recorded, raised, and addressed in a timely manner. Companies like ZARA have worked well with such tools to improve customer service and retain customers. The other critical issue is the entry of sales data by the cashier into the admin page. To reduce the risk of lost or incorrect information, a maker-checker procedure or double authorization could be implemented. A second employee or supervisor would, therefore, confirm the information before completion, which lowers the chances of errors or intentional changes. This procedure is commonly used in banks to protect financial transactions. For further enhancement in financial accuracy, FreshNest can also integrate automated accounting software such as QuickBooks or Zoho Books with the admin panel. They can automatically sync transactional data, minimize manual reconciliation errors, and offer timely reporting. Retail companies that have shifted to automated accounting software record better efficiency and compliance levels by far. Additionally, surprise checks and internal audits on a regular basis should be initiated at different levels of operations, i.e., delivery staff and cashiers. Surprise checks can deter fraud and detect problems before they become serious. For example, BigBasket uses regular internal audits to ensure high levels of operations. FreshNest should consider establishing a system for customers to review Customer Representatives. This would allow customers to judge the quality of deliveries, making delivery personnel more responsible. Uber's 5-star rating system for drivers is a good model, as it encourages good service and penalizes bad service.

In summary, although FreshNest Limited has established some fundamental control steps in its revenue process, these recommendations provide a more comprehensive system to address existing gaps. By implementing a combination of technological tools, procedural controls, and accountability measures, the company can significantly reduce operational risks, improve customer satisfaction, and strengthen overall financial integrity.

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