



**Internship Report on
Nature of Internal Control in Garments Sector in Bangladesh – A Study of
Consumer Knitex Limited**

Prepared For

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Date of Submission:

31st October, 2019



United International University
QUEST FOR EXCELLENCE

Letter of Transmittal

Date: 31 October, 2019

Ziaul Karim (ZKm)

School of Business & Economics

United International University

Subject: **Submission of Internship Report on “Nature of Internal Control in Garments Sector in Bangladesh – A Study of Consumer Knitex Limited”.**

Dear Sir,

With due respect, I would like to submit the “Internship Report” for your kind reassessment. This report is a summary and analysis of three months of internship experience which I learned and gathered in Consumer Knitex Ltd. The topic of this report is “**Nature of Internal Control in Garments Sector in Bangladesh – A Study of Consumer Knitex Limited** “. I have tried my best to work sincerely to cover all issues regarding the matter. I worked hard to gather valuable information and tried my best to prepare this report perfectly.

However, if you need any clarification, suggestions or recommendations for further progress of the report, then I will be obligate to provide further explanation.

Hence, I hope that you would be kind enough to accept this report for analysis.

Thank You,

Sincerely,

Fahad Rashid

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ACKNOWLEDGEMENT

The internship program is beneficial because to we can relate between theoretical knowledge and real-life experience as part of the Bachelor of Business Administration (BBA) program. I am honored that I had the opportunity to do internship in Compagnie Mauricienne de Textile Ltee (CMT-BD), a multi-national ready-made textile company.

With a grateful heart, I would like to remember, **Ziaul Karim (ZKm)** who have helped me during the course of my internship program. I am very much grateful to **Md. Sadiqur Rahman, Md. Zaber Tauhid Abir, and Ms. Zabin Tasnim Oni** for giving me the opportunity to complete my internship at Consumer Knitex Ltd.

I also want to thank **Mr. Francois Gilles Tam Fat Woo** (Managing Director) and **Mr. Sanjay Kumar Chooromoney** (Country Director) and all members of the Consumer Knitex Limited, for their support that I have been provided for preparing my report. I am sure that their strong managerial activities will give encouragement to anybody to build one's career properly.

I prepared this report from my own perspective. Then at last, I shall be grateful to those people who read this report and who shall get benefit from this report at present and in the future.

At last, I am very grateful to the source from which I have collected the ideas and information.

DECLARATION

I, **Fahad Rashid**, hereby declare that the submitted report of an internship titled “**Nature of Internal Control in Garments Sector in Bangladesh – a Study of Consumer Knitex Limited**” is uniquely prepared by me after the completion of three months’ work at Consumer Knitex Ltd.

I am also confirming that the report is, not for several purposes only prepared for my academic requirement. It might not be used with the interest of the opposite party of the corporation.

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Scope & Limitations

Scope:

Bangladesh's huge advantage is its high population; because of its low-cost labor is widely available. If we are able to solve some major problems like political unrest then many foreign investors may invest in our country. Other than foreign investors with the help of a stronger internal control system Bangladesh can increase its GDP and reach the top position. Where there is good internal control there is the opportunity for good profit and increased respect.

Limitations:

There are some limitations while doing this report such as:

- Due to the company's privacy policy we weren't able to collect enough data.
- Unable to understand business lingo terms
- Time limitation; considering the enormous amount of information collected within just three months was really tough.
- Low budget

Executive Summary

Consumer Knitex is a sister concern of Compagnie Mauricienne de Textile Ltée. They started their production in Bangladesh in 2011. They have three factories in Bangladesh.

This internship report is created on the **Nature of Internal Control in Garments Sector in Bangladesh** – A Study of Consumer Knitex Limited; the report organizes the vital things in assessing the organization's case. I have chosen this topic by consulting with my academic supervisor. It covers the tasks I used to be given during my temporary position within the Finance and Audit department of CKL. It provides a prime opportunity to conduct the bottom examination and develop an understanding of the current situation of internal control of Consumer Knitex Ltd. & clothes sectors in Bangladesh.

As for the aim of the report, we've taken COSO parts of internal control to work out the character of control activities. COSO components include; Control Environments, Risk Assessment, Control activates, Information's, Communication & Monitoring. We also took data from BGMEA for general discussion about RMG sector in Bangladesh; some more information gathered includes how Consumer Knitex implements the internal control, & SWOT analysis for understanding the internal control system of Consumer Knitex Ltd.

When analyzing the Consumer Knitex in terms of our purpose, we have found strong internal control in Consumer Knitex. This result is also true for multinational companies as multinational companies have a good internal control system in comparison to local companies. Also, their ethical morals are high. But in Bangladesh local companies we have found poor internal control due to a number of reasons. The number of garments is decreasing over the years. Because of poor internal control, many garments are closing their business; worker dissatisfaction is also increasing, etc so it proves that there is a lack of internal control implementation.

This report indicates that the internal control of Consumer Knitex Ltd. is fair and they have positive or effective internal control over the company. In Bangladesh government, development sectors and the private organizations are properly looking after this sector so the authority could maintain the law and regulations.

Few recommendations which are discussed are; Using IT technologies for approval, Train up their worker, Increase salary, Proper Motivation so these will help them to run their business properly and bring good profit.

While doing this report we've faced some limitations such as company privacy regulations, also a shortage of time, lack of proper data on website or in the journal & insufficient funds.

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Chapter 1: Introduction

1.1 Origin of the report

An internship report is a necessary part for the completion of the BBA program. The initial goal of the internship is to expose students to real-world job life so that they have a chance for a smooth transition from theoretical knowledge to practical implications.

In summary, this report is evidence of my capability to use my classroom learned knowledge in the real-life business world. My particular topic to showcase this is the Internal Control System of the Consumer Knitex and RMG Sector in Bangladesh.

This report is titled “Nature of Internal Control in Garments Sector in Bangladesh- a Study of Consumer Knitex Limited” and is done on the basis of my working experience I have collected and under the supervision and guidance of Mr Ziaul Karim (ZKm), Assistant Professor, School of Business and Economics, United International University.

1.2 Background of the report

After finishing all theoretical courses the very last course of my undergraduate program is the internship program. This will prove that I am able to use my educational knowledge in the business world. I got a chance to work closely with the auditors of Consumer Knitex & have achieved and learned many aspects of the organization. Also, this internship has been key in developing my analytical power and scholastic attitude. This report is about the nature of the internal control system on the basis of my 3 months internship. Hence, this report is based on The Nature of Internal Control in Garments Sector in Bangladesh – A Study of Consumer Knitex Limited.

1.3 Objective of the Report

Internship program is very practical also realistic subject to understand the situation properly. It helps a student to build their career also internship program is a career development activity. Based on this the internship report helps me the following things.

General Objective: Mainly complete the report is the general objective; this report would help us to know about the internal control system in Consumer Knitex & RMG sector in Bangladesh. So, we need to have objectives of our own to accomplish this report properly. Few general objectives are:

- It can give some information to the entrepreneurs
- Though Bangladesh has cheap labor and for the RMG sector there are lots of facilities are given by the government so entrepreneurs should focus on this sector.
- Political factors should avoid because of this factor garments loss many foreign buyers.
- The government should deal with the international body so this sector gets better opportunities.

Broad Objective:

- To have a great experience in audit department at Consumer Knitex as one of the best company in Mauritius & have a good position in Bangladesh.
- To meet academic requirements
- To prepare my internship report based on topic

Specific Objective:

- To know how efficient their internal control system
- To know the practice of Consumer Knitex, Audit Department how they handle the situations and how they monitor this company.

1.4 Literature Review

From this report we can know about the current situation of RMG sector also we can know about internal control system based on Consumer Knitex and short brief about RMG sector.

In Bangladesh garments sector started in the 1980s. Many reports have been published regarding the RMG sector but we have found very few reports regarding internal control systems of the RMG sector. Some findings based on the available reports are given below.

Many garments do not follow proper accounting method also there are no correct separation programs for workers who leave the firm, also employees are not secured and their internal control system is very poor and needs to improve this system. (Anup Kumar Saha, 2012).

In Bangladesh many of the garments sector do not follow ISO standard rules which indicates that they have no effective internal control, our garments should be more spacious so that workers can move properly also they can easily tackle fire problem. Authorities are taking advantage on poor surveillance of government said by (Dhar, 2018).

Bangladesh depends on RMG sector for the export income but most of the garments do not follow accounting standards and there is no separation program for employee who leave the firm also employees are not bonded who have access to negotiable instruments and cash. Said by (Anisul M. Islam, 2011)

While preparing this report we took help from a book named “Auditing & Assurance Services” 15th edition (Alvin A. Arens, 2018-2019). Most of the theoretical topics are covered from this book such as COSO internal control, evaluation of internal control etc. Few theoretical parts which are related with this report are given bellow:

Internal control is process of assuring a company’s effectiveness also internal control is extremely necessary for a company to run their business. (Alvin A. Arens, 2018-2019)

There are some objectives regarding internal control system and those are such as accuracy of financial reporting, effective operation etc.

There are five elements of **COSO** internal control system such as

- **Control Environment:** The control environment is the activities, standards & process which connect with the prime management or authority or directors. (Deloitte, 2019)
- **Risk Assessment:** In terms of internal control auditors mainly focus on financial reporting based on this risk can be two types such as:
 - Financial Risk
 - Non Financial Risk

Financial Risk defined as when private or Government Company unable to pay their debt as a result they lose their investors. Financial risks are five types such as credit risk, liquidity risk, equity risk, currency risk etc. (CHEN, Financial Risk, 2019)

Also **Non-Financial** risk is related with environment or manmade risks based on this financial risk are social risk, country risk, political risk, economic risk etc.

- **Information & Communication:** Here managers or departmental head give report to the higher authority and auditor's responsibility is to maintain good relation with shareholders and let them know about the current situation. Also this audit is very important because Communication audit related with shareholders trust. So it's known as key component of business. (Alvin A. Arens, 2018-2019)
- **Control Risk Activities:** Control activities are known as policies and strategies. This activity is taken to address risk and accomplish goals. There are five components which indicate control risk activities. (Carolyn Dittmeier CIA, 2014)
- **Monitoring:** Actually monitoring deals with ongoing or periodical assessment done by management. Monitoring means methodical ways of observing, tracking, data or recording activities. (Alvin A. Arens, 2018-2019)

Obtain and Document Understanding of Internal Control: Basically the level of understanding internal control, extent of testing required for audit of internal control because it is very important to understand the documents or examine the financial statements. (Joseph)

Evaluating Internal Control Implementation: After all the implementations, auditors must need to evaluate the designed controls which are implemented such as: Update & Evaluate Auditor's Previous Experience with the Entity, Make Inquires of Client Personnel, Examine Documents and Records, Observe Entity Activities & Operations, Perform Walkthroughs of the Accounting System. (Alvin A. Arens, 2018-2019)

To say, this is to agree that their observation based on this area is so much effective because of their study of many Garments Companies. It will help them to improve their systems also from our perspective which we have already discussed about the nature internal control system. We hope this will be helpful for the RMG sector in Bangladesh.

1.5 Methodology

Research Method:

This report is based on a mixed-method study. Mixed research is a study where we conduct our research based on data analyzing, collecting and survey. It is used for a better understanding of a research problem.

There are two types of mixed-method research such as qualitative and quantitative and we used qualitative data. This is known as open-minded information where a researcher gathers information through various ways such as interview, experience or observation. We have gathered information for this report through interview, questionnaires and observation. So we have followed this qualitative technique.

Research Approach:

Basically, research approach is a plan describing how to collect information and how to analyze data. We have followed the Qualitative method to collect the data which we have used in this report. We have used Inductive approach for data analyzing. Research approach diagram is given bellow:

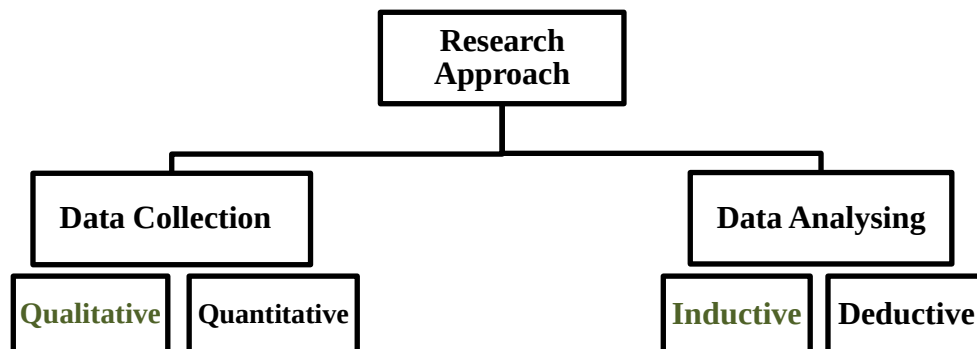


Figure 1 : Research Approach

Sampling Process:

It's a process which we used in statistical analysis, there are five types of sampling but here we took data from BGMEA using simple Random Sampling to know the number of garments available in Bangladesh and Export data to know the recent condition of this industry.

Data Sources: Basically there are many ways to collect information's or get data. Such as:

- Primary Data
- Secondary Data

Primary Data:

- Mainly primary data is known as data which we collect directly. To prepare this report we have collected primary data mainly from the book because there are many theoretical factors which are helpful to understand this report clearly, also my experience at Consumer Knitex was helpful for me because I got enough knowledge regarding this report from there.

Secondary Data:

- Data which is collected from an internal source, open-access source or public source is known as secondary data. Some data is collected from the organization sites. Also, data is obtained by the casual conferences of the workplace employees and accountancy officers and various type of website or journal.

Important data has been collected by:

- Informal meeting with the officers of the accounting & audit division of the company.
- A few details of this report I have been gathered over conversation with record manager.
- Little information has been gathered from observing regular lessons of the office and manufacturing plant.

The design and analysis in this report are based on both critical and elective data. For gathering essential information we took help from the web site and different sources. From, this document combines views of alternatives by analyzing other sources, for example: articles, annual reports, books, BGMEA reports and several supports.

Chapter 2: Business Background

2.1 Company Background

Compagnie Mauricienne de Textile Ltée (CMT) is one of the leading companies in Mauritius. Consumer Knitex began its travel in 1986. Louis Lai Fat Fur and Francois Woo built up this business. The organization began with easy and humble thoughts in 1986 however lived to the vision of turning into the largest shirt industry within the world. After this they are very much conscious about their dream based on this drafted two decades back, CMT did an amazing response and they accomplish their goal significantly. After this Circumstance, CMT focuses on their sister concern Consumer Knitex Ltd. and then this company additionally did tremendous results as a result of they developed the biggest shirt wear maker in Mauritius & the Sub- Saharan.

Compagnie Mauricienne de Textile Ltée (CMT), a worldwide shirt wear clothing industry pioneer. Also, the marketing workplaces are set in UK, France.

Compagnie Mauricienne de Textile Ltée (CMT) begun its trade in Bangladesh as named Consumer Knitex Limited based on this circumstance almost 6000 plus labor & representative work here.

Their mission articulation of the organization is "From wherever we have a tendency to come... to where we're going". We attempt to be the best maker of highest quality manufacturer of clothing conjointly jersey wear and alternative clothing, by putting effective resources into correct innovation and advancement for our individuals.

Basically, CMT has one sewing production line in Bangladesh which is in Trishal, Mymensingh. It's also known as Consumer Knitex Limited 2 also it's the biggest and new factory in Bangladesh; it has various types of new technology also have a good environment and well decorated. Almost 4000 workers and representatives serve here. But they are targeting 6000 and more specialists. Another one is situated in Valuka, Mymensingh is known as Consumer Knitex Limited, CMT group bought this garments or plants from another company and then they started their task in October 2011, it has almost 1500 plus workers & staffs & the last one is Dignity Textile Mills Limited (DTML) situated at Shreepur, Gazipur actually this unit used for dying production. They are also planning to open another one in Savar (not fixed). Corporate Head Office is placed at UTC building, Panthapath, Dhaka.

2.2 Overview of Organization:

This is necessary for a part of the organization that shows vision, mission and chart of Compagnie Mauricienne DE Textile Ltée (CMT).



2.2.1 Vision

Actually vision indicates the futuristic imagination or wisdom also their vision is to becoming the market pioneer within the Shirt wear industry.

2.2.2 Mission

Basically Mission statement explains that what their goal is, how the organization is also it define who our primary customer is, identify the products and services etc.

“From wherever we have a tendency to come... to where we're going”

They seek to be leading high quality clothes manufacturer and jersey wear, by finance in technology, coaching and development for their individuals.

With the help of this we will try to contribute our economy also we will look after the sustainable social development.

2.2.3 Organizational Structure of Consumer Knitex Limited

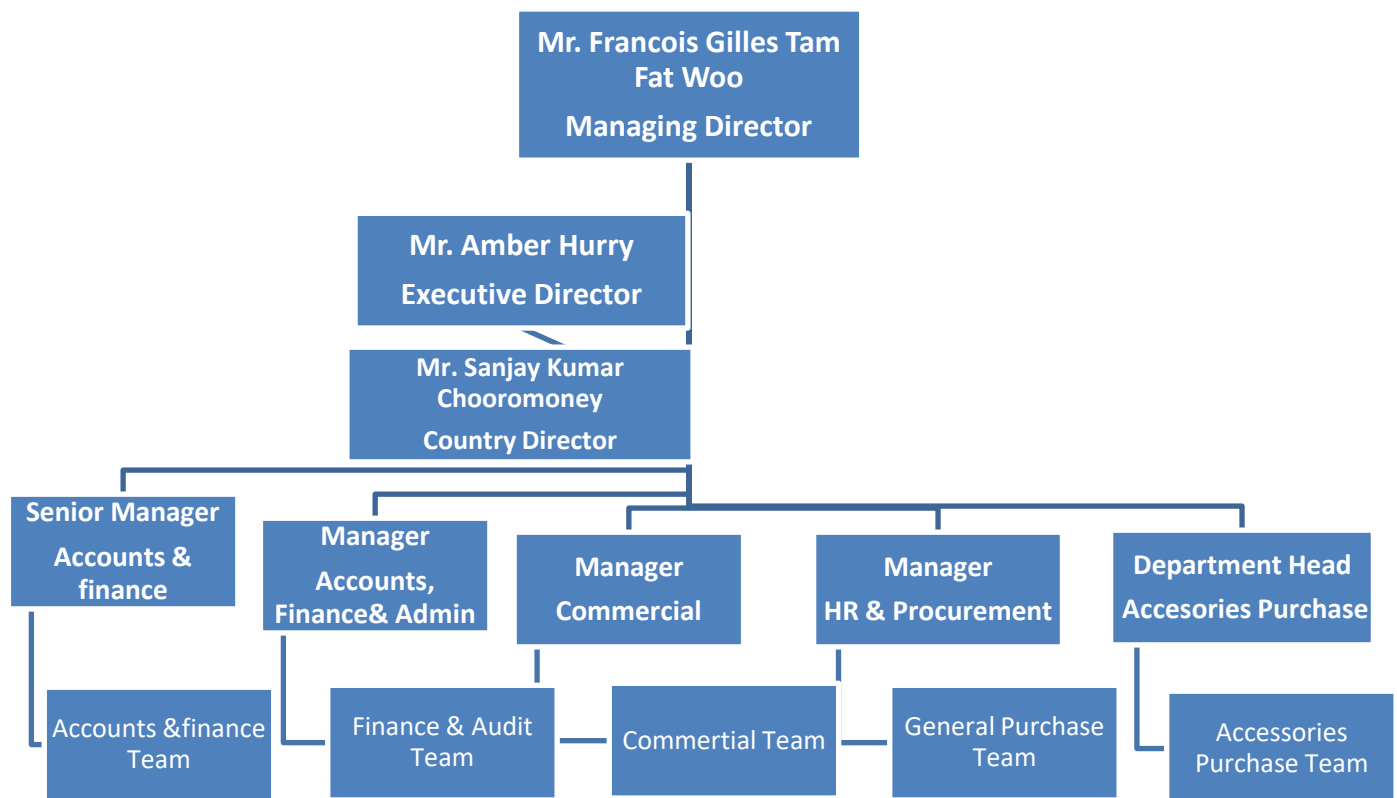


Figure 2: Organizational Structure of Consumer Knitex Limited



2.2.4 The Head Office of Consumer Knitex Limited:

- The head office has five departments such as Finance Accounts & Audit, Commercial, General Purchase, Accessories, and HR-Admin.
- **Finance Accounts & Audit:** This division is responsible for all forms of CMT Bangladesh payments and also, this department works to keep all departments purified.
- **HR-Admin:** This division is in charge of providing administrative service in information management systems, human resources collecting, payroll, acquisition and communication with everyone. Also, they usually arrange a meeting for foreign buyers & they also look after the worker's health issues and problems.
- **Commercial:** This department conducts all manner of activities in import and export for Compagnie Mauricienne de Textile Ltée Bangladesh.
- **General Purchase:** The workers in this division purchase the entire factory's items-equipment required for ordinary operations and generation along with office stationery or anything required for the company.
- **Accessories Purchase:** They are working to purchase all the accessories required by RMG factories.



Head Office, UTC Building, Panthapath, Dhaka

2.2.5 Operations and expansion of operations

- They are now opening the most important high-tech coloring factory in Sub-Saharan Africa
- Starting item plan and advancement administrations for the improvement
- Opening of modern sewing plants to compete with others
- Development of embroidery and printing facilities for betterment
- Creativity and item plan center, because day by day people wants variations
- Starting a excellent spinning mills
- Opening of sewing plant, which is biggest in Mauritius
- Consolidation of weaving and coloring
- They are investing in value-added forms
- 2 fabric plants, 6 sewing plants and representative management buildings.



Head Office of Compagnie Mauricienne de Textile Ltée in Mauritius



Consumer Knitex Limited (Valuka)



Consumer Knitex Limited (Trishal)



Dignity Textile Mills Limited (Shreepur)

Based on this Circumstance they are full filling their dreams with the help of expert workers and responsible employees, They also concern about their quality so they can reach the top also From the beginning Consumer Knitex Limited is being humble, relentlessly &

developing the company ever since. Day by day they are turning into giants Textile Company in Bangladesh.



This is an image of Spinning Mill of Consumer Knitex Ltd.

2.3 Industry background

Like other third world nations Bangladesh is recently recognize as developing country. It has very rich clothing fame especially for Muslim & Jamdani cloth. Before liberation a garments named Reaz Garments known as Reaz Store established in 1960. After liberation war in 1971 some entrepreneurs have created a strong private sector also a woman entrepreneur create a garments named Baishakhi Garments. They started to export in 1977 (Rana, 2016). The apparel industry of Bangladesh started its journey in the 1980s. The late Nurool Quader Khan is known as the pioneer of the readymade garment industry in Bangladesh. Day by day this sector increased a lot and Bangladesh is the 2nd largest garments exporter in the world.

The number of the garments company increased nowadays and here's some data which shows the actual number of the garments sector.

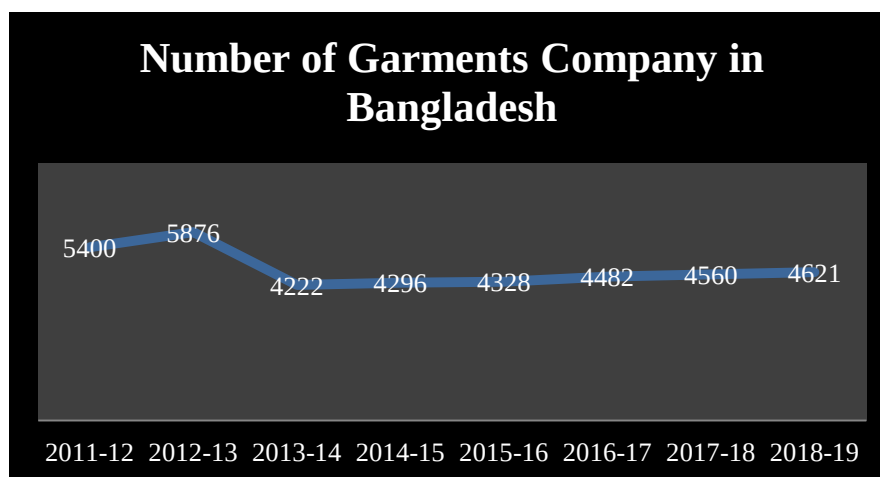


Figure 3: Number of Garments Company in Bangladesh

According to BGMEA information, here we can see in 2011-2012 the number of garments in Bangladesh is 5400 after next year it increases 5876 Garments Company because of its profit many investors invest in this sector. But in the year of 2013-2014 many of the garments company decreases because of RANA Plaza tragedy also many of the foreign buyers leave this country and cancel their investment, as a result, many of garments close their productions this problem infected in the year of 2014-2015 also but slowly again they foreign buyers started to giving order to garments because BGMEA & BKMEA plays a good role that time. In the year 2015, 2016, 2017, 2018&2019 the number of garments companies increases because of BGMEA & BKMEA strict rules and regulations. Many foreign buyers come to

invest in RMG sectors for a good return and high-quality product. So this data or chart indicates the number of Garments Company in Bangladesh. (BGMEA, 2019) .

After 2013 this sector suffers a lot because of some fire incident or earthquake because some garments doesn't have such types of facilities to avoid such types of risks. Its only reason is their internal control was not so effective their managers or authority doesn't look after their worker properly they don't create any safety facilities for their worker as a result many of garments faced some tragedy and they turn of their garments. But day by day because of good profitability many investors again invest in this sector also they are creating good internal control system to prevent loss and avoid risks.

If we check this data then we can see the export data which is increasing day by day.

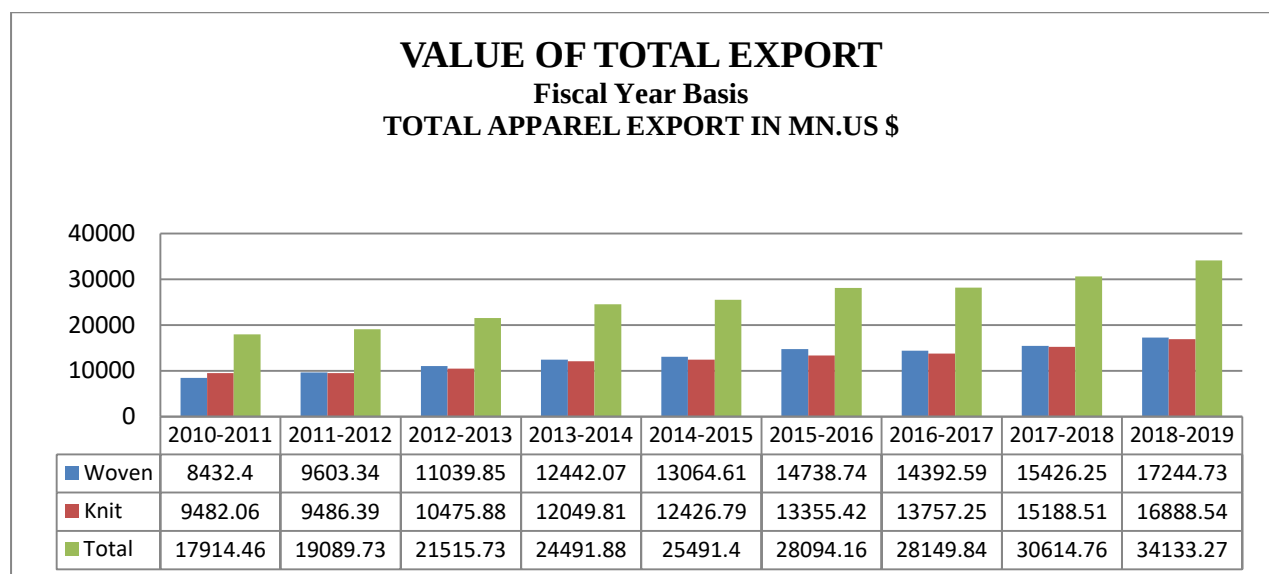


Figure 4: Value of Total Export in RMG

So this data indicates that day by day our garments sectors are increasing their export & last 2 years the result is quite satisfactory (BGMEA E. P., 2019). So, nowadays most of the garments is focus on this area so they can expand their business and earn their profit very well. Also government is giving lots of facilities. Also it creates lots of job and it reduced unemployment problem in Bangladesh. Bangladesh is increasing its GDP with the help of this sector.

Chapter 3: My internship at Consumer Knitex Ltd.

I started my internship in Consumer Knitex from 9th May 2019. I was hired for the audit department. I started my internship in the audit department of Consumer Knitex from 9th May 2019. As this was my first day, my supervisor gave me informative sheets to learn about the company and how to check their company documents. After this, my other supervisor told me to check the stationary items. Also, the audit manager gave a brief description of their operations & working systems. After I started my internship that point was a peak operating period for Consumer Knitex. Basically, they gave some of the tasks which are related to my internship such as:

- Bills Checking
- Market visiting for audit
- Factory visiting for audit
- Maintain and write PI for stationary items
- Licensing purpose
- Check handling
- Finding PO
- Attach Money Receipt
- Check maternity leave, resign later
- Visiting Bank for pay order

3.1 Bills Checking: On my initial day at CKL, my boss gave me some General Purchase bills to check. He first showed me how to check bills. After this, he told me if the sign and necessary things are missing from that bill then I should notify him about that bill. Because I need to cross-check with the PI number with authorities' approval & mentioned items also gate pass seal. After a few days, he told me to check Commercial Bills also he gave me some standard examples for export items so that would be easy for me. After this, my other supervisor told me to check the Accessories Bills.

One month later I got the responsibility of all the bills and I quickly learned their process. After this, I could easily detect any misleading information or problems or seal-sign. There are three types of bills I have checked:

1. General Purchase Bills
2. Commercial Bills
3. Accessories Bills

3.2 Market visiting for audit: The success of an intern is dependent on a huge extent upon the fieldwork. After identifying issues in a specific shop, my supervisor would tell me to visit the market and take some quotations for the related shop. On the first day of the market visit, my supervisor taught me how process audits in practical life. When he was helping me this was pivotal learning chance for me because he told me some techniques about the auditing process. Again he told me to do an audit for a front glass of a car & I successfully did this audit. I found problems between the price and the bills & that day my supervisor told me I did a good job and that I have done well.

3.3 Factory Visiting: Visiting factories are very important for an audit because the main operation happens there; that's why auditors need to know about these conditions. Based on this I went to the factory with the audit manager and my supervisor. We visited 2 of our factories and I learned many things about how to do this audit.

3.4 Maintain and write PI for stationary items: Basically, it was really tough things for me to maintain these goods and write purchase indent. I would have to count all the stationary and allocate to every department; also I prepare a listing department wise so they can give requisitions. Based on requisition I gave them items & that indent was signed by the country director or higher authorities as it's for head office.

3.5 Licensing purpose: When I began my internships it was a really busy time for them because they need to renew many licenses such as Environment license, Export-Import license, and license for ACCORD, etc. Also, my supervisor took me to the BIDA office to know how to take or apply for work permits for foreign employees, also how to pay fees for the transport license in the bank. They taught me how to deal with these aspects in that office.

3.6 Check Handling & Attach Money Receipt: When accounts issued checks for vendors, my supervisor would make a list of them then give them to me. She would give them to me to scan and print for security purposes; I would then need to call the vendors to collect their check on time. They would also give money receipts for both security purpose and so that I could collect those money receipts and attach it to their file.

3.7 Finding PO: After making any general purchases the department creates yellow PO for accounts and audit. They give them to the audit department and then we check that list and give it to accounts departments. When they finished their entry then the accounts department gives it back to the audit department. But the audit department has to give those PO back to the general purchase department so it was my responsibility to search for those yellow POs, the ones based on the purchase transactions.



3.8 Check maternity leave, resign later & Visiting Bank for pay order: Auditors need to check everything because every element is essential for internal control. So, my supervisor taught me how to properly check these files and also they would send me to create a pay order for their company. At the end of my internships, I learned a lot from Consumer Knitex Ltd. Their working environment is excellent, they maintain the hygienic and safety factors, and they treat their interns as an employee. Those three months were essential for me to learn the practical implementation of my theory learned in university

Chapter 4: Theoretical Part of Internal Control System

4.1 Purpose

Internal Control can be defined by auditing & Accounting, mainly this is a system or process for assuring a company's effectiveness also efficiency along with financial reporting, rules law etc. Internal Control is very important for an organization because it defines many things.

Many of Company collapse because of the ineffective internal control system. Internal Control can cause significant losses resulting in material misstatements in financial statements based on this in U.S many companies face a serious problem such as ENRON, WORLDCOM, etc. To address these concerns, Section 404 of Sarbanes- Oxley Act is created for U.S public Companies.

4.2 Objective

Management typically has three objectives in designing an effective internal control system such as:

- Reliability of Financial Reporting
- Efficiency & Effectiveness of Operation
- Compliance with Law and Regulations

4.2.1 Reliability of Financial Reporting: Basically, Management is responsible for creating statements for creditors, Investors also other users. Based on this management has both professional and legal responsibility to present reporting according to GAAP and IFRS. In Bangladesh Company follows BFRS.

4.2.2 Efficiency & Effectiveness of Operation: It indicates controls within an organization encourage efficiency and proper use of resources to reach the company's goals. This is very important because this control helps financial and non-financial information about the company's decision making.

4.2.3 Compliance with Law and Regulations: Based on some accident accounting associations set some laws and regulations with the help of such types of things company's

can avoid financial loss or increase internal control value. According to Section 404 requires management of all public companies must issue a report based on this law. Also if the company needs to take any legal steps then it must follow this rule. Also, Public, Nonpublic and Non-profit organizations need to follow laws and some related to indirectly with accounting such as Environmental Protection and Civil Rights laws.

4.2.4 Sales Transaction-Related Audit Objectives:

Sales related audit objectives are given bellow (Alvin A. Arens, 2018-2019)-

Transaction-Related Audit Objective- General Form	Sales Transaction- Related Audit Objectives
Recorded transactions exist(occurrence)	Recorded sales are for shipments made to existing customers
Existing transitions are reordered (completeness)	Existing sales transactions are reordered.
Reordered transactions are stated at the correct amount(accuracy)	Reordered sales are for the amount of goods shipped and are correctly billed and recorded.
Transactions are correctly classified (classification)	Sales transactions are correctly classified
Transactions are recorded on the current dates (timing)	Sales are recorded on the current dates

Table 1: Sales Transaction-Related Audit Objectives

So, management mainly designs these systems for internal control to accomplish all three objectives. Also, Auditors focus on both side such as financial reporting and internal control of an organization because internal control helps auditors to judge the company.

4.3 Management and Auditor Responsibilities for Internal Control

In the case of responsibilities internal control differs between the auditor and management but management is fully responsible for establishing and maintains their internal controls. So management needs to follow Section 404 for doing or publish any public report on the basis of the company. Also, auditor's main duty is to certify the financial report on the basis of testing and observation. According to this management must follow accounting frameworks such as GAAP or IFRS or BFRS.

Mainly two key concepts management mainly focus such as:

- Reasonable Assurance
- Inherent Limitations

4.3.1 Reasonable Assurance: Management should develop their internal control properly so a company can be recognized or provide financial statements fairly. So they can recognize as a good company also internal control mainly develop after considering both costs and benefits of the control. Reasonable assurance provides a high level of assurance that deals with a low likelihood that material misstatement will not be prevented.

4.3.2 Inherent Limitations:

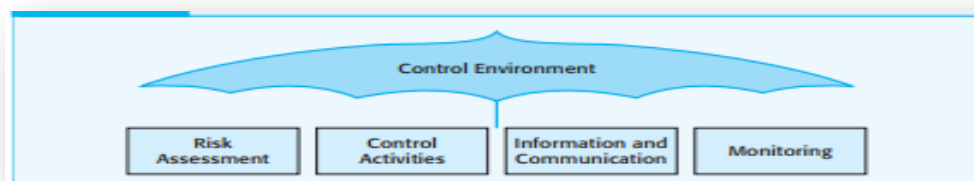
Auditor mainly provides reasonable assurance but can't provide absolute assurance. Because they provide this on the basis of financial statements and detections of fraud but there are some of the limitations that is why they don't provide absolute assurance. This limitation is known as an inherent limitation. Auditors cannot reduce audit risk to zero. Also, they need to judge a financial statement which responsible is management but they can't sure about judgment so there are some limitations also sometimes management doesn't provide proper information which can be intentionally or unintentionally another thing is they can't check all the documents. Also, it is difficult to find fraud because sometimes management or a group of people helps fraud so that time it is very difficult to find fraud that's why there are some limitations.

4.4 COSO Components of Internal Control

COSO's Internal Control-Integrated framework is the most accepted internal control framework in the United States and other countries. Auditors mainly focus on these areas also there are five components (Alvin A. Arens, 2018-2019) . COSO's Components of internal control include five things such as:



Figure 5: COSO Components



Five Components of Internal Control

4.5 Control Environment

The control environment is the activities, policies, and procedures that connected the total attitudes of prime management, directors, and owners of an entity concerning internal control and its importance to the entity. So, to know control environment auditors need to think about a number of vital sub-components.

4.5.1 Integrity and Ethical Value: Integrity and ethical values indicates ethical and behavioral standards based on this circumstance it is the combination of 4 things such as

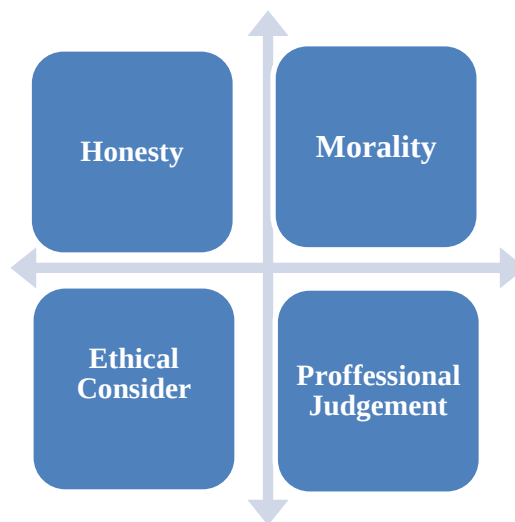


Figure 6: Integrity and Ethical Value

These 4 things are very important in case of control environment also if a company maintain such things that time they can avoid loss and fraud also internal auditors responsibility to judge those things properly and maintain code of conduct which is related with company and establish those rules properly and they need to judge their decisions in terms of their professional judgment. These thing helps management to reduce illegal or unethical acts and dishonest.

4.5.2 Commitment to Competence: Competence can be defined as the knowledge & skills which help to accomplish tasks that indicate an individual job. A company's control environment will be more operative if that culture is one in which quality and competence are openly valued.

4.5.3 Board of Director or Audit Committee Participation: The board of directors are the essential part of the company because they are mainly ultimate responsible for the company based on this circumstance board of directors look after the control system also financial reporting system and board of directors are responsible for any of decision making terms and how the work environment is going or buying procedure also licensing. Mainly they are responsible for their business. But it's very difficult to get time for them that's why they create audit teams or committees so that they can give a proper report based on the company and they can look after the internal control system also finding fraud. The audit team is also responsible for maintaining communication with external and internal auditors and makes the report for each dept. Also, auditors are responsible for Approval of any bills or permission also they provide some non-audit services.

So, the audit team is independent of management and have knowledge of financial reporting systems are significant determinants to effectively evaluate internal control and financial statements prepared by management. (The Sarbanes-Oxley Act)

“Based on this external audit committee is not responsible for few criteria such as” (Alvin A. Arens, 2018-2019):

- It is not responsible for hiring or firing the company's auditors.
- Does no establish rules for receipt & treatment of complaint of the company
- Is insufficient funded is available or not.

4.5.4 The Control Environment Management Philosophy & Operating Style:

For this portion we can divide this into two criteria such as:



Figure 7: The Control Environment Management Philosophy & Operating Style

4.5.5 Human Resource Policies & Practices: This is one of the major parts of the audit because here we can see that or check that employee's promotion or salary is given at the right time or not with the help of the auditors can understand the company's conditions or internal control system.

4.5.6 Organizational Structure: The entity of organizational structure defines that the company's system is centralized or decentralize also understanding the client's organizational structure.

4.6 Risk Assessment

In terms of Risk assessment auditors mainly focus on financial reporting based on management's identifications and analysis of risk relevant to the participation of reports or financial statements are qualify with accounting standards or not. Based on this circumstance this risk can be two types such as

- Financial Risk
- Non- Financial Risk

Financial Risk is an important term for private organizations as well as government organizations based on this circumstance financial risk is a burden for the company it happens when a company won't able to pay their debts, as a result, they can lose their potential investors. More debt will create high risk for the company. Financial risk is something to which companies are exposed, so stockholders and potential shareholders need to be aware of such types of risk.

4.6.1 Definition of Financial Risk:

Financial Risk is a term that can engage to businesses, government organizations also related to share market and the individual. This risk is a cause of financial loss of shareholders, investors or financial stockholders. (CHEN, Corporate Finance & Accounting , 2019)

Non-Financial Risks also part of Risk. Basically, Non-financial risk is related to the environment also some of the man-made risks are there based on this circumstance few risks which are not related to the financial transaction but may cause a financial loss because it is related to the organization.

4.6.2 Definition of Non Financial Risk:

Non Financial Risks are the risks that created from outside the financial market such action within an entity, customers, suppliers, environment etc. This risk also has a monetary impact on the organization. (CFA)

4.6.3 Types of Financial Risks:

Classification of financial risk is given bellow,



Figure 8: Financial risk.

These are all common forms of financial risk.

4.6.4 Credit Risk:

Determining the credit risk is involved in making loans; lenders are judging borrower's ability to pay back their debt.

Credit Risk is a procedure of the Creditworthiness of a debtor. Based on this situation lenders are set the possibility they will recover all of their principle & interest while making a loan. Higher interest rates are possible of credit risk & lower interest risk decreases the credit risk. Lenders, Borrowers & Investors consult rating agencies to assess the credit risk of doing business with companies.

For companies, credit risk shows the risk that a company may not be able to make payments on its outstanding debt.

4.6.5 Types of Credit Risks

There are three types of credit risks, they are

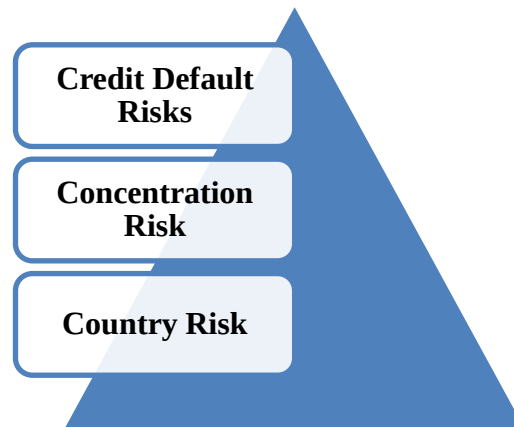


Figure 9: Types of Credit Risk

Credit Default Risks:

The loss which arises from the debtor being unlikely to repay full amount or debtors takes more than 90 days to repay credit payment basically that time credit default risks arise. Based on this circumstance the credit risks cause all the transactions which are related credit like loans, securities. For Example: Before approving any loans or credit card Bank usually, check their previous records.

Concentration Risk:

This is the type of credit risk that is related to the disclosure of any single or group with the potential to produce large losses to threaten the core operations of a bank. It may arise in the single form of single-name concentration even industry concentration.

Country Risk:

The risk arises from a self-government state when it freezes the payments for foreign currency overnight defaults. Country risk is totally associated with the operation of macroeconomics of a country, also closely related to the political stability in the country. Sudden instability, which tends to happen during the elections, results in high country risk.



Some assessment of Credit:

There is some assessment of credit risk so we can avoid this risk. Such as:

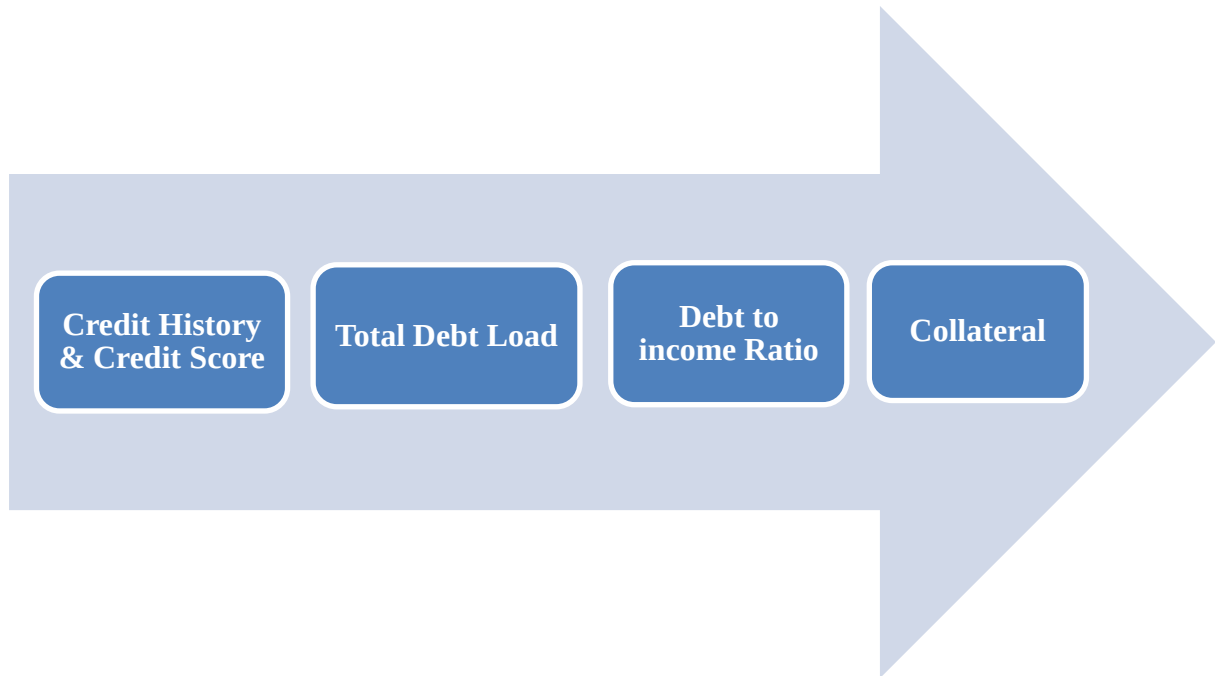


Figure 10: Assessment of Credit

Credit History & Credit Score:

Basically there are some agencies who are selling such types of information before doing such business, we can know about companies' record regarding credit.

Total Debt Load:

This measure how much existing credit has been extended to a borrower and how much of that credit already utilized. The less credit a borrower has used, the more able they should be to pay back a loan. So Creditors like to see how easily a borrower can get credit and they can balance it easily.

Debt-to-income ratio:

This is mainly comparing the amount a person against their lifestyle expense and liability payments. Lenders mainly judge or decide that borrowers can afford to take on a new debt payment.

Collateral:

Basically when lenders gave money to the borrower that time they look that he or she has that ability to return such amount or not if they can't what is against their assets they can take. Based on this collateral is assets owned by a borrower which can be used to secure a loan. If the borrower has more collateral the possibility of credit risk is less for the lender. For example, when the bank gave loans to a person at that time they check their collateral based on this system they gave loans to a person if they can't able to return money or loan that time bank takes borrower assets which have similar value at market.

4.7 Non Financial Risks



Figure 11: Non Financial Risks

Social Risk

The social risk for a business actually affects all the communities around them such as it include human rights violations in the workforce also labor issues and corruption done by the company officials.

Risk of Unforeseen Events:

“Event risk is a possibility that an unforeseen event will be damaging affect a company, industry, or security Unforeseen corporate reorganizations or bond buybacks may have positive or negative impacts on the market price of a stock. This is an example of event risk.

1. Unforeseen corporate reorganizations or bond take over may have a positive or negative knock on the market price of a stock. This is an example of event risk.

2. Event risk can also be defined as the possibility that a bond issuer will miss a coupon payment to bondholders because of a dramatic and unexpected event. Credit rating agencies may downgrade the issuer's credit rating as a result, and the company will have to pay investors more for the higher risk of holding its debt. (Kenton, 2018)

Country Risk

Country Risk is very critical to consider based on this if we invest in United States that time it is quite safe but in other country we need to consider about this. Because of political issues, climate issues are the main factors before considering the country. Investors also focus on the financial markets; exchange rate risk, political instabilities are also included with this risk. Because if the country is not friendly for doing business also if the government impose high tax rate that time it is difficult to consider country, that's why they do their market analysis before entering and country or expand their business.

Political Risk

Political risk is the cause of risk faced by investors, corporate & governments because of political decisions, strike or events that affect the profitability of a business sector which affects the economy too. Political risk is the risk where investors could suffer as a result of political changes or instability in a country. Instability may cause of investment returns. Because of this, it may change in government, legislative, bodies, other foreign policy or military control. Beside this political risk also known as "Geopolitical Risk" because of political instability strikes occurs based on this strikes many of the company loss many things such as in garments sector they lose buyers also many of the raw materials can't come from port or in the road they can't carry their goods as a result they face loss and some of the company need to stop their business because of this instabilities.

So, before entering a country local company and multi-national companies also purchase political risk insurance to avoid such types of loss or risk also typically actions covered include war and terrorism.

Economic Risk:

Economic risk is the risk in which investors and companies are impacted by exchange rates, government regulations and policy stability.

Economic Risks Can be two types such as:

1. Micro Economic Risk

Micro economic risk is the risk which affects the selected operations it actually refers to political actions in a host country. This risk may or may not be reigning government control.

2. Macro Economic Risk

Macro risks are types of risks that can impact any business in the country or region. Common examples of macro threat include monetary policy changes, changes in the regulatory or tax regime and political or civil trouble.

4.8 Control Risk Activities

Control activities are mainly policies and procedures. This initiative is taken to address risk and achieve objectives. The control activates generally five types, they are:

1. Adequate separation of duties
2. Proper authorization of transactions & activities
3. Sufficient document and records
4. Physical control over assets & records
5. Independent checks on performance

4.8.1 Adequate separation of duties: This activity mainly follows to prevent both fraud and errors which is helpful for auditors. Here are four general guidelines for adequate separation of duties such as:

- **Separation of the Custody of Assets from Accounting:** To protect a company from annexation, an individual who has temporary or permanent custody for an asset should not account for that asset.

- **Separation of the Authorization of Transactions from the Custody of Related Assets:** The person who is authorized for every transaction & control should be prevented.
- **Sufficient document and records:** If the company needs to secure its information and ensure unbiased information, so record-keeping is one of the core responsibilities of each department to reporting the controller.
- **IT duties From User Department:** This term is very much important for internal control because physical control such as IT systems and records handle is very important and sensitive issues over the company. If the authority increases their IT systems that will be helpful for them because every transactions and other important information's are recorded in internet, company's cloud so that maintain it is very much important.

4.8.2 Proper authorization of transactions & activities: Each and every transaction are properly authorized if the controls are satisfied. Based on this circumstance there are two types of authorization such as

- General Authorization
- Specific Authorization

4.8.3 Sufficient document and records: Documents and records should be record properly after transactions and summarized because few items such as invoices, purchase order, sales journal, employee time cards etc should be documented properly. Because it may help in future and if any wrong situations happen that time it may give that solution. Auditors also look for those documents so that they can judge properly the internal control system over the company.

4.8.4 Physical Control over Assets & Records: To maintain good internal control over the company assets and records must be protected. If the assets are not protected that time many problem may arise such as few asset can be stolen, few may lost or few may damage, so to avoid such types of loss authority should maintain these goods and keep them record. Physical precautions are the best way to measure assets and record.

4.9 Information & Communication

To maintain accountability this system is followed. The purpose of an accounting information and communication system is given bellow:

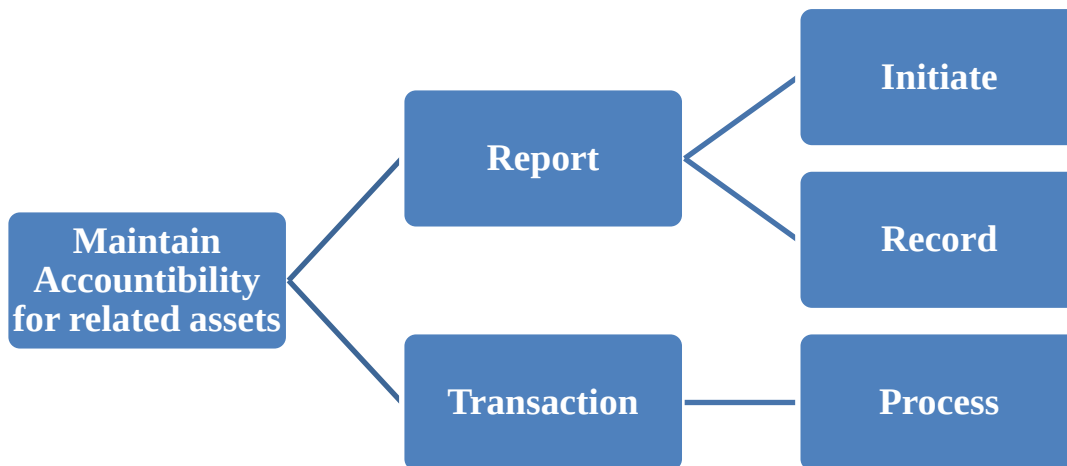


Figure 12: Information & Communication

With the help of this authorities control their activities based on this circumstance managements responsibility is to give report based on departments to higher authorities and auditors and communicate with share holders. Communications audit is related with shareholders trust & this is known as key components of business that's why managers need to nurture and grow trust. (Dianova, 2015)

4.10 Monitoring

Basically monitoring deals with ongoing or periodical assessments based on internal control by management. Monitoring means systematic ways of observing, tracking, data or recording activities (InvestorWords.com). Various types of sources internal auditors must have to look at because there is bank issues, internal controls, and feedback from operating personnel also complain of customers are also very important for monitoring.

For companies or especially for larger company internal auditor must look after the proper monitoring because there are many things related with monitoring, that's why most of the company gave independent authority to their auditors and maintain good or effective monitoring system auditors must need independency.

Based on COSO internal system the first component is Control environment so, in consumer Knitex Ltd.

4.11 Obtain and Document Understanding of Internal Control

The level of understanding and testing required auditing internal control activities it's very important to understand the documents which are important because they need to examine the financial statements. There is four phases which is important to understand such as:

	Process for understanding Internal Control & Assessing Control Risk
Phase 1	Obtain and Document Understanding of internal control design and operation
Phase 2	Assess Control Risk
Phase 3	Design, perform & evaluate test of controls
Phase 4	Decide planned detection risk and substantive tests

Table 2: Obtain and Document Understanding of Internal Control

A narrative is a written description of a client's internal control also a proper narrative of an accounting system indicates four important things:

1. The Source of each and every document and record in the system.
2. All conversion that takes place
3. Disposition of every document & record in the system.
4. An indication of control which is related to the assessment of control risk.

An internal control survey inquires an arrangement of questions approximately the control in each audit region to justify or distinguish internal control. Also with the help of these 4 phases, they can know and gain knowledge about documents & internal control.

4.12 Evaluating Internal Control Implementation

After all the implementations auditors must need to evaluate the designed controls are implemented. Based on this circumstance there are few methods auditors mostly followed:

4.12.1 Update & Evaluate Auditor's Previous Experience with the Entity: Every company needs to do their audit by annually based on this most of the company do their annual audit by the same CPA firm, so CPA firm get enough information by the 1st year when they do their audit and after this, they also get enough information about the client's internal control. So it is very easy to determine that company improve their internal control system or not.

4.12.2 Make Inquires of Client Personnel: Auditors have various types of responsibilities to do based on these auditors should ask the management and their authorities or staff to explain their duties also they should ask them carefully so they can properly give those answers, so auditors can know that they are doing their responsibilities properly or not.

4.12.3 Examine Documents and Records: Auditors should compare with five components of COSO internal control so they can judge their documents and record or computer files. With the help of those components, auditors easily evaluate their documents and records.

4.12.4 Observe Entity Activities & Operations: Basically, auditors observe their client personnel carrying out their normal accounting & control activities based on this they could prepare their documents and records also if they need any further improvement or knowledge about the control system.

4.12.5 Perform Walkthroughs of the Accounting System: According to this auditor select some or one documents of transaction which they can analyze and do their inquiries. Walkthrough indicates observation, inspection & inquiry to assure that design done by management is properly implemented.

Chapter 5: Internal Control in Consumer Knitex Limited

Consumer Knitex Ltd. (CKL) mainly a multinational textile factory and its head office is situated at Panthapath, Dhaka. An internal control indicates a company's position which is important for doing an audit. Internal control helps the authority to maintain a good position in the market and they can maintain cash properly because if the internal control system is not effective enough that time many fraud incidences may occur also various types of loss or damage they can face. Based on this the internal control of **Consumer Knitex Ltd.** is very much strong and the managers and authority maintain strict line up to their employees & staffs.

5.1 Accounting Act:

Internal control a framework by which authorities and management control their internal control environment based on COSO internal Control system. Consumer Knitex complies key elements of Foreign Corrupt Practices Act (FCPA) of 1977 and Sarbans-Oxley Act of 2002. Based on this report we've followed the COSO internal control framework with the help of this we conduct this report because most of the company follow this framework.

5.2 Management and Auditor responsibilities in Consumer Knitex Ltd.

In Consumer Knitex the management and the auditors are quite active. Though it's a textile company so everyday company dealing with big amount of money and many garments workers work here so they look after this very carefully. To make its work easy there is five departments are there for each dept. has its manager to maintain or observe their sections. Each manager including employees has to give reports weekly or monthly what they have done throughout this week or month. Also, auditors check their reports and they try to find fraud with the help of their ideal experiences also they do license for the company so their company can run properly their business and they are very much concern about their licensing because many foreigners work here also they strictly follow govt. rules so that they can avoid trouble.

5.3 COSO components of internal control in Consumer Knitex Ltd.

If we think about the Control Environment then Consumer Knitex has developed their internal control very effectively because of every dept. has a different sector to work in but in the CKL audit dept. looks after all the departments. They cross-check all the issues including licensing and based on this they prepare reports to the authority. The top management takes reports from their manager. All the members and staff follow their code of conduct also behavioral standards through a policy statement. Every employee has the competence to complete their tasks. Also if we think about the board of directors then we can see that CKL gains this properly because the board of directors has good governance because they know this is the ultimate responsibility to make their internal control effective.

In terms of Risk Assessment, CKL also follows two things which are the financial risk and non-financial risk and based on this circumstance the audit team of CKL and the other department concern about such types of risks because it may bring loss to the company. Before doing any type of transaction they justify their history, if their report is not satisfied that time they don't deal with them because there are financial risks. In terms of currency risk they set their price before doing any types of transaction with buyers and they deal with Dollar & Euro with foreign buyers and at the time of accepting order, they fixed their currency so that they will not face any difficulties or problems. Though it's a textile company so many workers work here so sometimes they face various types of risk which are known as no financial risks which are related to the social, political or economic problem. Such as human rights issues in CKL each person has its insurance and security system which is developed by the Human Resource department and the audit committee also cross-checks this issue so they can make sure their environment. Workers also get free food and they also provide freshwater based on this audit department check their water quality with the help of the BUET water test. So a worker can drinks pure water also the management created mosque and daycare centre for their female workers in the factory, basically day by day authority tiring to improve their present condition and modernize. In Consumer Knitex they also face political problem but the management committee nicely handle such issues but strike cause of many loss because that time workers cont come properly or they can't shipment their product to their customers or they can't take their necessary goods on time. Also, there are some political issues which are the cause of loss that's why they decrease loss with the help of insurance so they can easily avoid these losses. Though it's a multinational textile company

so they face some new rules and regulations prepared by the Bangladeshi government but their skilled manager handles this very well.

Under the Control Activities authority follows some of the basic tools which are mentioned in COSO internal control to prevent fraud or errors. CKL does not allow same person to authorize the payment of vendor invoice and also approve the disbursement of fund to pay the bill so that they can avoid fraud. Also to ensure unbiased information, record keeping each department needs to report to their authority or controller & the head office reexamine those reports. Consumer Knitex has a very good IT department who is responsible for their software dealing for other departments, cyber-security & other IT related problem this IT department mainly controlled from Head office Mauritius. Because CKL knows nowadays IT department is very much important for them because they need to do the transaction with various countries via online and many of their record saved in their cloud. Usually CKL gives general authorizations to some company for doing their transactions such as stationery items, usually, they select three suppliers based on their price list which is known as a quotation, they select on supplier after verifying their price list and this deal last 3 months here is an example of general authorization. If we think about specific authorization then CKL does this randomly such as authorization of sales transaction by the sales officer for using a car company.

Also to maintain good internal control authority needs to maintain their assets and record protected. That's why CKL has lots of store inside in Dhaka and also in their factory. Many assets may be stolen or damaged, that's why the audit team regularly visits their store to know the conditions of the product or goods which is stored. Though, it's a textile company so here's an issue of fire so they also check fire management tools. Also, there is an HR department who also take care of such types of problem in the factory in head office and audit department reexamine those things to ensure the authority & to interlinking of the documents.

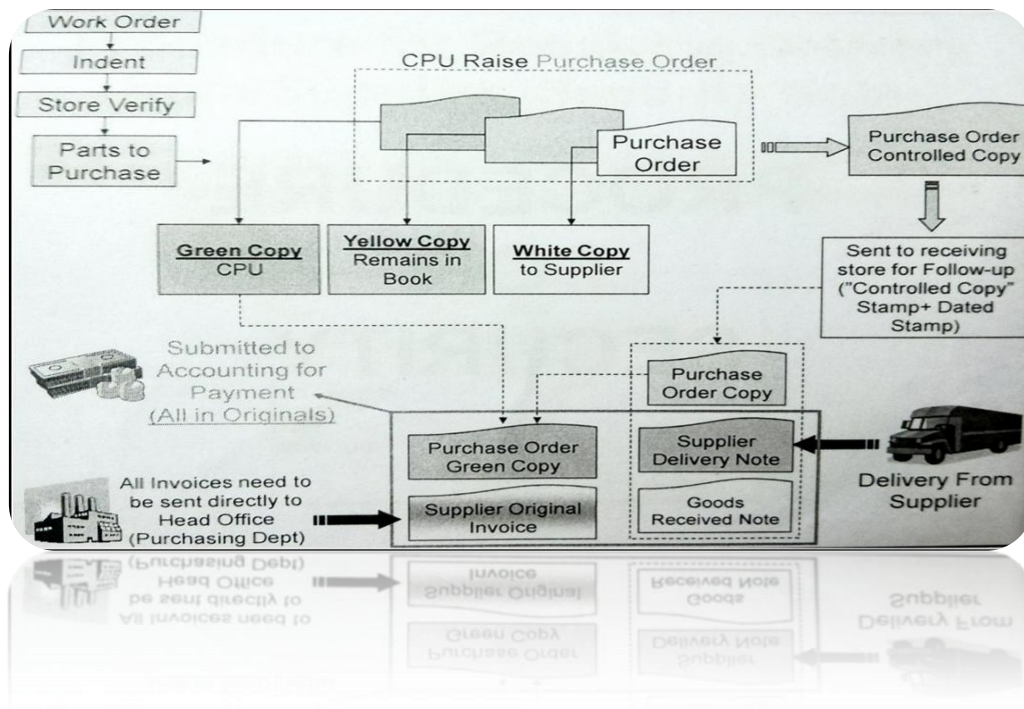
Here the Monitoring system of Consumer Knitex is fabulous because they maintain very good chain relations to their employees. Also, an internal audit is very much important for monitoring that's why Consumer Knitex maintains some of the procedures to protect their internal control. For example: In factory various types of things need to run the production so, they need a machine instrument & that time from the department who gave requisition he/she write a Purchase Indent (PI) It's a kind of request to purchase anything, then they

submit this PI in related department like purchase department, then purchase officer create Purchase Order (PO) after receiving PI, purchase department search for the supplier in the market for rate quotation then purchase officer want approval from management(Mr. Woo or Amber hurry) if they gave approval that time purchase department buy this machine or inventory they needed. After this supplier delivers the goods with Challan to the store, Challan copy chopped in security gate with the security check seal and sign in the back of the Challan basically this GRN is issued to ensure goods are received by the central store. To get the payment supplier submits the Bill/Invoice in the purchase department then purchase department sent all the documents to audit department. Some of interlinking of documents they follow such as:

1. Purchase order should be specify : Indent Number
2. Supplier Delivery Note Should be specify: CMT purchase order No.
3. Supplier invoice should be specify: CMT purchase order number, supplier delivery note number
4. Goods Received note should be specify : CMT purchase order number, supplier delivery note

After this audit department rechecks their bills also they do an audit if they need or if they think there is a problem after this when the audit department gives approval that time accounts department checks some issues and then they issue a check for the vendor.

Every PI, PO & GRN has three copies such as White: Purchase, Pink: Accounts, Yellow: Booklet. From this transaction, we can understand that their audit team is very much strong and they have a very good control system over the company.



Purchasing Process of Consumer Knitex

After this, we can see that their internal control is very much effective and strong. Because of their internal control, they are expanding another factory, the reasons behind this are strong internal control actually, main authority is satisfied and getting a good profit from Bangladesh & their effective or competent managers and employees reaching their target. Also, managers are giving good output to their employees; as a result, they are successful to create good internal control over Consumer Knitex Ltd.

Chapter 6: Internal Control in Garments Sector in Bangladesh

In terms of RMG sector Bangladesh earn a good position among the largest country in the world based on this Bangladesh is the 2nd largest RMG exporter in the world. The readymade garments industry is the cause of the development of Bangladesh. Many of the prestigious brands make their products in Bangladesh. Also, the tag “Made in Bangladesh” has also brought glory for Bangladesh. Bangladesh has limited resources but it is maintaining a six percent annual GDP growth rate. The RMG sector maintains 83% of the total export earnings of the country. Because of this many of the people can get a job also they are increasing living standards. So, day by day unemployment is decreasing.

6.1 Problems in RMG: There are few problems in RMG sector such as:

- Raw material
- Unskilled workers
- Improper working environment
- Lack of managerial knowledge
- The gendered division of labor
- Wages

To run a garment company they need many things to import. Few raw materials of garments sectors such as cotton, button, etc they need to import from another country, as a result, they need to spend more money. In Bangladesh, almost 18 Crores people live in this country but they don't have enough skill. Most of the peoples are unskilled labor that's why they don't get enough pay for their work if we make our population skilled at that time it will be very effective for the garments sector.

Improper working environment is one of the major problems in Bangladesh. If we think about Rana Plaza incident also Tazreen Fashion occurrence that time we can know how they build their garments some owners are always thinking about their profit they don't think about their workers so these types of incidents happen, as a result, many of the investors withdraw their investment from here.

Though we don't have enough experience labor as well as in Bangladesh there is a lack of managerial skills in terms of the managers. Because they don't have enough experience also

some are related to fraud which makes the situation worse. So it directly indicates those garments who have such types of managers they don't have a good internal control system. Bangladesh has multi-culture so here is some problem. Such as gender discrimination but day by day it is decreasing. A few days ago workers do their protest because of their wages so government has set their minimum wage 8000 Taka (Star, 2019). Based on this circumstance their previous wages were not proper and there was a delay in their bonus and wages but now the new rule has reduced such problem to an extent.

Chapter 7: SWOT Analysis on Internal Control of Consumer Knitex Ltd.

SWOT analysis or matrix analysis is a framework which is developed for the company's strategic planning also evaluates the company's competitive position. (Grant, 2019)

So SWOT indicated four components such as Strength, Opportunity, Weakness, and Threats. Based on this if a company need to run a successful business they should regularly analyze this process to ensure their business is operating efficiently or not so that time we can know about control environment because if the company has good internal control system their analysis will be positive also if there is any wrong or analysis result is not satisfactory that time it indicates there is problem in internal control system.

A SWOT executes this in four basic steps that even new business owners can understand and find opportunities. (Schooley, 2019)



SWOT analysis on Internal Control of Consumer Knitex Ltd.

7.1 Strength: SOWT analysis is examination of a company about four distinct variables. Based on this strength is the first element of SWOT analysis. Here are few strengths of CKL:

- They have strong Internal Control
- They have a good Financial Position
- The working environment is really good
- They have competent management also they are experienced and well skilled
- Also, they give a production bonus to their workers.
- They gave their wages on time along with bonus

Basically this thing indicates that they have good internal control system also their managers and authority control their environment properly.

7.2 Weakness: Though this company is comparatively new in Bangladesh, so they have some problems or weaknesses regarding this sector. Also, Consumer Knitex also has some shortcomings such as:

- They also know that they have a lack of local Engineer
- If we think about Turnover, this is not so good here
- Production cost is very high
- Lack of skilled labor or they don't give enough training opportunities for their labor.
- Also, they have extra storage of Raw Materials
- One of the basic things is they need to wait for approval of higher or foreign authority which is really embarrassing and it is time-consuming.
- Also, they don't motivate their employees or their workers
- Also, they have a poor salary structure

7.3 Opportunities: Basically country like Bangladesh we can find various types of opportunities if we find or does analysis based on this CKL also find some. Such as:

- They can expand their market. Actually, they are expanding their business in Bangladesh.
- In Bangladesh, there is no problem with energy because day by day it's increasing so it brings more production.

- Day by day they are getting more orders from customers.
- Recently they are trying to export their product in Japan; I think they can export in Japan.
- Because of profitability, they will invest more here

7.4 Threats: Basically, most of the company faces this problem to run their company based on this Consumer Knitex also has some threats in the future, such as:

- The political problems can be big issues for them. Because of the strike, raw materials can't come to the store or they can't shipment properly.
- Increasing Raw materials price can be a great threat for them
- Day by day import cost is also increased
- Also, the number of competitors is increasing day by day

Basically, there's a few reason behind doing the SWOT examination, So ready to discover their dangers & shortcoming also their opportunities which may help them in the future also their strength helps them to maintain good internal control.

In terms of the RMG sector in Bangladesh, Many of the garments doesn't have such strength as Consumer Knitex but threats is kind of same. Because they are running same business but because of their good internal control system they achieve this but in Bangladesh few garments such as Ha-Meem Group, Beximco, Square Fashions Ltd., Epyllion etc are most common and big garments in Bangladesh their internal control system is so effective that's why they reach top position in the Bangladesh RMG market.

If the management and our government take a friendly scope for the RMG sector that will be good for them along with this will bring pride for Bangladesh

Findings & Recommendation

Findings: My experience in CKL and this report represent the internal control system of Consumer Knitex as well as RMG sector in Bangladesh. After finishing my internship and this report I found that the internal control system of Consumer Knitex is very effective and they are very much concern about this. Because of strong internal control system, it has good future in the RMG sector.

- **Assignment & Task:** They meet up their assignments and work properly. On the other hand, if we think about the whole RMG sector then we think this should be improved.
- **Goal:** Most of the garments don't think about their long term goal as they only think about short term goal & they don't meet up their target properly also they don't follow rules given by government organizations that's why they are losing foreign order.
- **Accounting System:** Many of the garments don't follow proper accounting system but in Consumer Knitex it's very effective because they are concern about accounting standards and system.
- **Salary Structure:** In RMG sector employees and workers don't get enough salary as they deserve also they don't get enough holiday.

Recommendation: Their internal control is too good but they have some weakness also. Such as they need to search for a good local engineer to maintain their machines also they should think about their processing because I think this is so time-consuming because they need to wait for approval for any things from higher authorities with the help of IT technologies. If we think about maintaining stationary then this is the task of the HR department but in here audit department maintains those things and also they have given those stationary to the department which is really tough when someone asks for inventory because audit employees have different work too. I think this should handle this to HR department to handover their goods. Also, they need to train up their workers so that they can work properly. If they can motivate their worker or employees properly and if they think about their salary structure then this will be helpful for them. Also, employees and worker should get enough holidays at least government holidays. That time they can reduce fraud and their internal control systems will be more advanced.

Conclusion

In the end, it is evident to state that I find the moral of inspecting with regards to the present-day progress world. Examining has turned into a completed part of ordinary financial exercises. It provides benefits and security against hoaxing money related exercises and different exchanges. The general public has encompassed brimming with wrongdoing due to destitution, uneducated individuals, unsteady government and absence of morals. Through the review report, we can recognize the internal control, discover the RMG sector and take care of the issue and capably. An inspector isn't just an analyst yet, also, a consultant of the organization. An auditor gives proposals for better future results & better internal control of an association.

The internship program helped me to relate my entire BBA program because it helps me to understand the practical knowledge which I acquired from the books as well as it's a good deal to improve myself as well as to adopt with the corporate culture. Therefore, one of the worth experiences in my life was the journey of Consumer Knitex Ltd.

The garments sector of Bangladesh is tuned into the importance of social and environmental code of conduct. Many of the NGO, private sector also government are aware of this sector so that they can maintain the specific law and requirements. Also, the government imposes some special law. The Bangladesh Labor law (2006) which is meets with the international standards. Compliance could be a key demand for all international buyers so Bangladeshi manufacturers can maintain the quality and maintain the law.

At the end of my internship, I shall say that Consumer Knitex Ltd is one of the Bangladesh's leading clothing weaving and knitting organization. In Mauritius, It is the best because of its good internal control. I can say in the end that the analysis of internal control of Consumer Knitex Ltd. is admittedly sensible and it will be able to maintain its position in the RMG section in Bangladesh.

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Internship Completion Certificate



12/05/2019

Manjurul Haque Khan
Director
Career Counseling Center
United International University

Dear Sir,

This letter is to confirm you that **Fahad Rashid (ID: 111143046)** has been offered an internship with **Consumer Knitex Limited**, 8-Panthapath, UTV Building, Level 20, Kawranbazar, Dhaka 1215.

In order to receive credit, the student's Internship experience must meet the standard requirements. I affirm that this internship duration will be **12 weeks in total**.

The work is onsite and includes meaningful tasks that focus on developing the knowledge, skills, and abilities of the student that are applicable to future employment opportunities. An onsite supervisor will conduct random check-in meetings to discuss the work progress; the student must submit the internship report to the supervisor in order to get the completion certificate.

The internship program will start on **09/05/2019 and end on 08/08/2019** or until the student completes the required number of internship hours.

Sincerely,


Sanjay Kumar Chooromoney
Country Director
Consumer Knitex Limited



HEAD OFFICE : Level-20, UTC Building, 8-Panthapath, Kawran Bazar, Dhaka-1215, Bangladesh, **FACTORY : Unit 1 :** Dhamsur, Vhaluka, Mymensingh-2240
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