

Effectiveness of Rahman and Rahman Huq (KPMG
Bangladesh) Audit Policy

by

Sadat Hossain

15104104

BRAC Business School

BRAC University

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF

Bachelors

In

Business Administration

(BBA)

Letter of Transmittal:

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To

Mr. Shamim Ahmed

Lecturer, BRAC Business School

BRAC University

66 Mohakhali, Dhaka -1212

Subject: **Submission of internship report on “Effectiveness of Rahman Rahman Huq (KPMG Bangladesh) Audit Policy”**

Dear Sir,

It is with great pleasure that I am submitting my internship report on **“Effectiveness of Rahman Rahman Huq (KPMG Bangladesh) Audit Policy”**. The report was part of the requirement for the completion of Bachelors in Business Administration at BRAC University.

I have prepared the report on the audit policy of KPMG Bangladesh according to the guidelines provided by you. I believe the report will provide insights about the audit procedures implemented in our country and give an understanding of the audit policy as a whole.

I hope that you will appreciate my instructive and comprehensive approach. Thank you for encouraging me for working on this interesting topic. Kindly accept my report and oblige thereby.

Sincerely yours,

Sadat Hossain

ID-15104104

BRAC Business School.

Letter of Endorsements by the Supervisor Faculty

This to certify, Sadat Hossain, bearing ID – 15104104, is a student of BRAC Business School, BRAC University, has completed the internship report titled '**Effectiveness of Rahman Rahman Huq (KPMG Bangladesh) Audit Policy**' under my supervision. His internship placement was at Rahman and Rahman Huq Chartered Accountants. I am pleased to state that he has worked hard in preparing this report and has been able to present a good picture of the report. The data and findings presented in the report seemed to be authentic.

I wish him every success and prosperity in his career and life.

Acknowledgement:

I would like to start this report by acknowledging my gratefulness to the Almighty Allah. I would like to express heartfelt gratitude to every single person who has assisted me in the preparation of this internship report. I wish to thank them for their support, guidance and belief in every step.

Firstly, I would like to take the opportunity to say my gratitude towards Mr. Shamim Ahmed, Lecturer, BRAC Business School, for his endless support, inspiration and guidance during the course of completing this report. I am also thankful to him for contributing his valuable time while viewing my report and making all the necessary corrections. Moreover, I am grateful to BRAC University and BRAC Business School in particular for allowing us the opportunity to research about an area and gained valuable information while doing so.

Executive Summary

Audit is a systematic process, which is more or less same in every country. The basic differences are in the rules and regulation that every country has to follow not in the steps taken to conduct audit but in the rules and regulations that they have to comply with. In Bangladesh, audit is practiced based on the audit practice manual by the Institute of Chartered Accountants of Bangladesh. The paper gives an overall view between the general audit practices in Bangladesh and of those used by Rahman and Rahman Huq (KPMG Bangladesh). It digs deep into the overall structure of the Rahman and Rahman Huq, the services provided by them and the way they go into dealing with audited firms. It describes all the process implemented by RRH in their audit process starting from client engagement evaluation process to forming an opinion on the report of the audit. Moreover, this paper dives into the audit policy of Bangladesh and perfects to analyses the policies that are to be implemented by the auditors in the country. It aims to figure out the core policies that should be put into place while performing audits which will help to identify the effectiveness of the audit policies based on the presence of these core policies. 12 core audit policies have been identified and the effectiveness of RRH's audit policy effectiveness have been measured against those core policies. The paper also talks about the absence of the policies that have been noticed in Rahman and Rahman Huq (KPMG Bangladesh) and the way they can develop these policies and implement those policy and provide better quality assurance service. In a nutshell, implementation of these processes are likely to ensure that the audit firms become more efficient in their service which will help to develop the overall structure of the industry.

Table of Contents

Contents

Organization Overview of KPMG Rahman and Rahman Huq	7
Services of KPMG Rahman and Rahman Huq	8
My Responsibility as an Assistant	10
Introduction to the Audit Policy in Bangladesh	12
Objective of the study	15
Literature review	16
Methodology	17
Limitations.....	17
Audit Policy of Rahman and Rahman Huq (KPMG Bangladesh).....	18
Analysis and Interpretation of Data	24
Findings of the study	25
Recommendation	26
Conclusion	27
Reference	28
Appendix.....	29

Organization Overview of KPMG Rahman and Rahman Huq

Rahman Rahman Huq is one of the renowned Chartered Accountancy firms in Bangladesh. During Pakistan period Price Waterhouse Peat & Co. was operating as a chartered accountancy firm in this country. In 1962 Price Waterhouse Peat & Co. left Pakistan, one of its former partners Mr. Rezaur Rahman joined forces with two other chartered accountants Mr. M. Saifur Rahman and Mr. Tasfin I. Huq to form Rahman Rahman Huq.

Rahman Rahman Huq is a Member Firm of KPMG International. Rahman Rahman Huq (hereinafter referred to as RRH or the Firm) is the first Member Firm in Bangladesh of any of the Big 4 global accounting firms. Rahman Rahman Huq became the member firm of KPMG International Cooperative (“KPMG International”) from 1st January 2006. RRH is representing KPMG in Bangladesh for over a decade and Member Firm status is the highest level of affiliation offered by such global firms. This formally establishes RRH as the premier accounting firm in Bangladesh. This status is positioned on top of the reputation built over the last half a century by providing services to the clients with sound technical knowledge, combined with uncompromising integrity, objectivity and independence.

Rahman Rahman Huq is operating its activities mainly from Mohakhali office in Dhaka. There is a regional office at Agrabad in Chittagong and it operates the regional activities of Chittagong area.

RRH provides various services such as Audit, Tax, Advisory, and other business solutions. RRH has built a reputation among national and multinational business enterprises, public sector corporations and development organizations in Bangladesh. Over the years the services provided by RRH is divided into various departments. They are described in details below:

Services of KPMG Rahman and Rahman Huq

- **Audit and Advisory:** KPMG Bangladesh’s Accounting Advisory Services practice comprises of a dedicated team providing accounting and financial reporting advice and support to member firms audit and non-audit clients on a wide range of transactions and events, including adherence to new or revised accounting standards and effective management of the financial reporting processes, to support through an IPO process. RRH serve many of the world's leading multinational corporations as well as financial investors on a recurring and event-driven basis. These teams have a variety of skills including technical knowledge and experience, regulatory and standard setting experience, complex transaction and event understanding and process enhancement and project management capabilities. The services under this department are further described in details:
 - I. **Financial Statement Audit:** Financial statement audits give assurance over information used by investors and the capital markets – a responsibility to the public interest KPMG Audit professionals take very seriously, applying powerful D&A routines to create better audit evidence and gain deeper insights, and exploring the role auditors can and should play by engaging stakeholders to better understand their views through KPMG’s Value of Audit.
 - II. **Risk Assessment:** It takes into consideration risk interconnectedness and the velocity with which risks can impact business operations. These fresh insights arm our audit professionals with new levels of risk assessment that work to enhance audit quality. They will also be able to provide clients with new insights that they may use to drive more-informed decisions within their organizations about how best to tackle and monitor these threats.
- **Tax:** RRH’s tax team engage in the discussion and debate surrounding Tax Transparency and Responsibility. As the tax strategies of multinationals and domestic companies continue to be examined by both tax authorities and the public alike, they work with the clients to develop tax strategies that are fit for purpose in the tax system and maintain all the legal procedures of tax. This department is dedicated to keep pace with the reporting changes and the subsequent

evaluation that multinational corporations will need to do to evaluate their in-house resources to determine if they will be able to manage additional requirements and responsibilities related to tax. They will also need to assess their systems to ensure that they can meet new requirements for multijurisdictional reporting. RRH's member firm KPMG International has a comprehensive, robust and publicly available Global Code of Conduct setting the standards of ethical conduct for everyone in the KPMG member firm network. Tax professionals are also bound by the Principles for a Responsible Tax Practice, which set out additional fundamental ethical principles and behaviors.

- **Transfer pricing:** This department help companies effectively and efficiently manage their transfer pricing through the following services: planning compliance and documentation, implementation and controversy. KPMG in Bangladesh has a dedicated team of experienced professionals, including accountants, tax practitioners, specialists, benchmarking experts and financial analysts, who can offer essential local knowledge within a global framework. With the help of GTPS, companies can be assisted in efficient planning of transactions, capital structure and investment arrangements, preparation of annual transfer pricing return and documentation, and responding to challenges from the tax authorities. Transfer pricing services can be further divided into:
 - I. **Transfer Pricing Planning:** Assist in economically supportable transfer pricing planning ahead of international transactions, capital restructuring, and investing. Reviewing draft agreements between associated enterprises to identify and advise on potential transfer pricing issues.
 - II. **Preparation of Transfer Pricing Documentation/ Study Report:** Assist with transfer pricing analysis and documentation/ study report of international transactions between associated enterprises for consistency with the arm's-length principle for transfer pricing purpose.
 - III. **Preparation of Transfer Pricing Return:** Assist in identification of international transactions and preparation of transfer pricing return in prescribed format.
 - IV. **Dispute Resolution:** Assist in resolving transfer pricing disputes through various services at various level of the competent authority.

My Responsibility as an Assistant

I was assigned in the Audit department in Rahman and Rahman Huq (KPMG Bangladesh). From there on I have been in the financial audit of Grey Advertising Bangladesh Limited (GABL). In the annual audit of Grey Advertising Bangladesh Limited (GABL). I worked as an assistant in the audit of Grey Advertising from 2nd Feb 2019 to 21st March 2019. The annual audit's work was distributed among the assistants based on the heads in the financial statements. I was given the opportunity to work on the audit of Administrative expenses, Advance deposit and prepayments and other income. From working in these segments I got to know how the whole audit work is done. At first the auditor's responsibility is to find out the performance materiality of the company. As an auditor it is important to demonstrate judgement to represent what is significant to the financial statements as a whole, to the point at which the investment decisions of the users would be influenced. It is calculated by applying a percentage to a chosen benchmark such as PBT or net assets. Therefore after finding out the materiality percentage of the company, I had to then use it for the sampling of my assigned sub heads from the general ledger to determine how many transactions I have to check. I had to then check them to ensure their validity, completeness of transaction, recording properly, safe guarding of companies asset and subsequent accountability. I had to check the transactions for their approval process and to find out the weakness of the internal control system and the fault with the people who implement the policy. For administrative expenses audit I had to go through 19 items worth BDT 74 million. One of my top observation from the administrative expense was that the management used to pay and include managing director's housing allowance in the admin expense under sub head of guest house allowance. At the same time he was given housing allowance in his salary which was contradictory. This point was then raised to the management and it had been included in the audit report of Grey Advertising Bangladesh Limited.

Additionally, I had to go through advance, deposit and prepayment, where I had to check to whom advances were given and the reason for the advances. In most cases, Grey advertising Bangladesh Limited had to give advances to their vendors, from whom they used to get their work done for their client. After the work was completed Grey Advertising used to get reimbursed from their client. Moreover I had to go through the deposits of the company and there were huge amount of it as GABL had to participate in different tenders and had to deposit money as security money and had to give quotation of prices to the client. As a result it led to an increase in the deposits. And finally I worked on the cash and cash equivalents where I had to check their overall petty cash book policy and whether they maintain insurance on petty cash book and their IOU policy. In addition I had to go through whether the Cash at bank in the financial statement was properly recorded and it was cross checked through bank confirmation from HSBC and Citi bank and it was duly recorded. Moreover I had to examine bank reconciliation to see whether it was showing the correct balance, and clearance of the reconciled amount in the subsequent month from the bank statements and to see if any balance is carrying for longer period of time. Furthermore, I was assigned to do physical asset verification of the company to check whether the assets shown on the financial statement actually exists and proper system is in place to maintain them and proper tags are maintained so that they can be identified easily. Overall, I had to all these tasks in my allocated audit work and had to report for any kind of discrepancy in any regard.

Introduction to the Audit Policy in Bangladesh

Audit is a systematic process, which is more or less same in every country. The basic differences are in the rules and regulation that every country has to follow not in the steps taken to conduct audit but in the rules and regulations that they have to comply with. Audit policy can be defined by the process in which an auditor has to gather auditing evidence to evaluate the reliability of the accounting records. Then he has to judge whether the information presented is logical and reasonable. Examples of auditing procedure can be, how the raw material buying process of the company, how the company maintains the payables and receivables accounts, internal control system of the concerns etc. is examined. Audit process in Bangladesh is regulated by the Institute of Chartered Accountants in Bangladesh. They are the regulated body for audits in Bangladesh. Auditors have to follow the Audit Practice Manual (APM) and it has four steps:

- I. **Planning:** One of the core factor of audit is to plan properly. There has to be a proper planning in place about how the audit is going to be performed. If there is a plan in place then the auditor knows the blueprint of the audit and knows all the subsequent check that the team has to perform to complete the audit, at the same time it makes sure there are not anything that goes missing in the audit. Moreover, an audit might take too long to complete if it is not properly planned. International standard (ISA) of auditing 300 says that an audit has to be planned and since the audit firms in Bangladesh has adopted the ISA, then they have to abide by this rule. ISA has implemented this policy because it helps to allocate proper time and budget needed for an audit, identify audit risks and accurately organize and accomplish the engagement team by dividing the work among the team members according to their competence.

- II. Collection of evidence:** Audit Practice Manual does not provide a clear picture about how many items should be tested for audit purpose. Therefore it is up to the judgement of the auditor to decide that according to the relevancy of the tested item to the client. As a result it is far better to design tests directly relevant to the client rather than to merely 'fill in the forms'. Tailoring or drafting of programs using the APM as an aide-memoire is therefore encouraged. So that any sample selected must be representative of the whole population and it must be sufficiently large to enable credible conclusions to be formed. Overall, the exercise of judgment must ultimately determine the sufficiency of sample sizes. In addition it should be taken into account about inherent risk factors, materiality and population characteristics. All these will give a useful theoretical starting point but ultimately judgment must prevail.
- III. Controlling and Recording:** All the planning that is done is recorded in this stage. This is the core fieldwork stage where all the assessments and the other aspects of the audited company is taken into account. The evidence collected are evaluated based on these assessments and then recorded. The risk assessments and materiality calculation is done in this stage. According to the audit practice manual there are two types of risk assessment. Firstly general risk assessment, it mainly comes from the commercial and regulatory environment of the entity. It is affected by the integrity of the management and the business risk too. This assessment should assist in determining the riskiness of the engagement as a whole. Secondly there is specific risk assessment, it assist in determining the riskiness of the engagement as a whole. Specific risk assessment has mainly two objectives. It is used to assess the extent to which the full audit program approach can be foregone in the particular circumstances of the audit in question. It may be used to take into account the various accumulated risks and consider their overall impact on a particular area of the financial statements. This helps to concentrate on areas of audit significance, ensuring that the bigger picture is not lost through concentration on individual risks.

IV. Review and opinion: It is the last stage of the audit procedure. Here, the full report is discussed with the management of the audited firm and they give their feedbacks on the issues brought forward. Some observations might be disclosed because of this discussion. After this, the issues are then discussed with the manager in charge of the audit. The manager then shares his/her opinion and matters which couldn't be solved are then taken to the partner of the Chartered Accountants firm. He then deals with the overall audit and form an opinion. According to the Audit Practice Manual, some example for checklist can be as follows:

- Partner completion
- Audit completion
- Audit standards review questionnaire
- Internal control system questionnaire
- Critical review of accounts questionnaire
- Justification of audit report etc.

Upon review by the auditor based on the following check list, the auditor forms an opinion. If the auditor is satisfied with the answers they may form unqualified opinion about the client. In other cases they give opinion like qualified, disclaimer or adverse.

Objective of the study

The paper aims to shed light on the following matters:

- General Audit Policy in Bangladesh
- Key factors of the Audit policy
- Audit policy implemented by Rahman and Rahman Huq (KPMG Bangladesh)
- Effectiveness of the Audit policy implemented by Rahman and Rahman Huq (KPMG Bangladesh)
- Figure what the firm can do better to improve their procedure

Literature review

Various researches have been conducted on effective audits however, very few research has been carried out on the effectiveness of audit policy. Bender (2006) found out that the effectiveness of the audit policy should be measured on different parameters than the parameters set by the audit practice manual. He believed that parameters should be based on the Leadership and structure of the audit firm, Independence of auditor, and the significance of this client to the firm, technical ability of the firm and the partners and staff involved in the audit, Knowledge and skills of the audit personnel, at all levels .

Randy (2010) found out that the audit procedures should be designed by providing a clear linkage between the nature, timing, and extent of the audit and the risk assessments. In designing further audit procedures, the auditor should consider matters such as the significance of risk, the likelihood that a material misstatement will occur, the characteristics of the class of transactions, account balance, or disclosure involved and the nature of the specific controls used by the entity, in particular, whether they are manual or automated.

Methodology

The main source of information for the research paper has been secondary data that is available on the Internet. In addition information has been obtained from KPMG Audit Manual 2019. Moreover, for the effectiveness of RRH's audit policy, 12 questionnaires was prepared using the nominal scale properties and pie chart was used to put information into context and for further use. Overall, various qualitative data has been gathered from the Internet, which has enabled to compile this research paper.

Limitations

One of the main shortcomings of this paper is the lack of quantitative information about general audit practices of the audit firms. The policies used by other firms are not easily available and cannot be confirmed. Therefore it was not possible to compare the procedures of different firms. In addition effectiveness of the audit policy couldn't be backed by substantial data due to the unavailability of information,

Audit Policy of Rahman and Rahman Huq (KPMG Bangladesh)

The audit policy of RRH can be best described from the diagram given below. The whole process is divided into 4 categories. The detailed explanation of each category is described below.



1. **Engagement Setup:** For any engagement there are three parties involved. They are Responsible party, Intended user and assurance practitioner. As the assurance practitioner RRH looks into certain factors before providing engagement services.
 - a. **The rational purpose to this engagement-** One of the pre-conditions of an assurance engagement is that the engagement has a rational purpose. To evaluate rational purpose certain factors are taken into account. For example, whether the distribution of the assurance report is defined, client has all included aspect of the subject matter with sound knowledge, there is no limitation in work and three parties of the audit engagement could be identified.
 - b. **The subject matter should be appropriate:** One of the pre-requisite of accepting an engagement is to see whether the subject matter is appropriate. The subject matter should be such that it should be identifiable and capable of consistent measurement or evaluation against criteria.
 - c. **Engagement addresses the user needs:** When evaluating an engagement, consideration should be given as to whether the engagement meets the users' needs.
 - d. **The criteria's developed by management are suitable:** One of the pre-

conditions of an assurance engagement is that the criteria are suitable and available to the users. Determine whether the criteria developed by the responsible party are suitable and they are relevant, complete, reliable, neutral and understandable.

- e. **Sufficient information can be collected:** The amount of evidence that RRH require depends upon the level of assurance being obtained. RRH seeks to reduce the level of a risk of a material misstatement in the subject matter to a low level. In this case, extensive evidence may be required to reduce the risk that the subject matter is materially misstated to low. ISAE 3000 does not allow RRH to accept an engagement if we believe that there will be a limitation of scope that will result in disclaiming an opinion

- 2. **Planning and Risk Assessment:** Assurance strategy involves making certain key decisions about how RRH plan to respond to the engagement risks identified during planning and risk assessment. Planning is done based on factors such as nature of the engagement, evaluated engagement risk and broad nature of activity, significant areas that need to be addressed and materiality of the purpose. After taking of these into account, the planning team will decide on the overall timing of testing, the overall approach to evidence gathering, such as whether RRH plan to obtain evidence from testing the operation of controls and the use of SMEs, external experts, internal audit and other member firms. This is done to avoid three types of engagement risks. Components of engagement risks are: the inherent susceptibility of the subject matter to error or misstatement (inherent risk), the risk that an error or misstatement in the subject matter will not be detected by internal controls (control risk); and the risk that the tests conducted and evidence collected will not detect a material misstatement (detection risk). RRH also takes following matters into consideration for planning and risk assessment:

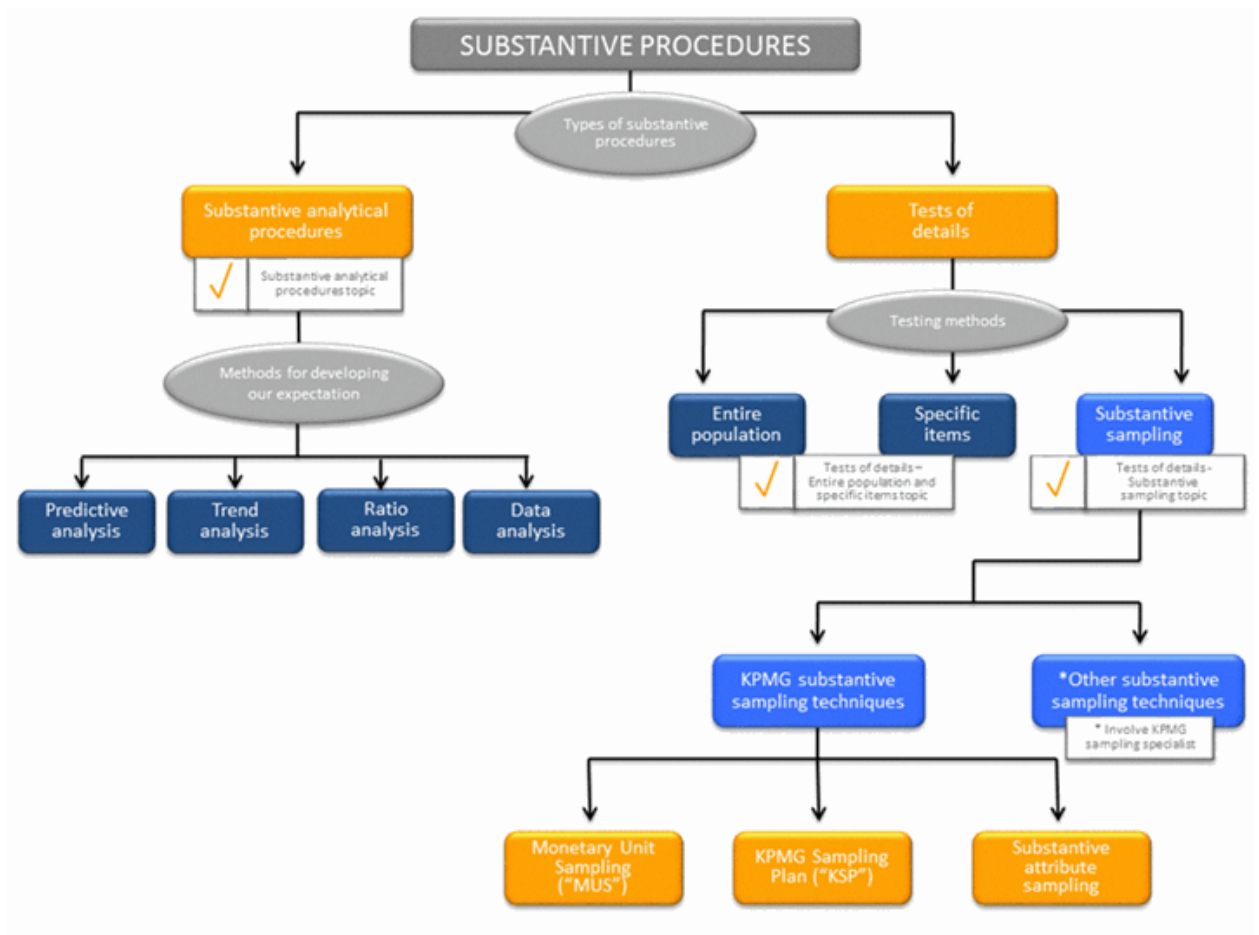
- a) **Significant areas for risk assessment:** Significant areas such as governance, its effectiveness, business strategy, policies, internal control or a piece of data e.g., a KPI.
- b) **Assurance engagement on the clients report:** Assessing the clients engagement report helps to identify which areas are significant.
- c) **Fraud in the assurance engagement:** Fraud in an assurance engagement should be seen as the deliberate action to manipulate the subject matter. As part of planning and risk assessment RRH considers the nature of fraud risks in the circumstance and determine appropriate tests to address the specific risks identified. The specific risk of fraud to be considered in the context of the nature of the subject matter.

For the above risks, materiality calculation is done to check misstatement of how much amount is likely to influence the intended user's decision making. Materiality thresholds are used for subject matters e.g., data. In determining materiality thresholds, RRH considers the following:

- a) The needs of intended users. i.e., the threshold above which a misstatement, including omissions, would individually or in the aggregate, reasonably be expected to influence the needs of the intended users; and
- b) the criteria (for example, some criteria may set out what would be considered material)

Materiality thresholds are used as a basis for identifying the risks of material misstatements and determining the nature timing and extent of testing. Furthermore, materiality thresholds are used in evaluating the effect of identified misstatements or differences, if any, on the subject matter. After discovery of the misstatements, the errors or differences are logged and accumulated for review to consider whether an adjustment is required based on what was determined as material in the context of the data being reported, i.e., materiality thresholds.

3. Testing: In this section, testing is performed on different controls put in place in the company. Tests of operating effectiveness of controls are performed as part of RRH's response to the risks of material misstatement identified during risk assessment. Tests of controls are designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level. Designing tests of controls to obtain relevant audit evidence includes identifying conditions that indicate performance of a control, and deviation conditions which indicate departures from adequate performance. The presence and proper implication of these controls is tested by RRH. After the testing of the operating effectiveness controls, RRH then performs substantive testing to check the validity of the transaction, completeness of transaction, proper recording and safe guarding of the company's asset.



This is the process followed for the collection of the information. They are divided into two parts, they are substantive analytical procedure and test of details. When designing substantive analytical procedures and performing substantive analytical procedures, RRH has to:

- a) Determine the suitability of particular substantive analytical procedures for given assertions, taking account of the assessed risks and tests of details for these assertions.
- b) develop an expectation of recorded amounts or ratios
- c) Evaluate whether the expectation is sufficiently precise, when combined, if applicable, with audit evidence from other audit procedures, to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated.
- d) Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation.
- e) Evaluate the reliability of data from which our expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation.

On the Other hand, Inquiry is used in performing tests of details. Although inquiry may provide important audit evidence, and may even produce evidence of a misstatement, inquiry alone ordinarily does not provide sufficient audit evidence of the absence of a material misstatement at the assertion level. Tests of details can include the following types of audit procedures, often in some combination:

- Inspection
- Observation
- External confirmation
- Recalculation
- Re-performance.

The different methods for testing are used based on the following situations:

- i. When there are a small number of items or the entire population can be tested through the use of computer assisted audit techniques in this case all items/entire population are to be selected.
 - ii. Identifying items that meet certain criteria, such as amounts that are greater than performance materiality, inventory items that have not moved for more than six months, or accounts receivable that are older than three months, in this type of case select items with specific characteristics for testing.
 - iii. If the population contains a large number of items, it would be efficient to perform certain audit procedures on a sample, in this case monetary unit sampling, KPMG sampling plan, substantive attribute sampling are to be used.
- 4. Completion:** After all the above procedures, the final process is to design and perform final analytical procedures near the end of the audit that assist RRH for forming an overall conclusion as to whether the financial statements are consistent with our understanding of the entity. RRH goes through the financial statements and disclosures, and design and perform final analytical procedures near the end of the audit, including final analytical procedures related to revenue through the end of the reporting period, that assist them in:
- a) For forming an overall conclusion as to whether the financial statements are consistent with our understanding of the entity.
 - b) In evaluating RRH's conclusions formed regarding significant accounts and disclosures.
 - c) For forming an opinion on whether the financial statements as a whole are free from material misstatement.

Finally opinion on the audit report is given one the following conditions:

-Financial statements are materially misstated and pervasiveness of the effects are material but not pervasive then qualified opinion is given.

- Financial statements are materially misstated and pervasiveness of the effects are material and pervasive then adverse opinion is given.

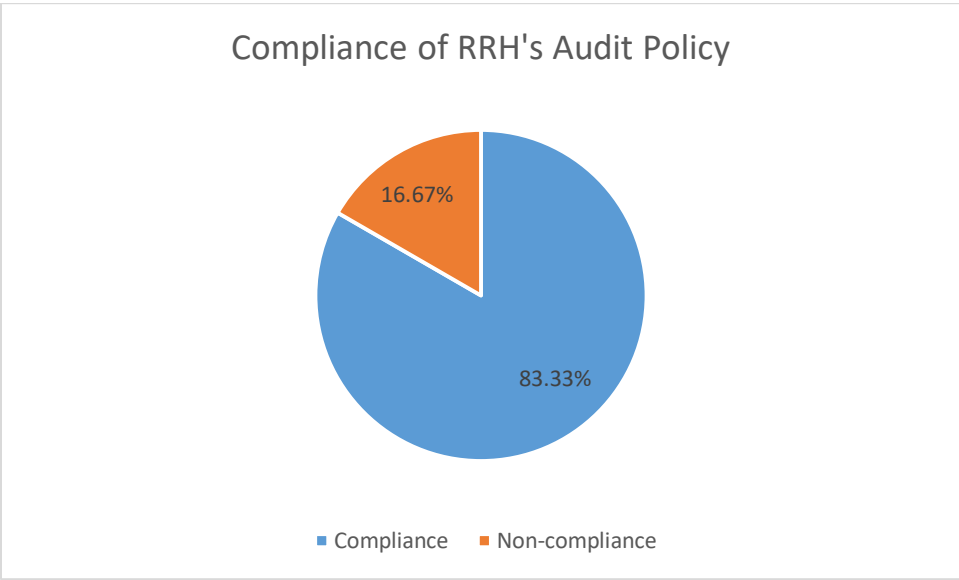
-If the inability to obtain sufficient information but it is material but not pervasive then then qualified opinion is given.

- If the inability to obtain sufficient information and it is material and pervasive then qualified opinion is given.

Analysis and Interpretation of Data

Measuring effectiveness of Rahman and Rahman Huq (KPMG Bangladesh) Audit Policy through following criteria's.

Questions	Presence	Absence	Uncertain
1. Is there any Prospective engagement evaluation processes?	✓	-	-
2. Did the audit team have the necessary knowledge and skills to meet the company's audit requirements?	✓	-	-
3 Was there a proper plan in place about how the audit is going to be conducted?	✓	-	-
4. Proper way to establish materiality in assurance engagements?	✓	-	-
5. Scope and timing of the audit – does it cover all relevant areas and is the timetable appropriate?	✓	-	-
6. Is there a proper policy in place to collect audit evidence?	✓	-	-
7. Are sampling tools appropriate to decide items to be tested?	✓	-	-
8. Proper action plan for misstatements identified during testing?	✓	-	-
9. Effective testing to ensure internal controls intended result?	✓	-	-
10. Was there communication between the auditor and the audit committee, including discussions regarding the company's management and the quality of the accounting policies and information?	-	✓	-
11. Is the firm completely independent of the client?	-	✓	-
12. Do the firm follow audit practice manual to form opinion?	✓	-	-



Findings of the study

From the diagram and questionnaires designed to measure effectiveness of RRH’s audit policy, it can be seen that they maintain 83% of the policies that are necessary to provide effective assurance service. Since RRH is a member firm of KPMG International so they have to comply with the compliance set by them. As a result of which the firm is following 83% of the audit policy required to provide effective quality audit. However, at the same time there is also scope for improvement for the firm as they are not complying with 16.67% of the policy from the questionnaire. They are missing out on significant policies as well. It has been seen that the firm is not always independent of the client. They have been seen to provide tax and transfer pricing service to the same client of which they are the external auditor. There is significant conflict of interest on the part of the auditor. In addition, there is absence of any communication with audit committee regarding the company’s management and the quality of the accounting policies and information which could have been useful to have a better understanding of the audited firm and knowledge of the subject matter. Overall, RRH is following a major chunk of the policies but there is scope for improvement.

Recommendation

From the findings it can be seen where RRH needs to work to provide better assurance service and improve their overall process. At first RRH needs to distinct the clients to whom they are going to provide business support services and to whom they are going to provide annual audit services, since they cannot provide both at the same time. Otherwise there will be existence of conflict of interest. In addition, RRH needs to form meetings with audit committee regarding the company's management and quality of the accounting policies so that the risky propositions could be better identified which could be then put into testing for material misstatements.

Conclusion

There are many chartered accountants firm in Bangladesh and RRH is among the premium firms. So if any discrepancy occurs in their policy, it acts as a signal that there might be significant deficiencies in other firms. Therefore the government must take control of the implementation of the policies according to the audit practice manual and monitor if all the firms are implementing the policies in their daily practice. This would ensure that the CA firms become more efficient and will led to overall structural development of this industry.

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Audit Practice Manual by Institute of Chartered Accountants Bangladesh

Appendix

Questions	Presence	Absence	Uncertain
1. Is there any Prospective engagement evaluation processes?			
2. Did the audit team have the necessary knowledge and skills to meet the company's audit requirements?			
3 Was there a proper plan in place about how the audit is going to be conducted?			
4. Proper way to establish materiality in assurance engagements?			
5. Scope and timing of the audit – does it cover all relevant areas and is the timetable appropriate?			
6. Is there a proper policy in place to collect audit evidence?			
7. Are sampling tools appropriate to decide items to be tested?			
8. Proper action plan for misstatements identified during testing?			
9. Effective testing to ensure internal controls intended result?			
10. Was there communication between the auditor and the audit committee, including discussions regarding the company's management and the quality of the accounting policies and information?			
11. Is the firm completely independent of the client?			
12. Do the firm follow audit practice manual to form opinion?			