

**An
Internship Report
On
An Analysis of Internal Control Management of
Akij Bakers Limited.**

Submitted by:

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Program:
BBA(Major in Accounting)
Semester: Spring 2022**

**Submitted to:
Department of Business Administration**

**Submitted for the partial fulfillment of the degree of
Bachelor Of Business Administration**



**Sonargaon University(SU)
Dhaka-1215
Date of Submission: May 14, 2022**

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on
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Akij Bakers Limited.**

Supervised By:

Farjana Yeasmin Chowdhury

Lecturer

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Letter of Transmittal

March 15, 2022

Farjana Yeasmin Chowdhury
Lecturer
Department of Business Administration
Sonargaon University(SU)

Subject: Submission of Internship .

Dear Madam,

With humble honor and respect, I am submitting my internship report on “**An Analysis of Internal Control Management**”. As per partial accomplishment of the requirements for the BBA degree, I have completed internship from “**Akij Bakers Limited**” under the supervision of you.

This report is an integral part of our academic courses in completion of BBA program which has given me the opportunity to have an insight into the An Analysis of Internal Control Management. I hope this report reflects on the contemporary issues on the Dhaka that are being practiced by organizations in our country.

In completing the report I tried my best to blend all my knowledge and imparted every available detail and also attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely,

Sajjad Ahmed
ID:BBA1802014029
Department of Business Administration
Sonargaon University (SU)

Certificate of supervisor

This is to certify that the Internship Report **An Analysis of Internal Control Management of Akij Baker's Limited** has been prepared as a part of completion date of the BBA program from Department of Business Administration, Sonargaon University (SU), carried out by Sajjad Ahmed, bearing ID:BBA1802014029 under the supervision. The report or the information will not be used for any other purposes.

.....

Farjana Yeasmin Chowdhury

Lecturer

Department of Business Administration

Sonargaon University (SU)

Student Declaration

I am Sajjad Ahmed, a student of Bachelor Of Business Administration, ID:BBA1802014029 from Sonargaon University would like to solemnly declare here that this report on **An Analysis of Internal Control Management of Akij Bakers Limited** has been authentically prepared by me. While preparing this report, I didn't Breach any copyright act internationally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

Sincerely yours

.....
Sajjad Ahmed
ID:BBA1802014029
Program: BBA
Major: Accounting
Semester: Spring 2022

Letter of Authorization

Certified that this project report titled **An Analysis of Internal Control Management of Akij Bakers Limited** is the bonafide work of Sajjad Ahmed, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

.....

Farjana Yeasmin Chowdhury

Lecturer

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I wish to extend my gratitude to all the people who helped me accomplish my report title, “**An Analysis of Internal Control Management of Akij Bakers Limited**” at Dhaka. At the very beginning, I want to thank my faculty advisor and internship supervisor in Sonargaon University (SU), Miss Farjana Yeasmin Chowdhury. Who has given me precious guidance from her busy schedule. I am very grateful for all her advice in order to make my report more effective.

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EXECUTIVE SUMMARY

Akij Bakers Ltd, one of the largest industrial conglomerates of the country, has launched Akij Bakers Limited with investment of Tk1,200 crore. The company's marketing of the new premium brand biscuits, Bakeman's started formally on Thursday in a programme in the city where Akij Group's Director, Sheikh Jamil Uddin was present. Akij Bakers' Chief Distribution Officer, Shafikul Islam said Akij will bring biscuits, cookies, cake, bread, chocolate and other bakery products gradually in the market. The company has installed a new factory in Tongi for production of bakery foods. Akij has plan to increase the investment further and import bakery products in foreign countries in the future. The industries under this conglomerate include textiles, tobacco, food & beverage, cement, ceramics, printing and packaging, pharmaceuticals, consumer products etc. Akij also provides services in healthcare, information and communication technology. According to the Bangladesh Auto Biscuits and Bread Manufacturers' Association, the country's biscuit and confectionery market size amounts to around Tk6,000 crore. Olympic, the market leader which accounts for 25% of the industry. Both Nabisco Biscuit and Bread Factory Limited and Pran-RFL Group jointly hold second place with 8% of the market share each. Haque, Al-Amin and Danish have 5% of the market share each. They are followed by: Bongos, Romania, Deco, Globe, Fu-Wang, Bonoful, Kishowan, Thai Food, Bengal, Gold Mark, Mashafi, and New Olympia, each accounting for a 2-3% stake. Other companies, including Ifad, Cocola, Pinnacle, Kakoli, Shifa, and Kohinoor Industry, have also occupied a sizable portion of the market. Sales of non-branded small factories have also posted sales growth during the pandemic. Md Shafiqur Rahman Bhuiyan, president of the Bangladesh Auto Biscuits & Bread Manufacturers, said small companies alongside the big brands have increased their investments at this time. At long last, I saw that Akij Bakers LTD guarantee better administrations to the individuals of Bangladesh and they will be more add to the Improvement of the economy of Bangladesh.

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Chapter 1

Introduction

1.1 Introduction

Akij Group is one of the largest Bangladeshi industrial conglomerates. The industries under this conglomerate include textiles, tobacco, food & beverage, cement, ceramics, printing and packaging, pharmaceuticals, consumer products etc. In 2009, Akij Group paid 390 million euros in tax, making it the biggest local tax-payer, contributing two per cent to this nation's entire budget. Akij also provides services in healthcare, information and communication technology. Its turnover in 2009 was 89 billion Taka. In 2018, Akij sold their tobacco division to JTI for a sum of \$1.47 billion. It was the biggest ever single foreign direct investment in Bangladesh.

1.2 Origin of the study

This report has been produced to get the Bachelor of Business Administration (BBA) degree from Sonargaon University and the essayist needs to experience as a temporary position at Akij Bakers Limited working in Internal Management.

1.3 Objectives of The Study

Broad Statement

The main objective of the study is to know the Internal Management process of Akij Bakers Limited.

Specific Objectives

- To ensure that the business transactions take place as per the general and specific authorization of the management.
- To make sure that there is a sequential and systematic recording of every transaction, with the accurate amount in their respective account and in the accounting period in which they take place. It confirms that the financial statement fulfils the relevant statutory requirements.
- To provide security to the company's assets from unauthorized use. For this purpose, physical security systems are used to provide protection such as security guards, anti-theft devices, surveillance cameras, etc.
- To compare the assets in the record with that of the existing ones at regular intervals and report to the those charged with governance (TCWG), in case any difference is found.
- To evaluate the system of accounting for complete authorization of the transactions.
- To review the working of the organization and the loopholes in the operations and take necessary steps for its correction.
- To ensure there is the optimum utilization of the firm's resources, i.e. men, material, machine and money.
- To find out whether the financial statements are in alignment with the accounting concepts and principles

1.4 Methodology of the Study

Both Primary and Secondary information have been utilized in setting up this report. The subtleties of the wellsprings of information are as per the following:

1.4.1 Primary Sources:

- Practical work exposure with Akij Bakers Limited.
- Face to face conversation / Interview with the company officials.
- Observations.

1.4.2 Secondary Sources:

- Identify and define the research topic
- Find research and existing data sources
- Begin searching and collecting the existing data
- Combine the data and compare the results
- Analyse your data and explore further

1.5 Scope of the Study

The internal management scope includes examining and evaluating the system of internal managements sufficiency and dependability. Internal Managements work is to ensure that relevant internal managements are in place throughout all of the company's activities.

1.6 Limitations of the Study

- Reasonable Assurance.
- Collusion by Two or More Employee.
- Human Error.
- Inappropriate Management Override of Controls.
- Poor or Improper Judgment from Management.
- Cost and Benefit
- Consideration.
- Improper Communication or Training.
- Unforeseen Circumstances.

Chapter 2

Organizational Overview

2.1 About Akij Bakers Limited

Akij Bakers Ltd. A subsidiary of Akij Group, unveiled a new premium biscuit brand.

At the beginning of the journey, Akij Bakers Ltd. Brought the premium biscuit brand Bakeman's to the market with a combination of European technology and the best ingredients and the skillful efforts of world-class Bakemen, says a press release.

Bakeman's is available in 4 different flavors from the very beginning and will add different biscuits with exciting flavors and attractive packaging to its product range in order to fulfill the demand of its consumers in the future.

With time, people's daily needs have been changed. And due to that change, their daily food habit is also constantly changing. Everyone is in a rush these days, yet they are also gravitating toward healthier foods. At the same time, due to the coronavirus pandemic in 2020, the demand for packaged food is also increasing in Bangladesh just like the rest of the world. Since the beginning of its journey, Akij Bakers Ltd. Have been delivering the best quality and best-in-class tasted products to its consumers across the country. Therefore, Akij Bakers is set to enter the biscuit category, one of the most popular packaged product markets, with Bakeman's.

2.2 Vision of Akij Bakers Limited

To be the leading Bakers brands excelling in product quality, social, technical & marketing creativity; and service to our customers through the skills and cordial commitment of our employees. According to Mr. Jamil Uddin regarding Akij Bakers Limited (ABL), “We will manufacture and introduce those high quality products in the market that we ourselves and our family will always use; we will not just produce products for the consumers in the market and let our family consume 2.4 Objectives of Akij Bakers Limited

The main objective of the company is to increase the market share in related diversified Products in Bangladesh and to assure the potential customers of the quality and durability of the products.”
their foreign products”.

2.3 Mission of Akij Bakers Limited

To be the market leader in quality bakers sector discovering & satisfying the desire & need of the community working in harmony with our customers, employees and business partners.

2.4 Objectives of Akij Bakers Limited

The main objective of the company is to increase the market share in related diversified Products in Bangladesh and to assure the potential customers of the quality and durability of the products.”

2.5 Strategies of Akij Bakers Limited

The 4ps analysis of a company involves detailed study of the company’s Product, Price, Place And Promotion. Each of these segments of (ABL). Akij Bakers Limited(ABL) believes in providing optimum quality products to value its customers. All the high-tech machineries and factory site is established to enhance the capability to satisfy consumer needs in a profound quality processed manner. ABL has categorized its products in eight products line and each line incorporates various brands to captivate the market. Groups or the product line are distinguished by the company based on the machinery used for manufacturing the products. ABL has the planning of introducing more different and unique products in their product line and even they are planning to diversify more on their product line.

2.6 Products and services of Akij Bakers Limited

Akij Bakers, a subsidiary of Akij Group. Bakeman's is available in four flavours and will add more varieties to fulfill the demand of consumers.

“Akij always talks about quality because the biscuits available in the market now do not meet the needs of the consumers,” said Sk Jamil Uddin, a director of Akij Bakers..

Akij Group has always stood by the people of the country. To ensure the well-being of the people, we hope that our combined efforts during the Covid-19 pandemic will come to the aid of the people,” said Sk Jamil Uddin, director of Akij Bakers.

2.7 Our Product:

- Bakemans Chocomate Cookies Biscuit
- Bakemans Horlicks Cookies Biscuit.
- Bakemans Ovaltine Cookies Biscuit.
- Bakemans Saltice Cookies Biscuit
- Bakemans Choco Boost Cookies
- Bakemans Glaze Biscuit.
- Bakesmans Coconut Craze Cookies.
- Bakemans Butter Cookies.
- Bakemans Lexus Biscuit.
- Funtastic Ore Cream Pineapple Flavour.
- Funtastic Ore Cream Chocolate Flavour.
- Funtastic Milk Mate.
- Funtastic Glucose.
- Funtastic Vanilla Cream filled Cake.
- Funtastic Chocolate Cream filled Cake
- Funtastic Chocolate Plain Cake.
- Funtastic Vanilla Plain Cake.

2.8 Management Hierarchy of Akij Bakers Limited (ABL)

- Chairman/Managing Director.
- Director Mam.
- Chief Marketing Officer(CMO).
- General Manager(GM).
- National Sales Manager(NSM).
- Divisional Sales Manager(DSM).
- Area Sales Manager(ASM).
- Sales Officer(SO).

Chapter 3

Akij Bakers

And it's internal control system

3.1 THE CONCEPT OF INTERNAL CONTROL SYSTEM: THEORETICAL ASPECT

Abstract.

Analysis of the concept of internal control system is an important subject that involves the analysis of the latest scientific results, and on its basis to perform an updated analysis of the concept of internal control system which meets the modern business conditions and tendencies. Such an assumption has been made upon exploring famous scientists' concepts of internal control system, in which the basic values needed for internal control system: (honesty, trust, respect, openness, skills, courage, economy, initiative, etc.) were not included. Only a modern concept of internal control might ensure an effective internal control system.

The main purpose of the authors was to explore control, the concepts and conceptions of control, internal control and the system of internal control, as well as to present their own idea of the concept of internal control system and to compile a structural scheme of their conception. The structural scheme may alleviate the process of compiling a new model of an effective internal control system. The structural scheme of the conception may also be used in compiling a model of internal control system in different branches of industry.

3.2 Internal control system of Akij bakers

One of the basic instruments of Akij bakers control, whose implementation in modern economic conditions provide conditions for achieving a competitive advantage over other company is the creation of an effective internal control system. In the industry sector, the market is constantly changing, and this requires changing the attitude to internal control from treating it only in the financial aspect to the management of the control process. Internal control as such becomes an instrument and means of risk control, which helps the company to achieve its goals and to perform its tasks. Only an effective internal control in the company is able to help objectively assessing the potential development and tendencies of company performance and thus to detect and eliminate the threats and risks in due time as well as to maintain a particular fixed level of risk and to provide for its reasonable security .

The increasing variety of concepts of internal control systems requires their detailed analysis. A detailed analysis of the conceptions might help and the main reasons of their increasing number. It may also help to elaborate a structural scheme of the generalized concept of internal control. Consequently, it may help decrease the number of mistakes and frauds in company and to offer the precautionary means that might help to avoid mistakes and build an effective internal control system.

The purpose of the study: to compile the definition of the concept of internal control system and to elaborate the structural scheme of the generalized conception for Lithuanian industrial company.

The object of the research: internal control.

To achieve the aim, the following tasks were carried out:

- to examine the definitions of internal control;
- to design a flowchart for the existing definitions of internal control;
- to formulate a new internal control system definition;
- to identify the place of the internal control system in a company's objectives and its management activities.

Study methods: for the analysis of the conceptions of control, internal control, the concept of internal control system, systematic and comparative means of scientific methods of analysis were used.

3.3 Research of control conception

Internal and external controls those might help to equalize authority or concerned party's attitudes to some certain organization control. Internal control involves the supreme enterprise control apparatus and company shareholders, whereas external control might be defined as the power in the market or branch, competitive environment or state business regulation. Such analytical division is essential when analyzing industrial or other company, because this attitude to control makes it more specific and properly defined.

The identification of an appropriate primary theoretical base is an important task in forming the structure of knowledge about the study subject. Appropriately selected conceptions enable to elucidate the essence of the processes, to characterize them and to realize their interplays and interaction principles. Conceptions may be defined as a summation of empirical cognition which transforms practically achieved results into conceptions. The above ideas might be taken as abstractions and lead to an ungrounded conclusion, and through conceptions the reality might be lost. Operating with more than one conceptions allows to form a universal opinion about the reality. Noteworthy, when operating with conceptions an optimal agreement might be found between theory and practice: using the common point of contact – conceptions – a theorist and a practitioner will always find the way and understand one another.

The main problem of internal control is related to the definition of control conception and the identification of the place of internal control in an organization. Constant changes of the extent, functions and roles of internal control enable to form a common definition of internal control and to identify its place in an organization.

Analysis of the concept of internal control and its interpretation are essential for assessing the internal control system, because the conception of control is widely used not only in scientific research, but also in the daily activities of a company; therefore the same conception might have a lot of various meanings and interpretations. Analysis of the concept provides conditions for the further research, because it is impossible to form a model of internal control assessment if the research object is unknown. A lot of definitions and variations of control can be found in the publications by Lithuanian and foreign scientists and in public information sources. For example, in the Dictionary of International Words (2002), control is sources for example

- supervision, inspection of something; comparison of actual and required conditions;
- an enterprise or a group of people that control the work and responsibility of other enterprises or groups of people;
- maintenance of something.

The different conceptions and their interpretations indicate that there is no solid opinion about how to define control, and even scientists and practitioners themselves do not agree upon a unified definition or description of control or the conception of internal control and its interpretations. In scientific literature, different interpretations of control of Akij bakers .

- Control is a comparison of planned (required) and actual status.
- Control is a summation of accepted decision or rights established by state or company for particular subjects.
- Control is defined as observation, supervision of specific processes in social system (state, society, institution, departments, collectives, etc.), development of established result, comparison and assessment based on settled goals , normative acts and standards .
- Control is defined as inspection of obeying responsibilities of established decisions or state requirements for specific subjects.
- Control is a connection net through which the performance of an enterprise is controlled to ensure its right action in the future.
- Control is means to provide possibilities to avoid or identify and fix disorders that that might disrupt the system.
- Control is skills and possibilities to regulate
- Control is a function which ensures an effective working of the system or creates the desirable profit.
- Control is a process started by specific settled standards and finished by their successful implementation and further improvement and prevention.
- Control is a financial and operation management of the enterprise aimed to achieve profit from its performance.

3.4 The conception of Akij bakers of internal control

A comparative analysis of the introduced concepts of internal control shows that the usage of the concept of internal control is quite broad as it is supposed to involve the performance not only of the state, but also of the private sector. Although the conception of internal control is defined in different ways emphasizing its different aspects, the essential term still remains the same in all authors' definitions: internal control is the inspection, observation, maintenance and regulation of the company's work.

- Enterprise Internal Control Of Akij Bakers : 1.system

2.process

1 System- Internal Control is a system involving all parts of control system existing in the company and managing to control risks.

2 Process- a) Summation of control

b) Direction of control implementation

a) Summation of control- Internal Control is a summation of process to control the emerging mistakes.

b) Direction of control implementation- Internal Control is a process to achieve concretized and general goals of the enterprise.

System of internal control is part of company management system, ensuring the implementation of goals, effective economic- commercial performance of the company, observance of accounting principles and effective control of work risk that enable to minimize the number of intentional and unintentional mistakes, to avoid frauds in the process of company performance, made by authority or employees. .

CHAPTER 4

DISCUSSIONS & FINDINGS

4.1 Discussions & Findings

In the preceding chapters, the study discussed about the existing internal control system of Akij bakers and their implications. This system will steer Akij Bakers to achieve the objectives of operational effectiveness & efficiency, accurate and reliable financial reporting while complying with applicable laws, rules and regulations. The study examined management's compliance with established internal control mechanisms and identifies the variance between expectation and reality.

The result of internal control evaluation of Akij Bakers reveals the following control activities-

- Control over sales and purchases
- Control over bank and cash balances
- Control over inventory
- Control over payroll
- Monitoring the reporting activities

The internal control of Akij Bakers is described in chapter 3 and an evaluation is done on the effectiveness of the control in chapter 4. The study identified some control components or variables to measure the effectiveness of the control system. They are-

Control Environment

- Organizational structure reflecting chain of command.
- Segregation of duty.
- Documented and updated human resource policies and procedures.
- Delegation of responsibilities and follow up action to get feedback on results of tasks delegated.
- Integrity and ethical values are demonstrated.

Risk Assessment

- Specific objectives with sufficient clarity
- Identification of risks that affect achievement of the objectives
- Criteria for ascertaining critical risks
- Existence of mechanisms for mitigating critical operation risks.

Control Activities

- Authorization of Transactions
- Segregation of duties.
- Verifications of transactions before making payments
- Accurate recording of zonal receipts
- Collections from the customers by the authorized banks are timely transferred to the mother accounts
- Key accounts records like bank, cashbooks, loans, accounts payables etc are reconciled on a regular basis.
- Bank guarantees are checked for renewal
- There is control over access to resources
- There is accountability of funds advanced to the employees
- Management does review operations
- Internal auditors are present
- Procedures have been documented/ regularly updated in respective manual for example finance, staff rules and regulations and operations manuals
- Staffs are supervised while they carry out their schedule of duties.

Information and Communication

- Key criteria for evaluating performance are identified, collected and communicated.
- Reports on Internal audit and Corporate Governance is incorporated in the Annual Report
- Employees do understand their control responsibilities.
- Complaints and disputes by suppliers are resolved in a timely manner.
- Grievances of customers are properly addressed

Monitoring Activities

- There are independent process checks or independent evaluations of controls activities on ongoing basis.
- Interim financial statements are prepared

Information Technology

- IT system to monitor & supervise the zone offices and sales centers across the franchise area is present.
- Restriction of personnel in accessing all levels of different modules in computer
- Integrated computer system exists that encompasses the whole company

Now, the internal control scenario of Akij Bakers will be clear to us. From the discussions, following things can be found-

- In the control environment, organizational structure does adequately reflect chain of command, responsibilities are delegated and follow up action is made to get feedback on results of performance of tasks delegated, human resource policies and procedures are documented & being updated time to time.
- In case of risk assessment, it was found that management has specified the objectives with sufficient clarity. Risk assessments are not undertaken. However, operational risks are not perceived as threat as Akij Bakers is the sole provider of biscuits in its franchise area & as it is a private company.

- No problems could be identified in the Control activities. It was found that transactions are properly authorized, duties are segregated, stuffs are supervised, verifications of transactions are done before making payments, zonal receipts are recorded accurately, bank guarantees are checked for renewal and control over access to resources exists. Besides, management does review operations and internal auditors are present.
- Control in the information and communication component of internal control was also satisfactory. Key criteria for evaluating performance are identified, collected and communicated. Employees understand their control responsibilities, Complaints and disputes by suppliers are also resolved in a timely manner.
- Interim financial statements are prepared and there are process for evaluating that controls activities on ongoing basis.
- Information and technology component of internal control, however, was not found to be satisfactory.

It is to note that internal control is an implied concept which is inherent in every entity. But the question is how effective that control is and how efficiently it is directing the organization in its desired direction. As mentioned in the previous chapter, we have expressed the effectiveness of internal control as the function of some independent major and minor variables. The minor variables constituted 6 major components which also falls under 3 objectives we want to gain through the internal control. So, achievement of control in the minor independent variables will ultimately result in successful or effective attainment of the 3 key objectives.

According to the analysis showed there exists some control problems. Nonetheless they do not pose any threat to the effectiveness of the internal control as in the overall score for all the key objectives are 0. Still, it is necessary to understand such inconsistencies. This study will also try to focus on the variables identified with control problems.

4.2 Overview of Akij Bakers:

Akij Insaf Ltd, one of the largest industrial conglomerates of the country, has launched Akij Bakers Limited with investment of Tk1,200 crore. The company's marketing of the new premium brand biscuits, Bakeman's started formally on Thursday in a programme in the city where Akij Group's Director, Sheikh Jamil Uddin was present. Akij Bakers' Chief Distribution Officer, Shafikul Islam said Akij will bring biscuits, cookies, cake, bread, chocolate, and other bakery products gradually to the market.

The company has Installed a new factory in Tongi for the production of bakery foods. Akij has a plan to increase the investment further and import bakery products from foreign countries in the future. The industries under this conglomerate include textiles, tobacco, food & beverage, cement, ceramics, printing and packaging, pharmaceuticals, consumer products, etc. Akij also provides services in healthcare, information, and communication technology.

Table 1 Akij Bakers at a glance

Date of incorporation.	16 December 2021
Corporation Bun, etc Administrative ministry	Food and Bakery manufacturing, Biscuits, Bread
Franchise area	All over Bangladesh
Authorized capital.	Tk. 1200 crore
Paid-up capital(as of June 30, 2012).	Tk. 1200 crore
Number of customers (as of June 30, 2012).	45%
Market share in sales	55%
Manpower.	250-300

4.3 Descriptions Of Control Established By Akij Backer's

Internal control system is fundamental to the success and survival of organizations. It keeps the organization on the rails. With an efficient and effective internal control placed in the organization, it is assumed that the overall performance of the organization will improve. Internal control is inherent in every organization. Though it is an abstract idea still it enhances the likelihood of achieving the objectives of the organizations and adapt to changes in the business or operating environment. Akij Bakers Limited is a private company where day to day operation is strictly controlled and the company is under the purview of the concerned ministry which amounts to greater control than any other private companies.

Like Every other organizations, akij has its own internal control placed within the entity so that it can perform its operations effectively & efficiently, can ensure compliance with all the required legal restrictions and can create more accountability among the employees.

4.3 Financial reporting effectiveness

Akij Bakers has got such a recording procedure which is partly computerized and partly manual. When companies around the world are opting for ERP software, there is still an absence of a central computer system to bind the whole company into a single system. Still spreadsheet program such as Microsoft Excel is used to make all the necessary statements. According to the requirement of the Bangladesh Securities and Exchange Commission, Akij Bakers prepares quarterly reports before preparing the annual reports. Following control activities can be included (but are not limited to) to enhance reliability of financial reporting-

□ Segregation of duties

- Separating authorization, custody, and record keeping roles to detect and prevent fraud or error by one person.

□ Authorization of transactions

- Review of particular transactions by one or more appropriate person(s). All the bills are approved by a person who is empowered to do so.

□ Retention of records

- Maintaining documentation to substantiate transactions.

□ Supervision or monitoring of operations

- Observation or review of ongoing operational activity.

□ Physical verifications

- Moveable assets are verified each year whereas immovable assets are verified once in every five years.

□ Budget

- Budgets are used as a major financial control tool. There is a separate section under the Finance division (Budget Section) who prepares budget for each year. The budgets must be approved by the board of directors and the ministry. Before any payments made, every bill is verified to see if it was previously included in the budget. This can put check to unauthorized expenditures.

□Internal audit:

- There is an internal audit department who review and approves all the transactions made within the company. Usually they perform post audit and pre-audit review . Pre-audit is done before payment (usually for amounts above tk. 500) is made to verify authenticity and proper authorization. Post-audit is the statutory audit. Each year the company engages a CA firm to perform audit to find any fraud and defalcation. Post audit also ensures that all the transactions were recorded properly while complying with all the accounting rules and company policies and they reflect the true financial condition of the company. The government also perform audit , done by the Directorate of Commercial Audit of the government to find out fraud and misappropriation and to find out whether the company's rules and regulations were observed before each payment and receipt.

□Top-level reviews:

- Top-level reviews include analysis of actual results versus organizational goals or plans, periodic and regular operational reviews, metrics, and other key performance indicators (KPIs). Besides, management review of reports comparing actual performance versus plans, goals, and established objectives are placed in the Management Report which is also prepared along with the financial reports.

□Controls over information processing

- A variety of control activities are used in information processing. Examples include edit, checks of data entered, accounting for transactions in numerical sequences, comparing file totals with control accounts, and controlling access to data, files and programs

□Compliance with all the relevant laws, rules and regulations

- Being enlisted in the stock market, Akij Bakers is needed to comply with some regulations which companies in general are also needed to follow. At the same time, it needs to abide by some special acts and regulations, as it is a government organization. Since Akij Bakers is the sole provider of Gas in its franchise area which creates the scope of practicing monopoly, strict compliance of different acts and regulations is demanded by the regulatory bodies.

4.4 Effectiveness of internal control (i.e. dependent variables) = f (independent variables)

Then the organization realizes preset objectives of efficient and effective operations, generation of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements (note that there are 3 objectives mentioned in figure 2). The objectives are overlapping. This means efficient and effective operations produces accurate, reliable and informative financial reports that comply with applicable laws and regulations.

The objectives, depicting overlapping interrelationships are numbered 1, 2 and 3 –

(1) include efficiency and effectiveness of operations

(2) accuracy and reliability of informative financial reporting and

(3) compliance with applicable laws, regulations, policies and procedures. The independent variables determine the effectiveness of an internal control system. The presence and proper functioning of all the components of the independent variables ensures effectiveness of internal control system. This achieves each category of objectives 1, 2 and 3

The independent variables comprise major and minor components. Individual minor components jointly provide for and form a specific major independent variable. The measurement of minor independent variables locates any weaknesses existing in the major independent variables.

The major independent variables include:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring
- Information Technology

The minor independent variables include:

- Authorization and approval procedures
- Assignment of authority and responsibility
- Accountability obligations
- Segregation of duties
- Limit of amount eligible to expend
- Proper Documentation
- Controls over access to resources
- Presence of internal audit
- Verification
- Reconciliation
- Review of operating performance
- Supervision
- Human resource policies and practices

A direct relationship exists between the outcomes of the dependent and the independent variables. All the independent variables are relevant to each category of objectives. Internal control processes (minor independent variables) affects the effectiveness of internal control systems, which is subject to the organization's determined objectives. All the independent variables are interdependent but each has an impact on the effectiveness of internal control systems.

Different approaches to the evaluation of effectiveness of internal controls are available. In this regard, controls evaluation is a step toward achieving the study's objectives once the questions under the study are answered. The questions under the study are formulated to identify the existence or otherwise of each variable of internal control.

The conceptual model identifies three objectives of the effectiveness of internal control systems.

[*] The first is operational efficiency and effectiveness. Effectiveness relates to the quality of controls over the achievement of specific management objectives, while efficiency addresses the quality of controls yielding an optimum quantity of resource inputs to productive outputs. This objective determines whether the organization is reasonably assured that no material inefficiencies exist in the organization or the processes.

[*] The second objective related to the first one, is accuracy of financial reports and statements produced. This objective emphasizes the adequacy and effectiveness of management controls over the preparation of financial reports and ensuring reliability in external reporting.

[*] The third is the organizations' compliance with applicable laws, regulations, policies and procedures. This focuses on the adequacy and effectiveness of management controls that govern adherence to external laws and regulations. This checks the correlation between the laws and entity's procedures and actual practice.

This study identifies the following six essential components of an effective internal control system:

- Control environment,
- Risk assessment,
- Control activities,
- Information and communications,
- Monitoring and
- Information technology.

The model includes working relationships, which is taken into account to achieve effective functioning of the six core control components.

These six control components are assessed before expressing opinion on the design and effectiveness of the overall internal control systems. But this alone cannot identify the exact weaknesses in the internal controls. To do this, core control components are broken down into minor independent variables and those that fall under each of the major independent variables identified. The control components instituted for management of these projects are measured against the components identified in the benchmark.

Each of the major independent variable of the model is defined using several minor independent variables, which are used for rating the effectiveness of controls in the projects, and locate internal control weaknesses. To understand and apply the criteria to control components the analysis uses binary numbers of 0 and 1 as ratings. A rating of 1 reflects a control component with control problem, while 0 rating signifies control component with no control problem.

Each major independent variable with a set of corresponding minor independent variables, used as criteria for rating the effectiveness of controls in the projects. Each major Independent variable and their respective minor independent variables have to ensure consistency in the evaluation process.

Analysis and interpretation of the evaluation results generate interesting findings. As we can notice, all the objectives of effectiveness of internal control amounts to zero i.e. no severe control problem exist in the existing control system. But some of the components of internal control have resulted into 1 which indicates problem. As a result, the minor independent variables indicating problem will require further clarification.

4.5 Weaknesses

Weaknesses found during the study can be summarized as follows-

- In the Control environment of Akij Bakers, work distribution among the mid-level personnel of some divisions was found uneven. This is due to shortage of manpower in some particular divisions.

- Unethical practices in the zonal offices and sales offices are open secret. This includes providing illegal connection of gas lines, providing connection without taking the security deposit, unauthorized use of gas and so on. But these are mostly done by the staffs with lower ethical values who are driven by their own self-interest and for which the company should not be blamed of.

- In the Risk Assessment component of control the analysis identified that the management has not identified risks that affect achievement of the objectives and criteria for ascertaining which risks are more critical. The company is the sole provider of gas in its franchise area. As a result, it kind of has a monopoly in its area of operation as it does not have any competitors. Hence, chances of events which may pose significant threat to its operations are very meager.

- We have noticed that Akij Bakers is trying to improve its control mechanisms. Proper preparation and maintenance of records and statements are made by the company. But still some matters will need further improvements. There exists two month's time lag
Regarding receiving the journals from the sales and zone offices and regarding preparations of the reconciliation statements. This problem occurs because recording and accounts preparation in the large part are still manual. It was also noticed that collections by the authorized banks from the customers are not deposited to the mother accounts timely and it often requires much persuasion by the company to ensure timely deposit by the banks.

- In the information and communication component of control, it was found that Akij Bakers does not include any report on its internal control and corporate Governance in its annual report.

□ In case of the monitoring activity of Akij Bakers it was found that supervision of metering department and vigilance department is poor to check malpractice of the lower staff and some other CBA leaders.

□ Akij Bakers is still working partly manual and partly computerized system in all its activities. It uses different software for different component tasks but not any single software to integrate the whole organization. Though the activities of the zonal offices are set by the head office still their direct monitoring and supervision is not possible due to the lack of a central integrated system.

4.6 Recommendations

In the earlier sections, the existing internal control systems in Akij Bakers have been described. Though the overall control system is effective enough to achieve the objectives of the company, still there were some minor inconsistencies which may hamper the efficiency of the company. In this section, the study will try to provide some recommendations for the company so that it can perform better and can bind the whole company with a dynamic internal control system.

- Proper work distribution among mid-level management should be made for ensuring better management of the company.
- Exemplary punishment should be given to those staffs that are found guilty of malpractice. It may reduce the rate of unethical practices.
- The company certainly should make risk assessments even if any such risks are still not evident.
- Research programs should be undertaken that can help to identify problems in its operational and control activities. Besides market analysis can also be done. With all these initiatives, the company can certainly perform better and can make predictions about the future performance and market scenarios.
- Audit on internal control should be undertaken & should also be included in the annual report of the company.
- More training facilities for the employees can be provided to keep them updated with the practices which are followed by the energy sectors of the developed countries. This will make them more efficient and better corporate governance can be ensured.
- Activities of the CBA should be more controlled so that they cannot create undue pressure on the company management for their personal interest.
- ERP software can be introduced in the company. Use of technology will help the company perform faster and better. It will also help to access real time data and will ensure accuracy of data. As a result, more integration among the regional offices and the head offices will be possible.

Appendix

Rating criteria for internal Control

Appendix Rating criteria for internal control components as defined by the Benchmark

Control Components

Control Environment :

- Organizational structure does not adequately reflect chain of command
- Segregation of duty is not properly done
- Human resource policies and procedures not documented & updated
- Responsibilities are delegated and no follow up action is made to get feedback on results of performance of tasks delegated
- Does not demonstrate a commitment to integrity & ethical values

Risk Assessment:

- Management has not specified the objectives with sufficient clarity
- Management has not identified risks that affect achievement of the objectives.
- Management does not have a criteria for ascertainment of which risks are most critical.
- Management has not put in place mechanisms for mitigation of critical operating risks that may arise.

Control Activities:

Key control activities of the projects are not functioning as intended:

- Transactions are not authorized
- There is no segregation of duties.
- Verifications of transactions before making payments are not done
- Zonal receipts are not recorded accurately on a timely basis
- Collections from the customers by the authorized banks are not timely transferred to the mother accounts
- Key accounts records like bank, cashbooks, loans, accounts payables etc are not reconciled on a regular basis.
- Bank guarantees are not checked for renewal
- There is no control over access to resources
- There is no accountability of funds advanced to the employees
- Management does not review operations
- Internal auditors are not present and where present there is limitation in scope of their responsibilities by management.
- Procedures have not been documented/ regularly updated in respective manual for example finance, staff rules and regulations and operations manuals
- Staffs are not supervised while they carry out their schedule of duties.

Information & Communication:

- Key criteria for evaluating performance are not identified, collected and communicated.
- Reports on Internal audit and Corporate Governance is not incorporated in the Annual Report
- Employees do not understand their control responsibilities.
- Complaints and disputes by suppliers are not resolved in a timely manner.
- Grievances of customers are not properly addressed

Monitoring Activities:

- There are no independent process checks or independent evaluations of controls activities on ongoing basis.
- No interim financial statements are prepared

Information Technology:

- No IT system to monitor & supervise the zone offices and sales centers across the franchise area.
- No restriction of personnel in accessing all levels of different modules in computer
- No integrated computer system exists that encompasses the whole company