

Report On

The VAT Audit Process of IDLC Finance
Limited

By:
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ID: 1614121

An internship report submitted to the “BRAC Business School” in partial fulfillment of the requirements for
the degree of
Bachelor or Business Administration (BBA)

BRAC Business School
BRAC University
September, 2021

Declaration:

It is hereby declared that

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

Student's Full Name & Signature:

Faiza Ahmed Tutun
16104121

Supervisor's Full Name & Signature:

MD. Mahmudul Haq
Associate Professor, BBS
BRAC Business School

Letter of Transmittal:

Mr. Mahmudul Haq
Associate Professor, BRAC Business School.

Subject: Internship Report on “The VAT Audit Process of IDLC Finance Limited”.

Dear Sir,

I, Faiza Ahmed Tutun , a student of BRAC Business School, am glad to say that I am submitting my Internship Report on “The VAT Audit Process of IDLC Finance Limited” . I worked under the tax division of finance department. I joined at the time when the VAT audit was in second stage of the process which allowed me to understand the work and write my report more easily.

I hope that this report will give you an idea about the VAT audit done at IDLC .I will appreciate your query and criticism on the report because it will encourage me enhance my knowledge. I wrote this report to the best of my abilities. Human Resources being my major I struggled a little at the beginning of my internship.

I hope that you understand and forgive any mistake done. It was most probably because of my limited knowledge in this subject and oblige thereby.

Sincerely

Faiza Ahmed Tutun
ID: 16104121
BBA Program
September 29, 2021

Non-Disclosure Agreement:

I have gained confidential information during the internship period at “IDLC Finance Limited,” which should not be released. I will preserve the confidentiality of any information that is restricted to reveal to anyone during the internship period and after the internship period.

Student’s Full Name & Signature:

Faiza Ahmed Tutun
16104121

Supervisor’s Full Name & Signature:

Nastran Tasnim ACA
Senior Manager, Finance
IDLC Finance Limited.

Acknowledgement:

All praise to the Almighty and the Merciful. I am grateful to Almighty Allah for giving me the strength, courage, patience and ability to complete my internship as well as the internship report within such a short period of time in spite of various complications.

Initially I would like to thank my supervisor Md. Mahmudul Haq and co supervisor Ms. Tanzin Khan for guiding me through this part of my education life. It was an uncertain time with pandemic causing job shortage. But they were very patient and understanding with me. When I got the Internship at IDLC, I was worried if I would be able to complete the report or not but sir and ma'am helped me through the whole process. Even though I worked at the finance department when my major was Human Resources.

Then I would like to thank my two supervisors at IDLC Nastran Tasnim and MD. Jahid Hasan. Without these two seniors I would have definitely suffered a lot. As I have said before that my major is HR whereas I interned in the finance department. There were a lot of topics and works I should have known as an almost graduate working professionally but I didn't know. They were very patient and understanding with me. If I didn't know how to do something they taught me patiently.

A special thanks to Mr. Jahid Hassan who took time out of his busy schedule during the audit to answer any question I had regarding the process for my internship report.

Furthermore I would like to express my sincere thanks to all the employees of the office that supported me during my internship and made my time there a memorable one.

EXECUTIVE SUMMARY:

This report “The VAT Audit Process of IDLC Finance Limited” is the narration of my time interning at IDLC’s corporate Head Office. I joined the organization as an intern under the finance department. The topic was selected after consulting with my internship advisor and my supervisor at IDLC.

The main objective of this report is to learn about the VAT audit process that is conducted in IDLC by the VAT&SD Act of 2012. This report states a short overview of IDLC, its organizational chart, products and services. It also contains a PESTEL analysis keeping in mind how the corona pandemic affected the industry as a whole and also IDLC. There is also a chart that includes the outcomes of the six capitals of the organization with relevance to SDG goals. Most importantly this report narrates the VAT audit process which is the main objective of the paper.

This report also includes my duties, responsibilities and learnings as a financing intern in IDLC Finance Limited. The challenges and limitations I faced during my internship.

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Glossary:

Organogram: Organization's structure in a graphical format.

Chapter1 : Overview of the Internship:

1.1 Internship Information:

Student Information	
Name	Faiza Ahmed Tutun
ID	16104121
Programme	BBA
Major	Human Recourses
Internship	Finance Department

Internship information	
Internship Period	3 months (19 August – 19 October)
Company Name	IDLC finances Limited.
Branch	Corporate Head Office, Main Branch.
Address	Bay's Galleria (1 st Floor), 57 Gulshan Avenue, Dhaka 1212, Bangladesh.
Supervisor	Nastran Tasnim ACA Senior Manager Finance.
Co-supervisor	MD. Jahid Hasan Assistant Manager Statutory Reporting & Corporate Affairs.

1.2 Job responsibilities:

At first the work assigned to me while my internship was mostly rechecking challans and downloading reports from their server. IDLC has their personal server that stores all their financial documents. But the catch with this software is that sometimes depending on the files a single report could take more than an hour to download. So at first, my main job was to download the VAT transaction reports for the VAT audit. It took me 10 days to download all the reports 2019.

While I was downloading the report I started to work on matching the reported amount of money with the hard copies of challans. For example, for example if the reported amount of VAT for January in the year 2016 is 50,000 taka, I checked the challans and added up the values to see if they matched. At the same time I also made a list in Microsoft excel of the challans with their amount, date and number for recording purposes. The documents were categorized by months.

Then after I was done with the challans I started to help my supervisor Jahid Hassan with summarizing expenses and VAT & Tax deductions. They were summarizing accounts like legal fees, communication fees, audit fees etc.

The screenshot shows an Excel spreadsheet titled "format (1) - Excel (Product Activation Failed)". The spreadsheet contains the following content:

IDLC Finance Limited
Income year 2019
Statement of Printing & Stationery

SL. No.	Name of the Party	Total expenses	Expense excluding VAT	VAT Rate	Rate Tax	VAT Payable	VAT deducted	Mushak 11	Tax Payable	Tax deducted	Remarks
		BDT.	BDT.				BDT.	BDT.		BDT.	
1											
2											
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Figure 1: Format

I did the calculations for total expense, TAX deducted and Vat deducted. I was also double checked the total amount of expenses with their ledger records to make sure the values were matching.

1.3 Internship outcome:

1.3.1 Contribution and benefits:

When I started my internship in IDLC I was a little apprehensive at first because my major was in Human resources. But fortunately my supervisors Mr. Hassan and Ms. Nastaran was really helpful and kind. They gave me work gradually so I could handle the pressure and if I didn't understand anything they taught me patiently.

1.3.2 Outcome:

I honestly learned a lot about how tax and vat worked in an organization this large. Before my knowledge level was surface level about this certain topic. Despite my fear of the subject of finance I actually came to like the work I was doing. Also I learned a lot of excel functions. I had good knowledge and ideas about Microsoft word and PowerPoint, about excel I only had general knowledge. After my internship I can definitely say that I learned about excel a lot.

1.4 Limitations:

Of the whole internship process the main limitation I faced was that I couldn't use the actual data for my internship report. All the documents and account calculations are sensitive in nature so I could use only formats and the name of the accounts.

Chapter2 : IDLC Finance Limited.

2.1 Overview:

IDLC Financing Limited is a very well-known non-banking financial institution in Bangladesh. It was created in 1985 from a collaboration of several reputed international development agencies.

They are

1. Korean Development Leasing Corporation (KDLC), South Korea
2. Kookmin Bank, South Korea
3. International Finance Corporation (IFC) of the World Bank Group
4. Aga Khan Fund for Economic Development (AKFED)
5. German Investment and Development Company (DEG).

After starting business in time IDLC became fully locally owned. IDLC can be considered one of the top 10 NBFIs currently operating in Bangladesh right now. It provides various financial services under four main financial activities. They are

1. Financing activities
2. Brokerage activities
3. Investment banking activities &
4. Asset management activities.

Over time IDLC also started 3 new subsidiaries, IDLC Investments Limited, IDLC Securities Limited and IDLC Asset Management Limited. These subsidiaries provide the elected services respectively.

IDLC's head office is currently in Gulshan, Dhaka. There are currently 30 branches of IDLC all over Bangladesh including the corporate head office.

This report will give a glance into a short overview of the organization and the VAT audit process that is conducted in IDLC every 4-5 years.

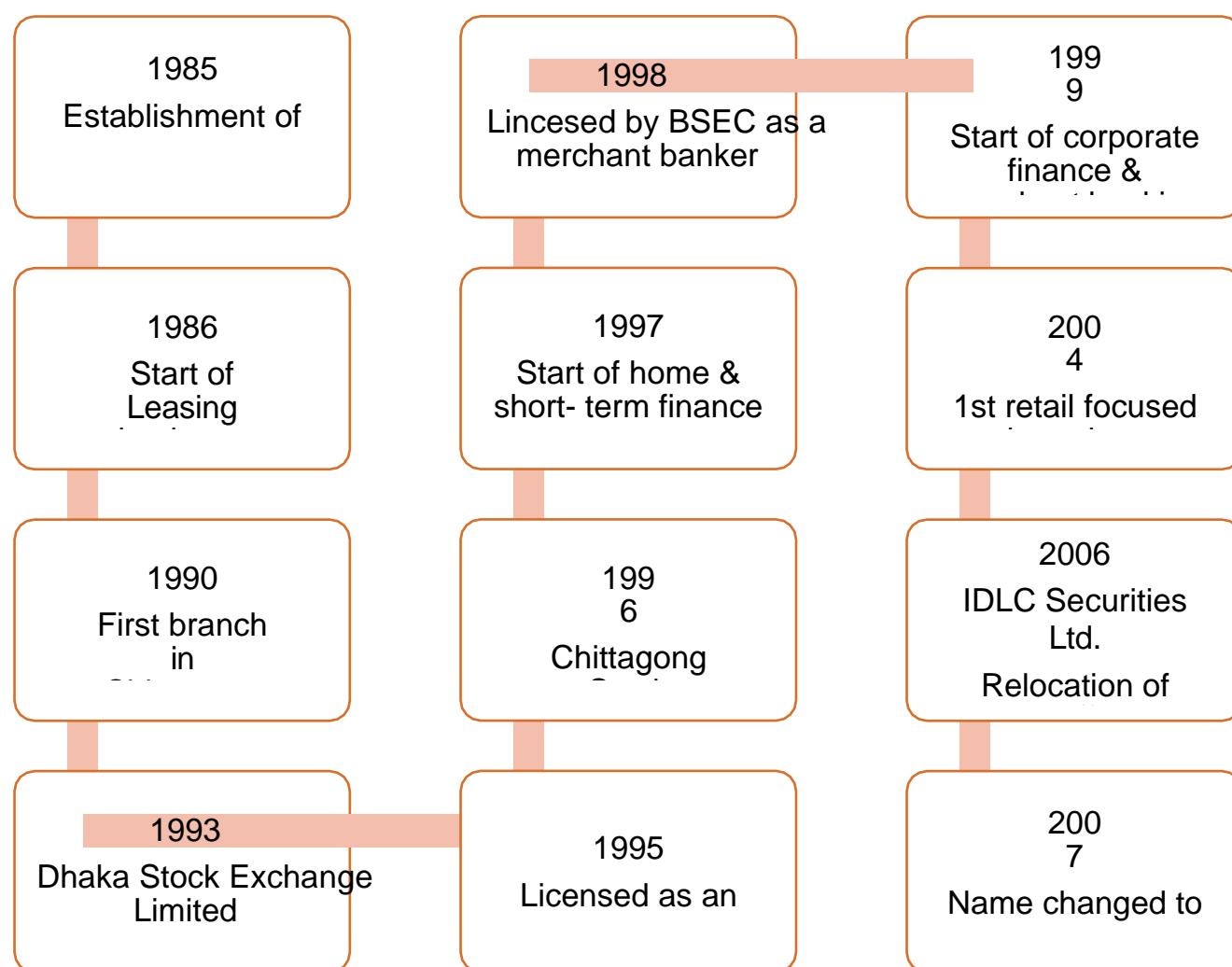
2.2 Philosophies:

<p>Vision</p> <p><i>We will be the best financial brand in the country.</i></p>	<p>Mission:</p> <p><i>We will focus on quality growth, superior customer experience and sustainable business practices.</i></p>
--	--

<p>Core Values:</p> <ul style="list-style-type: none"> • <i>Integrity</i> • <i>Customer focus</i> • <i>Trust and respect</i> • <i>Equal opportunity</i> • <i>Eco-friendly</i> • <i>Passion</i> • <i>Simplicity</i> 	<p>Strategic Objectives:</p> <ul style="list-style-type: none"> • <i>Sustainable business growth & practice</i> • <i>Core banking platform</i> • <i>Maintaining strong funding</i> • <i>Skilled human capital</i> • <i>Improving operational efficiency</i> • <i>Internationally accepted corporate governance.</i>
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2.3 Key Milestones in IDLC:

With a history of 35 years IDLC has had many pivotal points from its establishment to its present day. They include new products & services, new projects and the subsidiary openings. According to their Annual report of 2020 the key milestones of IDLC are presented below.



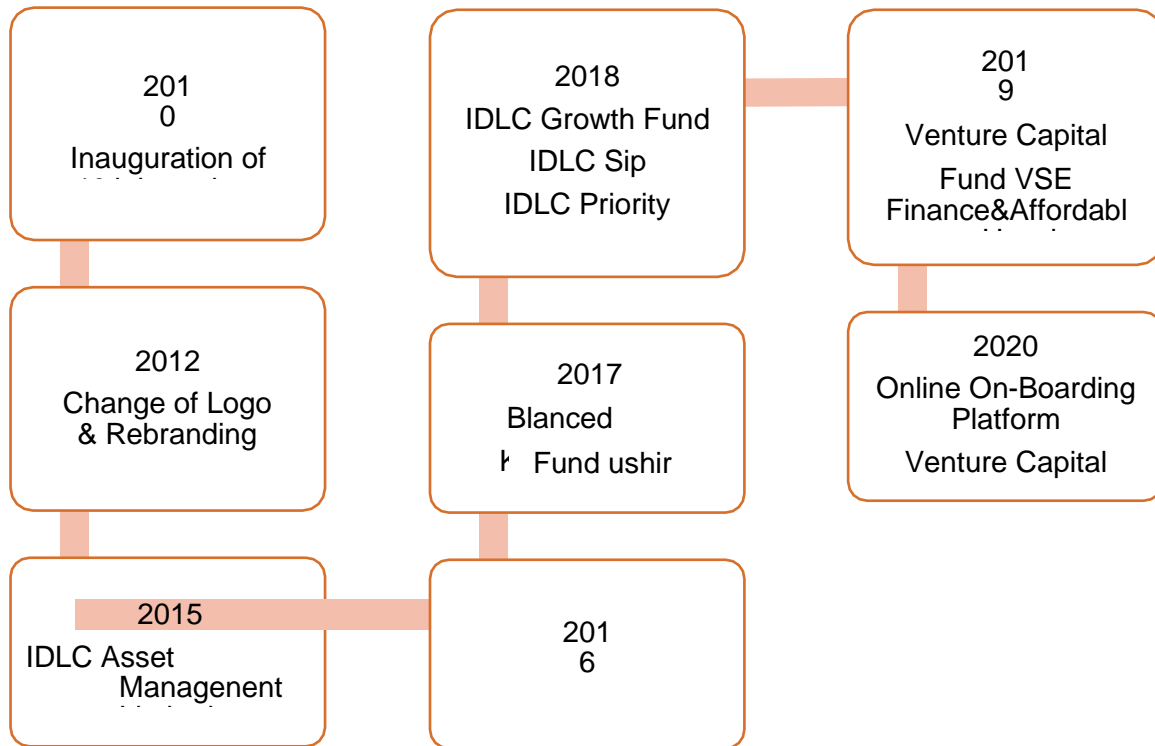


Figure 2: Key Milestones

2.4 Products & Services:

IDLC has four main activities that create value for their consumers. Below we will see the products and services that IDLC provides under the four financial activities. This list is created according to the listings given in the annual report of 2020.

2.4.1 IDLC Finance Limited: (Financing Activities)

SME:

This service is for the small and medium enterprises that IDLC gives loans and leases to. This service is specifically designed for the small and medium business starters. IDLC also helps with the supply chain financing in this service.

Consumer:

This service is for the general populace where they can take any kind of personal loan for hospital bills, vacation, home loan, car loan etc.

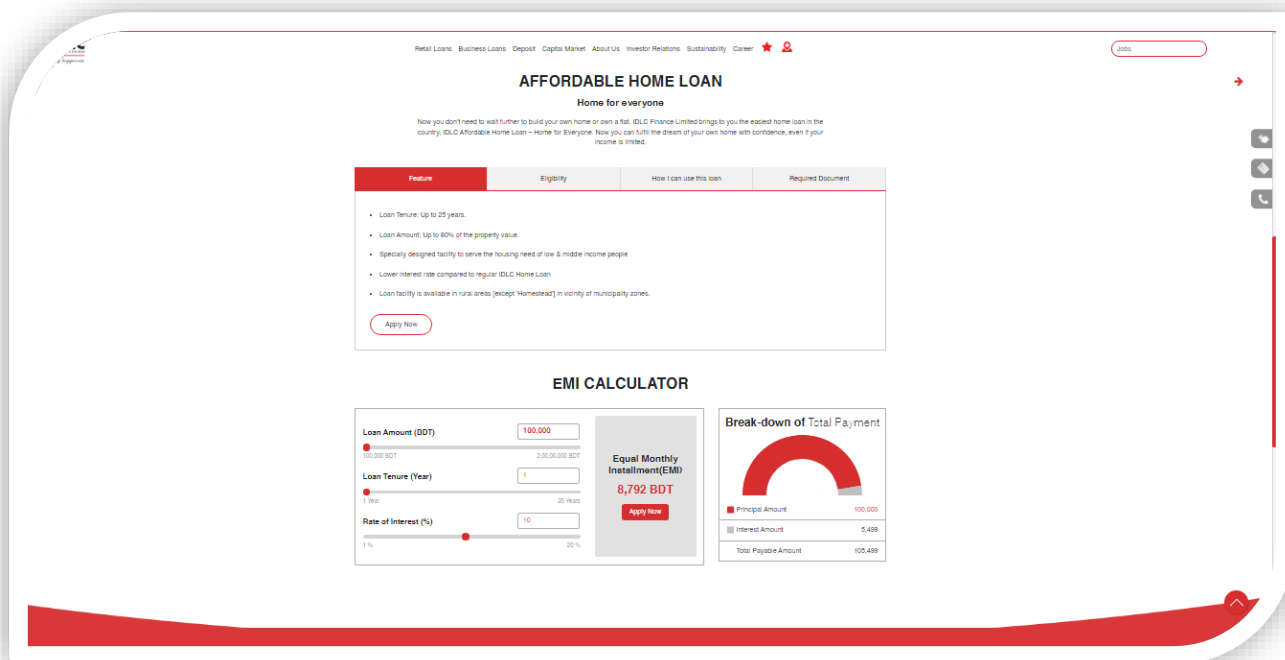


Figure 3: Home Loan

Corporate:

This line of service from IDLC is for commercial and established businesses to further improve their business. The three sections of this service Corporate finance, structured finance solutions and green banking solutions helps businesses to strengthen, fix and improve their already established business.

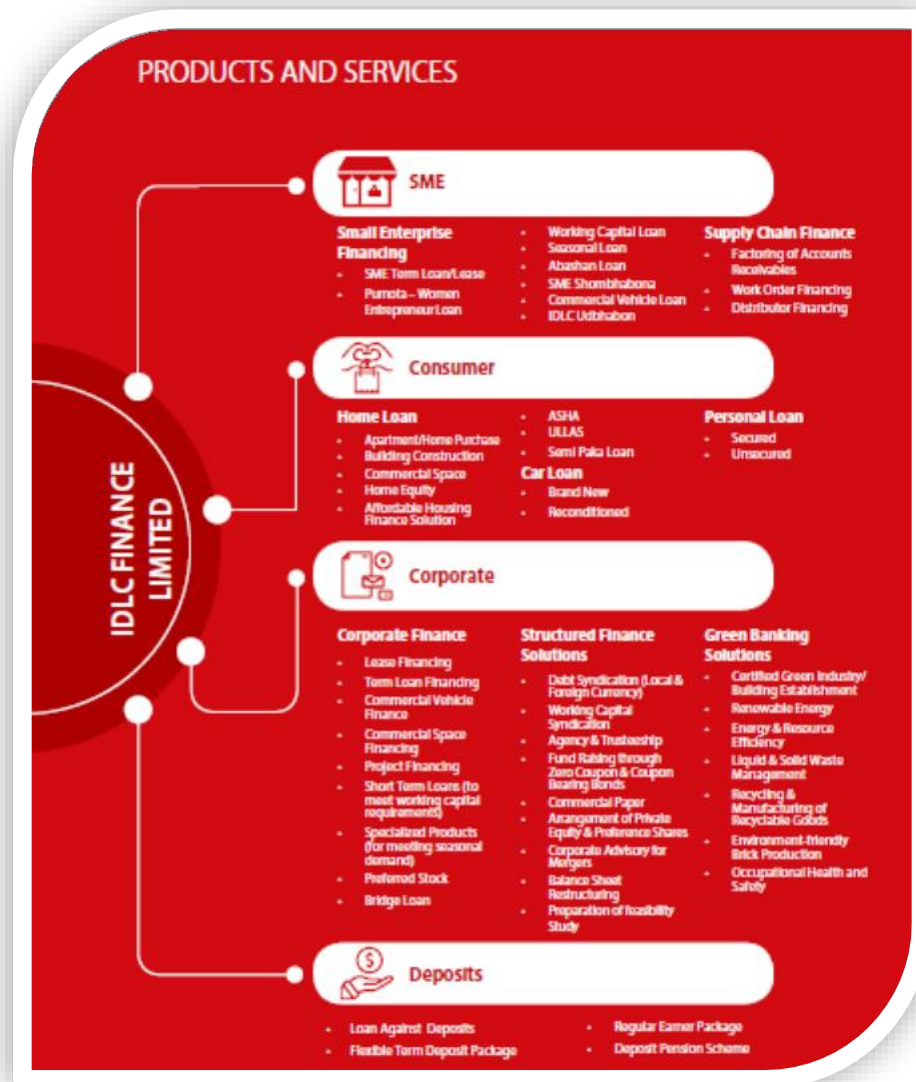


Figure 4: Products & Services

Deposits:

This type of financing is personal in nature made for the general populace it can be of various types: fixed deposits, flexible deposits, day's deposits etc. Below there is a table listed for deposit rates.

Product	Term	Interest Rates for Individual Clients & Other*	Interest Rates for Institutional Clients
Regular Term Deposit	3-6 months	5.75%	4.75%
	7-12 months	5.75%	5.00%
	13-23 months	5.75%	5.25%
	2 years	5.75%	5.50%
	3 years and above	5.75%	5.75%
100 Days Term Deposit	100 Days	5.75%	4.75%
500 Days Term Deposit	500 Days	5.75%	5.25%
Monthly Earner Deposit	1 Year	5.75%	5.00%
	2 Years	5.75%	5.50%
	3 Years and Above	5.75%	5.75%
Quarterly Earner Deposit	1 Year	5.75%	5.00%
	2 Years	5.75%	5.00%
	3 Years and Above	5.75%	5.75%
Double Money Deposit	9 Years 7 Months	7.50%	7.50%
Triple Money Deposit	15 Years 2 Months	7.50%	7.50%
Interest First Deposit	3 Months	5.40%	4.50%
	6 Months	5.40%	4.50%
	9 Months	5.40%	4.50%
	12 Months	5.40%	4.50%

*** Includes Individuals, Provident Funds & Other Relevant Retirement Funds**

For individual accounts, Female clients (If the account is opened singly) will avail 0.10% higher interest rate on Regular Term Deposits, Regular Earner Products & Interest First Deposit.

Senior Citizen (Age 59 and above) will avail 0.10% higher interest rate on Regular Term Deposits, Regular Earner Products & Interest First Deposit

Effective Date: Aug 18, 2021

Interest rates are subject to change at any time without notice. Excise Duty and Advance Income Tax are applicable as per government laws.

These rates are not applicable for banks & other financial institutes

Figure 5: Deposit Rates

2.4.2 IDLC Securities Limited:

This line of product offers stock, brokerage services. Like easy IPOs (Initial public Offering), cash account, margin account, trade execution through the Dhaka and Chittagong stock exchange etc.

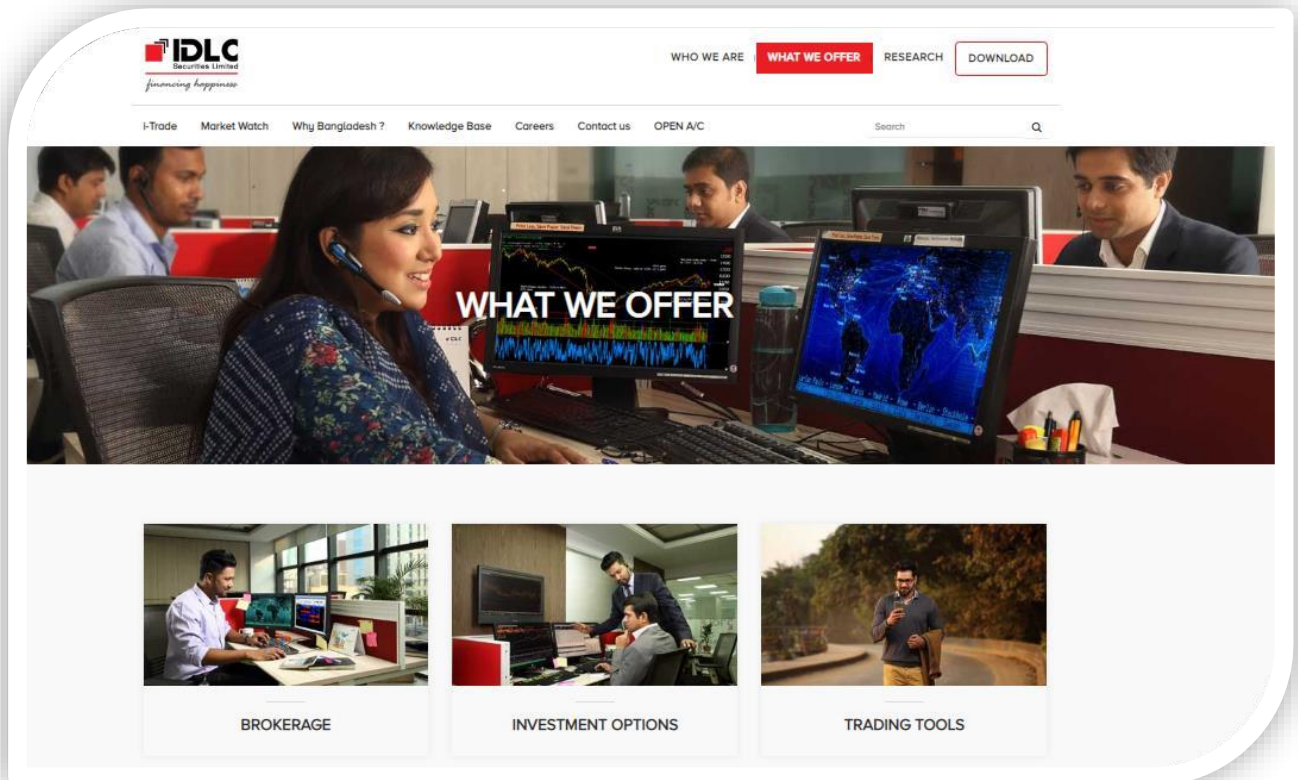


Figure 6: Securities Services

2.4.3 IDLC Investment Limited:

This service line is mainly for investment purposes. The services are Investment Banking Services, Discretionary portfolio Management & Capital investment. This service helps the consumers with IPO, invest their capital, there is also a profit loss scheme under DPM.

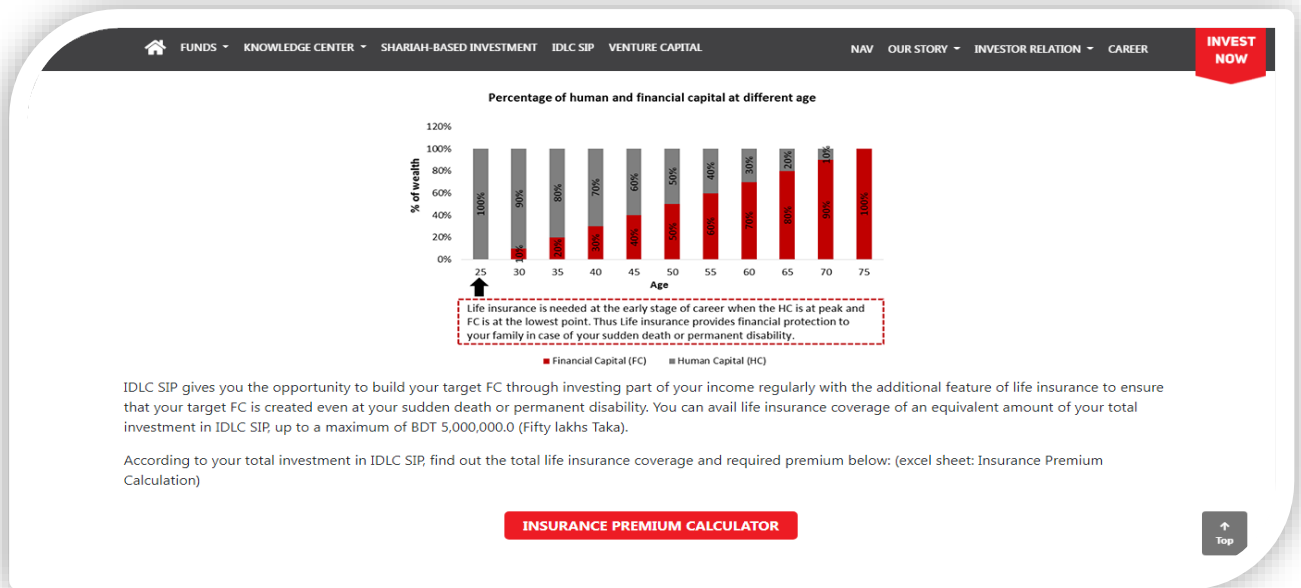


Figure 7: Systematic investment Plan (SIP)

INSURANCE PREMIUM CALCULATOR ✕

Monthly IDLC SIP amount	Total Investment
<input type="text" value="5000"/>	180000
Number of years	Total Insurance Coverage (equal to your total investment up to a maximum of BDT 5000000)
<input type="text" value="3"/>	180000
	Insurance Premium per month
	45

Result: You can avail an insurance coverage of BDT at a monthly insurance premium of only BDT

↶

Figure 8: Insurance Premium Calculator

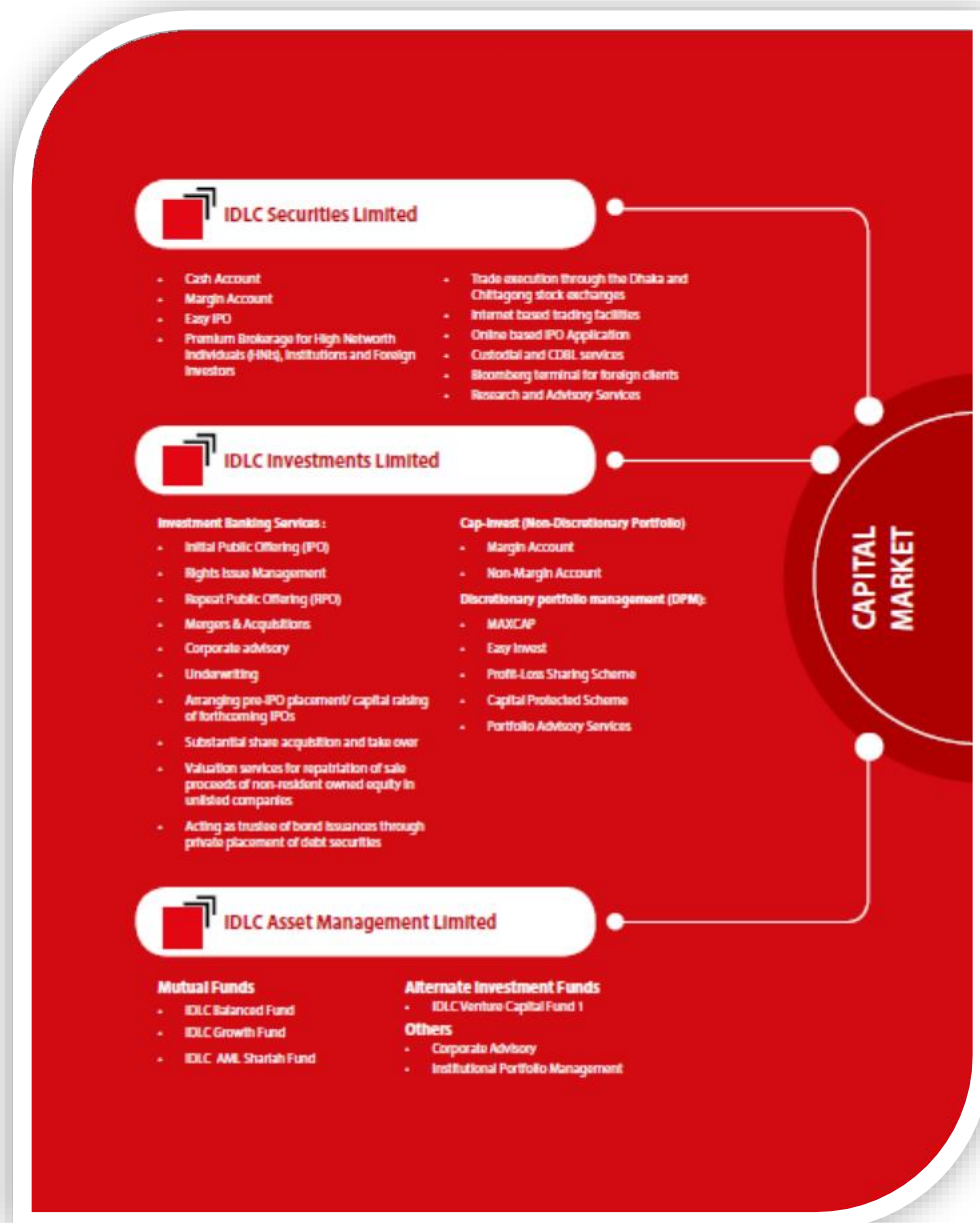


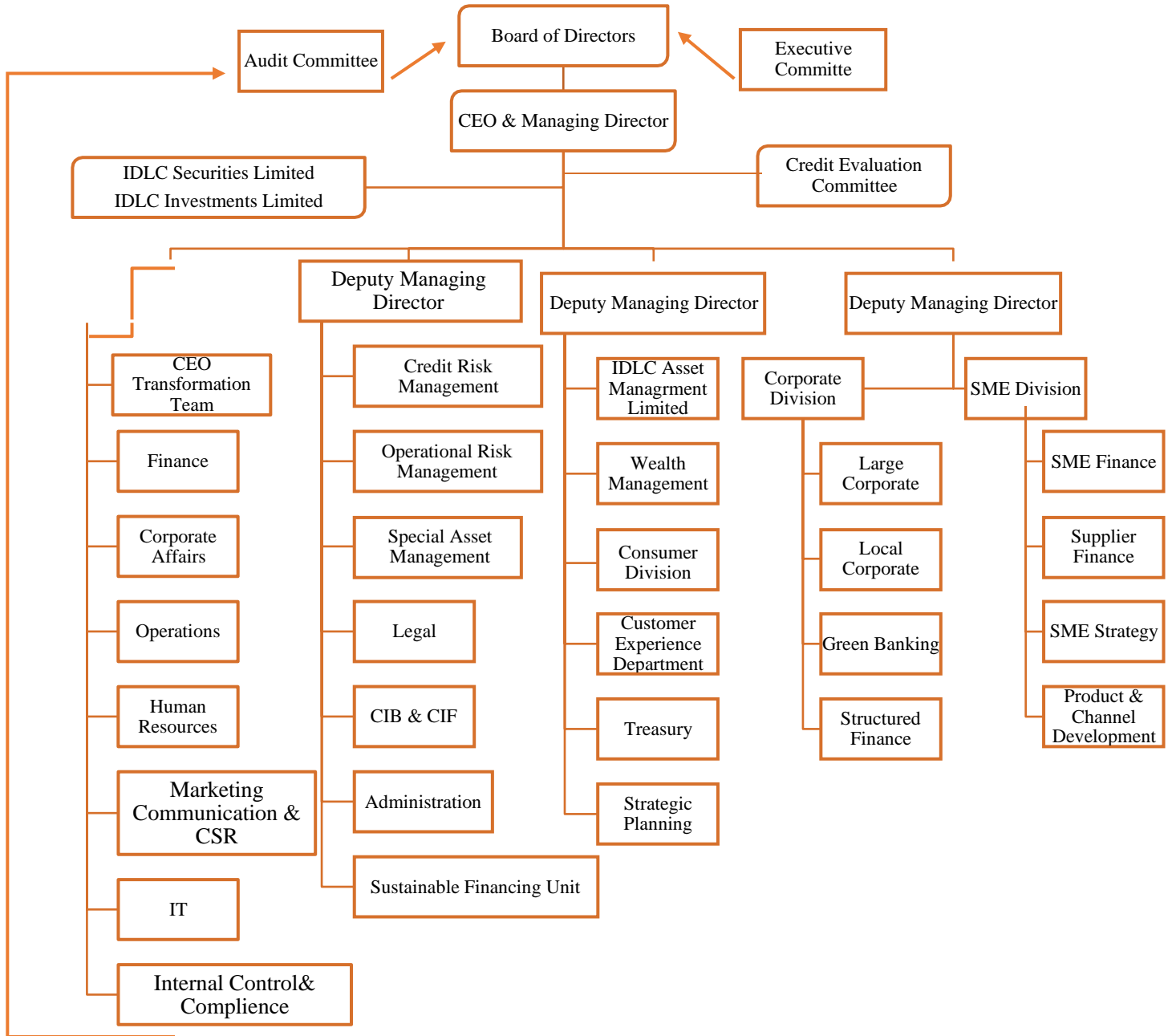
Figure 9: Products & Services

2.4.4 IDLC Asset Management:

This service helps the consumers to set up various types of mutual funds, investment funds and venture capital funds. Under mutual funds there are 3 funds 1. IDLC Balanced fund, IDLC Growth fund and IDLC AML Shariah Fund.

2.5 Organizational Chart:

We can see the overall chain of hierarchy below.



2.6 Value Chain Activities:

IDLC and a bank are both a financial institution. They also provide very similar products and services. So how do they differ from each other? Now the biggest difference between an NBFi and a bank is the fact that a bank is financial institution authorized by the government of a country to conduct financial transactions like clearing checks, demanding drafts, accepting deposits etc. An NBFi is a company listed under the company act. NBFis are not part of the government financial systems like banks. IDLC cannot accept deposits or clear checks. IDLC gives out leases, loans and various capital funds and financial services like banks. But it can't create credit like a bank can.

Banks alone cannot run the financial system of a country, that's how NBFi came into being. Not having the government over a financial institution gives NBFis some maneuvering that banks cannot do. For example if Mr. X takes a loan from a commercial bank to open a bakery but fails to do so after a period of time all that money is lost. The same situation but Mr. X takes the loan from IDLC what they do is help Mr. X with financial decisions and help him succeed with the business. This is where an NBFi like IDLC is different from a bank. Those from middle income class or those who normally cannot afford to go to a bank can use Services that IDLC provides.

We can see in the figure below the value creation process of IDLC. How IDLC through their activities create value for their consumers . The six capitals are the inputs and outputs of IDLC in terms of value creation. IDLC's overall success rate is heavily influenced by the outcomes of these six capitals.

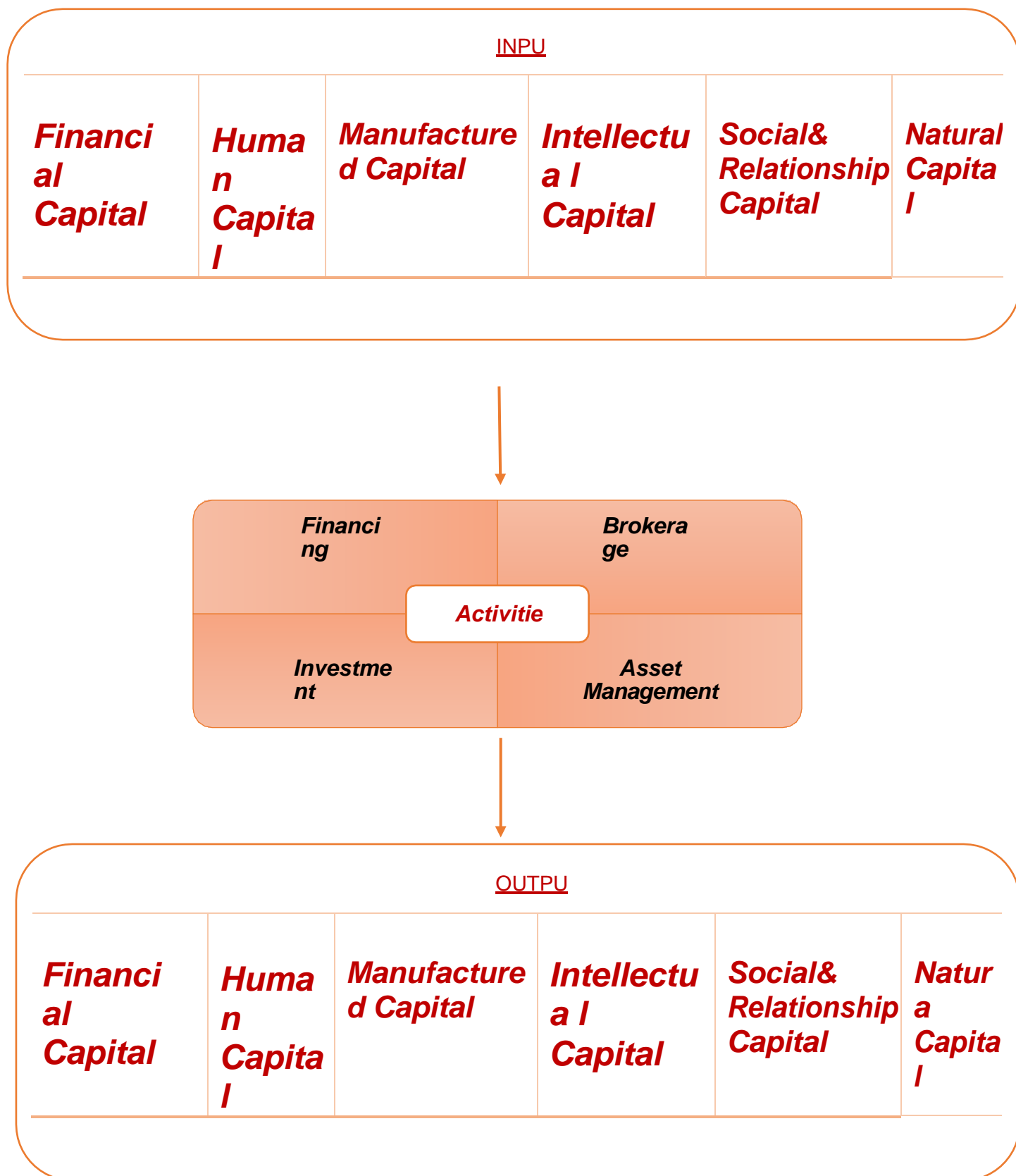


Figure 10: Value Creation Process

2.7 Covid-19 impact on the six capitals & IDLC's response:

Above mentioned six capitals are the inputs and outputs of IDLC in terms of value creation. IDLC's overall success rate is heavily influenced by the outcomes of these six capitals. Below we will see the outcomes that was officially published in their annual report in 2020 despite the uncertainties of the corona pandemic.

CAPITAL	OUTCOME	SDG relevance with capital outcomes (Numbers only)
Financial Capital	<ul style="list-style-type: none"> • Cash dividend 35% • 5 Year portfolio 11.01% • ROA 2.08% • ROE 17.37% • NPL 1.79% 	8,9,10,12
Human Capital	<ul style="list-style-type: none"> • Improved productivity • Attrition rate fell to 10.75% • Enhanced employee skillset 	1,3,5,8,10
Manufactured Capital	<ul style="list-style-type: none"> • Increased scalability • Extensive branch network • Fluent operations 	7,9,12
Intellectual capital	<ul style="list-style-type: none"> • New product launched • process and credit analysis • Process re-engineering • 62.4 million people reached 	8,9,17
Social & Relationship Capital	<ul style="list-style-type: none"> • More than 32000 beneficiaries through CSR • Enhanced brand awareness: more than 2.89 million interactions through branding campaigns 	1,3,4,6,8,9,10,12
Natural Capital	<ul style="list-style-type: none"> • Green initiatives • Increased green banking portfolio • Controlled carbon footprint 	6,7,12,13,14,15

2.8 PESTEL Analysis:

When I started my internship I noticed that because of the pandemic the organization was impacted in a lot of ways. In their annual report they categorized covid-19 as an external force. The pandemic did throw a curveball in the spanner. Financial environment is unpredictable enough as it is in a normal situation. With the corona virus in the mix it tested the limits of an organization. With this analysis we will see covid-19's impact on IDLC's external environment.

2.8.1 POLITICAL:

This environment is highly influenced by the pandemic. The political stability in Bangladesh is the reason that the financial industry wasn't too affected. The stability helped maintain a positive GDP growth. When the pandemic hit government took proper steps to prevent the virus from further spreading. Despite the setbacks by the pandemic Bangladesh's GDP increased from 31.6% to 31.8%.

**ASSOCIATED
RISKS:**

**Market
Credit
Strategy**

Because of their quick actions IDLC's both capital market operations and financing operations were able to commence even though the uncertainty from the virus remained.

2.8.2 ECONOMIC:

This factor is also highly influenced by covid-19. Bangladesh had a plan to reach 8.2% GDP growth in 2020. But because of the pandemic it couldn't. While around the world countries failed to reach their targeted goal and some countries even got negative growth rate. But the economy bounced back fairly quickly by the third quarter. Inflation rate remained stable at 5.65% amid the

uncertainty of the pandemic. RMG sectors opened and Bangladesh government went on expansion monetary policy to shake off the effect of the pandemic. The budget deficit that Bangladesh faced was handled by Borrowing from foreign banks and normal banks.

Even though the pandemic hit the economic market rather abruptly and borrowers were unable to repay which impacted the capital market operations of IDLC. By third quarter the financial market started to bounce back so IDLC's financing and capital market operations started to revive back up. Also IDLC's capital market investments also started to regain momentum.

Being flexible in allocation resources during the pandemic in time helped IDLC to gain opportunities.

ASSOCIATED RISKS:

**Market Credit
Liquidity
Technology**

2.8.3 SOCIAL:

It goes without saying that this particular environment was greatly impacted by the covid-19 pandemic. There are several factors that affect this particular environment. Bangladesh being a densely populated country that had a population of 163 million people in 2019. And when covid-19 hit our country we were not prepared for the pandemic. Mainly in our country social distancing was not

something that was generally practice. People are close with each other. The space of personal bubble is short. Business and deals were conducted in meetings over dinner or there were snacks that were share by people. So when the pandemic forced people to maintain social distance it was actually very difficult for many people.

IDLC planned to enter certain markets were lined up with the middle class people being able to become wealthier. But the pandemic threw even well off families into struggling so it is taking a little longer for IDLC to bounce back from that particular effect.

ASSOCIATED RISKS:

Social Reputation Environment

2.8.4 TECHNOLOGICAL:

This particular factor was positively affected in the pandemic. Because of the physical distancing online interaction increased by leaps and bound. Services like Zoom, Meet and various types of video calls increased because people used them for classes, work from home, business, personal communication and even family gatherings. Growth of digital banking grew significantly from 21% to 118% from 2019 to 2020. The pandemic also

ASSOCIATED RISKS:

Technology Social Environment Credit

pushed the growth of mobile financial service significantly. Mobile finance service increased by 29% from 2019 to 2020. That is also the reason that despite the pandemic the economic and social environment bounced back fairly quickly, because of the proper utilization of technology.

IDLC was very quick to response when the pandemic hit. Work from home was initiated quickly. So the employees could work without having to worry about their or their family's health. For consumers online service was more accessible such as capital market products and digital depositing etc.

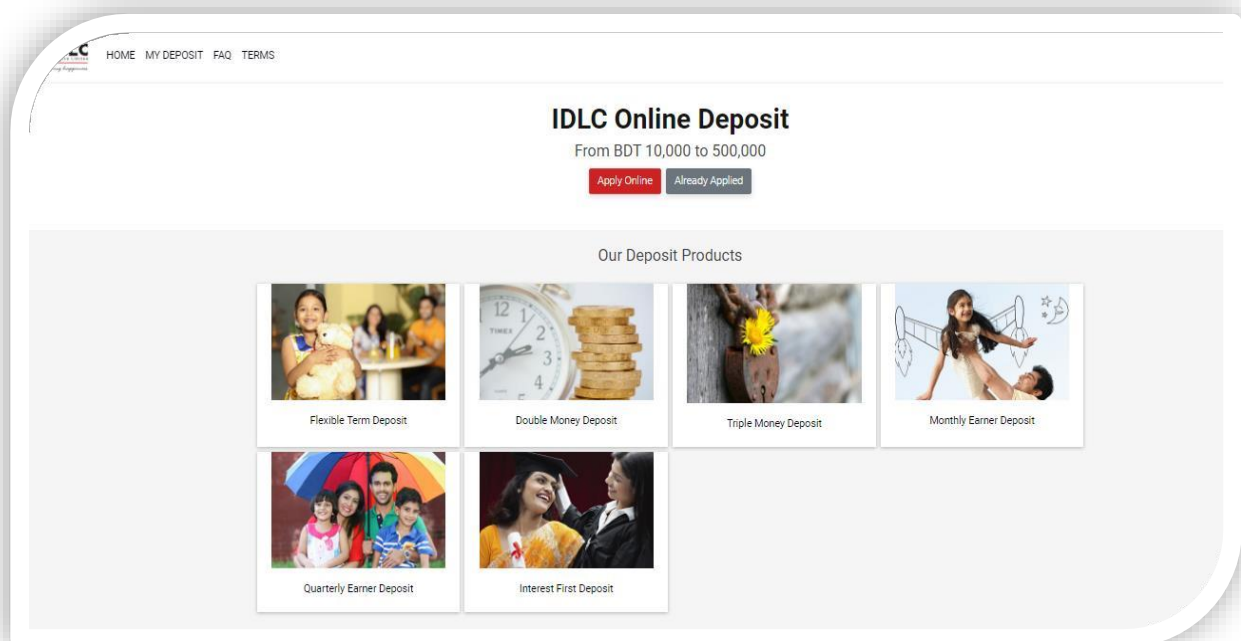


Figure 12: Online Deposit

IDLC
financing happiness

i-Trade
Internet Trading Platform
from IDLC

Welcome to the home page of IDLC Electronic Trade Services. IDLC is happy to offer you the following services:

1. **m-Trade**, mobile based service. [more ...](#)
2. **Text-n-Trade**, SMS based service. [more ...](#)
3. **i-Trade**, Internet based service. [more ...](#)

Login to i-Trade

Our support personnel are always at your service. For any assistance call these numbers:

Direct: 9564511, 9568880, 9556661 and 9562435

[Download Online Service Registration Form](#)

Figure 13: I-Trade

2.8.5 ENVIRONMENT:

Because of climate change Bangladesh is very much susceptible to environment pollution. Every year in monsoon season Bangladesh suffers from flooding and the people suffer displacement. Bangladesh is ranked as the seventh most vulnerable country in the global climate risk index. Also Dhaka is under constant pollution from the increased industrialization.

ASSOCIATED RISKS:

**Strategic
Social
Environment**

Even though government is rewarding the organizations that are making their businesses sustainable but going green is costly. So the majority are not conforming.

On the hand IDLC is very much conscious about this. They promote green financing and green initiatives. They work towards reducing their carbon footprint. In 2020 their green banking portfolio reached up to 1,583.72 million in BDT. They also advise and encourage their clients to take green approach in conducting their business.

2.8.6 LEGAL:

The pandemic is responsible for a lot of new regulations and policies. The main one was the mandatory lockdown at the beginning of the pandemic.

Bangladesh bank implemented the new regulation to charge single digit lending rate. Which made it riskier to give loans to those who are risky borrowers.

ASSOCIATED RISKS:

**Leg
al
Market
Strateg
ic**

IDLC initially assumes that it would be beneficial for them to make use of this but when general market rates went down because of it IDLC's lending opportunities got reduced.

Chapter3 : The VAT Audit:

3.1 Introduction:

Even though IDLC is not regulated by any national/international banking agency or doesn't have full banking licenses, it is still a financial institution that deals with money in other ways. So, it goes without saying that they would face several kinds of audits to assure the shareholders, government and the company itself that IDLC is operating according to the set rules and regulations.

Now there are different types of audits depending on category and the organization. When we hear audit, we tend to think audit of the financial statements but audits can also be non-financial in nature. There are three types of audits conducted in IDLC

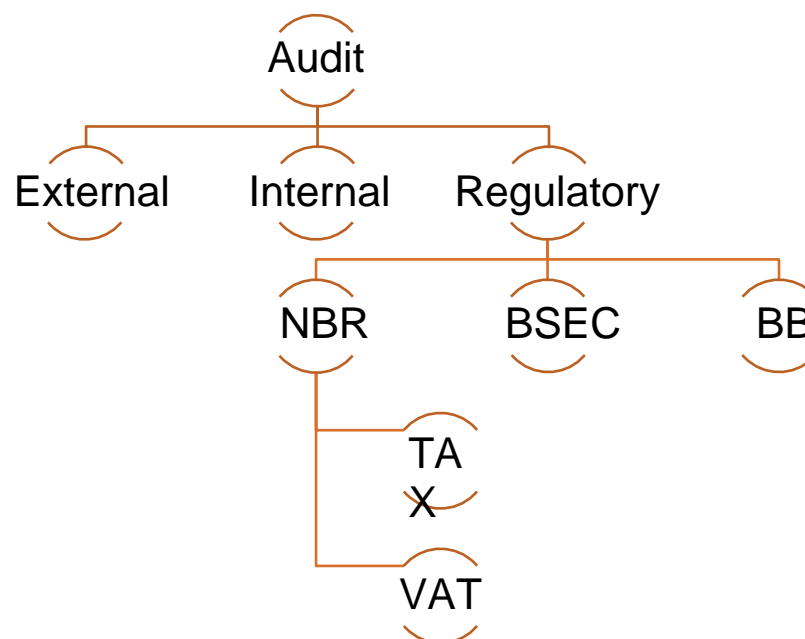


Figure 14: Classification of Audit

External Audit:

Usually, the external auditor is a trusted party selected by board of director and approved of by the shareholders in the annual general meetings. In 2019 and 2020 Hoda Vasi Chowdhury & Co. Chartered Accountants was the statutory auditor. According to the regulations of IDLC they can be the statutory auditor for this year only. The same external auditor cannot audit for more than three years. IDLC will have to pick a new auditor the next year.

Internal Audit:

Internal audit is basically making sure that that the financial statements and documents are being prepared properly. That the standards set by Bangladesh Bank and other government organizations are being followed. ICC also makes sure that the organization and the employees & the management is following the policies and rules set by the organization itself and the government like Bangladesh Bank and other regulatory authorities.

Regulatory Audit:

What regulatory audit does is that it makes sure that a certain project is following the set standard. For example, when NBR requests a tax audit of 2016 they want to see if IDLC has paid the tax that is due and they have the necessary documents to prove their claim. Regulatory audits are usually requested by government organizations like National Board of Revenue (**NBR**), Bangladesh Securities & Exchange Commission (**BSEC**), and Bangladesh Bank (**BB**) etc. Also, regulatory audit is conducted at a regular interval of 3 to 4 years.

3.2 Objective:

In simple terms when we go to a restaurant to eat we pay 15% VAT on our total bill. So similarly if we think of IDLC as a consumer when they use a service they also have to pay VAT for the bill that incurs. For example if IDLC wants to open a new branch. For that they would need furniture, computers, software, AC etc. And a lot of other tangible and intangible assets and expenses. If it costs 1 crore taka to for the whole thing to set up. If the VAT rate is 15% then IDLC would need to pay 15 lakhs taka in VAT. Which is a huge amount of money. So basically NBR conducts VAT audit to make sure that IDLC is paying the VAT that is due and has the documents to prove it.

3.3 Methodology:

Primary Source: My main source of information finding about the VAT audit was my direct supervisor. Even for this report I couldn't write anything but generic information because of the sensitive nature of the documents and client confidentiality.

Secondary source: these information were mainly from the annual report of 2020 and various internet websites and articles.

3.4 Findings:

Because of the covid-19 pandemic IDLC has not been hiring interns like they used to before. After I started work in IDLC an IT executive senior told me in conversation that in normal times there used to be groups of interns in the office. But when I started to work there was only me under finance and another student interning under HR.

When I joined under finance the vat audit was already in the evidence gathering process. For easy explanation we can divide the process in three stages.

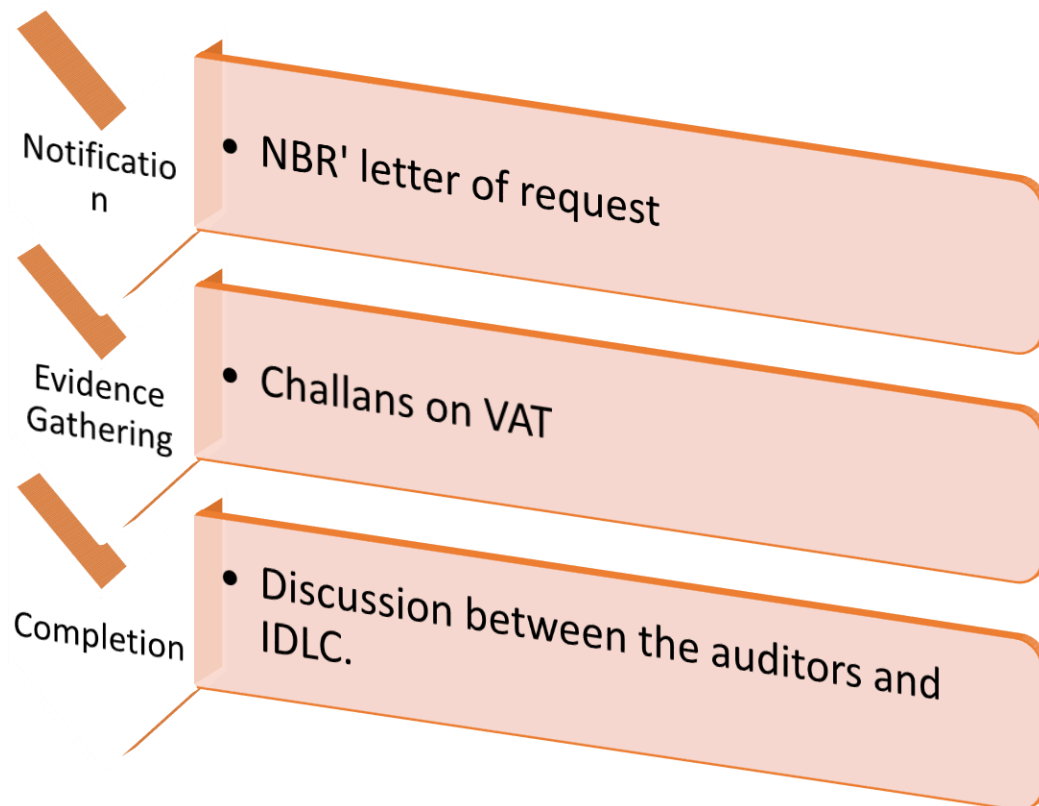


Figure 15: The VAT Process

In simple terms when we go to a restaurant to eat we pay 15% VAT on our total bill. So similarly if we think of IDLC as a consumer when they use a service they also have to pay VAT for the bill that incurs. For example if IDLC wants to open a new branch. For that they would need furniture, computers, software, AC etc. And a lot of other tangible and intangible assets and expenses. If it costs 1 crore taka to for the whole thing to set up. If the VAT rate is 15% then IDLC would need

to pay 15 lakhs taka in VAT. Which is a huge amount of money. So basically NBR conducts VAT audit to make sure that IDLC is paying the VAT that is due and has the documents to prove it.

3.4.1 Notification:

This particular audit is not like external or internal audits that happens every year. Every 3 to 4 years on fixed intervals NBR sends a letter of request to conduct the audit asking to ready the audit.

3.4.2 Evidence Gathering:

During my internship this is the stage that I helped mostly helped in. There were 5 years of VAT documents/challans and accounts to go through. For example, 2016 had a reported amount of VAT in a document so IDLC had to provide the challans that corresponded with that amount. This work of this stage is basically to make sure that IDLC is claiming can be backed up. If 2016's reported VAT is 2 Crore taka then they have to Show NBR that IDLC the record of the Transactions.

IDLC has their own server where softcopies of the transaction are stored and they are anointed with unique number known as GL or "General Ledger" the documents are sorted into categories like "Transactions of VAT & TAX". Reports and challans can be downloaded from there.

3.4.3 Completion:

In this stage the auditors and IDLC discuss the closing of the audit. If the documents match the reported then after the meetings the matter is finished. But if the documents don't match the reported amount of VAT and IDLC is unable to show challans or transaction records then IDLC will have to pay the missing amount of money.

3.5 Recommendation:

There is really nothing that I could recommend that IDLC needs to do. They are already very adept at handling audit considering every fiscal year at least two audits are conducted.

3.6 Conclusion:

Throughout this internship I have encountered a lot of challenges and gained a wealth of information. IDLC is a financial institution that handles different kinds of audits all year round so they are quite adapt at this process. For this report I have tried to describe the VAT audit to the best of my abilities. I hope that after going through this report my supervisors can have an idea about an NBFi like IDLC operates and how they conduct audits.

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