Report On

The Role of External Audit in Ensuring Financial Transparency: A Study on Snehasish Mahmud & Co., Chartered Accountants

By

TAIMOOR RABBANI
22104174

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
January 2026

Declaration

It is hereby declared that

1. The internship report submitted is my 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 have acknowledged all main sources of help.

Student's Full Name & Signature:

Taimoor Rabbani
22104174

Supervisor's Full Name & Signature:

Saif Hossain, PhD
Associate Professor & Director, BBA Program
BRAC Business School
BRAC University

Letter of Transmittal

Saif Hossain, PhD

Associate Professor & Director, BBA Program

BRAC Business School

BRAC University

Kha 224 Pragati Sarani, Merul Badda, Dhaka 1212

Subject: Submission of Internship Report

Dear Sir,

With the grace of the Almighty and with all due respect, I am pleased and honored to submit my internship report titled *"The Role of External Audit in Ensuring Financial Transparency: A Study on Snehasish Mahmud & Co., Chartered Accountants"*. This report has been prepared fully by me for the partial fulfillment of the requirements for the completion of the degree of Bachelor of Business Administration under the BRAC Business School of BRAC University.

This report provides a comprehensive overview of my three-month long internship experience at Snehasish Mahmud & Co., Chartered Accountants, where I worked as an intern in the Auditing and Assurance Department. The aim of my report is to present a practical understanding of audit procedures, especially focusing on statutory audit and the role of auditors in ensuring financial transparency, along with the challenges they face in professional audit practice.

I would like to express my sincere gratitude to you for your guidance, feedback and support during the preparation of this report. I have given my best effort to include relevant information and analysis based on my practical experience gained during the period, while maintaining confidentiality and following all the academic guidelines. I hope that my report meets all the required standards and fulfills the objectives of the internship program. Thank you.

Sincerely yours,

____

Taimoor Rabbani

22104174

BRAC Business School

BRAC University

Date: October 15, 2025

Non-Disclosure Agreement

I, **Taimoor Rabbani**, hereby declare that the internship report titled *"The Role of External Audit in Ensuring Financial Transparency: A Study on Snehasish Mahmud & Co., Chartered Accountants"* has been prepared only for academic purposes based on my three-month long internship tenure at **Snehasish Mahmud & Co., Chartered Accountants**.

Some information in this report has been adjusted or kept general in respect to maintaining confidentiality and to follow the firm's internal policies and client agreements. No confidential or sensitive information has been shared intentionally. This report is not meant for public or commercial use and is submitted solely for academic evaluation at BRAC University.

Taimoor Rabbani

22104174

BRAC Business School

BRAC University

Date: October 15, 2025

Acknowledgement

I would like to begin by expressing my sincere gratitude to the Almighty for blessing me with the strength and opportunity to complete both my internship and this report successfully. Next, I would express my perpetual respect and appreciation towards my parents to whom I am indebted for their unwavering and continued belief, support and assistance towards me, which has helped me immensely in the successful completion of my degree at BRAC University.

To my esteemed internship supervisor Saif Hossain Sir, I express my heartfelt gratitude and thanks for all of your guidance, support, and suggestions during the composition of this report. Your valuable insights have been instrumental in completing my report.

To my supervisors at Snehasish Mahmud & Co., firstly, I am deeply grateful towards Sukanta Bhattacharjee Sir for granting me the opportunity to work and learn at such a respected firm. I am profoundly grateful towards my manager Tanmay Chandra Datta Sir and all my other audit team members and colleagues at the firm for their mentorship, patience, guidance and encouragement throughout my short journey there. My internship experience has been invaluable because of them. Thank you all from the bottom of my heart.

Executive Summary

This report evaluates the function of external auditing in maintaining financial transparency and accountability in Bangladesh. The study explores how independent external audits are considered to reduce information asymmetry between corporate management and external stakeholders.

The core problem that this study addresses is how CA firms like SMAC carry out their duty to ensure financial transparency in spite of systemic challenges, and what are the operational barriers that they encounter during this process.

Based on the four main objectives of the study, the findings and the analysis have been categorized into four respective areas as well. The methodology used for the insights are a blend of primary and secondary qualitative data.

The recommendations provided at the end of the report are on the basis of my findings and they reflect the solutions of the issues discussed in the paper.

Keywords: External Audit; Financial Transparency; Audit Procedures; Assurance; Chartered Accountants

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List of Acronyms

ACA	Associate Chartered Accountant
ACCA	Association of Chartered Certified Accountants
AI	Artificial Intelligence
B2B	Business to Business
CA	Chartered Accountants / Chartered Accountant
CV	Curriculum Vitae
ERP	Enterprise Resource Planning
FCA	Fellow Chartered Accountant
FDI	Foreign Direct Investment
GF	Gratuity Fund
ICAB	Institute of Chartered Accountants of Bangladesh
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IT	Information Technology
PF	Provident Fund
RJSC	Registrar of Joint Stock Companies
WPPF	Workers' Profit Participation Fund

Glossary

Accrual Basis	An accounting concept in which a business recognizes revenue when it is earned, ensuring that income and related expenses are recognized in the same period to accurately reflect long term financial health.
Article Ship	A 3 to 4 year training and apprenticeship period during which students work alongside experienced auditors to gain hands on skills before transitioning into full time roles.
Direct B2B Marketing	A marketing channel where the firm provides its services directly to client organizations, relying on professional engagement rather than traditional advertising campaigns.
Enterprise Resource Planning	The central software system utilized by SMAC to store highly sensitive client data, track daily operations, manage student/employee records, and process payroll and attendance.
Going Concern	An accounting principle that operates under the assumption that a business will continue its operations and be able to meet its financial obligations for the foreseeable future.
Referral Strategy	A client acquisition tactic that heavily relies on the professional networking capabilities and industry reputation of the firm's partners and directors.

Chapter 1: Overview of the Internship

1.1 Student Information

Name: Taimoor Rabbani

Student ID: 22104174

Department: BRAC Business School

Program: Bachelors of Business Administration

1st Major: Accounting

2nd Major: Finance

1.2 Internship Information

1.2.1 Employment Details

Internship period: 22nd September 2025 to 31st December 2025

Firm name: Snehasish Mahmud & Co., Chartered Accountants

Department: Audit and Assurance

Position: Intern

Address: Plot No. 10, Floor No. 3 & 4, Road No. 9, Block J, Baridhara, Dhaka 1212

1.2.2 Internship On-site Supervisor Information

Supervisor Name: Sukanta Bhattacharjee, FCA

Designation: Partner (Assurance, Consulting, Auditing)

1.3 Job Duties and Responsibilities

For my internship, I was assigned to the department of Audit and Assurance in the firm Snehasish Mahmud & Co., Chartered Accountants (SMAC) as an intern. To give a brief introduction, during the tenure of my internship at the firm, I was assigned to two different teams in succession and assisted them in conducting external audits, or more accurately stating, statutory audits, in various areas. I mostly worked on-site of the client companies, occasionally visiting my firm to deliver and collect confidential files. My major responsibility was to support my senior and junior audit associates during the fieldwork. My duties included checking and processing various types of client financial documents, verification of expense vouchers by checking payment invoices, receipts and other supporting documents and ensuring their validity and authenticity, which was a critical aspect of the audit procedure. Furthermore, I also assisted in reviewing ledger balances (both hardcopy and softcopy), organizing various types of audit working papers, and maintaining their correct documentations with relation to the strict rules and regulation of statutory auditing. Most importantly, I assisted in the compliance checking of the clients' financial documents by manually reviewing the information presented in their documents adhered to applicable accounting standards or not. Throughout my internship tenure, I tried to follow every instruction given to me by my supervisors to the best of my abilities, maintained and complied with every accounting standard and regulations, and kept confidentiality of client information.

To state in details what my responsibilities were, firstly, a major part was physical verification of expense vouchers. Here, my job was to ensure that the information the client companies provided to us were accurately represented or not. I had to check the walkthrough process of the client company, such as the flow of documents uploaded onto their Enterprise Resource Planning (ERP) software like requisition, purchase order (PO), payment or cash vouchers, vendor invoice and bills, money receipts, and other supporting documents were correct or not and looked for any kind of error, mismanagement, violation, or compliance issues. If there were any, I made a report after discussing with my team and we presented it to the appropriate department of the client company for further discussions. This helped to improve the overall standard and quality of information of the client company and contributed to theirs and ours financial transparency and accountability.

Another aspect of my duty was working on different segments of the clients' ERP based on the urgency of work needed to be completed. I helped my team in the analysis of different sections of the ERP such as reviewing ledger balances like employee data, payroll and salaries data, vendor and supplier lists and their respective payable and receivable balances. I had to verify that the information in these documents were accurately represented in the physical documents as well by checking both the softcopies and hardcopies. This was done to verify the reliability of information given to us and understand their level of accuracy compared to the clients' system.

Lastly, one of my different responsibilities from the office was to partake in field visits to the clients' factories to conduct physical verification of their inventory. There were two such visits at two different warehouses of a client. The purpose of the visit was to check whether the client accurately portrayed their inventory count in their ERP software and we analyzed different sections like checking if the correct amounts of goods were being produced, whether the goods were actually being used for their intended purposes, the data of different materials and products being manufactured and procured and recorded at the sites. A common goal of finding any errors or any misuse of systems, resources and manpower was present in both the field visits. These were important because it would help us identify the areas where the client was lacking and facing any sort of compliance issues and report it back to them.

1.4 Internship Outcomes

1.4.1 Contribution to the Organization

During my internship tenure at SMAC, as an intern in the Audit and Assurance department, my main contribution was to help my team in conducting a successful statutory audit by ensuring that the client companies adhered and followed the various accounting standards and compliances set by the Institute of Chartered Accountants of Bangladesh (ICAB), the national professional body which regulates the accounting standards of this country.

My contributions were mainly involved in the execution of external audit procedures, which bring out errors like non-compliance to set accounting standards, violation of them and even fraud in clients internal finances and help to identify and correct them for the betterment of the firm’s clients. By identifying these mistakes and reporting them to the clients, it helps the clients to develop more efficient procedures and take necessary precautions to prevent future violations. I helped my team by contributing towards this work. For instance, while examining the hardcopy and softcopy expense vouchers, any inefficiencies I found were proof of non-compliance by the clients. This could lead to paying hefty fines by the client and so to prevent that, me and my team found all such inefficiencies and reported them to the appropriate departments of the client companies for discussion, review and rectification of any signs of non-compliance.

In cases where proper procedures where not followed as outlined by the client company’s Standard Operating Procedure (SOP) manual, I helped in making a detailed report outlining where what type of inefficiencies were occurring by identifying those errors and how best to rectify them, as well as to improve the overall process and help reduce redundancies.

Lastly, as statutory audits take place over a long course of time, I helped by ensuring that my team had a smooth workflow by organizing different papers, clearly labeled and ready for cross-checking by my supervisor, all supported by relevant documents, so that they could continue to work without confusion and effortlessly after my internship at the firm was over and they need to keep on finishing the audit.

I hope that my contributions to SMAC, for the short time that I was there, helped them deliver a high quality audit service to their clients.

1.4.2 Benefits of the Internship Program

My internship at SMAC helped me in understanding how auditing greatly differs from what is taught to us in the classroom. While this was an amazing opportunity to see how I could complement my academic knowledge in a practical scenario, it was, to be very honest, a challenging experience. Previously, my experiences were limited to only theoretically understand how an external audit is conducted. Now, I have the practical knowledge, and having worked at different areas with having different responsibilities of external audit, a more clearer understanding of how it is conducted by the experts, something which I always wanted to learn.

An aspect that I learned during this internship which changed my view was that to be a successful auditor, you have to question everything. You never take anything at face value and try to figure out all underlining aspects so that you are ready if any challenges arise. This is something I did not know before, and having seen this mindset in every one of my colleagues and the benefit it provides to them and their work has also resulted me in adapting this mindset.

A tangible benefit I have gained from this internship is the substantial professional development I have received by working at SMAC. Working closely with my team has helped to improve my teamwork skills and communicating with the clients has helped in improving my communication skills greatly. Having to work under strict deadlines has also enhanced my time management skills and professional discipline. Moreover, having to find out discrepancies in financial reports and attach its respective correct compliance has instilled in me a greater sense of responsibility, judgement, and confidence. As I am doing a double major in both accounting and finance, this internship has given me a comprehensive learning experience that has prepared me for future professional roles in this field.

1.4.3 Challenges of the Internship Program

During my internship tenure at SMAC, I faced several challenges which I had to solve and overcome. Firstly, even though I was an intern at the firm, from the get go I was treated as an Audit Associate and was given a huge responsibility of auditing an entire section of a client company by myself. So, understanding and applying the correct audit procedures initially was quite the challenge. Moreover, as an auditor, I had to maintain and follow strict guidelines while dealing with client information, and as it was all new to me, it was very hard to grasp what all the different technical and professional auditing terminologies meant. However, in due time and with the support of my team members, I was able to overcome this.

Another significant challenge I faced was managing the strict deadlines and the huge workload during the audit process. Oftentimes I had to balance between conducting my own workload while helping another one of my team members with their work as it was quite important. I had to handle multiple tasks simultaneously, such as vouching, document verifications, compliance checking, all of which had to done within a set time. Additionally, delays in receiving specific documents from the clients meant my work could not be done on time because without the documents it could not be accurately finished. These challenges helped in developing my time management and multitasking skills while improving my communication and professional disciple.

Lastly, balancing my work, studies and personal life was another huge challenge. Auditing was a very demanding part of my day and I had to go over various types of documents and make sure they were following the correct procedures and all and depending on the work pressure, I had to work overtime quite a few times, including once during a holiday. For instance, while conducting field visits, the work day would cross 12 hours even. All this left very little time and energy for personal life and studies, but balancing them became a new skill I had managed to learn very fast.

1.4.4 Recommendations

Based on my internship experience and after having internally evaluating my benefits received and challenges faced and overcomed, there are a few recommendations that I would like to share. Firstly, having a structured orientation program for new hires will ease their tension and set expectations and help them become familiar with audit work. For example, a brief introductory training session on audit working papers and especially common audit terminologies will help the new hires to adapt a bit more quickly to the professional environment and reduce confusion. It will also help the interns get familiar with the structure of the firm as well.

Another recommendation I would give is to have a more hands on approach to teaching the new interns on how to efficiently learn the audit procedure. The audit cycle is long and so by providing them with gradual exposure to different audit sections and activities, all under supervision, enhance their understanding of the entire process they are conducting. Regular feedback sessions with supervisors instead of a final assessment can also help the interns identify their lackings and areas of improvement sooner. It will give them motivation to do better as well.

Lastly, I would recommend that only if you are seriously considering being a Charted Accountant, should you go into this line of work as it can be very challenging, but once you do overcome them, it becomes worth it.

Chapter 2: Overview of the Organization

2.1 Introduction

2.1.1 Objective

The objective of this chapter is to provide a comprehensive analysis of the firm "Snehasish Mahmud & Co., Chartered Accountants" abbreviated as SMAC, and present different functional areas such as their organizational structure, management system and other operations in details, so as to give the reader a basic understanding of how an audit firm operates and the services they provide, to help understand how they successfully achieve their goals. Additionally, an overview of their mission, vision, core values, and business ethics along with a SWOT Analysis and Porter's Five Forces Model have been conducted to showcase their overall functions and related areas in the field to the best of my abilities.

2.1.2 Methodology

To conduct this study, I have used and relied on both primary and secondary sources of data. Primary Data Collection was done through my personal observation of audit procedures during the internship period and includes discussions and interviews with audit team members.

Secondary Data Collection was done through using information already published on their official website and other publicly available sources from the internet, cited accordingly where used.

Disclosure: Some information has been adjusted in accordance to respect the confidentiality agreements between the firm and its clients. No confidential or sensitive information has been shared intentionally.

2.1.3 Significance of the Study

This chapter provides the readers an in depth look into how a firm like SMAC operates, by providing them with information of the different functions of the organization such as: its structure, management system, organogram, culture etc. so that readers can understand the difference between the working environment of a CA firm and a traditional corporate workplace in Bangladesh. I believe having an understanding beforehand is important to making an informed decision and this study will help any future CA aspirant, student, intern, trainee, associate to make an informed decision as to whether they want to consider this area of work, the ins and outs, before fully committing themselves into this profession. Also, I hope this study will help to develop a realistic expectation and prepare the required knowledge and skills, so as to get a more easier and efficient adaptation to the professional environment of this field.

2.1.4 Limitations of the Study

One of the biggest limitations of this study is the confidentiality of information. As SMAC is a private firm, information like names and numbers of clients or even the number of employees they had at the time of my internship, cannot be used here at it breaches the internal policies of the firm. Instead, I have to present data already published on their official website and do my analysis based on that information.

My internship tenure of three months was also a limitation, as it was quite a short time to gain a complete understanding of the comprehensive services of the firm while working at a specific department with tight work schedules. Moreover, I worked at the office premises of the clients' majority of the time and had scarce opportunities to work at the firm, so that information was collected through interviews and discussions with my team members and had to be adjusted due to aforementioned internal confidentiality policies of the firm. Despite these limitations, I have tried to give valuable insights here, as much as was possible.

2.2 Organizational Overview of SMAC

2.2.1 Introduction

Snehasish Mahmud & Co. (SMAC) is an independent professional CA firm operating in Bangladesh, providing a wide range of audit and assurance, taxation, and consultancy services. It was established on 10th March 2013 and is also an independent member of DFK International, which is a global alliance of accounting and consulting firms, having more than 300 offices across the world. The firm operates in compliance hand in hand with the regulations and professional standards as prescribed by the Institute of Chartered Accountants of Bangladesh (ICAB). It is also an ACCA proved employer, having received the Gold Standard.

The firm is committed to maintaining professional integrity, independence, and objectivity while delivering services to its clients. Over time, it has developed and evolved its experience in serving clients from diverse sectors such as, manufacturing, trading, service-oriented organizations, and non-profit entities to name a few. Through their professional services, the firm contributes to strengthening corporate governance practices and ensuring transparency in financial reporting. Over the course of almost 13 years of providing high quality professional services has earned SMAC a formidable reputation in its industry.

2.2.2 Nature of Business and Services Offered

SMAC offers its professional services to its clients in four major categories, which are:

1. Audit and Assurance services
2. Taxation services
3. Consultation services
4. Business Support services

All information used here has been taken from its official website (www.smac-bd.com, 2025)

1. **Audit and Assurance:** Under this category, the firm provides a comprehensive Audit and Assurance services while maintaining strict compliance with the International Standards on Auditing (ISA) and International Financial Reporting Standards (IFRS), and adopting a risk based audit approach that which focuses on the different significant business risks affecting clients' financial statements to better enhance reliability and clients' confidence. Its Audit services include external audit, group reporting and corporate governance reviews, project audits, NGO and PNGO audits, Provident Fund (PF), Gratuity Fund (GF), Workers' Profit Participation Fund (WPPF) audits, internal audits, internal control assessments, financial reviews, and IFRS compliance audits. In addition, the firm's Assurance services puts a strong emphasis by evaluating and strengthening internal control systems through working with internal audit functions that assess the risks and control deficiencies of the client, redesign control frameworks aligned with different kinds of business strategies, and recommends safeguards to mitigate the identified risks for its clients. Furthermore, the firm also undertakes engagement reviews, fixed asset and inventory verifications, and certification services, such as delivering personalized and solution oriented advices to support more accountability and effective governance for its clients.

2. **Taxation:** Under this category of services, the firm aims to provide a fully integrated tax service by delivering timely, high quality solutions like maximizing tax planning opportunities across different industries. This service has three major sub-categories. Firstly, in Direct Tax (Corporate), the firm offers corporate tax registration services which includes e-TIN registrations or amendments, income maintenances, along with corporate tax compliance programs like preparation, review, and submission of returns, quarterly advance income tax computation and submission, income tax computation

and return filing, and obtaining income tax clearance certificates. It also provides transfer pricing services, such as the preparation and submission of statements of international transactions, transfer pricing documentation and study reports, as well as issuance of chartered accountant certificates. Additionally, it assists clients with assessments and appeals at various stages, including assessment and revised assessment at DCT level, appeals before the Commissioner of Taxes and the Taxes Appellate Tribunal, review applications, refund adjustments, waiver applications for disputed tax, reference applications to the High Court, Alternative Dispute Resolution (ADR), and handling departmental appeals. The firm further offers NBR certifications related to DTAA and non-DTAA matters, issuance of SRO and clarification letters, and approval services for Provident Fund, Gratuity Fund, and Workers' Profit Participation Fund.

In the second sub-category, Direct Tax (Personal), the services provided by the firm include tax planning, income tax computation and return submission for local and expatriate individuals, income tax clearance certificates, assessments and revised assessments, appeal and review proceedings, refund adjustments, waiver applications, ADR settlements, and reference applications before the Taxes Appellate Tribunal and the High Court.

In the third sub-category Indirect Tax (VAT), the firm provides BIN registration and amendment, monthly VAT return preparation and submission, VAT challan preparation and attestation, input-output coefficient assistance, VAT compliance certificates, VAT software implementation, responses to VAT authority queries, and handling VAT audits and appeals at multiple levels including Commissionerate, Intelligence, CIC, Tribunal, ADR, and reference applications to the High Court.

3. **Consultation:** Under this category of services, the firm provides comprehensive consultation services which are aimed at simplifying the complexities of today's business environment and supporting clients throughout their business life cycle. In the area of Accounting Services, the firm offers monthly, quarterly, and annual accounts preparation, fund accounts preparation for Provident Fund, Gratuity Fund, and Workers' Profit Participation Fund, accounting advisory, FDI reporting, withholding tax and VAT calculation and deposition, financial reviews, ERP implementation, and preparation and submission of withholding tax and VAT returns. The firm's Asset Management services include fixed asset and physical inventory verification, asset tagging, preparation of asset registers, and periodic cash counting. The firm also provides extensive Payroll Services, including monthly payroll processing, payroll software solutions, payroll tax computation, deduction and deposition, salary structuring and tax optimization, final settlement calculation, issuance of online payslips, annual salary certificates, investment notices, monthly and annual employee tax statements under Section 177, and individual tax reports. In addition, the firm offers Fund Management services for PF, GF, and WPPF. Under Business Process Development, the firm assists clients through the development of financial and procurement manuals, and preparation of SOPs for finance and accounts, corporate finance, sales management, VAT management, inventory and fixed assets management, and supply chain management. The firm's Other Consulting Services include cost certification, price verification, legalization, financial and taxation due diligence, company valuation, and assistance in obtaining regulatory approvals for loans, thereby enabling clients to strengthen governance, operational efficiency, and strategic decision making.

4. **Business Support Services:** Under this category of services, the firm provides a wide range of assisting services to help their clients with regulatory compliance and ongoing business operations in Bangladesh, delivering timely and high quality support, which includes corporate secretarial services. In relation to the Registrar of Joint Stock Companies, the firm assists with company name clearance and change, new company incorporation, address change, share transfer, director change, preparation of AGM and EGM documentation, increase or decrease of share capital, annual and change return filing, partnership and society registration, and drafting of Memorandum and Articles of Association (MoA and AoA). The firm also supports clients with services under the Bangladesh Investment Development Authority, which includes e-visa applications, work permit applications, amendments and cancellations, liaison or representative branch office registration and renewal, and applications for approval of outward remittances such as royalty, technical know hows and assistance, franchise, and other technical fees. Moreover, the Business Support Services team assists in obtaining various certificates and licenses required to continue business operations in the country, including chamber of commerce membership certificates, trade licenses, factory operation licenses from relevant government authorities, import and export registration certificates, share certificate preparation and share register updates, embassy attestations, foreign exchange advisory, compliance, trademark and copyright services, and registration and amendment services with the Ministry of Commerce.

2.2.3 Mission, Vision, and Core Values

The mission, vision, and core values of any organization is set so as to define its main purpose, its long-term direction, and most importantly its guiding principles, serving as the foundation for its strategic objectives and professional practices. Similarly, the following are SMAC's, quoted from their official website (www.smac-bd.com, 2025).

Mission: "Provide service to our clients ethically through leadership and collaboration."

Vision: "Evolve as a leading institution of international standards to be used as a benchmark by our clients and peers for providing professional services."

Core Values: "In order to succeed, we must grow and develop, both as individuals and as a business. Our core values of service, collaboration and leadership help us achieve this growth."

Business Ethics: "At Snehasish Mahmud & Co, we are committed to act ethically in our decision making process. Our top priority is to conduct business with integrity and utmost professionalism. Conducting business with ethics and ethical decision-making is the core of our organization."

2.3 Management Practices

2.3.1 Leadership Management and Organization Structure

SMAC follows a hierarchical organizational framework following an autocratic structure which includes its four main partners that supervise its different departments and managers. The four leaders of the firm are, firstly, its founding members, Snehasish Barua and Zareen Mahmud Hosein, then Fuad Hassan, and lastly Sukanta Bhattacharjee.

Snehasish Barua, FCA, ACA (ICAEW), is in charge of the Direct Tax and Indirect Tax departments. Sukanta Bhattacharjee FCA, leads the Auditing and Assurance department. The Consulting department is led by Zareen Mahmud Hosein FCA, and Fuad Hassan ACA, respectively.

As of 2025, SMAC maintains the autocratic leadership hierarchy led by its partners, followed by its directors, managers, associates, consultants, and administrative personnel to ensure a smooth and effective coordination in the firm. They employ a strong team of over 200 people, the breakdown of which can be seen below:

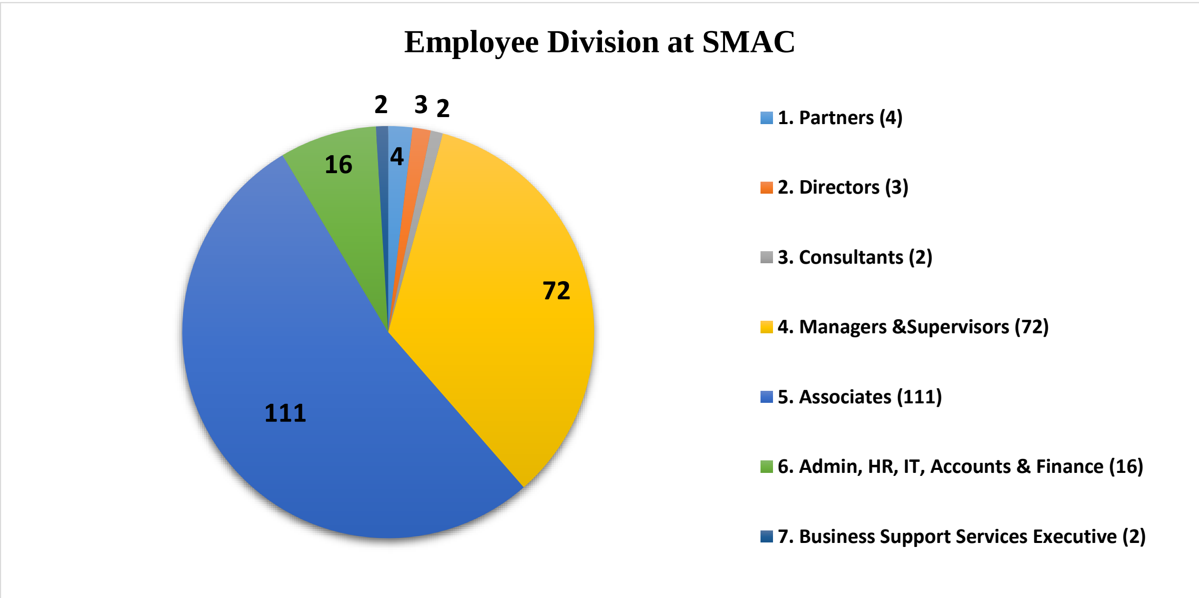

Figure 1: Employee Division at SMAC

(source: www.smac-bd.com, 2025)

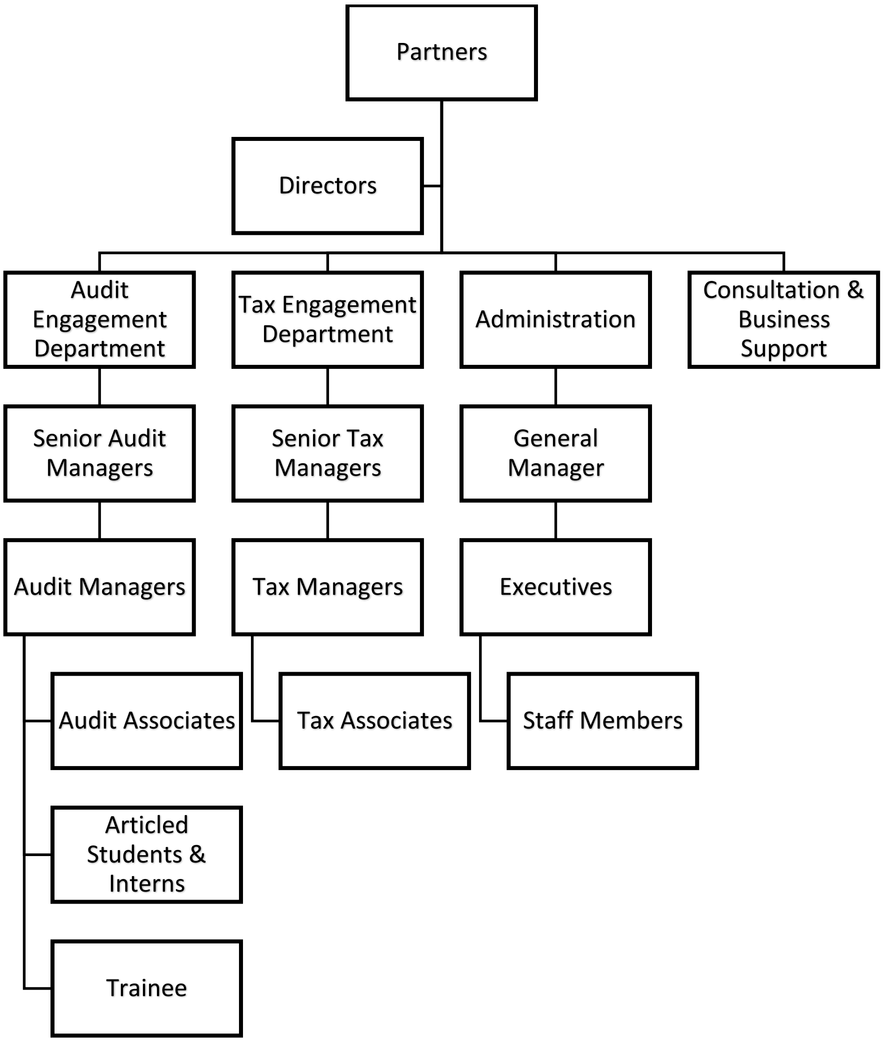

Figure 2: Organogram of SMAC

The diagram above depicts a slightly simplified version of the organogram followed at SMAC. Due to my confidentiality agreement, the actual organogram of the firm cannot be shown. However, this figure contains all the important information regarding how the structure of the firm is established and the way it operates using a hierarchical organizational framework.

2.3.2 Human Resource Management

SMAC’s human resource management puts its focus on its two major points, developing its students and employing and retaining the most talented minds. After its students complete their article ship over the course of 3 to 4 years, they have the flexibility to either continue and grow at he firm as an employee or look for other ventures outside the firm. Depending on past and present qualification and development however, the firm tries to retain its talented and high performing students as permanent employees by offering a competitive salary, future career growth, and the opportunity to work with its most sought after clients. Most students prefer to continue working at he firm as they develop a strong bond with their colleagues and managers, rather than leaving straight away to work at a corporation. The firm becomes a collection of greatly knowledgeable professionals and the scope to learn and develop is comparatively much higher.

2.3.3 Recruitment and Selection Process

SMAC has two types of recruitment and selection processes that help the firm reach its internal targets and workforce needs to better serve its clients. The first type is to recruit CA article ship students and the second type is to recruit their regular employees. The process to select articled student is a rigorous one, and rightly so, as because the talent that is needed to serve excellently needs to be challenged every step of the way. To paraphrase, the process involves advanced CV screening, a written examination, verbal interview by the partners and final selection text. The students that are selected then undergoes a 6 to 8 month long training period as an audit trainee so as to better prepare themselves for their article ship period which follows. On the other hand, the process to hire regular employees for managerial positions in accounting and non-accounting roles is comparatively straight forward. The firm posts a job circular on various sites regarding the open job posting and candidates are required to send in their CV. Selected candidates then sit for a written exam and the department head who is hiring, sets an interview for those that pass. The passing candidates then become permanent employees after a probation period of 6 months.

2.3.4 Training and Development Initiatives

Compared to a traditional corporation, SMAC being an independent accounting firm allows them to provide a broader level of learning and development for its people. The firm's entire structure is designed in such a way that the organization can freely focus on training and development, especially towards their articled students. To begin, all the articled students work alongside a team of experienced auditors and managers, proving support to their team's clients in various kinds of work and conduct audit procedures first hand by themselves. This is similar to an apprenticeship in other companies or industries, which allows the students to focus solely on learning, gaining skills and making professional development through first hand working. Not on are the students benefitting from this, but so are the other employees that are working in the different departments like tax and consultancy, as by working alongside qualified CA's help them with the aim of achieving professional development.

SMAC also holds regular training sessions on key areas like bank audit procedures, money laundering, assurance and compliance with IFRS etc. for their students and employees which are conducted by the managers in an effort to bridge the gap between book and practical knowledge and understand their work better and reduce confusions. Sometimes even the partners give lectures on specialized topics regarding audit, tax and consultancy procedures to showcase their seriousness for learning and development initiatives.

2.3.5 Compensation and Performance Appraisal

The compensation policy followed by SMAC is systematic in accordance with ICAB rules and procedures. According to official ICAB policies, renumeration for first year article students is set at Tk 7,000 which increases by Tk 1,000 each year, being capped at Tk 10,000 for fourth year article students (ICAB, 2023). Apart from this, as per official ICAB policy from their website, “An Articled Student Passing his/her Certificate Level is to receive a yearly increment of Tk 3,000 from the respective CA firm” and “An Articled Student passing his/her Professional Level is to receive a yearly increment of Tk 5,000 from the respective CA firm” (ICAB, 2023) these policies are maintained by SMAC along with their own internal renumeration policies. Furthermore, for administrative employees and non-accounting employees, the firm has a fixed salary system that is determined based on the employee’s experience, designation and qualification. The partners and directors all have a fixed salary system as well as a flexible income based upon commissions from client work. Apart from this, the firm also gives a set allowance to all of their employees for travelling to client offices, paid at the end of each month.

Performance appraisal of SMAC is a major portion of its management system. The firm follows a bi-annual performance appraisal system which they mostly monitor through their internal ERP software and by other means as well. Performance measurement is done differently for different individuals. For instance, articled students are given performance appraisals from their supervisors. They are judged based upon how effectively and efficiently they were able to complete an assigned work, all the while adhering to company standards. For managers, they are judged based on how well were they able to manage their teams to complete an assignment in due time. Moreover, directors are appraised on how they deal with various clients, the number of clients they were successfully able to finish working with and their satisfaction, the overall quality of work provided by different teams and contribution they made to the firm.

2.4 Marketing Practices

2.4.1 Marketing Strategy

Regarding marketing and acquiring clients, SMAC being an independent firm, primarily depends on their reputation in the industry, reputation and recognition of their partners, their quality of work etc. The firm does not have a dedicated department or team for their promotional activities or marketing like other companies, which is a bit similar to other such CA firms in the industry. They do maintain a presence on online social platforms like LinkedIn, Facebook etc. but it is quite limited. The firm acquires new clients majorly through the networking capabilities of their partners and directors, following a “referral strategy”.

2.4.2 Target Customers, Targeting and Positioning Strategy

Since their inception, SMAC has acquired and worked with several reputable clients across multiple industries like banking, finance, insurance and securities, NGOs, textile and garments, telecommunication and IT, and energy, power and infrastructure. Some of their clients include, BRAC Bank PLC, BAT Bangladesh Ltd, Burger Paints, Marico Bangladesh, Evercare Hospital, RDRS Bangladesh, Grameenphone Ltd, Chevron Bangladesh, to name a few. The firm has successfully worked with or is working with such clients, leaving them with satisfied work and receiving positive feedback and appraisal for it. Through such measures they are able to attain newer clients in several industries and maintaining a positive reputational growth. Furthermore, the partners often represent SMAC at several kinds of programs and seminars arranged by different professional bodies and education institutions to better position themselves in the industry.

2.4.3 Marketing Channels

As SMAC is a service provider, the firm does not follow any traditional marketing campaigns or advertisements, instead following a direct B2B marketing channel, providing its services directly to their clients. As per the professional code of conduct set by the ICAB and other regulatory bodies, the firm's scope of promoting its work and services are quite limited, similar to other CA firms. So they are left with following direct marketing channels, approaching or engaging with clients directly or through referrals. Not having a robust marketing ability and relying on direct methods is quite limiting, so they have to provide an exceptional quality of work to their existing clients and maintain and increase their goodwill, brand value and reputation to increase their scope of acquiring newer clients.

2.4.4 Product Development and Competition

SMAC has diversified its professional services beyond traditional auditing and taxation services by offering consultation and business support services to meet the ever changing needs of modern businesses. It has established an affiliated concern "SMAC IT Limited" to provide better digital support to their clients. Apart from this, the firm tries to continuously improve the quality of the service of the different scopes of work that they already provide by being up to date with regulatory standards. Additionally, they always tailor their services on the basis of the specific needs of their clients.

In terms of competition, SMAC operates in an industry that is hugely competitive, where CA firms like ACNABIN, Ahmed Zaker & Co. etc. are their competitors. However, despite this competition, the firm is able to maintain its competitive position through the quality of its services, ethical practices and a client-first approach that delivers value added solutions.

2.4.5 Critical Marketing Issues and Gaps

Although SMAC has established a strong reputation in the CA industry, the firm still faces some marketing issues and gaps. The biggest challenge that the firm faces is maintaining a strong brand visibility against more larger established firms that have international exposure and aggressive marketing strategies. As SMAC has limited exposure, it relies heavily on professional networking, referrals and building corporate relationships to acquire newer clients. Moreover, the firm also faces difficulties in differentiating its services in an industry where many similar firms and competitors also offering the same audit and tax consultation services. Addressing these issues through continuous service development can strengthen SMAC's market position in the industry and allow them to have a stronger competitive advantage.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

As SMAC is a partnership firm, it is not bound by any regulatory policies or rules regarding the publication of their financial or any other type of information relating to their performance to the general public. All such information is at the liberty of the partners, whether they want to disclose them or not. Therefore, all financial data like annual financial reports, profit or loss statements, revenue valuation etc. are only kept for the partners, a few directors and the administration. Even though the firm provides services to create and publish financial reportings for their clients, they keep their own such reportings confidential. They are not available for the public to analyze as they are not a public limited company. However, one can estimate the firm's financial success by seeing their client acquisition grow and the contributions made through successful auditing executions, indicating overall good financial health.

2.5.2 Accounting Practices

As a CA firm, SMAC follows already established accounting standards like International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), set by the international accounting foundations, which are governed in Bangladesh by the ICAB and ICMAB. These include maintaining professional standards in their work, following regulatory compliances and most importantly, implementing ethical financial reporting principles. The partners and directors, as well as several senior managers have passed the major examinations in the field to attain certified titles like Associate Chartered Accountants (ACA) and Fellow Chartered Accountant (FCA) through years of dedication and experience in the field. This allows the firm to professionally maintain a systematic accounting and auditing process for their clients. Similarly to other such CA firms in the country, SMAC maintains their accounting records as per the fiscal year set by the government, which is from the 1^{st} of July to the 30^{th} of June of the respective year. This can be termed under “accrual basis” accounting, a concept of accounting practice where they recognize revenue when it is earned. Following this approach allows them to ensure that related income and expenses are recognized in the same period, providing an accurate picture of long term financial health. By following this annual fiscal year assumption to record their transactions, it allows them to implement the use of “going concern” assumption, which is an accounting principle that assumes a business will operate and meet its financial obligations for the foreseeable future.

2.6 Operations Management and Information System Practices

2.6.1 Operations Management

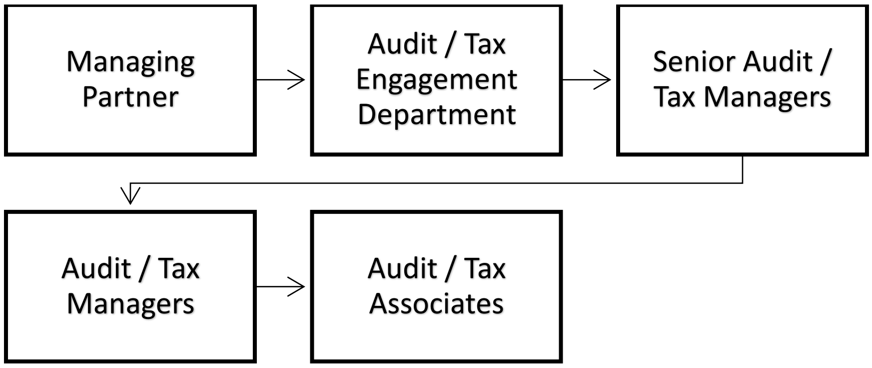

Figure 3: Simplified Operations Organogram of SMAC

The diagram above illustrates a simplified version of the operations structure followed by SMAC. The main operations of the firm are to carry out auditing and tax related services to their clients. This is the approach that the firm follows when engaging with client services. Due to having clients from several kinds of industries requiring different kinds of services, having a set operations management structure is quite helpful to effectively and efficiently carry out any operations. The firm's tactics are organized in way that allows them to maximize their productivity and ensuring there are no redundancies in any stage of their work. By arranging the expertise based on the compactivity of the work, the firm arranges additional time and resources to manage that specific engagement. This helps them to maintain a high level of output during periods of high volume work. Consultation teams also help out to track the progress of each engagement and assess the quality of work being provided. In addition, the partners conduct inspections to review the work done before completion to address any issues and help combat those before sending the finished work to the clients.

2.6.2 Information System Practices

SMAC maintains and uses their own internal ERP (Enterprise Resource Planning) system to manage their daily operations. This software is responsible for storing and managing information related to their students, employees, clients, payroll, attendance, projects and other financial data. It is the center point of almost all of its major operations and activities of the firm. Some notable ones include, tracking student and employee records, confidential client data, soring daily attendance, tracing travel allowances of every team etc. Every employee of the firm is assigned an unique ID to access the ERP. This helps the firm as they are inputting the relevant data for safe and accurate record keeping, which supports monitoring, appraisal, invoice management, authorization etc. across the different departments in one central space.

The ERP is the backbone of all the major operational activities of the firm. It contains the database in which they keep all of their clients' information and proprietary data. This is kept extremely secure as the information stored is highly sensitive, and so it is accessible by the partners and selective personnel only. As per ICAB policies, every CA firm needs to store confidential client data for a set period of time, depending on the type of data being stored, and the firm's ERP system helps them fulfill this requirement.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis of SMAC

1	**Threat of New Entrants**	The threat of new entry in the CA industry is **low to moderate**. Even though starting a small firm requires relatively low capital investment, it is quite difficult to establish credibility, a professional reputation, hiring skilled manpower, and be in compliance with ICAB regulations, which creates significant barriers for newer firms. However, many qualified employees leave existing companies to start their own firms, and this may lead to competition in the future for SMAC.
2	**Threat of Substitutes**	The threat of substitutes is **moderate to high**. Other businesses may use their internal accounting departments or freelance consultants instead of hiring professional firms. However, complex auditing and taxation services still require qualified professionals and maintain regulatory compliances, which somewhat reduces the substitution threat for SMAC.
3	**Bargaining Power of Buyers**	The client companies possess **high** bargaining power as because they are able to choose among several CA firms in the industry. Corporate clients can compare between the firms on the basis of service quality, reputation, pricing, etc. Therefore, SMAC must maintain and retain their strong client relationships, compliance to ethical standards, and competitive pricing to keep its client base.
4	**Bargaining Power of Suppliers**	The bargaining power of suppliers is relatively **low**. In the case of CA firms, suppliers come in the form of students mainly. The workforce compromises majorly of articled students and experienced professionals. There has always been a shortage of qualified professionals in this industry, as firms tend to take in the most talented individuals and train them only. However, apart from the learning opportunities, the renumeration provided by the firms is quite low, as the students and professionals have less experience in the field. So, the overall bargaining power of suppliers is low for SMAC.

5	**Industry Rivalry**	The competitive rivalry in the CA industry is **very high**. SMAC has to compete with both internationally affiliated firms as well as with local CA firms for clients and market share. Firms compete based on several factors like brand reputation, overall service quality, professional expertise, competitive pricing, modern technological capabilities, and positive client relationships. Therefore, it is essential for SMAC's sustainability and growth to have continuous service improvements.

Table 1: Porter's Five Forces Analysis of SMAC

2.7.2 SWOT Analysis of SMAC

Strengths	• Has a strong professional foundation in audit, taxation, and corporate advisory services, supported by experienced professional chartered accountants and consultants. • Offers a wide range of services including audit assurance, tax compliance, business advisory, and RJSC services, enabling it to meet diverse client needs. • Known for its client focused approach, emphasizing timely delivery of services and maintaining regulatory compliances. • Has strong expertise in financial reporting standards and taxing regulations.
Weaknesses	• Operates at a relatively smaller scale compared to large multinational CA firms. • Limited ability to serve very large corporate clients or expand internationally. • May face difficulties in marketing and promotional strategies, automation, and full digital transformation of accounting services. • Rigid working conditions, which may be too demanding for newcomers to balance work-life, hampering productivity and employee morale.

Opportunities	• Industry has increasing demand for audit, accounting, and tax advisory services. • Adopt digital accounting systems, cloud based tools and AI implementations, and fintech solutions. • Form strategic partnerships for regional expansion to enhance growth prospects.
Threats	• Strong competition exists from international firms (including Big Four and mid-tier firms) • Frequent changes in tax laws and accounting standards increase compliance complexity. • Economic downturns may reduce the demand for advisory services. • Automation and accounting softwares can reduce the demand for traditional bookkeeping and basic audit services.

Table 2: SWOT Analysis of SMAC

2.8 Summary and Conclusion

This chapter illustrated an in-depth comprehensive overview of Snehasish Mahmud & Co. (SMAC), an independent partnership CA firm in Bangladesh. Established in 2013, it operates as an independent member of DFK International. The firm delivers a wide range of professional services, categorized into 4 major sections, namely, audit and assurance, taxation, consultation, and business support. The firm believes in a mission to provide ethical, client focused services while strictly enforcing the regulatory standards and compliances as per the ICAB institute. Having a workforce of over 200 employees, the firm puts strong emphasis on human resource training and development, implementing a thorough apprenticeship model to train its over 100 articled students into talented professionals, offering a competitive career growth in the industry. On an operational level, the firm relives on its advanced ERP system to manage its daily activities side by side with sensitive client data. Furthermore, they follow a fundamental marketing strategy focusing on direct B2B channels, than those used by MNCs. The two analyses of SMAC revealed its strengths and weaknesses, as well as highlighted their opportunities and threats. It gave an insight to the competitive landscape of the CA industry, and where on the scale SMAC lies compared to other firms and their competitors.

In conclusion, it can be rightly said that SMAC has been successful in positioning itself as a reputable and competent CA firm within Bangladesh's highly competitive accounting industry. The firm benefits by employing a strong professional team, trained to providing a diverse range of services. However it also faces significant industry challenges. These include rivalry from larger international firms, difficulties in maintaining their brand visibility, and a looming threat of technological advancements. For the firm to sustain their competitive advantage and ensure long term growth, SMAC must address its limitations in a timely manner.

2.9 Recommendations

These are some of my recommendations that SMAC can implement to sustain their competitive advantage in the industry:

1. **Implementation of Digital Tools:** The firm should actively adopt a digital accounting ecosystem, which would include cloud based tools and AI or fintech solutions, so as to help reduce the threat of automated advancements replacing traditional CA services.

2. **Strengthen Brand Visibility:** The firm should overcome its limited branding exposure by expanding its online social platform presence a lot more so as to build a stronger market differentiation against their industry competitors.

3. **Pursue Regional Expansion:** The firm should develop strategic partnerships to expand regionally, which will allow them to scale its operations and compete for better and larger market share in the industry.

4. **Improve Work-Life Balance:** The firm should address its competitive working conditions by promoting a better work-life balance. This will directly improve employee morale, and also boost working productivity and prevent student and employee burnouts.

5. **Retain High Performing Talent:** The firm should continue to optimize and implement a better compensation plan so they are able retain its thoroughly trained articled students as permanent professionals.

Chapter 3:

The Role of External Audit in Ensuring Financial Transparency

3.1 Introduction

External audit plays an essential and fundamental role to ensure that a company maintains its financial transparency and accountability in professional business environments. Through audits, companies are evaluated through a thorough process which reveals their internal competencies and whether they are indeed following the laws and rules of the governing bodies. In this chapter, which represents the project part of the internship report, I will focus on the role of external audit in ensuring financial transparency based on the practical exposure I have gained during my internship tenure at Snehasish Mahmud & Co., Chartered Accountants. My report integrates the theoretical concepts of auditing with real world auditing practices used by CA firms in a cohesive manner, majorly of which was observed by me during my internship period at the firm.

3.1.1 Background and Problem Statement

In a corporate setting, financial transparency is the backbone of a healthy professional ecosystem. As per an article by The Business Standard (2020), maintaining that financial transparency helps to ensure to any stake holders, such as investors, regulators, and especially the public, that they have access to information that is accurate, timely, and comprehensive in regards to a company's financial performance which they can trust without any doubt. Therefore, external auditors or statutory auditors, play a critical role for this ecosystem as they provide an independent assessment of a company’s financial statements, thereby bridging the information gap between corporate management and external stake holders.

In Bangladesh, the corporate landscape is ever evolving and the demand for trustworthy financial reporting has increased in demand as the people have become more financially literate in the past few years as compared to before (The Daily Star, 2022). SMAC is a prominent professional CA firm in the country that navigates complex regulatory frameworks in service of its clients to deliver trustworthy reportings and assurance services. The governing body of accounting standards in the country is ICAB and they have set statutory requirements for external audits for every professional company that exceed a certain size, but despite this, emerging companies still frequently face instances of financial misreportings and corporate governance failures. Several kinds of challenges like political interferences, weak regulatory enforcements, lack of competent independent audit committees, threatens the already weak integrity of financial disclosures (The Business Standard, 2025).

The core problem that this study addresses is how external CA firms like SMAC carry out their services to ensure financial transparency in spite of these systemic institutional challenges, and what are the operational barriers that they encounter during this process.

3.1.2 Objectives of the Study

The primary objectives of this study are:

1. To evaluate the role of external auditing in promoting financial transparency and accountability within the corporate sector of Bangladesh.
2. To analyze the role of auditors in detecting and preventing financial misstatements or fraud.
3. To identify the systemic and institutional challenges faced by external auditors in Bangladesh.
4. To propose actionable recommendations for improving the audit ecosystem and enhancing financial transparency.

3.1.3 Significance of the Study

This study addresses the gap in the reporting of ensuring financial transparency in external audit reports of companies. It shines a light on the experience of external auditors, especially from the perspective of creating the financial reporting and auditing processes. In addition, it provides some insights towards regulatory bodies like the Financial Reporting Council (FRC) and Bangladesh Securities and Exchange Commission (BSEC) and how they are currently lacking. These regulators play the most important part in ensuring the integrity of the market from a macro perspective. However, they may not have the depth of knowledge regarding the day to day issues that the auditors encounter while preparing their reports for the market. The study also fills the gap in audit reporting by highlighting specific operating issues that emerge in such situations, like, but not limited to, management resistance, pressure from companies on the disclosures of their critical risks etc.

In addition, this study helps to “de-mystify” the auditing process and showcase how external auditing helps in to actively decrease the risk of financial fraud and misrepresentation by companies. To be a bit more specific, it illustrates the added transparency which the new accounting standards, such as the Key Audit Matters (KAMs) in ISA 701, helps in to provide more ease to a company’s complex financial data structure. This helps the company investors as well as market investors to mitigate the newer economic risks and make more informed and confident investments.

Finally, this study is also an academically relevant contribution to the topic of auditing, as it offers a local case study of how auditing standards and the intricate institutional problems interact with each other.

3.1.4 Scope of the Study

The scope of this study is structured to the external audit practices followed at Snehasish Mahmud & Co., Chartered Accountants, putting focus on the corporate audit engagements which they use for their clients throughout the many different industries in the country. The study evaluates the firm's compliance with International Standards on Auditing (ISA) and local regulations adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as well. However, the study does not cover the firm's other services like taxation, consultancy or business support services. It is a bit limited in the sense that confidential information could not be used freely to support some points and had to resort to secondary sources of information, such as from published reports and news articles to support some points in the study, which was very information lacking in the first place.

3.2 Literature Review

The role of an external auditor is widely recognized as a fundamental pillar of corporate governance and financial transparency. Grounded in agency theory, external auditing acts as the primary monitoring system designed to reduce information asymmetry between company management and its shareholders, safeguarding all involved parties and ensuring the fairness of financial statements (Arda et al., 2018). Independent external audits are important to strengthen the trust between company management and investors and it must ensure compliance by the management as it dictates the decision making powers in the company (Arda et al., 2018). Competent auditing services always improve investor confidence in financial reportings and boost a company's capital, which indicates that for sure maintaining good auditing practices and internal corporate governance systems act as a complementary force, unlike the comparison to being substitutes (Beisland et al., 2015).

In the context of developing economies like Bangladesh, the implementation of effective auditing reports is often complicated and even more so restricted, especially by systematic institutional challenges. The overall corporate governance landscape has historically been stunted in its growth by weak regulatory enforcement, corruption at almost every level of its governance, having highly ineffective audit committees and major political interferences. These systematic problems created an environment where companies were freely able to bypass any and all compliance protocols, without facing any backlash or punishments, which limited the ultimate effectiveness of financial transparency measures (Beisland et al., 2015). On the other hand, external audits serve as a necessary line of defense against both unintentional errors and intentional fraud, which is particularly critical in markets that are susceptible to manipulation (Arda et al., 2018).

In recent years, international auditing standards have evolved, including the requirement to report on Key Audit Matters (ISA 701), which gives auditors additional tools to improve the credibility and transparency of their reports. The implementation of KAMs allows auditors to communicate the most significant and complex issues encountered during the auditing process, which improves the overall quality of information presented to stakeholders (Loverita & Januarti, 2024). However, disclosing the KAMs requires significant professional judgment and moral courage, as auditors must confront their client regarding disclosing sensitive risk areas. Furthermore, the expanded requirements of KAMs disclosures also have led to increased auditor workload, leading to potential increases in both audit report lags and fees (Loverita & Januarti, 2024). Therefore, while external audits are vital for transparency, the implementation of their success relies heavily on the independence of the auditor and the strength of the surrounding regulatory ecosystem.

3.2.1 Agency Theory and Information Asymmetry in Financial Disclosures

Agency Theory explores the inherent economic friction that arises from the separation of corporate ownership and corporate management. Corporate managers act as the "agents" that possess internal information regarding the operations of their company, whereas shareholders and external investors function as "principals" who suffer from severe information asymmetry. In a country like Bangladesh, the corporate agents are easily incentivized to manipulate financial disclosures to maximize their personal gain or conceal their operational inefficiencies. So, independent external audits are required to serve as an objective monitoring system to protect the interests of the principals (Arda et al., 2018). High quality external auditing mitigates this risk by offering an objective, third party verification of corporate accounts, which significantly enhances the investor confidence and lowers the cost of capital (Beisland et al., 2015).

3.2.2 Institutional Constraints and Ownership Concentration

While the traditional agency theory assumes a clear cut separation between shareholders and corporate executives, emerging economies like Bangladesh presents a distinct institutional dynamic, which is characterized by family dominated ownership structures of many large companies in the country. In this landscape, major family networks frequently control both the voting stock and the executive board seats, effectively rendering internal audit committees and independent directors weak or functionally obsolete (Sarker, 2022). This organizational vulnerability can lead to severe governance failures, as minority shareholders become practically non-existent, and the corporate transparency is regularly compromised by unauthorized inter-company loans and financial statement manipulations (Rahman & Rashid, 2019).

3.2.3 Regulatory Frameworks and the Evolution of Auditing Infrastructure

The regulatory frameworks for financial transparency in Bangladesh has undergone several comprehensive changes over the years, especially in legislations aimed at bringing the country's corporate landscape in line with international standards. The core foundational layer is established by the Companies Act of 1994, which requires annual statutory audits for all registered corporate companies. To further strengthen this framework, the BSEC issued the Corporate Governance Code of 2018, which details the mandatory requirements related to the mandatory rotation of external statutory audit firms (BSEC, 2018). Another major milestone occurred with the passing of the Financial Reporting Act of 2021, which authorized the creation of the Financial Reporting Council (FRC) as an independent governing body (FRC, 2021). From their website it can be noted that the FRC is tasked with monitoring the quality of audit services being conducted by CA firms, enforcing companies to be in compliance with International Standards on Auditing (ISA), and penalizing the negligent practitioners, which has introduced a new layer of systemic accountability for corporate companies across the nation.

3.3 Methodology

To describe the coverage of the study's objectives, the data collection methods for each objective is given below:

Objectives of the Study	Method of Data Collection
Objective 1: To evaluate the role of external auditing in promoting financial transparency and accountability within the corporate sector of Bangladesh.	Primary and secondary qualitative data collection through news articles, academic papers and interviews with senior audit practitioners at SMAC.
Objective 2: To analyze the role of auditors in detecting and preventing financial misstatements or fraud.	Primary and secondary and qualitative data collection involving KAM reports, academic papers, news articles, and interviews with senior audit practitioners at SMAC.
Objective 3: To identify the systemic and institutional challenges faced by external auditors in Bangladesh.	Secondary qualitative data collection from news articles, academic papers, and from working at SMAC.
Objective 4: To propose actionable recommendations for improving the audit ecosystem and enhancing financial transparency.	Secondary qualitative data collection from academic papers, news articles and from working at SMAC.

Table 3: Method of Data Collection

3.4 Findings and Analysis

Based on the core objectives of the study, the findings and the subsequent analysis have been categorized into four primary areas. The given insights are a blend of primary and secondary qualitative data on the basis of my practical exposure from working at SMAC, including interviews with the firm's partners along with researching and analyzing several news reports and some academic papers.

3.4.1 Promoting Financial Transparency and Accountability

When we evaluate the importance of external auditing, it is revealed that it has an indispensable role in enforcing financial transparency and accountability within Bangladesh's corporate sector. The presence of having reliable auditing processes fundamentally protects the interests of all principal shareholders (Kim et al., 2019). Furthermore, maintaining strict adherence to ISAs allows auditors to map and test their clients internal control environments systematically. This methodical verification process is quite crucial for mitigating any risks that may arise due to failure of correctly following through, such as failing to recognize real earnings management (Fatima et al., 2020). Modern auditing systems, such as the expanded disclosures of KAMs, further help to elaborate an auditor's professional skepticism and accountability, leading to better audit reportings and overall transparency (Fatima et al., 2020). By independently verifying complex financial disclosures, experienced auditing firms provide the assurance needed to stabilize any market imbalances and attract institutional investment, reinforcing the theoretical premise that auditing is a foundational pillar of corporate governance (Arda et al., 2018).

3.4.2 Detecting and Preventing Financial Misstatements or Fraud

In assessing an auditor's capacity to detect and prevent financial misstatements, the integration of Key Audit Matters or KAM reportings have emerged as a transformative standard. KAMs allow the shift from traditional pass/fail audit reporting models by providing stakeholders with more informed visibility into the auditor’s risk assessment and the specific procedures they deployed to address material misstatements (Velte & Issa, 2019). Analysis of recent KAM reports indicates that auditors are increasingly spotlighting complex risk areas such as revenue recognition and inventory valuation, which are historically prone to manipulation, especially in family dominated corporations (Rahman & Rashid, 2019). By explicitly detailing these high-risk areas, auditors not only flag the potential vulnerabilities to investors but also proactively document their adherence to statutory regulations, and in doing so potentially reducing their own litigation risks (Brasel et al., 2016).

Interviews with SMAC partners revealed that executing “ISA 240: The Auditor's Responsibilities Relating to Fraud” requires intense professional experience and through data knowledge. Applying this in practice often creates additional challenges which adds significant complexity to the audit cycle. Moreover, implementing these risk disclosures frequently leads to push back from client management which prolongs the audit timelines, requiring auditors to carefully balance their rigor with client relationship management (Loverita & Januarti, 2024). As a result, external auditors are a bit forced to navigate a delicate process between striving to uphold their statutory independence and objectively manage their clients needs.

3.4.3 Systemic and Institutional Challenges

Despite the statutory mandate for independent audits, external auditors in Bangladesh encounter severe systemic and institutional challenges that restrict the execution of auditing standards. Weak regulatory enforcement significantly undermines the systematic effectiveness of internal corporate audit committees (Sarker, 2022). In many Bangladeshi firms, sponsor shareholders and family networks retain concentrated control over both executive management positions and board seats, leaving minimal room for independent oversight or minority shareholder protection (Rahman & Rashid, 2019). This corporate dynamic establishes an environment where internal control mechanisms are often weak, increasing the risk of unauthorized transactions and earnings manipulation (Hasan & Molla, 2018). Auditors may face pressure from corporate executives who may resist transparent financial disclosures or challenge the inclusion of critical risk statements in the audit report as it might strain the company's operations.

Furthermore, the auditing industry is burdened by a persistent "audit expectation gap" which distorts the public perception regarding auditing standards. Corporate managers and investors incorrectly assume that an external auditor's primary responsibility is to actively hunt for and prevent all instances of corporate fraud, failing to understand that the actual statutory role is to provide reasonable assurance that financial statements are fairly presented and free from material misstatements (Akther & Xu, 2020). This mismatch in expectations erodes public trust and the perceived credibility of the accounting profession whenever a corporate failure or accounting scandal emerges unexpectedly in the financial markets (Reza & Khatun, 2020). To mitigate such issues, professional CA firms like SMAC rely on their own internal ethical standards and strict quality control procedures. They enforce rigorous internal partner review systems and prioritize long term professional reputation over short term client retention.

3.4.4 Actionable Recommendations for the Audit Ecosystem

To overcome these systemic challenges and improve the audit ecosystem, actionable macro-level and micro-level changes are required. Based on practical insights from SMAC's operational strategies, the first recommendation is to enhance regulatory enforcement by governing bodies such as the Financial Reporting Council and the Bangladesh Securities and Exchange Commission. The law is in place, but the governing bodies need to shift from the passive stance to actively enforcing them. They can do this by making much harsher penalties like taking disciplinary actions against the companies that do not follow the mandatory financial compliance policies and laws (Sarker, 2022). Additionally, corporate fraud is becoming more and more complex, digitized, and elusive, and so structural reforms need to be accompanied by sophisticated technical skills in the auditing firms themselves.

Forensic data analytics along with artificial intelligence are continuously evolving and so auditors should update their skills to remain current with increasingly sophisticated financial reporting manipulations (Jannat, 2022). By integrating advanced auditing tools into standard audit procedures, firms like SMAC can significantly enhance anomaly detection and elevate overall audit quality.

Finally, alongside technological integration, promoting financial literacy campaigns for minority investors can increase the market's demand for more transparent reporting (Jannat, 2022). When retail and institutional investors are educated to correctly interpret complex audit reports it effectively closes the "audit expectation gap" and creates a holistic ecosystem that elevates the market integrity (Jannat, 2022).

3.5 Summary and Conclusion

This study reviewed the importance of external auditing in ensuring financial transparency and accountability in the country, based on the practical qualitative findings obtained from the firm, Snehasish Mahmud & Co. (SMAC) as well as through secondary academic research. The main findings are that independent external audits are very important when it comes to minimizing information asymmetries and safeguarding the interests of key stakeholders. However, there are significant systemic challenges like weak regulatory enforcement, family controlled corporate ownership structures, and the resistance that clients put up when the auditors disclose KAMs that present high risk for the client companies. Moreover, "audit expectation gap" suggests that the auditing firm should be under a strict duty to prevent fraud in absolute terms. Furthermore, the study shows that there should be calls for the regulatory bodies to move out from passive and into a more active enforcement measure, with more severe penalties. Finally, it states that the use of advanced data analytics and artificial intelligence should be implemented by auditing firms to keep up to date with modern technological advancements, while also recommending the use of targeted financial education campaigns to educate investors and close the expectation gap in a natural way.

3.6 Recommendations

To further enhance financial transparency to support the work of external audit firms, the following recommendations are proposed:

1. **Enhance Regulatory Enforcement:** Governing bodies should shift from passive oversight to active enforcement by imposing harsher penalties and disciplinary actions against non-compliant companies. This will foster a more financially transparent environment.
2. **Prioritize Internal Ethical Standards:** Audit firms should strengthen their internal ethical policies so that they are able to resist pressure from corporate executives who are not willing to disclose financial matters in a transparent manner.
3. **Adopt Advanced Technological Tools:** To combat the increasingly developing and complex corporate frauds, audit firms should continuously update their expertise in data analytics as well as artificial intelligence to improve efficient inconsistent data detection and elevate the overall audit quality.
4. **Promote Financial Literacy:** There should be targeted educational campaigns for minority, retail, and institutional investors to teach them how to correctly interpret the audit reports and make a more informed decision in regards to investing in companies.

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