

Report On

The Era of Dynamic Audit with KPMG Clara: Experience at Rahman Rahman Huq  
Chartered Accountants, KPMG

By

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Student ID: 20104114

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

Brac Business School  
Brac University  
December 2023

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## **Declaration**

It is hereby declared that.

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

### **Student's Full Name & Signature:**

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**Tamjid Shahriar Ornob**  
20104114

### **Supervisor's Full Name & Signature:**

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**Mr. Saif Hossain**  
Assistant Professor, BRAC Business School  
Brac University

## Letter of Transmittal

Saif Hossain

Assistant Professor

Brac Business School

BRAC University

Merul Badda, Dhaka 1212

Subject: **Submission of Internship Report**

Dear Sir,

It's been an honor to be able to submit my internship report on "*The Era of Dynamic Audit with KPMG Clara: Experience at Rahman Rahman Huq Chartered Accountants, KPMG*" that I have prepared from my experience that I have gained as an intern at Rahman Rahman Huq firm in the Audit and Advisory Services Department. I have been working there for 3 months from 1<sup>st</sup> October 2023 up to 1<sup>st</sup> January 2023. During this period, I was able to observe and work with various financial papers with experienced individuals. It was a wonderful experience and I have tried my utmost to fulfill my supervisor's guidelines and meet the necessary requirements.

I would like to thank you for your tremendous support that you have showed me regarding my report. I am quite optimistic that my internship report will meet all the standards and satisfy the standards.

Sincerely yours,

---

Tamjid Shahriar Ornob

Student ID: 20104114

BRAC Business School

BRAC University

Date: December 14, 2023

**Non-Disclosure Agreement**

As an intern of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh), I am quite cautious that I have access to information which may be subject to sensitive as this information can be enormously critical for the firm as well as its clients. I also recognize that I am required to preserve confidentiality of those information. I assure that I will not reveal or discuss any of this information with anyone.

**Student's Full Name & Signature:**

---

**Tamjid Shahriar Ornob**  
20104114

**Organization Supervisor's Full Name & Signature:**

---

Mr. Md. Syful Islam, ACA  
Senior Manager, Audit & Advisory Services  
Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)

## **Acknowledgement**

Firstly, I would like to show gratitude to my academic internship supervisor Mr. Saif Hossain (Assistant Professor, Brac Business School) for his incredible guidance and support throughout the whole internship program. Under his supervision I was able to complete my internship report without facing any difficulties. A huge appreciation to him for taking care of me from the first day.

Secondly, I would like to thank my on-site internship supervisor Md. Syful Islam, ACA (Senior Manager, Audit and Advisory services, Rahman Rahman Huq, KPMG). I was able to enhance my firm knowledge under his supervision. Moreover, with his support I was able to conduct my research for the internship report efficiently. His valuable guidance made my internship journey more productive. The departmental colleagues were very much helpful; they guided me as much as possible to complete my report. I am lucky enough to work with such a valuable and engaging team.

Moreover, I am thankful to Brac Business School for introducing the internship program where the students can implement their theoretical knowledge to real life experience.

Lastly, I am grateful to my beloved family for supporting me throughout the undergrad and internship journey.

## **Executive Summary**

This report has been generated based on the experience gathered during 3-month internship program at Rahman Rahman Huq, KPMG. This report contains overview of the internship, overview of the organization and research on “The Era of Dynamic Audit with KPMG Clara: Experience at Rahman Rahman Huq Chartered Accountants, KPMG”. The primary objective of this report was to provide hands-on real-world experience of Audit and Advisory services and demonstrating auditing process of Rahman Rahman Huq, KPMG that uses KPMG CLARA in their audit procedures.

The report bears the methodology of the knowledge is obtained by in-hand using the KPMG Clara retention file of the client’s work. Also, we can know how the primary and secondary data has been collected from various sources from the firm.

Lastly, the following report is also containing Findings and Analysis of Procedures of KPMG Clara by which we can understand the client business and information systems, e Business Risks, Technology Risks and Control Environment and Assess the Risk of Material Misstatement.

**Keywords:** Audit, KPMG Clara, Audit Procedure, Gratuity, Submodules

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## List of Acronyms

ACCA	The Association of Chartered Certified Accountants
ADP	Advance, Deposits and Prepayments
AMPT	Audit Misstatement Posting Threshold
B2B	Business to Business
BASs	Bangladesh Accounting Standards
CA	Chartered Accountant
CMA	Certified Management Accountant
EY	Ernst & Young
IAS	International Accounting Standards
ICAEW	Institute of Chartered Accountants in England and Wales
	The Institute of Cost and Management Accountants of
ICMAB	Bangladesh
IFRSs	International Financial Reporting Standards
ISA	International Standards on Auditing
	Income Tax Ordinance
ITO	
KAM	KPMG Audit Manual
KPMG	Klynveld Peat Marwick Goerdeler

Managing Director

MD

PPE Property, Plant and Equipment

PWC Pricehouse Water Coopers

RRH Rahman Rahman Huq

TOD Test of details

## Glossary

Job description	This refers to a written informative documentation that contains the duties, tasks, responsibilities and qualifications of a task based on the findings of the job analysis
Litigation	It means to engage in some sort of legal proceedings. This most likely takes place in court.
Meeting Minutes	Meeting minutes are the notes that are taken during a meeting. They usually contain the topics that are discussed, decision taken or activities to be undertaken
Statutory Audit	A mandatory Audit of a company's financial accounts by an exterior entity.
Payroll Reconciliation	The Procedure of comparing a payroll registrar with the amount planned to pay to the employees

# Chapter 1

## Overview of Internship

### 1.1 Student Information:

Name:	Tamjid Shahriar Ornob
Student ID:	20104114
Program:	Bachelor of Business Administration
Major:	Accounting

*Table 1: Student Information*

### 1.2 Internship Information

Period:	3 (Three) months
Company Name:	Rahman Rahman Huq, KPMG
Department/Division:	Department of Audit and Advisory Services
Address:	9 & 5 Mohakhali C/A (8 <sup>th</sup> Floor), Dhaka 1212, Bangladesh

*Table 2: Internship Information*

### 1.3 Internship Company Supervisor's Information:

Name:	Md. Syful Islam, ACA
Designation:	Senior Manager, Audit and Advisory services

*Table 3: Company supervisor's information*

### **1.2.3 Job Scope – Job Description/Duties/Responsibilities**

During my internship period in RRH, I was appointed in the Audit and Advisory service department. I had to visit the client's office as a junior audit assistant along with the audit team.

The roles and responsibilities are described below:

- Noting down observation that are found during the audit period.
- Training on CLARA based auditing.
- Stock counting for the client.
- Preparing bank confirmation letters and accounts receivable letter for third party confirmation.
- Evaluating accounts for accurateness and compliance with law or standards like IFRSs, IAS, ISA, ITO, Income Tax rules.
- Execution of surprise cash count of the client.
- Reporting on errors and omissions to the audit team
- Preparing job description for all departments of RRH for the students that will be recruited as an articleship student.
- Verifying the additions and disposals of the client's information
- For examining the validity of financial reports, vouching the invoices, challans and receipts during audit period.

Overall, I also used to do other minor tasks for other department (Tax and Advisory Department) besides my departmental duties to enhance my firm knowledge more.



### 1.3 Internship Outcomes

#### 1.3.1 Student's contribution to the company

As an intern I have been assigned in the department of audit in Rahman Rahman Huq, KPMG upon joining the organization. After joining, I was given an outline of the Audit policies and procedures that are strictly followed by the firm. I was also given the KPMG's KAM (KPMG's Audit Manual) for a transparent understanding of the steps that are performed during the audit period. From "1<sup>st</sup> October- 31<sup>st</sup> December,2023", I was assigned to Audit team as a junior audit assistant where my role was to perform the analytical review of the financial statement and the statement of the financial position where my core responsibilities was to compare those data with the previous year and analysis the cause of the differences of amount. I was assigned to work on components like I had to prepare commencement period of the audit engagement, work paper inputs.

The head consists of review, inquiry, observation, completeness, reperformance and recalculation of the relevant line items of clients' financial information. Some of the work papers under mentioned heads are given below: -

Department Name	Activities Executed
Property, Plant and Equipment	PPE Addition check
	PPE Verification
	Recalculation of Depreciation
	PPE Disposal Test
Treasury	Bank Confirmation
	Recalculation of Interest Income
Training	Clara Based Computerized Auditing Trainings

<b>Department Name</b>	<b>Activities Executed</b>
<b>Human Resource</b>	Recalculation of Personal Tax
	Payroll Reconciliation
	Joiner Leaver Test
	Review of Post-Retirement Benefits
	Excess Perquisite Recalculation
	Review of gratuity fund and Superannuation fund

Those are checked aligned with the following standards:

- Companies Act 1994
- Applied standards in Bangladesh like IAS, IFRS
- KPMG Global Auditing Standards
- Relevant Policies

Other than these heads I had to play the supporting role in

- Review of contribution to workers profit participation fund
- Review of share capital
- Review of Share capital
- Review of Legal and Professional expense and
- Review of Excess Perquisite
- Review of Profit for the year

### **1.3.2 Benefit to the student**

KPMG Bangladesh is the member firm of the Big 4 Accounting firm across the whole world and holds the most affiliation with KPMG Global bearing strong goodwill in the country. Doing internship in RRH, KPMG can bring the following benefits to the students.

- During the internship period, I was able to enhance my analytical skills which eventually helped me to become a valuable member of the team.
- In this internship program, I have developed my soft skills which includes team management, Problem solving, Creativity, leadership, Work ethic, time management.
- I constantly maintained a positive attitude and eagerness to learn which assisted me to cope-up with the quick-paced firm's environment.
- The firm's environment is quite humble and friendly which allowed me to gain knowledge from the seniors. They always tried their best to give me feedback with qualitative information.
- I got a huge insight about how audit firm operates and what are the policies and procedures they strictly maintain.
- A vast learning opportunity where I got a practical experience about the things that I learned in the theoretical courses.
- After completing the internship program, a student can see their transparency to determine the areas where they are interested and understand certain line of work.
- I learned the proper manners and etiquettes of how to behave and communicate with the top management during my internship period.
- By working throughout my internship program, I learned how to use the work smarted and faster.
- I got the opportunity to visit various client offices and perform and experience statutory audit there, it wasn't possible for me, if I was in another corporate sector.

### **1.3.3 Problems / Difficulties (faced during the internship period)**

Some of the difficulties that I've encountered during my internship period have been mentioned below:

- Lack of relevant articles and papers of the firm e.g. I was not allowed to use the financial documents of the firm for my internship report.
- I was not authorized to collect some data for my internship report from few parts of the sample client's KPMG Clara Retention file because they included confidential information.
- In underdeveloped countries like Bangladesh, the concept of KPMG Clara is a relatively new concept. As a result, sometimes it was difficult to work with the client.

### **1.3.4 Recommendations (to the company on future internships)**

Every office staff member of Rahman Rahman Huq, KPMG are very professional. Both the firm partners and the associate directors are highly skilled leaders. In specific, the manager in charge holds regular meetings with all the employees along with the directors and take feedback on various issues. He also met me at various time during the office hour and guided me regarding my internship report and related feedback. However, there are few recommendations to RRH, KPMG Bangladesh on future internships.

- Firstly, it will be better if KPMG Bangladesh increase their internship allowance in order to encourage future interns to join the firm.
- Secondly, proper training can be given to the enrolled students of internship so that they can work efficiently without any technical hinderances.
- Thirdly, A certain portion of relevant articles and papers can be kept for the public so that the students don't face any difficulties while doing their internship report.

## Chapter 2

### Overview of the Organization

#### 2.1 Introduction

When Chartered Accountants Act, 1949 was enacted on 1 July 1949 (Foundation, Institute of Chartered Accountants of India 2023), The term "Registered Accountant" was replaced by the designation "Chartered Accountant" (Institute of Chartered Accountants of India, 2023). The CA firm plays a dynamic role throughout the globe by contributing to taxation, forensic accounting, budget forecasts, capital budgeting, business recovery and insolvency, financing, bookkeeping, management consultancy and every other financial activity (Silwal, 2020). KPMG, PwC, EY and Deloitte are the Big Four professional service network across the globe as they are comparable in size, revenue, employees and offer a wide scope for proficient service (Big\_Four\_accounting\_firms, 2023).

By abiding by the law and spreading accurate information of improper behavior of the corporates, Chartered Accountants aid in reducing corruption (Silwal, 2020). RRH, KPMG is also providing different services to ensure that the corporates run efficiently and abide by the rules and standards enacted by law.

#### 2.2 Overview of the Organization

##### 2.2.1 About KPMG Bangladesh

KPMG in Bangladesh stands for Rahman Rahman Huq, Chartered Accountants (RRH) is one of the most renowned CA firms in Bangladesh that serves tax, audit and advisory services. It is also known as KPMG Advisory Services Limited (KASL) (About KPMG, 2023)



*Figure 1: Company logo*

A chartered accountancy firm PWC halted its operation in Pakistan in the year 1962. Afterwards, one of the former partners, Messrs Rezaur Rahman with two other qualified chartered accountants, Mr .M Saifur Rahman and Mr. Tashfin I. Huq established the firm Rahman Rahman Huq, Chartered Accountants respectively. All of them were the members of Institute of Chartered Accountants in England & Wales (About KPMG, 2023) .

Among the Big Four global accounting firms in Bangladesh, Rahman Rahman Huq “the Firm” is the first member firm. RRH become the member firm of KPMG International Cooperative “KPMG International” in 2006. Over a decade, the leading accounting firm, RRH is operating in Bangladesh as a representative firm of KPMG International respectively. Not only that, in 2019, KASL is owned and controlled by the partners of KMPG Bangladesh and is also a member firm of KPMG International. It serves other corporate clients with advisory and non-regulated services (About KPMG, 2023) .

Among the Big 4 Audit firms in the world, The Big 4; Deloitte, Price Waterhouse Coopers, KPMG and Ernst & Young, KPMG International is one of them who performs more than 80% audit. Over 155 countries in the world, KPMG offers s various audit, tax, and advisory services to clients. Overall, KPMG has more than 174000 highly qualified, skilled, and efficient employees (Who we are, KPMG Global, 2023)

KPMG staff members have come from a wide range of backgrounds around the world. In order to understand the client’s organizational objectives and identify unforeseen opportunities, they have received extensive training and valuable industry exposure throughout articleship period. RRH, KPMG International domestically and aboard offers auditing, tax and advisory specialists.

The member firm of RRH, KPMG International is operated by five partners who are the fellow members of ICAB and ICAEW. The name of the partners is provided below: -

1. Mr. Mehedi Hasan
2. Mr. Adeeb H, Khan
3. Mr. Ali Ashfaq
4. Mr. Ashraf Zaman Ali
5. Md. Tazul Islam

Mr. Adeb H. Khan is the eldest partner of the firm who is highly experienced for over more than 25 years in the field of audit, tax, due diligence and advisory. Mr. Ali Ashfaq who is also is specialized in statutory audit, special audits, and corporate tax. Mr. Mehedi Hasan has expertise in the field of audit, tax, due diligence, USSOX audit and A133 compliance audit and a prominent member of ICAEW, ICAB and ICMAB. Lastly, Mr. Ashraf Zaman Ali is specialized in tax and foreign exchange regulations. RRH primarily operates in Mohakhali, Dhaka. There is a regional office in Agrabad, Chittagong that administers regional activities.

### **Brief Profile of Rahman Rahman Huq, KPMG**

Company Name	Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)
Address	9 & 5 Mohakhali Commercial Area, Bir Uttam AK Khandakar Rd, Dhaka-1212
Phone	+880 2 2222 86450-2
Fax	+880 2 222286449
Email	<a href="mailto:dhaka@kpmg.com">dhaka@kpmg.com</a>
Website URL	<a href="https://home.kpmg/bd/en/home">https://home.kpmg/bd/en/home</a>
Branch Office Address	Agrabad, Chittagong

*Table 4: Brief Company Profile of KPMG Bangladesh*

**2.2.2 KPMG’s Mission:** “To turn knowledge and understanding of information, industries and business trends into value for our firms' clients, our people and the capital markets.” ( KPMG Mission, Vision & Values, 2023)

**2.2.3 KPMG’s Vision:** “At KPMG, our goal is not to be the biggest professional services firm. Our goal is to be the best professional services firm. And we define this in a very tangible way through our vision of being the Clear Choice.” ( KPMG Mission, Vision & Values, 2023)

#### **2.2.4 KPMG's Values:**

- “Integrity:  
We do what is right.
- Excellence:  
We never stop learning and improving.
- Courage:  
We think and act boldly.
- Together:  
We respect each other and draw strength from our differences.
- For Better:  
We do what matters.” (Our Values , 2023)

#### **2.2.5 Our role in the world:**

To make a difference today while making the world a better place for future generation (Our role in the world , 2023)

#### **2.2.6 Tagline:**

For Better. We do what matters.



### 2.2.7 Different Functions of the Organization

The firm provides different services to its clients which includes Audit and advisory, Tax Planning, Risk Consultancy, Pricing and other business solution. The details about the services are provided below:

- **Audit and Advisory services:**

RRH provide auditing and advisory services to audit and non-audit clients on different events across the country. The firm has numerous dedicated professional staffs who are expert in different areas of knowledge which includes technical, supervisory, and standard setting experience. They can deal with critical transactions and events as well as highly complex project. The Audit and advisory team have 10 strong adherences to the accounting standards and financial reporting process. Because of the solid adherence and understanding of accounting standards and principles, they provide top-notch value of audit services to the clients. Additionally, the firm not only provides services to local brands but also many top MNCs of the world. The description of auditing and advisory services provided by the firm is given below:

- **Financial Statement Audit:**

Assessing financial statement provides assurance to the intended users like investors, shareholders, parent company, etc. of financial information presented in the statement. By using effective data & analytics process for improving quality of audit procedure and obtaining deeper level of understanding to provide improved audit evidence, audit professionals take the responsibility of serving public interest. Independent auditors work as a reliable intermediary between the users of information and provider of information. Investors and capital marketers want more transparent data due to the outrages of big company. KPMG holds data and analytics and new processes that helps the company to enhance the quality of auditing and make audit more appropriate for the intended users.

- **Audit Data & Analytics:**

In order to improve the audit quality of KPMG, the firm uses constructive D&A process by enabling its professionals to test complete populations. It also helps the professionals to realize the business procedure and client's business environment. The firm also has automated audit process that assists in risk assessment.

- **Better Business Reporting:**

KPMG assists its clients in enhancing their sustainable business performance by providing narrative reporting and MD&A facilities. The landscape of corporate reporting is developing to offer investors a more complete understanding of a firm's performance. By its Better Business Reporting Group, KPMG can help clients adjust their reporting to align with their company's priorities. Whether clients pursue to stay ahead of regulatory reporting requirements or simply aim to provide a more insightful account of their business's performance, the firm reassures them to focus on vital aspects that will shape their business's future ahead. Instead of following rigidly to set information and disclosures, KPMG activists a more forward-looking method in financial reporting.

- **Risk Assessment:**

KPMG evaluates all the risk and its connection that can affect business operations. This deep profound knowledge of risk assessment helps the firm's professionals to improve audit quality. Risk assessment allows authorities to make more sensible decision within the organizations. The firm not only help clients in detecting risk along with observing but also monitoring threats related to the risk.

- **Tax:**

Features of taxes are consistently changing worldwide in this expanding business environment. Tax is a dynamic part of cost rather than a passive charge on the revenues. Effective and competent tax management system delivers company with a distinctive competitive advantage over others. The top priority of a business organization is managing the heightening regulatory and cost pressure. Therefore, the shifting legislation and increased government scrutiny amid increasing regulatory and cost demands should be adjusted with the tax functions. This imposes the proactive

identification and precise implementation of satisfactory tax measures. Businesses require trustworthy insights, accurate data, and understanding of forthcoming trends.

- **Transfer Pricing:**

This department helps the clients to accomplish transfer pricing by providing planning compliance, documentation, and implementation service efficiently. There are dedicated professionals like accountants, tax practitioners, financial analysts and experts who have the essential knowledge who contributes to this department. Their core task is to help the clients in preparation of annual transfer pricing return and documentation, proper planning of transactions and help in dealing with tax consultants.

### **2.2.8 Clients that are being served by RRH, KPMG**

RRH is recognized as one of the renowned CA firms in the nation bearing a huge number of Articled students which enables the firm to offer services to a bulk number of clients from different industries. This not only benefits the clients but also to the students as they get the opportunity to work with a huge variety of industry and gain first-hand experience that will eventually increase their practical knowledge. The various types of industries that RRH, KPMG serves are provided below: -

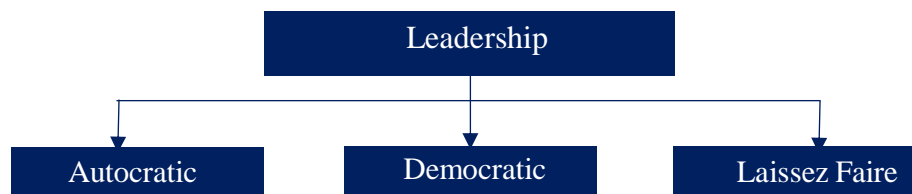
Finance	<ul style="list-style-type: none"> <li>• Bank</li> <li>• Non-Bank Financial Institutions</li> <li>• Insurance</li> <li>• Capital Market</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• Oil and gas</li> <li>• Electricity and power generation</li> </ul>
Non-Profit Organizations	<ul style="list-style-type: none"> <li>• Charitable organizations</li> <li>• NGOs</li> </ul>

Manufacturing and Trading	<ul style="list-style-type: none"> <li>• Pharmaceuticals</li> <li>• Food and drinks products</li> <li>• Textile</li> <li>• Infrastructure</li> </ul>
Services	<ul style="list-style-type: none"> <li>• Shipping</li> <li>• Software</li> <li>• Healthcare</li> <li>• Government</li> </ul>

*Table 5: Types of industries served by RRH, KPMG*

## 2.3 Management practices

### 2.3.1 Leadership style of KPMG Bangladesh

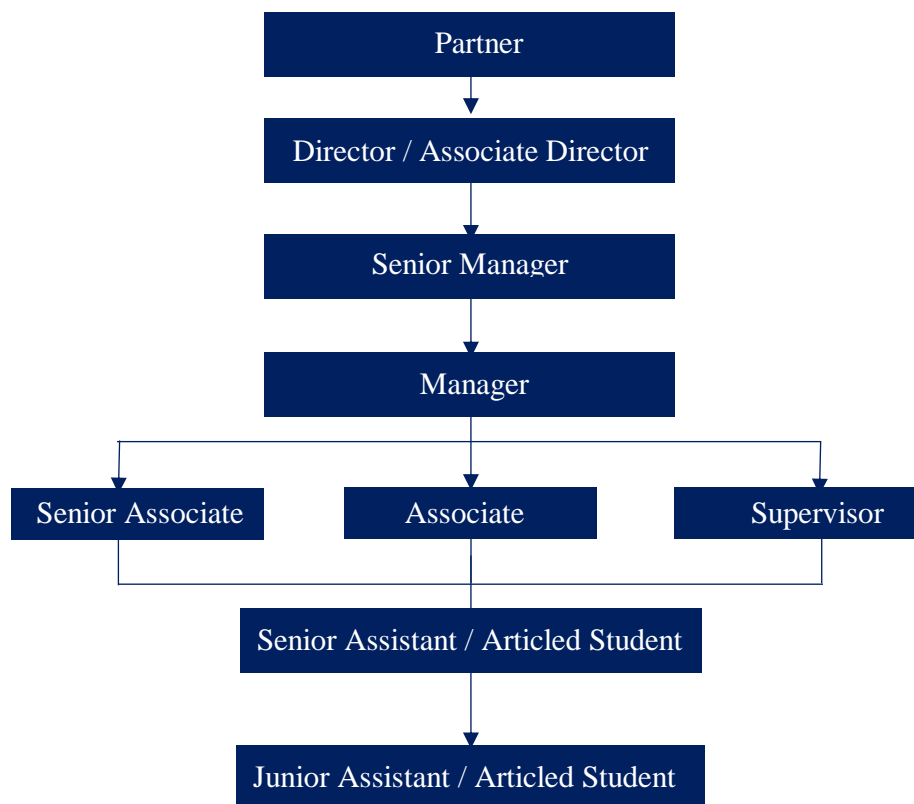


*Figure 2: Kurt Lewin's Leadership Styles*

RRH, KPMG holds a democratic and participative style of leadership which is termed as the most effective leadership style. The employees are always encouraged to share their thoughts and opinions regarding any decision-making process. In the firm, most of the employees are CA Articleship students who are guided and controlled by the partners, directors and the managers. In the firm, discussion, exchange of ideas and contribution is encouraged which eventually leads to greater productivity. A top to bottom hierarchy is strictly maintained in order to maintain a clear reporting line for the members. The turnover rate for the CA Articleship student rate is very low. The main objective of this is to achieve proper

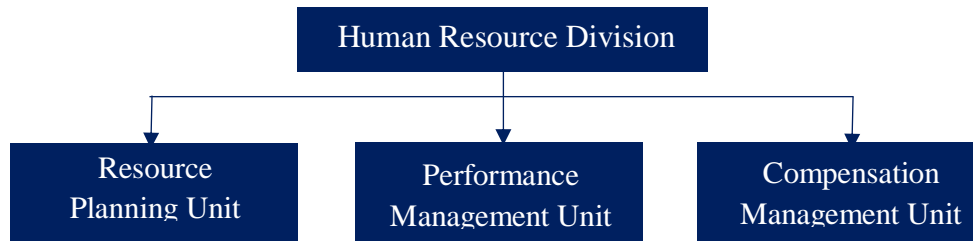
communication and participation. The audit department can seek for advice and share their respective knowledge while getting proper guidance from the top management team which makes the work more efficient and effective. The main decisions that are taken by the auditors for exchange of knowledge are AMPT amount, compliance with Law, Sample size and many more.

The Firm Hierarchy of RRH, KPMG are shown below:



*Figure 3: Firm Hierarchy of RRH, KPMG*

### 2.3.2 The Human Resource Planning Process



*Figure 4: Human Resource planning Process of RRH, KPMG*

The roles and responsibilities of every unit of HR division of RRH, KPMG are provided below:

#### 1. Resource Planning Unit:

This unit works to determine the number of employees and resources needed for a particular department and to manage those accordingly. Their prime task is to hire new resources when required and replace resources when any discrepancies take place from the staff's end. They are also responsible for preparing the JDs (Job description) of all the department like Tax, Audit and Transfer pricing according to their educational qualifications, skills and other expertise that are relevant for the department.

#### 2. Performance Management Unit:

The unit collects the reports and further investigate the performance evaluation on yearly basis. If any employee gets 5 as performance rating, then the performance management unit arrange rewards like performance allowance. On the other hand, if anyone gets 2 or 3 as performance rating then the unit revises the contract of that employee and takes disciplinary action.

#### 3. Compensation Management Unit:

This unit usually handles the salaries, benefits and the bonuses for the employees. Furthermore, they prepare the salary certificates for the employees. In case if any employee needs loan or advances, then the unit makes arrangement to execute it. They also process the salary disbursement and assist the employee in income tax calculation.

### **2.3.2.1 Recruitment and selection Process**

The aim of the recruitment process is to recruit qualified candidates for the vacant position. The firm provides equal opportunity to all the applied candidates irrespective of religion, gender, and culture.

The recruitment and selection process of RRH, KPMG is different from the regular process. Candidates from different universities background are hired based on the requirement of the firm or their department. They are categorized in Type 1, Type 2, Type 3, and Type 4 based on their CGPA. The types are also set by the candidates where they have completed BBA, MBA, IB, CMA or A level. The candidate needs to hold a CGPA equals to or above 3.25. The recruitment process is also same for the ACCA students and articled students.

The types of assessment for the recruitment are as follows:

- Assessment of previous academic records
- Written exam
- Interview

### **2.3.2.2 Compensation System**

Employee's remuneration and compensation package comprises the following elements

#### **Basic element:**

- Basic Salary

#### **Variable element:**

- Conveyance Allowance
- Merit Allowance
- Performance Bonus
- Mobile Phone Allowance

#### **Other element:**

- Paid Sick leave.
- Paid Educational Leave
- Paid Casual Leave

### 2.3.2.3 Training and Development Initiatives

To stay updated on the latest developments for the changing regulations and their consequences on business growth, training and development is vital at KPMG. The managers, associates, senior assistants, MTO, Ca Articled students and ACCA are required to join prerecorded trainings every day and submit their task within their due task. Various tasks take place during the assessments including audit, tax, and advisory trainings. They must ensure that they score 70% correct answers to receive the certification.

Few trainings that are provided by KPMG Bangladesh are provided below:

1. Yearly update on IFRS and US GAAP
2. Revenue Recognition
3. Lease
4. Financial Instrument
5. Transfer pricing with NBR
6. USAID Training
7. Independence Training
8. Bank Audit Training
9. SOC Training
10. Integrity Training

### 2.3.2.4 Performance Evaluation

The performance evaluation of the students take place semi-annually in RRH, KPMG. Management level performance evaluation is also performed if it is applicable for any student. Based on this performance the evaluation is done after the end pf the audit of each client. It is usually done by the senior assistants with whom the students work with. However, it is the responsibility of the manger to ensure proper evaluation. In case of any promotion or increment, the evaluation considered must not be older than 6 months. This yearly increment should be done on a prospective basis. If the performance rating is within the range of 1,2,3 then increment takes place, if 4 or less than 4 than no increment is considered. If the performance is too poor or less than 5 than proper measures is taken for the student.



## 2.4 Marketing Practices

### 2.4.1 Target customers, Targeting and positioning strategy.

KPMG International market segmentation is according to the geographical location. They have numerous branches across the world that eventually assists them to reach potential clients in according to the laws and norms of their respective territory. Also, KPMG Global come into contract with Rahman Rahman Huq to create the member firm and positioned themselves as RRH, Chartered Accountants, KPMG Bangladesh (Shastri, 2022).

The target consumers of RRH, KPMG are the other big corporate firms, government agencies, MNCs, Local companies through which they earn a huge amount of revenue. The firm holds the position in the Big Four Firm globally which allows them to attract and gain access to more clients from various parts of the world enabling to earn foreign remittance.

### 2.4.2 7P's of Marketing Mix

Marketing is considered as the idea of managing a public relationship with the clients by providing their desired value and meeting their needs, wants and desires. It is essential for gap bridging and economic improvement. Hence, it is a very necessary tool to influence the customers buying tactics and decisions they take before purchase. It is used by various organizations to reach the marketing aims in the target market. The 7P's marketing mix of RRH, KPMG are provided below:



Figure 5: 7p's of Marketing Mix

- **Product**

Rahman Rahman Huq, KPMG Bangladesh that delivers services like Audit, Tax, Advisory, Risk Consultancy, Management Consultancy, Transfer pricing to its clients. The firm have separate department with highly skilled professionals. This variety of services enables them to fulfil the client's particular demands. Additionally, to take unbiased decisions, KPMG uses different internal software for instant, for random sampling, the CLARA software is used to sample the population to provide unbiased verification of the document. Besides providing services, they take various consultancy program whenever required. These services are provided to the clients within the allocated time which satisfied the clients and encourage them to choose the firm frequently. As a result, the customers don't have to switch firms for their services.

- **Price**

The targeted clients of KPMG are in B2B market like government organizations, large corporations and MNCs. Observing the competitive market with other accounting and consultancy firm, KPMG charges a premium price to its clients. The charge is settled based on the total amount of time needed to complete the service, the location of the client's office, total number of employees involved to work for the client. The charge is also settled depending on the type of services provided by the firm e.g., Tax, External Audit, Advisory services etc.

- **Place**

RRH, KPMG is located in Mohakhali Dhaka. There is also a regional office in Agrabad, Chittagong which operates the regional activities. Moreover, experts from the firm are send to the client's office where they operate as external auditors for one to six months for which the location is not an issue.

- **Promotion**

Being a member of the big 4 firm across the world. KPMG Bangladesh are promoted via word of mouth. They barely promote themselves into any promotional activities. They have built a unique reputation among the clients which eventually helps them to have a good customer base. Nevertheless, for further promotion of the firm, they attend various career fair that are held in different universities where they inspire the students to choose RRH, KPMG Bangladesh for their career growth. Moreover, they participate in various industrial events and conferences both national and international level.

- **Physical Evidence**

Both the offices of Dhaka and Chittagong serves as physical evidence for the firm. Moreover, KPMG has its own website where the customers can visit anytime to see what are the services that are offered by the firm.

- **Processes**

It is necessary that the clients understand the overall procedure involved while using the services given by RRH, KPMG. That's why it is necessary to make the process client friendly. The firm heeds in considering the needs, wants and expectations of the clients. The firm also bears a client centric information system which helps it to accumulate information which might be essential in the upcoming future.

- **People**

In RRH, KPMG, the service providers are very skilled and experienced. Here, people are the service provider or the employees who are responsible to provide services to the clients. For proper client satisfactory services, the service provider plays a vital role. So, it is very important to know what actually the client is looking for. Additionally, in order to maintain client base, it is essential for the employees to provide the top-notch service and to maintain professionalism. Also, to enhance their knowledge and to stay updated about the rules and standards, the service providers attend training on a regular basis. The firm also arranges career enrichment programs every month for its employees.

## **2.5 Financial Performance and Accounting Practices**

### **2.5.1 Financial Performance of KPMG Bangladesh**

Rahman Rahman Huq, KPMG Bangladesh is a partnership firm consists of five partners currently. As it is permissible by law (Partnership Company Act 1932) that is not required for firms to publish their annual report. Henceforth, the firm doesn't reveal any annual report. For this reason, it wasn't possible for me to collect any in depth analysis of the financial performance of RRH for which I had to talk with my supervisors and other associates to gather few information.

The firm provides services to local and multinational companies on a prerequisite basis. During the annual year 2018-2019, the firm had a good number of MNC's as clients, but comparing to other audit firm, the local clients was very less. Whereas other businesses were facing serious downturn, RRH, KPMG experience a huge surplus. From that time, both revenue and profit were increasing. The firm increased its workforce as they were facing increase in the number of local and MNCs clients. They didn't have to take any loan in years, and they are capable to pay off the liability and accounts that are payable within their due time.

### **2.5.1 Accounting Practices of KPMG Bangladesh**

Now a days, the accounting practices has been more prominent in Bangladesh and in different developed nations. In some developing nations, the extent of financial statements published which goes against all accepted moral guidelines. The acceptance and usage of forensic accounting should be increased globally. Strict laws should be flowed by government, courts, and national accounting authorities to stop this violation of standards. False representation of a company's financial statement should be considered as a serious disciplinary offense if it leads to fraudulent financial reporting. Highest standard of ethics ae expected to be followed by the accountants in all aspects of their work. Accountants must implement national and international trust and respect ensuring the professionals are founded on ethical ideas and values and eliminate manipulative accounting and financial reporting fraud (MD ABDUL MOZID, 2011).

### **2.5.2 Accounting Policies and Practices of KPMG Bangladesh**

To fully understand the accounting practices of RRH, KPMG. I have gone through the documents, closely observed, and worked with the senior team associate on various heads from the statement of financial statement of the clients. It is mandatory for RRH to follow all the accounting rules and policies required by KPMG and ICAB as being a part of member firm of KPMG International. Nevertheless, according to the Partnership Act of 1932, it is not mandatory for RRH, KPMG to publish the annual reports.

while they provide services to the clients, some of the major accounting practices and policies followed by RRH, KPMG are described below:

- They must abide by the rules and policies according to the Income Tax Ordinance and Income Tax rules.
- Follow all the accounting standards of IFRS.

- Follow with all the sections of IAS.
- Need to be abided by the Bangladesh Labor Law 2006
- Follow all the Value Added Tax and Supplementary Duty Act 2012
- Compliance BIDA work permit.
- Follow GAAP when required.
- Cross check of accounting policies consistency with previous year
- Follow all the standards mentioned in ISA.
- Follow all the ISO Standards.

## **2.6 Operations Management and Information System Practices of RRH, KPMG**

Highly interactive software like Clara, PMS and e-audit are used to manage KPMG's information system. By using this software, it helps in the reduction of paper works and decision-making procedure. The firm has its internal IT department who are highly trained regarding compliance with the ICT security terms and policies. As the firm handles numerous data that are received and sent from the client, it is a must to maintain security.

The information system that are practiced by KPMG are provided below:

- For maintaining confidentially, the team uses bit locker in every computer that are used by the partners, managers, and other Articled students of the firm to reduce security breaches. Also, the highly protected passwords are setted in every computer.
- The office computers are monitored 24/7 and controlled by the IT team to ensure maximum security.
- KPMG uses e-Audit to ensure audit quality. The E-Audit is basically used to maintain Audit methodology, assistance, industry understanding, and the resources required to carry out and record the audit process. It provides a by default access to audit assistance, industry standards and paperwork templates easily. However, the usage of these applications is being reduced. Instead of that, a new application is being launched by the firm which is KPMG Clara Workflow (innovating-and-evolving-our-audit-process, 2023).
- KPMG Clara is a new automated audit platform which is very scalable and transparent. To enhance the quality be giving significant insights about risks and irregularities, this software plays a vital role. It is able to store and handle the client's confidential information by using KcW.

## 2.7 Industry and Competitive Analysis

### 2.7.1 SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>✓ Uplifted Brand Identity</li> <li>✓ Optimistic correlation with clients</li> <li>✓ Extremely expert and proficient authorities</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>✓ Dispersed Office Site</li> <li>✓ Backdated Office Supplies</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>✓ Linkage enlargement all over the country</li> <li>✓ Upswing of Articled Students</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>✓ Unhealthy competition</li> <li>✓ Presence of other Big Four firms</li> </ul>

*Figure 6: SWOT Analysis of KPMG Bangladesh*

#### 2.7.1.1 Strength of KPMG Bangladesh includes.

##### **Optimistic correlation with clients**

KPMG is an organization, which gives much emphasis to their clients. KPMG is much conscious about delivering an idiosyncratic client involvement for the sake of building a good affiliation with the clients. Apart from this, to fulfil clients functional demand they cooperate with them cordially for figuring out the aspect of the customer tactic and assist the customer to form a compacted and individual brand.

##### **Uplifted Brand Identity**

One of the prevalent strengths of KPMG Bangladesh is that it is the associate of KPMG International and it is well-known throughout the world and as one of the big four accounting firms. Since it offers the best services to their clients at a minimum rate, KPMG has a widespread range of clients, and it consistently chooses the firm as their statutory or periodical auditor.

### **Extremely expert and proficient authorities**

Almost each and all individuals of KPMG Bangladesh are much skilled and efficient to their assigned duty. They are extremely conscious about providing the finest quality of amenities to their client. Moreover, KPMG is much aware about training and provide guidelines to their employees for the superlative output. For the advantage of client improvement organization, they try to give their utmost effort.

#### **2.7.1.2 Weaknesses of KPMG Bangladesh includes.**

##### **Dispersed Office Site**

KPMG's Dhaka branch is situated at Mohakhali. But the problem is they scattered their official operations in different building which creates difficulty in this busy schedule and office hour.

##### **Backdated Office Supplies**

Though KPMG employees are much efficient towards their employees but due to lack of technology advancement they sometimes face difficulties to provide best services. Moreover, almost every office equipment is old-fashioned. Therefore, improvement for this drawback should be done immediately as working with backdated supplies is extremely time consuming and challenging.

#### **2.7.1.3 Opportunities of KPMG Bangladesh includes.**

##### **Linkage enlargement all over the country**

KPMG Bangladesh is one of the leading CA firms in Bangladesh, it has two branches in Dhaka and Chattogram. Now-a-days, students are showing much interest in studying CA for a better career. Therefore, keeping thus in mind KPMG can expand their branches in the core districts to reach near the interested candidates.

##### **Upswing of Articled Students**

Currently, the process of CA became easier and less durable than before as ICAB has launched a Pre-Article-Ship competence for the candidates who are looking forward to doing Chartered Accountant (CA). The number of CA students are increasing day by day therefore this is the best opportunity of RRH, KPMG to recruit more students.

#### 2.7.1.4 Threats of KPMG Bangladesh includes.

##### **Competition is detrimental.**

The allowance of KPMG Bangladesh for both students and employees are lower comparative to other local CA firms such as, A.Qasem & Co., Hoda Vasi Chowdhury and Co. and ACNABIN.

##### **Existence of other Big Four firms**

There are some tough competitors of KPMG, who are DWC, EY, Deloitte and local firm ACNABIN is also a leading firm in Bangladesh. So, there high chance that customer might switch anytime.

#### 2.7.2 Porter's Five Competitive Forces

One of the most expedient prototypes for determining prospective productivity, desirability and concentration on opposition of definite industry is the Porter's five forces. The industry in which KPMG Bangladesh activates, five forces can be utilized to evaluate the competitive contention and market forces. The five forces are portrayed below:

##### 2.7.2.1 Threats of New Entrance



- i. Range of new entrance is high for KPMG Bangladesh. It's a great threat to them. The alumni who have previously established themselves in the sector of accounting consultative services and retired or resigned the job can start their individual firms in order to recruit CA students.



### 2.7.2.2 Threat of Substitutes



- i. KPMG Bangladesh has a lower threat of substitutes because, they have the authority to appoint somebody as an internal consultant for controlling the task which are related to tax.
- ii. Though, there might be alteration in services as in accounting firm, there are more proficient employees, and they mutually derive actively with enhanced elucidations. Besides, the financial report, group report or intern auditing has o consistency.

### 2.7.2.3 Competitive Rivalry



- i. As per the information, KPMG Bangladesh has a high competition between the prevailing firms as the Big four companies are giving emphasis mostly on the service superiority rather than the price.
- ii. The main intention of most firms is to make their existence and gives their best to provide quality services by engaging their business in joint venture form.

### 2.7.2.4 Bargaining Power of Buyers



- i. KPMG Bangladesh has an adequate bargaining power of the buyers and client as they are keeping higher service charges than others as they have a unique brand identity.
- ii. Moreover, KPMG along with other four big firms like PWC, Deloitte and EY who has qualified personnel and they deliver high eminence service which consents the impending clients of KPMG to have a judicious level of bargaining power.

### 2.7.2.5 Bargaining Power of Suppliers



- i. KPMG Bangladesh has a lower rate for bargaining power of suppliers because, compared to the number of buyers the number of suppliers is high. For this reason, the suppliers fail to over price their supplies as a result, the bargaining power becomes lower.
- ii. On the other hand, products that the suppliers deliver are not as much as distinguished and can be acquired from other suppliers straightforwardly as the swapping rate is low. This is another reason for KPMG's low bargaining power of suppliers.

## **2.8 Conclusion**

KPMG Bangladesh is a self-made CA firm as they have provided the best to their customers. They are not only renowned for the Big four firm's member, but they are extremely efficient towards their duty. They had delivered the exceptional services to the clients. It could never be possible without the proper guidance of top-level management and lien's effort. The company personal became more proficient and operative as the customer base amplified promptly. The employees can catch up the customers need and want easily, and they give their best to please the customers within time. They utilize whatever resources they have in a proper way and delivers the services to their clients by maintaining standards laws and regulations. In order to provide top-notch services to the clients KMPG gives more emphasis on training of their workforces and ask them to stay mindful about all the updates modification. Moreover, the personnel are also trained to tackle and deal with tough situation even its from client's termination.

## **2.9 Recommendation**

- For accomplishing the task within desired time duration, installation of new office equipment and supplies us a must. If there are proper laptops, computers, and broadband cables the employees will be able to work more efficiently and actively.
- Assessment of employees is necessary so that they can upgrade themselves in the workplace.
- Top level management of KMPG Bangladesh should think of increasing the allowance to encourage both employees and students.
- KPMG Bangladesh should give more emphasis on marketing strategy so that company grab eyes of articed students and inherit clients.

## Chapter 3

### **The Era of Dynamic Audit with KPMG Clara: Experience at Rahman Rahman Huq Chartered Accountants, KPMG**

#### **3.1 Introduction**

Microsoft Azure introduced a smart and intuitive platform which is used in RRH, KPMG is KPMG Clara. It is a technical advance application that is used in the auditing department to standpoint of auditing. Data science, audit automation and data visualization are available in this platform.

The firm is also looking forward to enabling workflow on a fully integrated, scalable, cloud-based platform to implement on a fully integration. The main aim of this application is to keep track of the status of their audits at any time. Also, the clients can visit into the platform to investigate their insights. This helps to keep more concentrated and meaningful discussions about specific outcomes, threats and insights as the participation keeps increasing. In the monetary service business, strategies are being signed up with Microsoft and other tech corporations to ensure that KPMG's audit technology and its expertise are not surpassed. These are being done because the auditing industries are moving to employing cutting-edge technology to provide better and detailed outcomes which is developing day by day.

#### **3.1.1 Review of Related Literature**

KPMG Bangladesh is rapidly adopting themselves with the Clara Application for all the audit services. This Cloud based auditing application has been implemented from the mid of the year 2022. Apart from Clara, the firm is also using E-Audit software which is also a live-time reporting audit software. KPMG Clara are also planning to add new features after the adoption of the application soon.

### **KPMG Clara in Action:**

In this section, we will be able to know the audit procedure that is performed in the KPMG Clara. KPMG Clara is a cloud-based audit network that is controlled and handled by the admin team in KPMG Global. For this reason, the authority to customization is not available to the audit team to change in audit procedure that will make the audit quality downgraded. Hence, any modification required to be made can only be made by the admin of this closed network.

### **Types of Clara Environment:**

**Training:** This environment is for the newly joined students for training purposes. The validity of this interface is one day after the creation. After closing the session, the environment gets automatically deleted. This environment helps the students to get a complete view about the KPMG Clara.

**Staging:** This interface is used for rough use for the newly joined audit members. The team members can practice here before performing audit in the live environment. The audit team individuals can create this interface. KPMG Global admin team deletes the environment for spacing the storage after a certain period of time.

**Production/Live:** The final stage of the Clara environment is this interface where the actual audit is performed. Audit Team in Bangladesh branch has no authority to create or delete in this environment. Thus, KPMG Global can ensure certain accountability of work and real time interaction with all its branches. If any Production/Live environment is made by the team by mistake, The KPMG Global IT Team should be informed about the matter. Then they can take further steps to delete the surface.

The types of workflows of KPMG Clara are provided below:

- Enhanced/Core
- Less complex and
- Generic

For huge operations for the entity, Enhanced/Core workflow is used. This considered as the major workflow of KPMG Clara application. For medium range of operations having a straight connection to the parties, less complex workflow is used. Lastly, for less and general operations the Generic is used.

## **Audit Procedure in KPMG Clara:**

### **Business Process**

By going through this surface, we can know about the accounts and disclosure of the entity. Transaction of the company are evaluated here. The process of the transactions is described for the understanding of the audit team. The related parties can assess the risk and can distribute work among the team members accordingly.

### **Engagement**

For every engagement there a profile is created in the KPMG Clara interface. There information related to the engagement can be found. Specialists related to the engagement are assigned in this section. They are vested in ERP systems, specific program-related work. Experts are included for Tax, gratuity, superannuation funds.

### **Assertions**

For every head and transaction, there are audit assertions set according to the nature of the transactions. So, whenever any sample transaction is checked they are to follow those assertions. The assertions covered in the audit procedure are shown green in the KPMG Clara. Whenever any transactions fail to cover a certain assertion, the audit team must rectify it. Thus, it ensures the compatibility of the audit team along with accountability.

### **Design and Perform**

In this section, the actual audit procedure is performed. Based on the audit materiality, KPMG Clara chooses the sample size and specific transactions. The audit team must perform substantive tests accordingly.

### **Completion and Opinion**

Based on the test and results, the audit opinion is provided. The result can also be monitored by KPMG Global. As a result, there are fewer chances of providing an inappropriate audit opinion. KPMG Bangladesh has to be accountable to the KPMG global if any error or mistake found in the audit procedures and KPMG Clara is the solution.

### **3.1.2 Objective of the study**

The research project will provide a brief understanding on real-world experience of Audit and Advisory services and demonstrating auditing by the usage of KPMG CLARA in their audit procedures. Also, we can know a details elaboration by going through the work paper inputs. It will provide an in depth understanding about how the KPMG Clara application works and how it helped Company X. This research is also done to find out that whether the Company X is maintaining the proper measures and procedures of relevant audit policies.

Upon asking about writing a report regarding The Era of Dynamic Audit with KPMG Clara, Both the top management of the firm along with its client has asked not to disclose the name of the organization of the firm as the audit report is still pending. Instead, it is referred as Company X due to the confidentiality breach. RRH, KPMG always protects the data available to them for the welfare of their clients.

### **3.1.3 Significance**

The primary objective of this report is to provide information about the practical experience of how the KPMG Clara operates in the audit sector, its user interface, the terms and polices they strictly follow while using the application. In this report, my learnings and experience during the three months internship period are preciously discussed. Moreover, my report will provide a comprehensive overview to the readers that I gained during my internship regarding hands-on real-world experience of Audit and Advisory services with KPMG Clara software.

### **3.2 Methodology**

For my internship report, I have gathered relevant data and information by using the KPMG Clara software while I was in the audit team. Additionally, I had to input all the outcomes that me along with the audit team found throughout the audit period. The whole report is written based on qualitative data than quantitative data due to high confidentiality issue and the organization being a partnership firm. For my primary resources for data collection, I noted down observations, weekly meetings, on-the-job experience. For my secondary sources, the information regarding laws and regulations of the firms have been extracted from the firm's office manual and KPMG's Global Audit policy manual.

### **3.2.1 Source of the Data and Information**

#### **Primary Sources**

The information collected through primary resources are described below:

- Observation notes throughout the audit period
- Conversation with responsible individuals (In-Charges and Managers) from the client's perspective.
- Conversations with the seniors and colleagues of RRH, KPMG
- Collected relevant notes while working on KPMG Clara.

#### **Secondary Sources**

The information collected through secondary sources are provided below:

- Collecting data from the client's annual report of the past years
- Checking KPMG Global Audit Policies regarding for rules and regulations
- Reviewing the client's auditing policy
- Gathering relevant information from the website of KPMG Bangladesh
- Studying papers published on Audit by KPMG Clara Application

### **3.3.1 Benefits of KPMG Clara**

- Greater transparency which allows the responsible parties access to your audit status 24/7. The audit firm can easily identify the independence threat and get live updates of the audit work performed.
- KPMG Clara will add value to the firm, and it will create a transformative capability for the resources of the firm. This will be the distinctive advantage for KPMG to grab a large portion of the effective market.
- To maintain uniform KPMG services, KPMG Clara is now the solution. It will help to deliver most efficient and quality service to the client within less period of engagement than before.



- KPMG Clara can serve real-time collaboration with the audit team and interaction with the engagement team at the earliest possible time.
- Insights-driven services are provided by the KPMG Clara and efficient operations can be managed easily.
- Engagement will be more meaningful with the audit team which will help to understand the nature and risk areas of the entity.

### 3.3.2 Auditing with KPMG CLARA: Compliance Inputs

1. At the start of auditing Independence Declaration is must in the following way. And I had to prepare this at the commencement period of the audit engagement.

#### **Independence Declaration (Format)**

I have made appropriate enquiries including reference to PHAC and confirmed that I and my dependents (all persons covered as per GQRMM and local regulations) have no interest or relationship with **X Company** which could impair either my or this firm's independence from this client (as defined by GQRMM/ local regulations).

Signature:

Name:

Designation:

Position in Engagement Team:

Date:

2. Then I had to meet with the Clients management teams to know about the certain things about their company to get a better understanding of the client at the first. The meetings were held in an organized way. Which are shown below:

## Meeting with Client's Management

### *Initial Kick-Off Meeting Summary:*

Inquiry with Management:

<b>Client</b>	<b>Period-end</b>
X Company	30 July 20**

<b>Prepared by</b>	<b>Date</b>	<b>W/P reference</b>
Name of the preparer	Date of the meeting	

### **Meeting Minutes:**

Name of the KPMG Interviewers	Designation
Manager	Engagement Manager
In charge	Engagement Manager
Date and time interview:	.....
Venue:	Location of the meeting

- The meeting is commenced with exchanging greetings. The matters of discussion are detailed below:

<b>Category</b>	<b>Discussion</b>	<b>Comments</b>
<b>Audit approach</b>	Regarding the audit approach of KPMG in Bangladesh	The audit approach that will be followed during the audit is discussed and explained.
<b>Time for Audit</b>	What will be the probable date for Submission of group reporting package? What will be the period for field work?	The draft FS for the year ended ___ will be delivered to X on last of ____. The auditors will commence work from ___ and finish audit procedures by ____.
<b>Final TB and Accounts</b>	When should we expect to receive the Trial Balance and Accounts?	The Trial Balance and draft FS will be provided within ____.
<b>Meeting for understanding the entity</b>	Who are the designated personnel for meetings?	Audit Co-Ordinator: Mr. ABC.
<b>Operations</b>	Regarding the operations of the entity	The principal activities of the company are to ____, ____ and ____.
<b>Financial Statements</b>	Policy Notes	The Company has implemented IFRS ** from this year.
<b>Issues</b>	Approach to resolve issues	Timely resolution of issues is preferred.

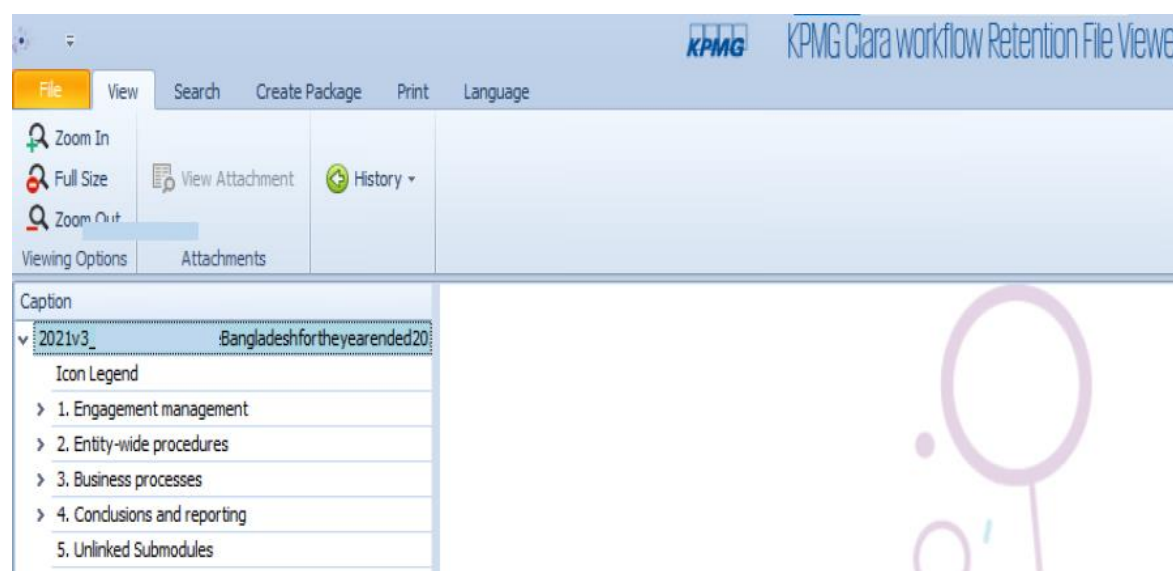
*Table 6: matters of discussion*

### **Meeting for Understanding the Process for Human Resource**

Category	Short Description	Comments from the client (example)
Payroll	What is the basis for the salary increment and how much is the salary increment ?	The basis for salary increment is performance. The performance is evaluated by immediate line manager of each employee. The group company budgets an amount every year for the increment. The increment is then divided as per department. Then the line manager decides whom to give which amount as per their performance.
Payroll	What are the names of the persons who prepare, review and approve the salary sheets?	Salary sheet is prepared by a vendor, reviewed by HR Manger.
Recruitment	Who approves the recruitment of the new employees?	After the employee passes the face interview with direct line manager and Country Director; then the person is recruited after his/her offered salary package is reviewed and approved by Regional C&B Manager.
Festival bonus	What is the policy for festival bonus and how many times the bonus is paid to the employees?	We provide two festival bonuses on a year which 1.5 times of basic salary.

### 3.3.3 Auditing with KPMG CLARA: Work Paper Inputs

To understand KPMG CLARA well, one needs to use it. Rahman Rahman Huq emphasizes great importance on the training materials on Clara and ensuring everyone completes the training. After the training and immense support from team seniors one is able to use KPMG Clara and its functions. Then the whole audit is performed with maintaining Clara's global criteria. Once an audit is done and finally reviewed by the senior manager and partner the Clara binder designated for the specific client is closed. And the closed binder cannot be edited from then. Consequently, the closed (only viewable) file is known as Clara retention file. So, the designated audit Clara retention file shows the correspondence and attached workpapers are shown below:



*Figure 7: Image of Clara functions from the in the audit procedure (Images are generated from Clara Retention file)*

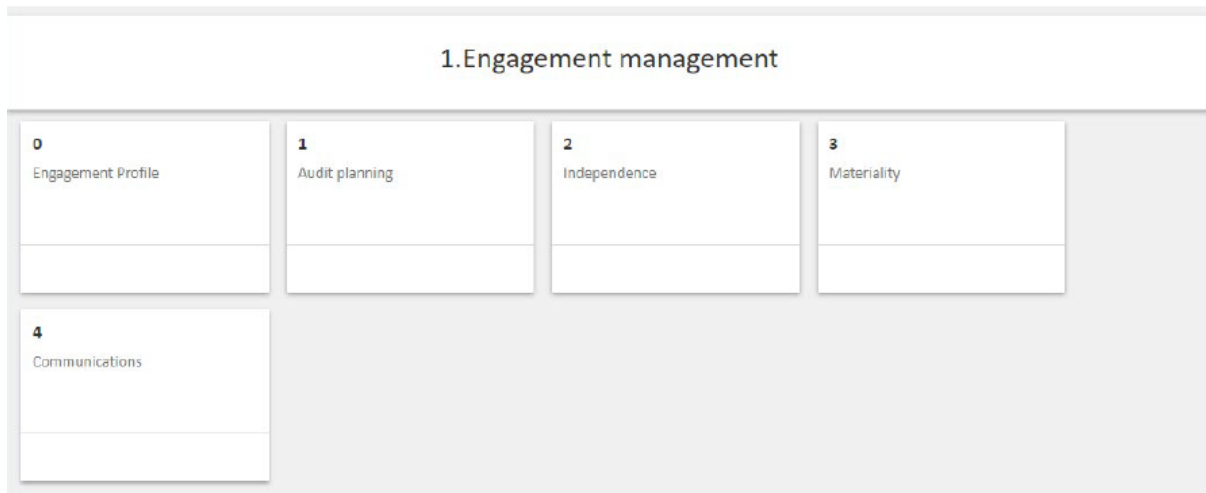
This is the first view of a Clara Retention file. The whole process is summed up here.

There are mainly 5 phases, namely:

1. Engagement management
2. Entity wide procedures
3. Business Processes
4. Conclusions and Reporting

## 5. Unlinked Submodules

Under these phases several functions, processes and screens are opened. Clara functions from the in the audit procedure are following:



*Figure 8: Image of Clara, Engagement Management*

### **Under Engagement Management**

- Engagement Profile
- Audit Planning
- Independence
- Materiality and
- Communication screens are opened.

These inputs are done by mainly In-charge and senior level personnel. As these involve sensitive considerations.

As a junior team member, my involvement is all related to phase-3 which is Business Process. Mainly this is the functions where financial statement items workpapers are performed and attached to a Clara Binder. And Test of Control and Substantive Procedures are performed. Under the Business Process following heads are distributed:

1. Financial Reporting
4. Litigation, claims and assessments
5. Sales
6. Procurement
7. Inventory
8. Human Resources
9. Property, plant and equipment
10. Treasury and debt
11. Tax
12. Equity

<b>1</b> Financial reporting	<b>2</b> Litigation, claims and assessments	<b>BP01</b> Sales	<b>BP02</b> Procurement
<b>BP03</b> Inventory	<b>BP04</b> Human resources	<b>BP05</b> Property, plant and equipment	<b>BP06</b> Treasury and debt
<b>BP08</b> Tax	<b>BP09</b> Equity		

*Figure 9: Image of Clara, Business Process*

Among these heads, I could research only with Human Resources, Among the heads, HR related Activities are shown below. Inside the Human Resource head, its distinguished with a unique code named BP04 to identify it quickly in some cases.

<b>0</b> Leadsheet	<b>1</b> Understanding	<b>2</b> Risks	<b>3</b> Response
<b>4</b> Results	<b>CA</b> Control activities	<b>SUB</b> Substantive Procedures	<b>INF</b> Information
<b>EST</b> Estimates	<b>SP</b> Specialists	<b>RP</b> Related parties	<b>DISC</b> Disclosures

*Figure 10: BP04, Human Resource*

Under BP04. Human Resources several tabs are needed to be done. The first step is to attach a Lead sheet where in the sheet some primary information from clients provided documents are attached. Then for better understanding some documents are attached. Risk assessment activities are performed followingly and the Response list is attached accordingly. The result is a crucial part here which defines the control risk and activities needed to perform by the audit team. And then Substantive Procedures are performed in details considering the materiality and AMPT (Audit Misstatement Posting Threshold level). Subsequently information is judged and estimations are provided by the In-charge and if required Specialist personnel are involved. And if related parties are connected those are also confirmed through written consent and finally the appropriate disclosures are given.



Account/ Disclosure	Assertions						
Employee benefits disclosure	S						P
Loans and advances to employees	S	C	E	A			
Employee benefits	S	C		A	V	O	
Accrued expenses payroll	S		E	A		O	
Cost of sales- salaries wages and staff welfare	S	C	E	A			
Operating expenses- salaries wages and staff welfare	S	C	E	A			
Contribution to workers profit participation fund	S		E	A		O	

Figure 11: Human Resource Functions

Inside Human Resource some crucial information are checked according to the assertions. The preparers of financial statements often make five accounting assertions. They are existence, completeness, rights and duties, accuracy and valuation, and presentation and disclosure. Where assertions are the management's claims that the financial statements provided are correct are referred to as audit assertions, sometimes known as financial statement assertions or management assertions. It is the auditor's responsibility to gather the required proof during an audit to confirm the claims stated in the financial statements. Among all of the activities mentioned, substantive procedure is considered as the most vital step.

<b>SPD04004</b> Vouching of payroll expense	<b>SPD04017</b> Assess completeness and acurac...	<b>SPD04018</b> Assess completeness and acurac...	<b>SPD04019</b> Review of gratuity
<b>SPD04019.1</b> Recalculation of payments of gra...	<b>SPD04026</b> Recalculation of contribution to ...	<b>CUS_01_ADP</b> Review of Loans & Advances to E...	










*Figure 12: Substantive Procedures of Human Resources*

Here, SPD04004, SPD04017, SPD04018 etc. are separate unique number to identify the distinguished process and activities easily. And Clara generates these codes automatically.

In this step, Vouching or cross checking with confirmations are done in some ways.

Those processes are Designing ToD and Performing ToD. In the Design step the process of the substantive procedure is written step by step and then in the performing ToD sections the workpapers are attached mainly. And then several assessments are done and compared against the Materiality threshold. If the AMPT is crossed, then the in-charge and manager of the audit teams takes decision and asks Management's clarification about the misstatement or error.

And this same process is followed for the others workpapers also. And finally, PM or Performance Materiality is also again checked to ensure if the financial information give a true and fair view or not.

	Size and composition of the account
	Susceptibility to misstatement due to error or fraud
	Volume of activity, complexity, and homogeneity of the transactions
	Nature of the account or disclosure
	Exposure to losses in the account
	Accounting and reporting complexities associated with the account or disclosure
	Possibility of significant contingent liabilities
	Existence of related party transactions in the account
	Changes from the prior period in account/ disclosure characteristics

*Figure 13: Assess Likelihood and Magnitude of the Process*

Under every process 2 major items to account for are:

- Design Test of Details (ToD)
- Perform Test of Details

Under these steps risk assessment and audit phases are performed accordingly like Image 3.3. But due to the client's sensitive information's confidentiality more details could not be shown.

Role	Action	User	Phase	Date
Lead Manager	Reviewed	Nazmun Aktar	Completion	20/3/2022
EQCR	Reviewed	Ali Ashfaq	Completion	20/3/2022
Lead Partner	Reviewed	Mehedi Hasan	Completion	19/3/2022
Lead Manager	Reviewed	Nazmun Aktar	Completion	14/3/2022
Lead Manager	Reviewed	Nazmun Aktar	Completion	14/3/2022
In-Charge	Prepared	Fatema Akter	Completion	9/3/2022

*Figure 14: Review Process*

Lastly the review process is done by the In-charge, lead manager, and quality control reviewer to ensure all of the process has been done appropriately. Consequently, they provide appropriate conclusions and reporting through:

1. Evaluating audit results through Final Analytics, Risk Assessment Update, completions and EQCR checklist.
2. Reporting is done through Updating KAMs (Key Audit Matters) and Representation letter and report.

And finally, they all provide sign off from the Clara binder to close it. After the official close out, the forwarding letter and Audit reports of five or six copies are sent to client address with the official seal of RRH (KPMG). Where at the first portions Independent Auditors Opinion is provided and Emphasis of Matter Paras are attached where needed.

### **3.4 Findings and Analysis of Procedures of KPMG Clara**

A Clara Audit must be planned and executed by the auditor in such a way that the auditor's audit risk (the risk of arriving at an inaccurate conclusion based on the audit findings) is kept to a reasonable amount. In order to minimizing audit risk, the auditor should follow these steps:

#### **3.4.1 Understanding of the client business and information systems:**

The extent of the audit is determined by assessing the risk of substantial misstatement and knowing the company and its data management. Information about the nature of the company, management, governance, goals and strategies, and operational processes should all be included in the auditor's knowledge. Examples in the following areas can help you better comprehend these concepts:

Financial reporting standards, financial performance, Industry and other external variables, Strategic goals and objectives, Legislation and regulation, Operations, and Ownership and management.

#### **3.4.2 Understanding of the Business Risks, Technology Risks and Control Environment:**

The auditor must assess the business risks (threats to the capacity of the company to fulfill its goals) of the organization. New employees, new or redesigned information systems, corporate reorganization, and fast development are just some of the factors that might affect an organization's business risks. Perform the audit using computer-aided methods as an auditor. A typical audit has a lot of inherent hazards. The auditor carefully analyses the risk in order to keep it at the lowest possible level.

#### **3.4.3 Evaluate the Organization's Response to those Risks:**

Assessed risks should be examined by an auditor, who should then gather evidence of management's reaction to those risks. Risk assessment by the auditor will be influenced by how well or poorly the firm responds to business hazards.

#### **3.4.4 Assess the Risk of Material Misstatement:**

A material misstatement is defined as a financial statement that contains material information that is not accurately represented. Based on the knowledge gained from evaluating the organization's reactions to business risks, auditor determines the likelihood that material

misstatements will occur and the precise audit procedures that will be required based on that risk evaluation.

### **3.5 Summary and Conclusion**

A growing number of audit companies and internal auditors are intending and using electronic auditing techniques rather than relying solely on paper trails. Technology can boost audit efficiency while also expanding the auditor's skills. With these technologies, auditors can now analyze the whole population. Many tasks that used to be impossible for auditors to accomplish manually are now easily possible using database software. And that's how Audit has become more accurate than before and more trustworthy than manual traditional audit.

This internship period has given me the opportunity to learn how an audit is performed in a computerized way. KPMG Bangladesh (Rahman Rahman Huq) is found to be one of the cleanest audit firms in the country to perform quality and efficient audits. The learning in the Software based audit in these three months has added knowledge about many processes carried out in auditing world. The activities performed of HR policy, Treasury and PPE Fixed asset policy of the client have provided me with practical knowledge that will help me in the future.

### **3.6 Recommendations**

In underdeveloped countries like Bangladesh, the notion of KPMG Clara is a relatively new concept. So proper training should be given to the employees of the firm. Weekly session should be held about the proper uses and strict guidelines of the application. Training on KPMG Clara and the adoption of Clara in RRH will accelerate the growth of the firm in the market with a distinctive advantage. And also, it will certainly help the country with more efficient auditing than ever.

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