




2015

# INTERNSHIP REPORT

Hoda Vasi Chowdhury & Co. Chartered  
Accountant



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ID- 11204006



Inspiring Excellence

**Internship report**

**On**

**Audit Procedure of Hoda Vasi Chowdhury & Co**

*Date of submission 24<sup>th</sup> August, 2015*

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## Letter of Transmittal

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24<sup>th</sup> Aug, 2015  
Ms. Sayla Sowat Siddiqui  
Lecturer  
BRAC Business School  
BRAC University

**Subject: Submission of Internship report.**

Respected Madam,

It is a pleasure to be able to handover the report of my internship program to you “**Audit Procedure of Hoda Vasi Chowdhury & Co**”.

The internship program has provided me the opportunity to work with the employees of **Hoda Vasi and Chowdhury** Chartered Accountants which gave me valuable insights about the life in an organization. This really helped me significantly to enhance my practical knowledge.

This task has also given me the opportunity to explore the activities of audit firms. The report contains a working procedure of Chartered Accountants. It was a great pleasure for me to have the chance to work on the firm which remains one of the top leading firms in Bangladesh.

I, therefore, convey my thanks to you for your kind cooperation, supervision and advice in conducting and preparing this report. I have completed the whole program with great passion. I appreciate you will evaluate my report considering the limitations of the study.

Sincerely,

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Mahbub Ahmed  
Id: 11204006  
BRAC Business School  
BRAC University

## Letter of Approval

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This is to certify that Mahbub Ahmed, ID.11204006, a student of BRAC University of BRAC Business School has completed the internship report titled “**Audit Procedure of Hoda Vasi Chowdhury & Co**”, under my supervision. His internship placement was at Hoda Vasi Chowdhury & Co. Chartered Accountant Firm. I am pleased to state that he has worked hard in preparing this report and he has been able to present a good picture of the concerned organization. The data and findings presented in the report seem to be authentic.

I wish him every success in life.

.....  
Ms. Sayla Sowat Siddiqui  
Lecturer  
BRAC Business School  
BRAC University

.....  
Mahmudul Alam  
Deputy Manager  
Audit & Consultancy  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

## Acknowledgement

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Firstly, I would like to endow my whole hearted gratitude to Mr. Mahmudul Alam, Deputy Manager, Hoda Vasi Chowdhury & Co. for all his support and motivation towards the completion of this report.

Secondly, I owe a liability of thankfulness to MS. Sayla Sowat Siddiqui, Lecturer of BRAC Business School for all her provision and guidance from the start of my Job to the completion of this report.

Last but not the least; I would like to thanks Mr. Syed Shahidullah Al Mahfuz, Audit Assistant, Hoda Vasi Chowdhury & Co. who have assisted me a lot by giving me his valuable time and advice for the preparation of this report and also supervising me throughout my internship period. He have given me lots of valuable knowledge which is implemented in this report.

To conclude, I would like to thank Almighty Allah for providing me the strength and knowledge to make this report a possibility.

## Executive Summary

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*The report has been written with the intention of providing its reader a clear idea of how an audit firm deals with the concept of audit procedure. Hoda Vasi Chowdhury & Co. is one of the top Chartered Accountant firm in Bangladesh which provides various services like statutory audit, consultancy, taxation services and many more.*

*Within the period of internship program, I was assigned in Rakeen Development Company (BD) as a junior auditor. I have worked in this report followed by the knowledge that I have gained from working, trainings and my personal experiences.*

*The first part of the report consist an introduction and description of the report. The second part of the report contains of background of Hoda Vasi Chowdhury & Co. In the third I briefly discussed my learning, in the fourth part I have tried to discuss about the audit procedure of Bangladesh followed by Hoda Vasi Chowdhury details in the fifth part. In the sixth part I discussed about my audit practice in Rakeen Development Company (BD) as well as an overview of the company. Last but not the least I tried to focus on some of the findings that I have found during these period of internship and tried to recommend some solutions which will minimize the problems that I have mentioned in my findings. Later, I have tried to draw an overall conclusion of the report.*

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# *CHAPTER 1*

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- Introduction
  
- Description of the Report:
  - Objective of the report;
  - Methodology of the report;
  - Limitations of the report.

## *Introduction*

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Only theoretical knowledge is not enough to survive in the modern era corporate world. In order to collaborate between practical and theoretical knowledge our university influence us to take an internship program. Internship program is where students can gain soft skill in real scenario and experience of the practical and professional world. Thus, we are required to take an internship program in any organization.

An internship is an opportunity for a student to choose between various careers they want to peruse. As from the very beginning I have aimed to peruse Chartered Accountancy after completion of my A 'Levels. Slowly but steady I continued to dealt with my vision and clear my way to goal. After my graduation from BRAC University, I choose "Hoda Vasi Chowdhury & Co" to complete my internship program which is one of the top most Chartered firms in Bangladesh. Through my internship program gave me the opportunity to gain practical knowledge on how an accounting firm operates in reality. Moreover, it is being a great opportunity for me to work in a Chartered firm which serves and provides a huge number of clients all over the Bangladesh.

This study gave me an opportunity to know and observe the procedures of auditing. I was assigned as an audit student of Hoda Vasi Chowdhury & Co and was engaged for the audit of Rakeen Development Company (BD), which was provided by my firm. The report will brief my gathered practical experience on audit procedure.

## *Description of the report*

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### **Objective of the report:**

Internship program are required to develop the working knowledge by relating it to the theoretical knowledge that we learned in the process of completion BBA Program. There is a huge difference between reality and bookish knowledge. In reality theoretical aspect is not always applicable. Hence, to minimize the difference it is essential to work in an organization. Moreover, internship is a pre-requisition for completion our graduation from BRAC University.

The purpose of this internship placements are:

- Internship provides an intern with first time working experience.
- Internship enables us to relate our theoretical knowledge with practical knowledge.
- Internship helps to adjust an intern with the organization's atmosphere.
- Internship helps to structure our confidence with in an intern to become a successful employee.
- Internship enables to have an overall idea on the audit procedure of Hoda Vasi Chowdhury & Co Chartered Accountants.
- Internship helps to gain practical knowledge on how audit is performed in corporations, companies and non-profit making organizations.
- Internship helps in to identify about how to accumulate and process evidences to construct an audit report.

### **Methodology of the report:**

The preparation of the internship report provides some understandings on “Audit procedure” in Bangladesh. The information is collected from two types of sources:

- Primary sources.
- Secondary sources.

Primary Sources:

1. Primary information is collected by working with audit teams.
2. Information collected through audit managers, audit assistants and existing students of the firm.
3. During my work I observe and collected various information's that are related with my report.

Secondary Sources:

- Information collected from audit working papers from Hoda Vasi Chowdhury & Co.
- Information collected from various publications, books, files and Internet. Example: Bangladesh Standards of Auditing (BSA).

**Limitations of the report:**

The main objective of the report was to make a thorough study of external audit procedure. Throughout my internship period I have faced different obstacles which I had to handle efficiently and effectively. Moreover, during writing my report I also had faced some limitations. Some of the limitations are shown below:

1. Time Constraint: Audit procedure is a huge concept and quite difficult to master it's all aspects. I tried to project those aspects that I learned throughout my internship program. Hence, many aspects can be discussed if there was enough time.
2. Limitation in Practical atmosphere: As a junior student, I was given very limited responsibility to fulfill as I may make huge mistake in sensitive issues. Thus, the scope was limited for me to understand the whole process of auditing.
3. Firm's Code of Conduct: I was not authorized to provide several information regarding audit procedure because to maintain confidentiality of my firm and its client. Thus, I was not able to write everything in details which I wanted to.

## ***CHAPTER 2***

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### **Background Information of Hoda Vasi Chowdhury & Co.**

- History.
- Firm's historical events.
- Firm's Profile.
- Vision, Mission.
- Shared Benefits.
- Strengths.
- Services Provided by HVC.
- Major Industries receiving services.
- Organization chart of Hoda Vasi Chowdhury & Co.
- Role of Personal.

## *Background Information of Hoda Vasi Chowdhury & Co.*

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### **History of Hoda Vasi Chowdhury & Co:**

Hoda Vasi Chowdhury (HVC) is one of the top and oldest professional services firms in Bangladesh. For about 50 years, HVC has provided high-quality financial, taxation and management services to a diverse and successful client base operating across various industry and business segment. It started its practice in this vision in 1962 under the name and style “A F Ferguson & Co”, a Scottish firm. Since then, as an innovative and highly professional public accounting and consulting firm, HVC serves as trusted auditor and valued advisor to over 1,000 clients by delivering objective, clear and practical advice to assist their client’s growth and succeed in their chosen field.

HVC is uniquely positioned to impart quality, cost-effective and practical advice to clients that include multinational corporations, private businesses, non-profit organizations, governmental entities, emerging or start-up firms, coupled with the personal relationship, value-based fee structure and service continuity.

In late ninety’s, HVC significantly expanded its management consulting services in order to meet the growing demands of their clients and the challenges of the promising Bangladesh economy.

HVC employs qualified professionals who work under the direct supervision of partners in the fields of auditing, accountancy, taxation, business advisory services, consulting and other special assignments. Presently, HVC has over 200 professionals in various fields in addition to 28 admin and support staffs.

**HVC Historic Events:**

1947 - A. F. Ferguson & Co (AFF) established office in Pakistan - Karachi and Lahore;

1961 - AFF took over Price Waterhouse clients on its cessation;

1962 - AFF practice started in Chittagong;

1963 - Opened Dhaka Office;

1972 - Succeeded AFF Bangladesh practice after renaming the firm to HVC;

1998 - Restructured & inducted four partners;

2001 - Expanded and two more partners joined;

2001 - Opened new national office at new commercial hub (Kawran Bazar);

2014 - Restructured and inducted two partners &

2014 - Became the Authorized ACA Training Employer by ICAEW.

**Firm's Profile:**

Name of the Firm	• Hoda Vasi Chowdhury & Co.
Address	• BTMC Bhaban (8th and 7th Floor), 7-9 Kazi Nazrul Islam Avenue Kawran Bazar C/A, Dhaka-1215
Phones	• (880-2) 9140094
Fax	• (880-2) 8119298
Web	• <a href="http://www.hodavasi.com">www.hodavasi.com</a>
Branch Office	• Motijheel office: Ispahani Building (3rd floor) 14/15 Motijheel C/A Dhaka-1000. • Chittagong Office: Delwar Bhaban (4th floor) 104 Agrabad C/A Chittagong-4100.

**Mission:**

- To excel our relentless efforts for the steady growth of our clients.
- To keep pace with global growth and development in technology and professionalism with high ethical standard.



**Vision:**

To uphold the reputation and recognition as one of the best professional service providers in this region.

**Shared Beliefs:**

- Outstanding value to clients.
- Commitment and integrity to each other.

**Strengths:**

<b>Organizational</b>	<b>Operational</b>	<b>Professional Approaches</b>
<ul style="list-style-type: none"> <li>• Vast experience and high level competence of about 50 years;</li> <li>• Average experience of 20 years of the professionals;</li> <li>• Professional commitment; &amp;</li> <li>• More than 200 professionals from different disciplines.</li> </ul>	<ul style="list-style-type: none"> <li>• Vast experience and high level competence of about 50 years;</li> <li>• Average experience of 20 years of the professionals;</li> <li>• Professional commitment; &amp;</li> <li>• More than 200 professionals from different disciplines.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing the need criteria;</li> <li>• Mapping the value delivery system;</li> <li>• Identifying core business processes;</li> <li>• Developing methodology and task;</li> <li>• Focusing the path forward connecting to tomorrow; &amp;</li> <li>• Understanding the strength, weakness, opportunities and constraint of assigned tasks.</li> </ul>

**Services Provided by HVC:**

HVC helps their clients to keep pace with competitive and fast moving business environment, HVC offers wide range of services. Its expertise extends into different areas of financial, taxation, management and advisory matters. It also renders services to international development agencies and expatriate consultants those are associated with various projects in Bangladesh.

Most of the common areas of services are:

<b>Audit and Assurance</b>	<b>Fiscal and Taxation</b>
<ul style="list-style-type: none"><li>• Statutory/Annual Audit.</li><li>• Special Purpose Audit/Review.</li><li>• Agreed Upon Procedures Work.</li><li>• Negative Assurance.</li><li>• Interim Review.</li><li>• Internal Audit.</li><li>• Operational Audit.</li><li>• Performance and Compliance Audit.</li><li>• Corporate Governance.</li><li>• US GAAP/ UJS GAAS Reporting.</li><li>• Corporate Governance.</li><li>• Basel II Implementation.</li></ul>	<ul style="list-style-type: none"><li>• Corporate Tax.</li><li>• Value Added Tax (VAT).</li><li>• Other Indirect Tax.</li><li>• Individual Tax Including Expatriate Tax.</li><li>• Tax Advisory Services.</li><li>• Tax Planning &amp; Tax Compliance.</li><li>• Tax Due Diligence.</li><li>• Transfer Pricing.</li></ul>

<b>Business Advisory and Transaction Services</b>	<b>Management Consulting and Other Special Services</b>
<ul style="list-style-type: none"><li>• Due Diligence.</li><li>• Business Valuation.</li><li>• Corporate Restructuring.</li><li>• IPO Assistance.</li><li>• Capital Market Advisory.</li><li>• Joint Venture and Business Collaboration.</li><li>• Feasibility Study.</li><li>• Technical Collaboration.</li><li>• Company Formation and Corporate Services.</li><li>• Setting up Liaison / Branch Office.</li><li>• Enterprise Risk Management.</li><li>• Information Security and Risk Management.</li><li>• Setting up Provident, Gratuity, and Pension Funds.</li><li>• Market Research, Survey and Studies.</li></ul>	<ul style="list-style-type: none"><li>• Development Project Management.</li><li>• Donor Funded Project Assistance.</li><li>• IT Systems Design and Implementation.</li><li>• Executive Search and Selection.</li><li>• Immigration Verification Services.</li><li>• Foreign Remittance.</li><li>• Forensic Investigation.</li><li>• Salary survey.</li><li>• Training &amp; Capacity Building.</li><li>• Financial System Design.</li><li>• Accounting Manual and Chart of Accounts Preparation.</li><li>• Health &amp; Nutrition Surveys.</li><li>• Outward Remittance Certification.</li><li>• Cash Incentive / Subsidy Certification.</li><li>• Salary &amp; Benefit Survey.</li><li>• Work Permit &amp; Visa Processing for Expatriates.</li></ul>

<b>Business Process Outsourcing (BPO)</b>	<b>Associate Consultants</b>
<ul style="list-style-type: none"><li>• Payroll Management.</li><li>• Book-keeping &amp; Accounting.</li><li>• Secretarial Services.</li><li>• Personal Tax.</li><li>• VAT, TDS.</li><li>• Airlines Remittance services.</li><li>• Provident Fund accounting.</li><li>• Statutory return preparation &amp; filing.</li><li>• Quarterly return preparation &amp; filing.</li><li>• Document Management and record keeping.</li><li>• Disaster Recovery and Business Community Support.</li></ul>	<p>HVC has a number of associate consultants to work on special projects and services, namely</p> <ul style="list-style-type: none"><li>• Health &amp; Nutrition.</li><li>• Human Resources.</li><li>• Engineering.</li><li>• Material Surveyor.</li></ul>

**Major Industries receiving services:**

**Manufacturing and Trading**

- Apparel
- Chemical processing
- Engineering
- Cement
- Fabricated products
- Pharmaceuticals
- Jute goods/garments/textiles, etc.
- Food products

**Commercial services**

- Courier and cargo services
- Hospitals
- Airlines
- Hotels

**Finance**

- Banking
- Investment
- Insurance
- Capital Market
- Security Service
- Companies

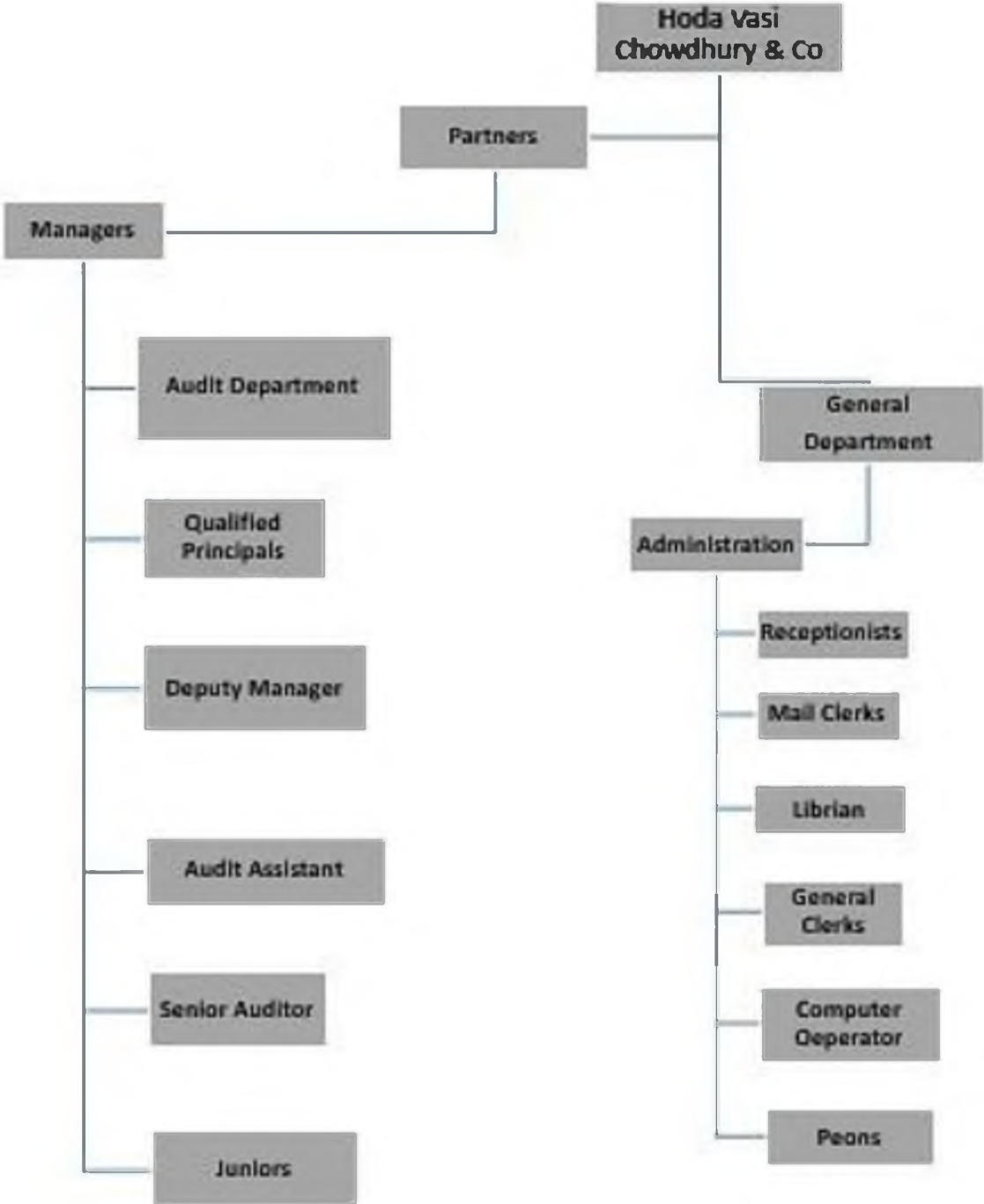
**Energy and Telecommunications**

- Oil and gas
- Power and power generation
- Telecommunication
- Mining

**Non-profit organizations**

- NGOs
- Charitable organization
- Universities
- Foundations

Organization chart of Hoda Vasi Chowdhury & Co.:



**Role of Personal:**

**Partners:** The role of partners is to catch the attention of new clients for providing service and sometimes clients also come over to the firm themselves. The associates must make sure that the existing clients are provided the finest service.

**Audit Managers:** Audit managers must be Chartered Accountant who can assist partners in different way. He/she should analysis the audit report before signing the audit report.

**a) Supervisors:**

It is not necessary for the supervisors to be a chartered account. He can also be a course complete student having huge experiences at the field of accountancy. He is being supervised by the audit manager when and where an audit activity is performed and how it is to be performed.

**b) Senior Student:**

An audit senior has some experience in the accountancy field before he is designated as the audit senior of the firm. He is under the direct supervision of audit manager and supervisor.

**C) Semi- Senior Student:**

A semi-senior student must complete 1 year of article ship in the firm. He is responsible to the senior student of the firm when he doing any fieldwork.

**d) Junior Student:**

Junior- Students are fresher who have joined the audit firm.

## ***CHAPTER 03***

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### **My Working Experiences at Hoda Vasi Chowdhury & Co.**

- Introduction.
- Nature of the Job.
- Job Responsibility.



## *My Working Experiences at Hoda Vasi Chowdhury & Co*

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### **Introduction:**

I have joined Hoda Vasi Chowdhury & Co at 1<sup>st</sup> July 2015 which fulfill the requirements of my under graduation program. From the beginning I was given basic ideas on how firm's workflows work. It was very thoughtful of my manager to provide me some materials for studying just to get an idea on assurance and accounting. The main idea was to lessen up the gap between theoretical and real life scenario. It was very much frustrating for me to study some books at the very first day of my career. However, I was called and given an annual report of Rakeen Development Company (BD) to study thoroughly. After reading it carefully I found out that this company is having losses for many years just because they have a huge operating and administrative expenses. However, initially I was able to find out only one aspect but later I learnt many new things to scan an annual report.

Two other senior auditors and I went to Rakeen Developments Company (BD) for doing an interim audit. They make me understand the internal control system of the company. They use ERP system for their accounts. Moreover, they appointed me to look after operating and administration expenses. They also discuss everything in brief so that I can actually perform the tasks.

The practical orientation is necessary for the development and preparation of a person before entering into the corporate world. The things that I have learned at Hoda Vasi Chowdhury & Co are:

1. Meaning of responsibility;
2. Accountability to the profession;
3. Obligation of commitment;
4. Auditing and Reporting responsibilities;
5. Working with ethics;
6. Working Independently;
7. Client dealings;
8. Bangladesh accounting standard (BAS);

9. International standard of auditing (ISA).
10. Punctuality and regularity is very important; and
11. Ability to interact with different sorts of people.

**Nature of the Job:**

Worked in a Chartered Accountancy firm named Hoda Vasi Chowdhury & Co, Chartered Accountant as a Probationer student from 1<sup>st</sup> July 2015 to present.

**Job Responsibility:**

As I am a probationer student my task was to only look after operating and administrative expenses and that's why my job responsibility varies from client to client. Thus, my job responsibilities in Rakeen Development Company (BD) are as follows:

- Obtained schedule of operating and administrative expenses from the draft Financial Statements and matched with General Ledger and Trial Balance.
- Performed vertical analysis and identified major heads of expenditure.
- Scanned the ledger from unusual/large transactions and vouched with supporting documents (Purchase order, invoice, delivery challan, bank statement, personal files of employees and bank payment advice approval statements).
- Checked TDS & VDS deductions.
- Checked whether cutoff, maintained or not.
- Checked whether expenses have been classified to appropriate heads.
- Preserved necessary supporting documents.

## ***CHAPTER 4***

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### **Auditing procedure in Bangladesh**

- General Definition of audit process and procedure.
- Audit process and procedure standards or guidelines in Bangladesh by ICAB.

## *Audit Procedure in Bangladesh*

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### **General definition of audit process and procedure:**

Each and every company maintains their own internal accounting system. Though they have their own accounting system but at the end of the day an independent audit firm checks all their workings and provides opinion about true and fairness of their accounts. Moreover, properly executed audits will identify various problems in a particular firm that is being audited. At the end of the audit, auditors will provide an audit report which shows that whether the company maintains a true and fair view in their reports or not.

### **Audit process:**

It is a systematic order of steps followed by the auditor in the examination of client records. The audit process may vary upon various aspects, example- nature of the engagement, audit objectives provided by the client and types of audit assurance. Furthermore, the process includes understanding every particular client's environment, conducting the auditing procedure and tests, appraising the audit results and communicating the results to interested parties.

### **Audit procedure:**

It is auditor system in gathering evidence reviewing proof to substantiate the dependability of the accounting records. The inspector assesses whether the data displayed is consistent and sensible. Examples of auditing procedures are observing assets to verify existence and amount (e.g., fixed assets), collecting independent confirmations from external parties (e.g., bank confirmation), evaluating internal control, appraising management's activities, and obtaining management representations. The review systems to be taken after on an engagement are shown in the review program. The work papers demonstrate what has been done on the review.

**Audit process and procedure standards or guidelines in Bangladesh by ICAB:**

Institute of Chartered Accountants of Bangladesh guided and regulated the firms of Bangladesh. ICAB has recommended and provided the firm with different subject regarding auditing. Like others it has suggested auditing procedures that can be followed by the audit firm in Bangladesh in its Audit Practice Manual.

Audit process suggested by Audit Practice Manual (APM) may be summarized as follows.

1. Planning.
2. Collection of evidence.
3. Controlling and recording.
4. Review and opinion.



Figure: Audit Process

***1. Planning:***

Before any work planning is essential which will lead to success. However, in our profession planning is the key measures. Unless you are very fortunate, any task is not planned will probably f wrong in various ways. Example: without planning the project may take too long to complete, it will not address the key risks and there will be no directions among the auditors.

It is a main requirement of **International Standard Auditing 300** that all audits are planned properly. In Bangladesh the rules are also followed and became a standard rules for every firms to follow or to make a planning schedule beforehand. Planning helps the auditor to:

- ✓ Allocate appropriate attention to significant areas of the audit.
- ✓ Classify and resolve potential difficulties on a timely basis.

- ✓ Accurately organize and accomplish the audit engagement so that it is performed in an effective and efficient means.
- ✓ Identify audit risks.
- ✓ Select engagement team members with appropriate levels of skills and competence to respond to predicted risks, and the appropriate assignment of work to them.
- ✓ Direct and supervise engagement team members and to evaluate their work.
- ✓ Co-ordinate the work done by auditors of components and experts.

Bangladesh Standards of Auditing (BSA) also tells us that there should be a standard documentation of specific clients planning memorandum.

This planning memorandum is prepared according to the envisaged audit strategy and is based on cumulative audit knowledge and experience as well as important matters which have been brought to the attention of the auditors. Moreover, an understanding of the functioning of the organization need to be obtained, including how it is operated, managed and how accounting and other information are processed in the audit work.

It should be noted that the planning of an audit is a continuous process and that the strategy and planed audit approach may change as new information comes to auditor's attention during the course of the audit.

The document should ensure that expectations of all relevant parties are met and that the strategy takes full cognizance of significant management concerns.

Furthermore, there are other information's also which is provided under planning documentation. Planning document includes about the company and its business.

- What the entity does?
- How it conducts its business?
- What are the risks and where?
- How the auditors are going to audit the company?

These questions answer should be in the planning memorandum. However, to answer these questions auditors seek for different issues that need to be done accordingly.

***Points for Consideration in Audit Planning:***

Audit planning requires a high degree of discipline on the part of the auditor. In order to make the planning more meaningful, the auditor should take into consideration the following matters in relation to the audit engagement:

**(a) Initial work to be done in addition to the actual Audit Work:**

This will include such matters as inventory, cash count, debtors' circularization and review of previous year's working papers. This will remind the auditor of those matters brought forward from the previous year and any other points to be resolved in the current year or problems projected. Thus, checking each closing balances from last year is necessary to avoid fraud. Most of the time it has been seen that it does not matched with the opening balances of current year.

**(b) Changes in rules or any Auditing Standards or Guidelines:**

International standards of auditing (ISA) and also Bangladesh standard of auditing (BSA) brought with it a lot of changes in accounting and auditing requirements of companies. Such rules whether in respect of all companies or particular industrial group, must be followed as per as the laws. Auditors should look after that each clients they serve they fulfill those standards in making their financial statements or reporting requirements of the enterprise.

**(c) Analytical Review of Available Management Accounts and Other Management Information that Relate to the Accounts**

If the auditor establish such analytical reviews then they will be able to know more about the reliability of the company's accounts. For example, the computation payroll cost with the number of employees. An actual presentation of real life scenario will be discussed later on.

**(d) Changes in the Business or Management**

Creation of new sister concern or to establish a new product line can affect the business. That is why the audit plan will be tailored as per as circumstances. Changes in the head of management will also be a concern because the new management will implement new strategies.

### **(e) Changes in the Accounting System**

The introduction of computers such that when a company introduces substantial deviations in its operating processes will be need a review and evaluation of the system of internal control. Moreover, the system software can be changed or the company buys a new and advanced accounting software for preparing their accounts. Example: ERP, SAP and Tally. Thus, reviewing those new software's is essential.

### **(f) Deadlines Established for the Submission of Audit Report**

Where a client has set deadlines for its statutory activities such as the annual general meeting, it is important for the auditor to work in line with such programs. However, there are more aspects that a firms particularly follows within or beyond the accounting standards:

#### ***Assessment of risk and materiality:***

As an auditor we had to check the company's work with in a very short period of time. But the account of the clients we look after it may be interim or annually. Hence, auditors had to do their work efficiently and effectively. Materiality is definition means that it is the effect that missing or incorrect information has on the information contained within an entity's financial statements. It is sometimes construed in terms of net impact on reported profits, or the percentage or dollar change in a specific line item.

*"Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."*

Thus, as an auditors we seek for those accounts which we think that it could be related with material or immaterial. Example: normally if expenses are increased in accounts we Debit that particular entry and credit the bank Account or payables. But it is rare to find expenses were accounted in credit and bank account is debited. That's where we want to know what happened in that particular transactions to check materiality. However, the risk in particular is



at core of the approach to audit set out in the BSA. Thus, we use sampling method to determine whether to check a transaction or not.

**Analytical review:**

The auditor should apply analytical procedures as risk assessment procedures to obtain an understanding of the Company and its environment (BSA 520.8). The auditor should apply analytical procedures further at or near the end of the audit when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's understanding of the Company ACT (520.13). A chart of analytical review is shown in the appendix 1.

Auditor's comments on the complexity and uncertainty of the business. They seek for evidence and cross check different elements so that they can comments on risk and materiality.

**Test Controls:**

Under the old rules of Bangladesh standards of auditing (BSA) testing of internal control system was optional for the auditors. Whereas now it is mandatory to look after the clients internal system so that we can know that they are preparing proper accounts as per as the standards. The auditors can test the effectiveness of the clients system and establish an opinion on that.

- To understand the entity it is a requirement to evaluate the design and system of the clients' accounts.
- Not only enquiry but also inspecting the documents or tracing a transactions will provide a clear picture of the system.
- Testing of the operational efficiency of internal controls is mandatory where the risk assessment includes an expectation that controls are operating effectively, or substantive tests alone do not provide sufficient evidence of their operation.

## ***2. Collection of audit evidence:***

The audit program manual describes how to get an effective collection of evidence from the clients. It is a very crucial task for the auditor to collect documents for the client because sometimes the internal management does not cooperate with the auditors. Sometimes there is a stereo type belief among the management that auditors will want more papers from them which ultimately leads to extra work pressure on them. However, some believes that it is the duty of the management to provide everything that an auditor needs for having a clear picture or having transparency in their Financial Statements.

Furthermore, from the perspective of auditors they suspect that if there is no problem in your system or misstatement, fraud then what is the problem to provide all the documents they required to check. To minimize the hassle auditors seek for sampling methods which helps them to work faster and to check efficiently and effectively.

### **Audit Tests:**

Audit tests are referred to in practice by a variety of names. Generally, audit tests can be divided into two types, compliance and substantive tests:

- Compliance tests are those designed to provide evidence as to whether the internal control procedures are being operated as planned; and
- Substantive tests are those designed to substantiate the validity, accuracy and completeness of amounts appearing in the financial statements and related notes.

The question of how many transactions to test has always been a debatable question. That is why for the betterment of the work SAMPLING methods are used to check the transactions. Tests design should vary from client to client. Tailoring the methods or drafting of programs using Audit program manual is essential. Clearly, any sample must be representative of the whole population and it must be sufficiently large to enable credible conclusions to be formed. The workout of decisions must finally determine the sufficiency of sample sizes. The use of intrinsic risk factors, materiality and population characteristics may give a useful theoretical initial point but ultimately decision must overcome. The standard risk model does at least provide a benchmark against which to assess the reasonableness of your decision. Moreover, while sampling auditors choose also those documents which seems suspicious and also have a scope of doing fraud.

**Consider internal control structure:**

As per **BSA-610**, audit team can ask for support from internal auditors. Again internal control structure provides a complete impression about the threat that must be measured. If the client has a solid internal control then the audit risk can be reduced. And this will have an influence on sample size also. But if the client does not have an internal control system there may exist high prospect of material misstatement and audit risk, thus increase in sample size. To check internal control an internal control questionnaire is prepared. A standard internal control system checklist is given in the appendix 2.

**Evaluation of internal control:**

**1. General:**

The auditor must satisfy himself on the records and books can be relied upon the basis for the preparation of the financial statements. The auditors must take a good review of the client's internal control, book keeping systems and accounting. The evaluation of a client's system of internal control enables the auditors to understand whether the system contains enough controls or not. If not there is a possibility of being fraud and misguide by the management. To measure the effectiveness and efficiency of the internal control system auditors run test upon the system by seeking.

**Basic Controls**

The basic controls are those controls built in to the system and which operate all the time in respect to enter transactions and create general ledger, trial balance and posting necessary records in the subsidiary accounts.

**Disciplines over Basic Controls**

This is basically for the management's supervision and routine stock checks in the inventory and other areas by which one top managements can supervise their employees and their works.

The techniques employed to record and evaluate the system of accounting and internal controls are usually one or more of the following:

- (i) The use of narrative, with an aide memoire or checklist;
- (ii) The use of flow charts; and

(iii) The completion of an internal control questionnaire that includes questions designed to establish what the system is, as well as questions relating to the evaluation of the relevant controls, the first two being to record the system while the third is to evaluate the effectiveness of the system.

## **2. Management letter:**

After the auditor has completed his evaluation of the internal controls and the tests to confirm whether the appropriate internal control procedures are operating, he should report to the client on any internal control insufficiencies that have come to his attention and on any other matters (of an operational nature) which he considers relevant at this stage. If additional matters come to his attention later as a result of applying substantive tests, these should be reported to the client at that stage.

## **Evaluation of errors:**

When errors found it must be evaluated to determine what actually has happened. What will the impact on the accounts as a whole? Auditors may try to find the necessary documents regarding those errors if not found they will note this in their observation. However, correcting any kind of fraud, misstatements and error is not the duty of an auditor.

## **3. Controlling and recording:**

### **Audit Evidence**

The auditor supposed to have sufficient evidence against his claims or opinions otherwise the opinion is not justified. The auditing guidelines on audit evidence gives guidelines on what establishes satisfactory audit evidence.

Audit evidence is information, written or oral, obtained by the auditor to support the conclusions on which he bases his opinion on the financial statements. Sources of audit evidence include the client's accounting system, and original documentation, tangible assets, management and other employees, consumers, dealers and other third parties who have dealings with, or information of, the client's business.

*The auditor's judgment as to what constitutes relevant, reliable and sufficient audit evidence is influenced by such factors as:*

- (a) His knowledge of the client's business and the industry in which it operates; and*  
*(b) The degree of risk of misstatements through errors or irregularities, this risk may be affected by such factors as:*

- *The nature and materiality of the items in the financial statements;*
- *The auditor's experience as to the reliability of the client's management and staff and of its records;*
- *The financial position of the clients;*
- *Probable management bias; and*
- *Persuasiveness of the evidence.*

However, documented evidence is more likely to be reliable than oral evidence. The auditors seek for those documentation that satisfy his need not what the clients showed to the auditor. Sometimes, to check the transaction it is necessary to visit physically if it is possible. For example: in terms of inventory, auditors do not rely on papers rather the physically visit those warehouses and see whether the documented against inventory is reliable or not.

### **Assessment of Risk:**

Audit risk is present in the giving of any audit opinion on financial statements. Elements of audit risk include those arising:

- from the business environment in which the entity operates;
- from the operation of the entity's control systems; or
- From the failure of audit procedures, including 'sampling risk'.

### **General risk assessment**

General danger describes to the business and administrative environment in which the review of the clients works. It is likewise influenced by the business chances the element faces and an evaluation of the honesty of administration. This appraisal ought to help with deciding the risk of the engagement in general. The higher the obvious risk, they bring down the assessment chance that the reviewer is willing to take and the more noteworthy the review affirmation that is required.

### **Specific risk assessment**

The assessment of specific risk achieves two objectives:

- It might be utilized as a part of the connection of the little organization to evaluate the degree to which the full review project procedure can be predestined in the specific circumstances of the review being referred to. This procedure should dependably be recorded and supported, not just connected without reason; and
- It might be utilized to pull together the different risks distinguished.

### **Vouching the total population**

It may be that a total population is tested in the audit of very small companies. For example, it may be that a very small company has 12 invoices a year and that it has been decided to examine all 12. The inherent risk assessment will not be applied, and would make no difference, in these circumstances.

The general risk assessment must still be considered because the vouching of all 12 invoices cannot, on its own, provide all the audit evidence that we require forming a reasonable conclusion that all income has been completely and accurately recorded in the company's accounting records. The risk assessment questioners prescribed by ICAB are shown in appendix 3.

### **Materiality**

BAS 320.3 emphasizes the accompanying meaning of materiality which is taken from the IASB 'Framework for the Preparation and Presentation of Financial Statements'. 'Data is material if its omission or misstatement could impact the monetary choices of clients tackled the premise of the budgetary articulations. Materiality relies on upon the measure of the thing or mistake judged in the specific circumstances of its exclusion or misquote. In this way, materiality gives a limit or cut-off point instead of being an essential subjective trademark which data must have in the event that it is to be helpful'. 'Genuine and reasonable' records are those free of "material" error. Hence most importantly others, an evaluation of materiality ought to dependably be made.

Materiality affects audit work in two ways.

- It is one of the factors which influences the nature and extent of the tests of detail.
- It influences decisions as to whether or not an auditor should seek adjustment for actual and projected errors and for assessing the significance of areas of disagreement on judgmental matters.

**Materiality guideline as per as ICAB:**

Range of turnover or gross asset	% of turnover or gross asset	% of profit after tax	Materiality ranges
Tk. 0 - Tk 5 Crores	3	10	Tk 1 - Tk 15 Lacs
Tk. 5 Crores 1 - Tk 10 Crores	2.5	10	Tk15 Lacs -Tk 25 Lacs
Tk 10 Crores 1 - 20 Crores	2	10	Tk 25 Lacs 1- Tk40 Lacs
Tk 20 Crores 1 - 56 Crores	1.5	10	Tk 40 Lacs 1- Tk 84 Lacs
Over Tk 56 Crores	1	10	Over 84 Lacs

**Recording**

Subsequent to recording the satisfactory example, it is critical to record in double section frameworks so that the best possible recording of the exchange can be resolved. It likewise serves to watch whether the bookkeeping technique utilized by the customer is right or not and what are the ramifications of the given diaries. BSAs likewise recommend distinctive techniques for recording the exchanges and there treatment with respect to circumstance.

Assuming that the ethical issues have been properly addressed, it may be possible to use audit evidence derived from work carried out in the preparation of the accounts.

Such bookkeeping work probably been legitimately arranged on account of particular review destinations, appropriately controlled, recorded and subject to satisfactory audit. In such circumstances it might be that adequate review confirmation can, in appreciation of specific statements, be gotten to block the requirement for further point by point testing. Keep in mind, on the other hand, that such review confirmation won't give proof of, for instance, culmination, proceeded with presence or title, consequently as yet obliging top up review work to be finished.

#### ***4. Review and opinion:***

This section deals with how partner can review the overall audit and form an opinion. Auditing Program Manual provides some checklists which can be used to review the overall performance of the client. Some example for check list can be as follows:

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

The principal assignment of the reviewer is to get answer about the audit check list. On the off chance that the answers fulfilled the review group and accomplices, they may shape unfit supposition about the client. In different cases they might assessment other than unqualified opinion.

A conclusion should be drawn for each audit area. This is vitally important. Not only should the summary sheet be concluded upon, but for each main test within each area, the relevant working paper should state:

- The aim of the tests;
- The work performed;
- The results obtained, and
- The conclusion reached.

**The conclusion section provides the following options:**

#### **Planning**

Especially where there has been huge customizing of the audit approach, it is key that there is proof to demonstrate that the accomplice has sanction the methodology being taken to the review of the specific segment before the work is initiated. This will likewise serve to enhance the effectiveness of the audit.

#### **Final completion stage**

The conclusion requires confirmation of a number of different things. This includes confirmation that:



- The work detailed in the audit program has been carried out;
- The results have been adequately recorded;
- All necessary information has been collected for the preparation of the statutory accounts, and
- Subject to any minor matters highlighted on B5 or B8, the objectives have been met.

### **Alternative conclusion**

The summary sheet should state plainly the option conclusion came to, with sufficient clarification for the conclusion to be caught on. The alternative conclusion must be brought to the attention of the partner.

Before reaching substitute conclusion, consideration should be given to whether or not there are any further audit procedures that could be carried out to assist a satisfactory confirmation of the audit purposes to be given.

Last but not the least an audit program should be attached with the Documents:

The main objective of audit program is to carry out the audit effectively, efficiently and in a timely manner including the compliance with the followings:

- *The Companies Act 1994;*
- *International and Bangladesh Financial Reporting Standards;*
- *International and Bangladesh Accounting Standards;*
- *International and Bangladesh Standards on Auditing;*
- *VAT Act 1991;*
- *Customs Act 1969;*
- *Labour Act 2006;*
- *The Securities and Exchange Rules 1987;*
- *Memorandum and Articles of Association of the Company;*
- *Various major contracts and agreements; and*
- *Other applicable international and local laws and regulations.*

An audit program check list is attached in the appendix 4.

## ***CHAPTER 5***

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### **Audit procedure of Hoda Vasi Chowdhury and Co.**

- Introduction.
- Engagement procedure.
- Audit procedure.

# *Audit procedure of Hoda Vasi Chowdhury and Co.*

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## **Introduction**

The basic motive of HVC is to provide the best solutions to the clients efficiently and effectively. During any audit engagement HVC provides their opinion on Financial Statements in accordance with Bangladesh Standards on Auditing (BSA) as well as International Standards on Auditing (IAS). Not only statutory audit services is provided by HVC rather it also seek to provide management consultancy services, tax services and other challenging services which highly tailored according to client's needs and wants.

A chartered accountant firm could not just audit any organization they want there is a procedure regarding acceptance from both parties. Like the audit firm needs to consider all the conditions of a particular clients and then they decide whether to accept the proposal or not and vice versa. However, before doing any kind of audit procedure there are more works behind the scene after accepting any proposal which are audit engagement letter, team meeting and audit clearance.

## **Engagement Procedures:**

Before starting any sorts of planning and procedure which will perform through the audit process the firm exchanges some letters between the clients. Normally a firm faces three kinds of situations in engagement process:

1. Engagement with the existing clients.
2. Clients willing to appoint HVC.
3. Engagement with the new clients.

**1. Existing clients of HVC:**

HVC exchanges engagement letters with the existing clients. As they are the loyal clients of HVC or the clients liked the way HVC provided services to them they are now willing to take more services for this year. The engagement letters that are exchanged between HVC and the existing clients are:

- Willingness letter of reappointment

Basically in through this letter HVC wants the clients to know that they want to continue their services in current year also and they can request for other conditions which they think is suitable for them like: increase in audit fees.

- Clients sends appointment letter

If the existing clients agrees with all the new or old proposals of HVC then the send this letter along with new additional conditions if they wants to.

- HVC accepts the appointment letter

After getting the confirmation letter they accept the proposal and finalize all the other necessary documents.

**2. Clients willing to appoint HVC**

If any organization or clients want to take services from HVC then they directly sends an engagements letter to HVC head office or directly to firms existing partners with all the terms and conditions regarding the services they wants from HVC. The firm analyzes the conditions and if they are in favorable positions then they accepts the proposals and sends a letter to the clients as an auditors.

**3. Lastly, Engagements with new clients**

There are basically four letters exchanged between HVC and the new potentials clients. The list of letters are provided below:

1. Clients requires for technical and financial proposal from the HVC:  
If any organizations wants to get an audit services then generally they give advertisement in different medium of news or they directly approach to a firm. If the clients directly approach to the firm they send a letter where the firm is asked to give a quotation for the cost of conducting audit of the client. They will also mentioned the time frame by which the firm needs to submit their quotations and completion date for the audit. Moreover, they also mentioned the key areas to audit and if any special services they want from the firm.
  
2. The technical and financial proposal is sent by HVC to the client:  
After analyzing the client's proposal or the circular, the audit firms send a proposal letter which includes the cost quotations after considering the time frame they are allocated for competing their audit. Moreover, the firm also indicates that the cost is an approximate one which may changes due to variations of the project. However, HVC will consider and estimates its personnel costs and minimum hourly rate that is being prescribed by The Instituted of Chartered Accountants of Bangladesh (ICAB).
  
3. A letter of contract- Acceptance by the client on the basis of proposal of HVC:  
After analyzing all the quotations form the various firm the client then selects the one which is more profitable to them and it appoints the audit firm for the purpose of doing audit. From the letter, clients will understand the nature of the audit and they will provide the necessary access to their internal control system for the purpose of audit.
  
4. Confirmation letter send by HVC to the client:  
After receiving the acceptance letter from the client, HVC will provides necessary documents and confirmation letter which shall describes the firm's willingness to serve the clients as per as the deeds or agreement between them.

**Audit procedure followed by HVC:**

HVC is basically inspired by the prescribed suggestions by ICAB in Audit practice Manual. There are mainly seven steps in the procedure that prescribed in Audit practice manual:

- A. Identify overall goals;
- B. Gather & evaluate initial information;
- C. Assess general risks;
- D. Assess account specific risk;
- E. Develop efficient and effective audit plan program;
- F. Conduct audit testing; and
- G. Evaluate and communicate audit results.

**A. Identify overall goals:**

The purpose of HVC in guiding an audit is to express an opinion as to whether the Financial Statements are prepared and presented in a true and fair view. It is also seen that whether the report follows the appropriate standards prescribed by the Bangladesh Accounting Standards (BAS). However, in formatting an opinion, the audit team also address the tasks for:

- a) Errors;
- b) Irregularities and other matters; and
- c) Efficiently.

**Errors:**

An entity can do errors in their accounts in many ways. Financial Statements of a company should reflect true and fair view which means there should be mistakes in the accounts. Hence, the audit team is required to design the audit to provide reasonable assurance of detection of material errors. Errors can be done intentionally or unintentionally. Now to find out whether the errors are intentional or not is completely depends how the auditors judge the materiality and it also depends on the auditors wholly. However, it is the duty of an audit team to ensure existence of assets and liabilities which are truly owned by the clients and disclosed properly in the Financial Statements. Some errors may arise for:

- a) Mistakes in gathering or processing accounting data;
- b) Incorrect accounting estimates arising from oversight or misinterpretation of facts;  
and
- c) Mistakes in the application of accounting principles relating to amount, classification,  
and manner of presentation or disclosure.

**Irregularities and other matters:**

An accounting irregularity is an accounting term for practice that does not fit in to the normal laws, practices and rules of the accounting profession, having the measured determination to deceive or defraud. Accounting irregularities can consist of intentionally misstating amounts and other information in financial statements, or omitting information required to be disclosed. Thus, there is always a risk that material irregularities may occur and not be detected. This kind of risk may increase due to unrecorded transactions by the internal employee to mislead the accounts, problem in internal control system, fake invoices or documents and some others possible ways intended to do fraud. However, if necessary steps are taken against irregularities and mismanagement the problem can be reduced.

**Efficiency:**

It is obvious that HVC wants to perform their jobs efficiently and effectively. However, the level of effort should not exceed the budget of the audit engagement. Accomplishment and efficient audit includes:

- Along with partners and managers should adequately plan and analyze the risks involved in the projects.
- Same audit team can be appointed if the client is an existing one so that the procedure can be easy to deal with rather than appointing a new team.
- Designing the combination of audit procedures based on the risk assessment that will efficiently reduce the risk of undetected material misstatements to an appropriately low level.
- Assigning work to adequately trained and supervised persons with appropriate experience and skill levels. Mostly the team consist of three members, one senior article student who leads the team, one junior article student and one provisional student or newly joined student in the firm.

**B. Evaluate and gather initial information's:**

Before doing anything perfectly one's need to know everything about the project they are dealing with. Moreover, HVC also seek for the full information of the clients they are working with. To conduct the audit efficient and effectively they first request the client to provide some basic information of their company such as what is the business of the client? Who are there suppliers and customers? How their business is being operated? What sort of accounting software's they are using? Etc. All these information will help HVC to understand the following issues:

- a) Understanding the client's activities and operation
- b) Considering the internal control structure
- c) Identifying client's expectation
- d) Considering materiality.

**Understand the operation of clients:**

The auditor comprehends the elements and its surrounding should incorporate the data about each of the following types:

- ✓ Industry, administrative, and other external factors, including the relevant financial reporting outline.
- ✓ Nature of the entity.
- ✓ Selection and use of accounting approaches.
- ✓ Objective, tactical and related business threat.
- ✓ Measurement and review of financial performance.
- ✓ Entity's internal control.

**Considering the internal control structure:**

According to BSA-610, from the internal auditors audit groups can ask for help. From internal control system an external auditor can know its risk which they can analyze for their own benefit. Moreover, if the client maintains a good internal system than those risks can be decreased and vice-versa. Material mismanagement and audit risk will be high and it will affect the sample size if internal accounts is not properly shown true and fair view. To check



internal control system there is a standard check list or questionnaires is prepaid by the HVC which is show in appendix: 2.

**a) Understand and Assess Internal Auditing:**

For an external auditors, we should acquire enough knowledge of internal audit activities of the client that can help us in planning the audit and in developing an effective audit method. While creating an audit plan we should perform a basic risk assessment of the internal control system which can lead us in better understandings of the accounts that they have created. Thus, a coordination between external and internal auditors is essential to know specific areas of auditing. Moreover, if the client is using any software then the external auditors should acquire enough knowledge from the internal auditors so that there can be more efficient approach in auditing.

**b) Evaluate and Test the work of Internal Auditing:**

External auditor's main job is to verify the true and fair positions of the accounts. By doing so auditors need to measure internal auditing system. Moreover, these job is checked through test basis to check the accuracy of the accounts done by the internal auditors. It is important to assess the system to see whether the system is appropriate or not. This evaluation may include consideration of whether:

- The job is performed by a skilled person who have sound knowledge on accounting system as internal auditors and the work is being cross check by the concerned person and reviewed and documented.
- Enough audit evidence is obtained to afford a reasonable basis for the conclusions reached.
- Conclusions reached are appropriate in the circumstances and any reports prepared are consistent with the results of the works performed.
- Any unusual matters disclosed by internal auditing are properly decided.
- Lastly, the external auditors would record conclusions regarding the specific internal auditing work that has been evaluated and tested.

**Identify client's expectation:**

External auditors identifies the needs and expectations of the clients and then the design the audit in such manner that they can fulfill the requirements of the auditors.

**Considering materiality:**

Information on material relates to the importance or significance of an amount, transaction or discrepancy and so if it's omitted or misstated it could affect the economic decision of the users on the basis of the financial statement. Moreover, materiality depends of the size of the item or error and so the judged on those omissions and misstatements. Materiality should be considered by the auditor when:

- ✓ Determining the nature, timing and extent of the audit procedure; and
- ✓ Evaluating the effect of the misstatements.

**C. Asses general risks:**

The assessment of risk is accomplished using a “top-down” approach. The audit group concentrates at first on abnormal state data. The nature and degree of documentation will change overall in light of an organizational size, complications, ownership characteristics, and level of risk.

The capacity to distinguish, measure, and oversee danger is regularly characteristic of an association's capacity to react and adjust to change. Risk evaluation in this way helps associations to rapidly perceive potential adverse events, be more proactive and forward-looking, and build up suitable risk responses, thereby reducing surprises and the costs or losses associated with business disruptions. This is where risk assessment's real value lies: in preventing or minimizing negative surprises and unearthing new opportunities. The more real-time and forward-looking the analysis of potential risks, the more controllable the achievement of objectives becomes. During audit planning and risk assessment, we obtain initial audit evidence in order to:

- Effectively assess the inherent risk of potential financial statement misstatements,
- Identify indicators of possible going concern problems, and
- Identify account specific risk and design an overall audit approach to provide reasonable assurance of detecting material misstatements.

**D. Asses of account specific risks:**

Audit team has to consider the risk related to specific accounts in the Financial Statements. In general the first thing is done to compare with the previous year's accounts so that we can see the deviations among the accounts in a particular head. For example: In operating and administrative expenses, cash and cash equivalents, other income and etc. Audit team can take help from the Audit program manual questionnaire for better understandings. Moreover, after running the calculation of variance analysis auditors analyze the head to determine any materiality among them. It is totally depend on the auditor's skills and expertise that how he/she is going to select the material transactions. However, the greater the deviations among the values the greater the risk affiliated with.

**E. Develop Efficient And Effective Audit Plan Program:**

In this step, Job In charge makes an overall plan about how audit can be performed. The purpose of the overall audit strategy is to develop an effective response to the risk of material misstatement. The auditor considers what they found in preliminary planning activities such as client acceptance, ethical position of the audit firm and their understanding of the entity and its environment, including its internal control, to develop an effective and efficient overall audit strategy that will appropriately respond to assessed risks.

The overall audit strategy includes consideration of planned audit responses to specific risks through the development of the audit plan. The overall audit strategy also helps the auditor determine the resources required for the engagement, including engagement staffing.

Therefore, at a minimum the following matters should be included in the overall audit strategy:

- Applicable characteristics of the audit appointment, such as the reporting framework used in order to establish the scope of the commitment.
- Important dates for reporting and other communications
- Setting of materiality
- Initial risk assessment and whether internal controls are to be tested
- Consideration of resources available and how they are to be used.

***F. Conduct audit testing:***

In this phase the field work starts. Throughout the fieldwork stage, audit evidence is collected by the auditor's working systematically through the work plan or checklist, for instance interviewing staff, managers and other stakeholders associated with the client's, reviewing client's documents, printouts and information, observing client's procedures in action and checking system safety outlines etc. Audit tests are performed to authenticate the evidence as it is collected. Audit work papers are prepared, documenting the tests performed.

The first part of the fieldwork naturally involves a documentation review. The auditor reads and makes notes about documentation relating to and arising from the client's (such as the Statement of Applicability, Risk Treatment Plan, client's policy etc.). The documentation consist of audit indication, with the audit notes being audit working papers.

Technical compliance tests may be essential to authenticate that IT systems are configured in accord with the organization's information security policies, standards and guidelines. Automated configuration checking and vulnerability assessment tools may speed up the rate at which technical compliance checks are accomplished but potentially present their own security concerns that need to be taken into account. The output of this phase is an accumulation of audit working papers and evidence in the audit files.

***G. Evaluate and communicate audit results:***

Once the auditor has finished gathering evidence relating to the financial statement assertions the audit enters the achievement phase. First the sufficiency and appropriateness of the evidence gathered is assessed. The primary assessments of the risk of material misstatement (as identified during the planning phase) are used to calculate the sufficiency and appropriateness of the evidence collected. The auditor shall acquire sufficient appropriate evidence in order to reach and validate a conclusion on the fairness of the financial statements.

Should the auditor determine that sufficient appropriate evidence was not obtained; additional substantive techniques need to be performed. Once the auditor is content with the sufficiency and appropriateness of the evidence, the completion phase can continue.

The next stage of this phase is to determine the final materiality figure and to evaluate all misstatements identified. The auditor can either accept the planning materiality figure as the final materiality figure or lower it. However, the auditor should never increase the planning materiality figure during the completion phase. The auditor then aggregates the total identified misstatements and determines if it causes the financial statements to be materially misstated.

The list of identified misstatements is discussed with the client, and the client is given the opportunity to correct some or all of the identified misstatements should they wish to do so. If the uncorrected misstatements are judged to be material, the auditor issues an opinion that explains that the financial statements are materially misstated. If the uncorrected misstatements do not cause the financial statements to be materially misstated, HVC may issue a report with an unqualified opinion. But if misstatements cause financial statements to be materially misstated, HVC may issue a report with other than unqualified opinion.

## ***CHAPTER 6***

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### **Rakeen Development Company (BD) audit procedure**

- Introduction.
- Rakeen Development Company (BD) Company overview.
- Audit Procedure of Rakeen.

## ***Rakeen Development Company (BD) Audit Procedure***

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### **Introduction:**

In my internship period HVC appointed as a junior auditor for performing the audit of Rakeen Development Company (BD). I was send with two more members to conduct an audit. HVC was engaged with Rakeen from last two years. Moreover, we have been told to study about Rakeen from the financial statement that they have provided publicly last year. Thus, a brief company overview is described below:

### **Rakeen Development Company (BD) overview:**

Driven by the strong enthusiasm to offer something unique and exceptional to the residents of Bangladesh, Rakeen Development Company was founded under the leadership and guidance of dreamers like Dr. Khater Massaad & Mr. S A K Ekramuzzaman in 2008. Rakeen is an Arabic word which means "Central Pillar" or Trustworthy Support". Rakeen only believes in top quality assurance while it comes to trust and reliability in real estate sector in Bangladesh.

Their objective is not to provide merely a house to live in but to offer a complete lifestyle destination to their home owners surrounded by an aura of luxury. They provide world class amenities and design perfect solution for the entire family in consideration of the needs and wants of the clients.

Moreover, Rakeen is the first company in the history of Bangladesh, who has appointed an internationally highly praised foreign construction company to deliver the entire construction work for a residential project.

With the unwavering determination to be the most trusted name in the real estate industry in Bangladesh, Rakeen has launched its first flagship project “**BIJOY RAKEEN CITY**”. Moreover, with the perfect blend of comfort, convenience and aesthetic appeal, this project is located in one of the most sought after residential areas of Dhaka. The entire construction work of the project is being done by ESLA Construction Company of Middle East which is one of the top 10 construction companies in the Middle East, internationally acclaimed for their outstanding construction quality and timely completion of the project. At Bijoy Rakeen

City, along with luxurious apartments they are also offering blissful living spaces that present an international standard lifestyle and promises to pamper its residents like never before in Bangladesh.

**Audit procedure of Rakeen:**

**Identify Firm's overall goals in consideration of Rakeen Developments Company (BD):**

Rakeen Developments Company (BD) tied up with HVC in conducting an audit and to express an opinion as to whether the financial statements that has been prepared shows true and fair view in accordance to Bangladesh Accounting Standard (BAS). HVC considered BAS rules as standards in generating an opinion taking into accounts with misstatements, errors, and irregularities of Rakeen Development Company.

**Gather and evaluate initial information:**

An audit team including me went to Rakeen's office in Mirpur 14. Our first task was to have a sound knowledge about their business operations, internal control system in consideration of their wants and needs. Moreover, we gather information they are now newly affiliated with ESLA corporations and the construction work is mainly look after by them and everything else is done by Rakeen himself.

**Assess General risk of Rakeen Developments Company (BD):**

During audit planning and risk assessment, we obtain initial audit evidence in order to:

- Effectively assess the inherent risk of potential financial statement misstatements,
- Identify indicators of possible going concern problems, and
- Identify account specific risk and design an overall audit approach to provide reasonable assurance of detecting material misstatements.

In General, overall risk might trigger in a company are: property and plant, depreciation, cash and cash equivalents, inventory, receivables, payables, loan interest and tax. These are the main head where it is common to found any sorts of risks in any company. However, as I am a junior my supervisor did not gave me a chance to deal with those rather he assist me to observe expenses.

An example of the risk Areas that I have found by observing "**Operating and Administrative expenses**" is:



**Salary expense:**

- A) Previous year (2014) salary may recorded or given in current accounting period.
- B) More than 15000 Taka salary may paid in cash.
- C) No bank statement may not found.
- D) Over/ under payment might recorded or provided.
- E) TDS / VDS may not deducted.
- F) Undisclosed employee may got payments.

**Steps done to check Salary expenses:**

- A) Checked the account closing balances and opening balances.
- B) Checked the transactions on test basis.
- C) Checked the various agreement of salary from personal files.
- D) Checked payments procedure with walk through tests.
- E) Checked list of employees.
- F) Obtained BOI approval of foreign employees.
- G) Checked VDS and TDS.
- H) Documented necessary papers for evidences.

**Assess Account Specific Risk:**

This step implies that to look after every head to find out the risk in it. Our team follows and seek help from the Audit program that is prescribed by the Auditing practice manual so that they can exactly know what the standards is. Through the answer from the questionnaire auditors now determine how much risk is related in a specific head example: payroll, payments cycle, sales, receivables, payables and etc.

**Develop Efficient and Effective Audit Plan Program:**

The head of the team made an audit plan which includes everything about how the audit is going too accomplished. This is a strategy to deal with the material risk that we found in our initial screening. This plan also includes the client's acceptance agreement, ethical positions of the HVC, internal control assessments, test of business cycle, analytical review, fraud risk and some other topics.

**Conduct Audit testing:**

This is the step where actual work started. It is said that many of the auditors cannot audit properly rather they just vouched documents in a large volume. A true skilled auditors will try to understand each and every transactions from top to bottom and they implement their analytical knowledge in auditing. There are many ways we can collect information from the managements. It is not a good sign to rely on just papers sometimes documents can be made. Thus, auditors sometimes try to talk with the concern person to just have a look on his expression. But documents is an essential part of audit evidence. If the auditors wants to document something it can be done by just taking photocopies of necessary documents. Moreover, auditors writes note/ observation during audit if the necessary documents are not available or he/she found something new. Audit test are performed to validate the evidence as it is gathered and all the works then compiled in a file with a top sheet above. Top sheet is where auditor writes his working done, observations, variance analysis and option on a particular head.

**The observation of operating and administrative expenses:**

- Misclassification of expenses:  
We have observed that, expenses incurred during the period 1st January 2015 to 30th June 2015 are not recorded in proper head rather we have found some expenses have recorded in the wrong head.
- Cutoff for expenses is not maintained properly.
- No entries are provided against Audit fee and Insurance expenses.
- We have observed that, VAT and TAX are not properly recorded. We found the company calculates TDS on VAT. Moreover, in some cases TAX & VAT on source has not been deducted.

An example of vouched list: (for ethical issues I removed the values)

Vouched Details:									
Date	GL Code	Accounting Head (Expenses)	Voucher No	Party Name	Nature of expenses	Amount	TDS ( Amount )	VAT (Amount)	Remarks
01.01.2015	410302	Electricity Bill	RP-14-5024	DESCO	Electricity				Documented the bill of November & December 2014 was accounted in the month of January 2015.
31.03.2015	410302	Electricity Bill	JV-15-3007	Esla Construction (Reimbursed)	Electricity				Clk
25.04.2015	410302	Electricity Bill	BP-15-4083	DESCO	Electricity				Clk
31.04.2015	410304	Internet	RP-15-1031	AAMARA NETWORKS	Internet				Documented
05.04.2015	410304	Internet	RP-15-4014	Bracon Ltd	Internet				Clk
30.06.2015	410304	Internet	RP-15-6247	AAMARA NETWORKS	Internet				Clk
07.01.2015	410305	Mobile Bill	BP-15-1021	Grameen Phone	Mobile Bill				Clk; the bill of December 2014 was accounted in the month of January 2015.
09.05.2015	410305	Mobile Bill	RP-15-5008	EXCEL Telecom	Mobile Bill				VAT & TAX not deducted.
10.05.2015	410305	Mobile Bill	BP-15-5071	Employee	Mobile Bill				Clk
01.02.2015	410308	Printing	RP-15-2001	Supreme Technology	Cartridge and Toner				Clk
06.06.2015	410308	Printing	RP-15-5004	Supreme Technology	Cartridge				Clk
07.06.2015	410308	Printing	RP-15-6012	Supreme Technology	Toner				Documented
21.06.2015	410308	Printing	RP-15-6025	Mahim Enterprises	Cartridge and Toner				Documented; VAT overstated by Tk 512.
15.04.2015	410309	Stationery	RP-15-4019	Tony Books &	Stationery				Clk
12.05.2015	410309	Stationery	RP-15-5016	Tony Books &	Stationery				Documented
11.03.2015	410318	Office Supplies	RP-15-3013	Mayer Das General Store	Office Supplies				Clk
07.06.2015	410318	Office Supplies	BP-15-5019	Mayer Das General Store	Office Supplies				Documented

An example of the General ledger:

RAKEEN DEVELOPMENT COMPANY (BD) LTD.						Page No: 28 of 481	
GENERAL LEDGER-UNIT WISE						Date:	
From Unit: REAL ESTATE & DEVELOPER							
To Unit: REAL ESTATE & DEVELOPER							
From Main AC Code: 100102		To Main AC Code: 430101					
From Date:							
DATE	DOC. REF	NARRATION	CHQ/BANK ADV	DEBIT	CREDIT	BALANCE	
UNIT: REAL ESTATE & DEVELOPER							
140304 A/C PAYABLES SERVICES							
15/02/14	BP-14-2016	MR. GIRISH KUMAR AGAINST INVOICE NO. 303 DATED 02.02.2014 BEING THE AMOUNT PAID TO P&L PROPERTIES PTE. LTD. FOR OFFICE RENT FOR JANUARY 2014					
15/02/14	BP-14-2022	BEING THE AMOUNT PAID TO P.S.S. MOTORS AGAINST LPO NO. CROFED 1408 DATED 03.02.2014					
15/02/14	BP-14-2018	BEING THE AMOUNT PAID TO GREEN PLANET COMMUNICATIONS (PVT.) LTD AGAINST LPO NO. AD/ISAN 1401 DATED 26.01.2014					
15/02/14	BP-14-2028	BEING THE AMOUNT PAID TO JAYANARA MOTORS AGAINST LPO NO. CROJAN 1408 DATED 27.01.2014					
15/02/14	BP-14-2022	BEING THE AMOUNT PAID TO P&L PROPERTIES PTE. LTD. FOR OFFICE SERVICE CHARGE FOR FEBRUARY 2014					
15/02/14	BP-14-2021	BEING THE AMOUNT PAID TO P&L PROPERTIES PTE. LTD. FOR 3 HRS CAR PARKING RENTAL CHARGE AT RAK TOHUR HOUSING PROJECT FOR FEBRUARY 2014					
15/02/14	BP-14-2023	BEING THE AMOUNT PAID TO RAK SECURITY & SERVICES (PVT.) LTD FOR CLEANING SERVICE FOR HEAD OFFICE AGAINST BILL NO. 82 DATED 29.01.2014 FOR JANUARY 2014					
15/02/14	BP-14-2027	BEING THE AMOUNT PAID TO RAK SECURITY & SERVICES (PVT.) LTD FOR ESCORT DUTY FOR CASH CARRYING SERVICE FOR HEAD OFFICE AGAINST BILL DATED 01.02.2014 ON 08.02.2014					
15/02/14	BP-14-2028	BEING THE AMOUNT PAID TO RAK SECURITY & SERVICES (PVT.) LTD FOR CLEANING & PEON SERVICES AT BRC PROJECT SITE SALES OFFICE AGAINST BILL NO. 83 DATED 31.01.2014 FOR JANUARY 2014					
15/02/14	BP-14-2123	BEING THE AMOUNT PAID TO RAK SECURITY & SERVICES (PVT.) LTD FOR SECURITY SERVICE AT RAK TOHUR PROJECT AGAINST BILL NO. 38 DATED 27.01.2014 FOR JANUARY 2014					
15/02/14	BP-14-2026	BEING THE AMOUNT PAID TO RAK SECURITY & SERVICES (PVT.) LTD FOR SECURITY SERVICE FOR HEAD OFFICE AGAINST BILL NO. 82 DATED 27.01.2014 FOR JANUARY 2014					
15/02/14	BP-14-2028	BEING THE AMOUNT PAID TO RAK SECURITY & SERVICES (PVT.) LTD FOR ESCORT DUTY FOR CASH CARRYING SERVICE FOR MR. HONORABLE CHAIRMAN VISIT PURPOSES FROM 28.01.2014 TO 01.02.2014 AGAINST BILL NO. 108 DATED 08.02.2014					
16/02/14	RP-14-2009	BEING THE AMOUNT PAYABLE TO SPACE NETWORKS FOR OFFICE INTERNET SERVICE AGAINST INVOICE NO. 8910 CRO/CH/14 DATED 03.02.2014 FOR FEBRUARY 2014					
16/02/14	BP-14-2010	BEING THE AMOUNT PAYABLE TO SHY BIRD TRAVEL AGENTS (PVT.) LTD FOR AIR TICKET FOR MR. GIRISH KUMAR AGAINST INVOICE NO. 307 DATED 11.02.2014					
16/02/14	BP-14-2033	BEING THE AMOUNT PAID TO SHY BIRD TRAVEL AGENTS (PVT.) LTD FOR AIR TICKET FOR MR. GIRISH KUMAR AGAINST INVOICE NO. 308 DATED 04.02.2014					
15/02/14	RP-14-2014	BEING THE AMOUNT PAYABLE TO AAMRA NETWORKS LIMITED FOR OFFICE INTERNET SERVICE AGAINST INVOICE NO. 89123848 DATED 11.02.2014 FOR FEBRUARY 2014					
25/02/14	BP-14-2022	BEING THE AMOUNT PAID TO AAMRA NETWORKS LIMITED FOR OFFICE INTERNET SERVICE FOR FEBRUARY 2014					

**Evaluate And Communicate Audit Results:**

After gathering all evidences specifically head wise relating to the Financial Statements the supervisor writes the overall audit opinion. Initially the evidences and the observation of each head is evaluated to see whether they are justified or not. Later the auditors combined all the material misstatements and other observations if he is satisfied, he writes a conclusion on the fairness of the financial statements.

Furthermore, the audit team has done their job and report all the findings to their concern manager. Later, HVC and Rakeen Development Company (BD) discussed about all the findings and material misstatements and they will be given an opportunity to fix all the issues that auditors had founded. Based on this, the auditor will issue an opinion that explains that the financial statements are materially misstated or not. HVC thus issue a report with an unqualified opinion or report with other than qualified opinion.

## *CHAPTER 7*

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- Recommendation and findings.
- Conclusion

## *Findings and Recommendations*

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Every side of a coin has another side ~**Myron Scholes**. Audit procedures are intended to detect material misstatements in the financial statements. Standards are being set to deal with audit by ICAB. Even there is a manual on auditing called “Auditing practice manual”. Moreover, the auditors are surely skilled in their position even though there are some loopholes in the system that weakens the prestigious profession called Chartered Accountancy.

Now, I would like to share some of the loops that I encountered with during my workings as a junior auditor. I also would like to establish some recommendations regarding those disadvantages. I personally discussed with some of colleagues and my supervisor about the loops that I have found and most of them agrees with my observations. The findings and recommendations are given below:

### **1. Time Constraints**

**Findings:** Our team has faced serious time limitations, as from the initial screening of the clients business we thought that we understood everything but later in turns wrong. We consume huge amount of time just to understand their whole operations process basically accounts. Especially me as a junior auditor, I had to gobble huge information with in short period of time.

**Recommendations:** From my point of view, if the in-charge or the firm gave us a small training session about the client’s system then it would be lot easier to understand quickly in the field. They provided idea about their financial statements but they did not provide enough information about the clients systems.

### **2. Work programs are not followed properly**

**Findings:** An auditor should follow steps while doing audit as per as Auditing program manual prescribed by ICAB. But in reality I have seen that most of the points are overlooked for some reasons. Thus, the laws are not followed properly by the

auditors which means the auditors might miss some serious issues which was supposed to disclose in the financial statement.

**Recommendations:** Auditing is a learning continues learning process. I have observed that the senior were once juniors and they tend to follow their seniors. Thus, if those seniors overlook something than the juniors also adopt to those kind of mentality. Moreover, to breakout these traditional practice firms need to make the juniors to understand the importance of the audit manual properly so that the audit become more reliable and effective.

### 3. Methods of Sampling

**Findings:** Many auditors use different techniques of sampling to represent the whole population. Some might use weighted percentage techniques or someone might feel comfortable with variance analysis to determine which head to see. Moreover, the basic summary in the sampling methods are used to limit the number of transactions, cost effective, time efficiency and lastly to representative of the whole population. However, the auditors might fail to detect a material fact in the financial statements.

**Recommendations:** There should be a specific techniques for sampling which will lead to a united efficiency regarding sampling. Moreover, it would be better to execute thorough testing as possible from the samples they choose out of the entire population.

### 4. Audit evidence

**Findings:** I have realized after completing my audit in Rakeen Development Company (BD) that most of the auditors believes that audit evidence is persuasive than conclusive. Including me I have seen that we as an auditors grab as much documents we can as evidence. Thus, the size of the documents became huge. But it is not efficient as well as not effective. As an auditors we have to understand that at the end of the day only those transactions which have problems need evidence. That means if an auditor wrote in his observation that client put rent expenses under fuel expense than the only the supporting documents is needed because auditors might have to defense his findings.

**Recommendations:** A training program can be arranged by the firm before sending juniors in auditing. The training should pass the knowledge of how to take evidence effectively and most importantly to show a sample documents. So that, juniors can recognize or able to know how the documents looks like.

#### 5. Management Coordination

**Findings:** During my Auditing course in BRAC University I had learnt that there is a lack of coordination between management and auditors. I also learnt that the management feels burden while the auditors seeks for information from them. Moreover, how the management bullies the auditors by not providing the necessary documents or by delaying. Now, I can truly relate what I had learnt from my university. I personally felt that some of the employees are actually delaying in providing the documents that I have asked for. Legally, they have to provide the documents we asked for but when the management felt of having extra load in work they tend to delay or neglect the auditors.

**Recommendations:** Some says it is an art to bring documents from the managements or employees. As it requires patience and selective techniques to do so. I believe that there should be a welcoming sessions where the auditors and the managements will get to know each other which will help to reduce the distance that they normally creates. Furthermore, it is the clients' duty to look at their managements so that they actually provide us the necessary documents. Thus, if the top management regularly takes feedback from the auditors than the problem might resolve.



## ***CONCLUSION***

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Chartered Accountancy is one of the most prestigious profession in all over the world. This profession requires to maintain standards and procedures in conducting audit consultancy, taxation etc. works. International standards on auditing provides basic guidelines that chartered accountants need to adopt. Apart from auditing procedures provided by International standards on auditing (ISAs) every Chartered Accountant firm has some discretion in their audit procedures depending upon the situation of the respective country and nature of clients.

In this report, I tried to the best of my knowledge to present the audit procedures followed by Hoda Vasi Chowdhury & Co. In conducting their audit works. Mainly, Hoda Vasi Chowdhury & Co. follows the audit procedures set by ICAB in most cases except for area that requires professional judgment. From my working experiences in Hoda Vasi Chowdhury & Co. it has been found that in some respects Hoda Vasi Chowdhury & Co. does not strictly follow the standard of audit procedures.

From the formation of Hoda Vasi Chowdhury & Co. contributes to a great extent in ensuring the transparency in the presentation of financial statements of various entities of various industries of Bangladesh. Proper adoption of standard audit procedures will lead Hoda Vasi Chowdhury & Co. to remain as the one of the top Chartered Accountant firm in Bangladesh.

## ***REFERENCES***

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- [www.icab.org.bd](http://www.icab.org.bd).
- <http://www.rakeenbd.com>

## *APPENDIX*

### Source: 1

<i>Particulars</i>		<i>Y/N</i>	<i>Comments</i>
1	Consider comparison of the draft results for the current period with:		
	(a) Information for prior periods;		
	(b) Those anticipated in budgets and forecasts;		
	(c) Other companies of comparable size in same industry, and		
	(d) Overall industry or sector statistics.		
2	Consider relationship between		
	(a) Elements of financial information that would be expected to conform to a predictable pattern based on the Company's experience, such as gross margin percentages, and		
	(b) Financial information such as relevant non-financial information, such as payroll costs to number of employees.		
3	Consider the reliability of the information used to perform analytical review procedure and whether this will be verified as part of the audit process.		
4	Where applicable make a final assessment of the reasonableness of the Company's accounting estimates based on understanding of the company and its environment.		
5	Consider whether the accounting estimates are consistent with other audit evidence obtained during the audit.		

## Source: 2

### **AUDIT QUESTIONNAIRE**

#### **INTERNAL CONTROL QUESTIONNAIRE (I C Q)**

*Please complete the following questionnaire by ticking the appropriate box. Where the answer is "No" and where you feel that a "Yes", "No" or "N/A" does not answer the question adequately, please provide further details on a separate sheet.*

	Yes	No	N/A
<b>1. ACCOUNTING PRACTICE</b>			
(a) Is the system of internal control such that proper accounts are produced?			
(b) Are accurate periodic management accounts prepared?			
(c) Can the accounts be produced simply by extracting figures from the ledgers or is it necessary to analyze and adjust ledger figures?			
(d) Is the basis of accounting consistent with that of the previous year?			
<b>2. CASH &amp; CASH EQUIVALENTS (1)</b>			
(a) Is access to cash area strictly restricted to others?			
(b) Is there a system of periodic surprise cash count? If so how often carried out and by whom?			
(c) Whether Fidelity Guarantee Insurance coverage obtained for Cashier?			
(d) Are Cashiers prohibited from performing bookkeeping duties?			
(e) Does the cashier prepare a Daily settlement Report duly checked and signed by a Managerial Staff?			
(g) Whether recovery of loan in cash used for office expenses without depositing the same into Bank?			

(h) Whether Cash Balance agrees with the balance of General Ledger and checked by responsible officer daily?			
(i) Whether cash is kept under dual control?			
(j) Whether Cash-in-Safe policy has been taken with adequate limit of sum-insured?			
(k) Whether cash-in-transit policy has been taken with adequate limit of sum insured depending on times and level of regular cash carried?			
<b>3. CASH &amp; CASH EQUIVALENTS (2)</b>	Yes	No	N/A
(a) Whether all Bank Reconciliation Statements are prepared on a timely basis and properly reviewed by a responsible person not associated in preparation of bank reconciliation statements			
(b) Whether persons responsible for passing entries for bank transaction are restricted to banking correspondences?			
(c) Whether Banking correspondences are directly addressed to Managerial staff?			
(d) Whether jobs related to Bank reconciliation are allocated in such a way that job done by one employee is automatically checked by another staff / officer?			
(e) Whether balance certificates are obtained from the banks of all accounts at least at the year-end?			
(f) Whether all material items shown as being out-standing on the bank reconciliation statements are accounted for or cleared on a timely basis?			
<b>4. INVESTMENTS</b>			
(i) Are purchases and sales of securities approved by appropriate authority of the Bank?			
(ii) Whether security scripts are checked upon receipt of the same and preserved at safe custody of the Corporation?			
(iii) Whether direct control is exercised over physical custody of			

Investment scripts?			
(iv) Whether a subsidiary ledger is maintained showing full particulars of Investments?			
(v) Whether all documentation for purchases and sales are preserved by the Bank?			
(vi) Whether separate persons are responsible for accounting, physical custody, trading and approval of investments?			
(vii) Whether aggregate balance appearing in Investment subsidiary Ledger/ Cards are agreed regularly with the balance/balances appearing in General Ledger as a matter of regular practice?			
(viii) Whether periodic reconciliation is prepared for physical existence of Investments and that appearing in General Ledger of the Bank?			
(ix) Whether incomes including original cost of investments are collected in due course or on maturity and properly accounted for?			
(x) Whether responsible officials properly verify ownership / transfer of investments?			
(xi) Whether all income on investments is accrued at the year-end and properly accounted for?			
(xii) Whether adequate provision has been made for decrease in the market value of investments, loss of investments, and non-realization of investments due to introduction of new law?			
(xiii) Whether costs of investment are verified with the market quotations and differences, if any are ascertained at the year-end and properly accounted for? Or properly disclosed in the Accounts?			
<b>4. FIXED ASSETS</b>	Yes	No	N/A
(i) Whether the Organization has any established policy in acquisition and disposal of Fixed Assets?			

(ii) Are budgets for capital expenditures approved by the Board of Organization?			
(iii) Are approved budgets communicated in writing to:			
i) Purchase Department?			
ii) Accounts Department?			
iii) Branch offices?			
(iv) Are written authorizations required for incurring capital expenditures for items included in the Budget?			
(v) Is the authority to incur capital expenditures restricted to specified officials?			
(vi) Are purchases of capital items subject to same control measures as are applicable to purchases of stores, etc.?			
(vii) Are receipts of capital items subject to same procedures as applicable to stores etc.?			
(viii) Is there proper check to see that amounts expended do not exceed the amount authorized?			
(ix) Are supplementary authorizations required for excess expenditure?			
(x) Is there an established procedure for moving any capital items from one location to another?			
(a) Is written authority required for			
- Scrapping of fixed assets?			
- selling of fixed assets?			
(b) Is there authority to permit scrap/sell of fixed assets restricted to specified officials?			
(c) Are limits specified are this regards?			
(d) Are sales of fixed assets subject to same procedures as are applicable to sales of stores, etc.?			
(xi) Are reports issued promptly in respect of			
(a) Units sold?			
(b) Units scrapped?			

(c) Units moved from one location to another?			
(xii) Are fixed assets under construction			
(a) Subject to separate control account in General Ledger?			
(b) Controlled by job number?			
(xiii) Is expenditure on wages, materials and stores charged to capital account on a reasonable basis?			
(xiv) Is there any official responsible for ensuring that allocation of expenditure between capital and revenue is in conformity with accounting policy?			
(xv) Is a register of all fixed assets (including fully depreciated assets) maintained?			
(xvi) Is the register regularly written up throughout the year?			
(xvii) Is the register periodically tallied with the financial account records?			
(xviii) Is the following information available in the register?			
(a) Supplier's name			
(b) Date of purchase			
(c) Cost (including additions, improvements, exchange rate adjustments etc.)			
(d) Location and identification number			
(e) Rate of depreciation and estimated life.			
(f) Accumulated depreciation and depreciation charge for the year			
(g) Estimated salvage value			
(xix) Is there a list of title deeds for the landed properties and buildings?			
(xx) Are title deeds of properties kept in safe place?			
	Yes	No	N/A
(xxi) If they are lodged as security, are certificates obtained to that effect periodically?			



(xxii) Are registration books of vehicles periodically verified?			
<b>Verification</b>			
(xxiii) Are fixed assets physically verified periodically?			
(xxiv) Is the ownership of the fixed assets properly checked by a responsible officer of BIWTC			
(xxv) Is there a written procedure for such verification?			
(xxvi) Does the procedure provide for verification/ confirmation of fixed assets with third parties?			
(xxvii) Are reports prepared on such verification?			
(xxviii) Do such reports indicate damaged obsolete items of fixed assets?			
(a) Are discrepancies disclosed by such reports investigated?			
(b) Are the records and financial accounts corrected with proper authority?			
(xxix) Are damaged/obsolete items disclosed by such reports, removed from the records and financial accounts with proper authority?			
(xxx) Is there satisfactory control over the acquisition and write off of such items?			
(xxxi) Are there physical safeguards against theft or loss of tools and other movable equipment?			
(xxxii) Are fixed assets shown at their original cost?			
(xxxiii) Is there a plant register which is periodically agreed with			
(a) Assets on hand?			
(b) Financial accounts?			
<b>Insurance</b>	Yes	No	N/A
(xxxiv) Are the following risks covered in respect of buildings and machinery:			

a) Fire			
b) Strike, riot and civil commotion			
c) Flood			
d) Earthquake			
(xxxv) Does the official, who decides on the value for which policies are taken, review periodically the adequacy of the insurance cover?			
a) Is there loss-of-profits insurance cover?			
b) Is there machinery-breakdown insurance cover?			
c) If the answer to (a) or (b) is negative, is it due to a specific decision taken by senior officials?			
(xxxvi) Is there an official who decides on the value for which policies are taken?			
(xxxvii) Are the fixed assets insured on reinstatement basis?			
(xxxviii) Are major additions and disposals supported by properly authorized vouchers and tested by you?			
(xxxix) Are you satisfied with the principles followed for depreciation of fixed assets including idle assets?			
(xxxx) For fixed assets other than property, are items in the plant register identified with the actual assets?			
<b>6A. OTHER ASSETS</b>	Yes	No	N/A
(i) Whether unused stock of stationery and stamps are shown as stocks in Balance Sheet?			
(ii) Are all entries properly approved, recorded and adequately documented?			
(iii) Whether unused stock of stationery and stamps are physically checked at the balance sheet date and properly valued at the latest cost price?			
(iv) Whether clearing entries are cleared promptly and transferred to appropriate Accounts?			
(v) Does the systems provide for periodic review and follow-up by officials of the Bank?			

<b>6B. SECURITY DEPOSITS AND PREPAYMENTS</b>			
(i) Whether a periodical review is carried by Internal auditor as to its status?			
(ii) Whether security deposits are received as soon as its purposes are served?			
(iii) Whether refund of such security deposits is authorized by high officials of the Bank?			
(iv) Whether adjustments of security deposit, if any, are regularly checked and reported upon to Management of the Bank?			
(v) Whether adequate provision is made for doubtful deposits, if any?			
(vi) Are the validity and valuation of prepayments satisfactory?			
<b>7. BORROWINGS</b>			
(i) Are proper recordings made in the relevant books and subsidiary Ledger/Cards maintained in respect of each class of borrowings showing full particulars thereof?			
(ii) Whether proper documentation like sanction letters, disbursement advises, etc. is preserved by the Corporation?			
(iii) Are all documentation in support of conversion of borrowings into equity maintained within the knowledge of higher officials of the Corporation?			
<b>8. PAYMENTS</b>			
(i) Whether vouchers prepared, checking thereof approval and disbursements are done by separate persons?			

(ii) Whether supporting are preserved along with payment vouchers or with ready reference for easy tracings?			
(iii) Whether payments made by Branches of the Bank are made as per set rules as to nature of payment and limits?			
(iv) Whether undelivered cheques/PO is lying for unusually long time?			
(v) Whether provisions for acknowledgement are ensured in all cases?			
(vi) Whether higher officials regularly check the payments particularly the large ones and exceptional items?			
(vii) Whether calculation of interest on borrowings is done mechanically and checked by other persons?			
<b>9. INCOME</b>			
(i) Whether calculation of interest on loans and advances is done mechanically?			
(ii) Whether there are provisions for checking of such calculations done mechanically or manually?			
(iii) Whether calculation of interest, checking and accounting thereof are done by separate persons?			
(iv) Whether posting of interest are made to sub-borrowers accounts without delay?			
(v) Whether income receivables particularly from investments are followed up and efforts made for prompt collections?			
(vi) Whether report of income or any receipts are made promptly?			
(vii) Are expenses allowed out of collections on various accounts?			
(viii) Whether commission receivable for various services rendered by the Corporation is consistently followed for all cases and basis is also followed?			

## Source: 3

Detailed Risk Assessment Checklist as per as standards:

<i>SL No</i>	<i>General risk area</i>	<i>Risk</i>	<i>Status and Comments</i>
<i>1</i>	<i>General</i>	<i>L,M,H</i>	
1.1	Do we have any concern as to the integrity of the directors/ management?		
1.2	Is the appropriateness of the going concern an issue?		
1.3	Is there any significant external interest in the Company's financial statement level?		
1.4	Relationship with the client abrasive or deteriorating?		
<b>2</b>	<b><i>Industry conditions</i></b>		
2.1	Is there a risk of technological obsolescence of products or services?		
2.2	Is the company's business affected by fashion, demographic trends or public opinion?		
2.3	Is the Company in a highly competitive or volatile sector of the economy?		
<b>3</b>	<b><i>Regulatory conditions</i></b>		

3.1	Does the regulator require any special reports?		
3.2	Does the Company rely on membership of an association or similar body for a substantial part of its business?		
3.3	Is there any expectation that the business or part of it may be sold in the near future?		
<b>4</b>	<b><i>Business operations</i></b>		
4.1	Is the Company reliant on only a few customers or suppliers?		
4.2	Are there any significant related parties to the business?		
4.3	Does the Company introduce new staff in the top management team?		
4.4	Does the company Hold Board meetings, AGM and review of operations regularly?		
<b>5</b>	<b><i>Investments</i></b>		
5.1	Does the company have any investment in securities or loans?		
5.2	Were there any acquisitions, mergers or disposals of business activities in the period or after the year end?		
<b>6</b>	<b><i>Financing</i></b>		
6.1	Does the Company have a complex capital structure?		
6.2	Are there any risks of material misstatement at the assertion level regarding financing related to the fair value measurements and disclosures in the financial statements?		
<b>7</b>	<b><i>Financial reporting</i></b>		

7.1	Have Generally Accepted Accounting Principles been complied with in the past years?		
7.2	Are the accounting policies for significant matters appropriate to the circumstances of the entity?		
7.3	Could the treatment of any areas in the accounts be disputed by the tax authorities?		
<b>8</b>	<b><i>Objective, strategies and related business risks</i></b>		
8.1	Are the directors and /or management's income highly geared to results either directly, through share options or through other possibilities for large capital gains?		
8.2	Were there any contracts or transactions undertaken particularly where this was close to the yearend where the commercial rationale is unclear?		
8.3	Have the directors brought forward the reporting date without good reason making it difficult to obtain the quantity and quality of audit evidence required?		
<b>9</b>	<b><i>Measurement and review of the entities financial performance</i></b>		
9.1	Has the audit report contained a qualification in either of the last two years?		
9.2	Is the engagement stable i.e. long standing?		
<b>10</b>	<b><i>Control environment</i></b>		

10.1	Is the extent of management knowledge and experience		
10.2	Are good management information systems in existence and used?		
10.3	Does the Company has internal Audit Functions and Audit Committee		
10.4	Functions and scope of internal auditors reviewed on a regular basis?		
<b>11</b>	<b><i>The Entity's risk assessment process</i></b>		
11.1	Will the Company's risk assessment process be used in identifying relevant risks and the actions taken in response to them?		
11.2	Are there any other special risky areas that come to auditor's notice?		
11.3	Is there any practice of review of operations by management?		
<b>12</b>	<b><i>Information systems</i></b>		
12.1	Is the accounting records kept up to date?		
12.2	Existence of qualified and experienced people in top management team.		
12.3	Are there any particular issues arising from the use of it that give cause for concern?		



## Source: 4

### Audit program

#### A. NON-CURRENT ASSETS

##### AA. Property, Plant and Equipment (Followed by IAS-16)

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Obtain PPE schedule, ledgers, PPE register and PPE related files maintained by the client;			
	Confirm opening balances of each class of PPE with last year's audit financial statements;			
	Check the purchase related documents e.g. purchase orders, quotations suppliers' bills/invoices, payment approval etc. in order to confirm the additions of PPE;			
	Confirm whether directly attributable costs were added to the PPE in accordance with BAS-16;			
	Perform recalculation of depreciation;			
	Confirm whether there any changes in the useful life of PPE or there were any changes in the accounting;			
	Check the insurance coverage of PPE;			
	Ask for capital budget for capital expenditure (i.e. purchase of PPE);			
	Inquire whether any impairment test and physical verification of PPE were done during the year;			
	Confirm closing balances of each class of PPE with Trial balance and the financial statements; and			

##### AB. Deferred Tax Assets / Liabilities (Followed by IAS 12)

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Read IAS-12 and Bangladesh Income Tax Ordinance, 1984			
	Understand the terms <i>temporary difference (both taxable &amp; deductible), permanent difference, tax base, carrying amounts</i> etc.			
	Review the basis of calculation			
	Review the compliance with <b>IAS 12</b> and its effects			
	Review the compliance with Bangladesh Income Tax Ordinance, 1984			
	Confirm the opening balance with last year Auditors' report			
	Check whether the carrying amount of assets and liabilities are as per financial statements			
	Check whether the tax base amounts are as per assessment order and subsequent updated calculation			
	Check the accuracy of calculation of determination of deductible/taxable temporary differences			
	Check whether the applicable tax rate being used			
	Review the deferred tax assets and deferred tax liabilities and set off of these items and accuracy therein			
	Cross checking the amount charged as deferred tax expense / income with corresponding asset / liability			
	Review particularly the going concern assumption (since the entity carrying huge accumulated losses) or probability of adequacy of taxable profit in future so that the recognized deferred tax asset could be utilized			
	Review the disclosure requirements given in the FS are in light with <b>IAS 12</b>			

**B. CURRENT ASSETS**

**BA. Land and Development Property**

Sl.	Particulars	Y/N/NA	W/P	Initial &

#			Ref.	Date
	Confirm opening balances from last year's audited financial statements;			
	Obtain schedule of additions to land and development property;			
	Obtain mutation status of land and development property and subsequent land tax (khazna) payment against such property;			
	Vouch material and unusual transactions with source documents;			
	Confirm closing balances with trial balance and general ledger; and			

**BB. Development Work-In-Progress**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Confirm opening balance with last year audited financial statements;			
	Review the appointment of contractor / consultant;			
	Verify the construction contracts and noted the salient features;			
	Check whether any borrowing costs are capitalized in relation to any job;			
	Check whether the requirements of BAS 23 are compiled before capitalizing borrowing costs;			
	Obtain engineer certificate for the job which is transferred to DWIP;			
	Check the transfer to Development work in progress in the appropriate head;			
	Check payments and statutory deductions; and			
	Confirm closing balance with GL & TB.			

**BC. Advances, Deposits and Prepayments**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	<b><u>Advances &amp; prepayments:</u></b>			
	Confirm the opening balance with last year's audited financial statements;			
	Obtain the policies and agreements, (if any);			
	Understand the process of accounting;			
	Obtain subsidiary ledger and agreed to the general ledger;			
	Check the compliance of agreement and its adjustment and subsequent recoveries;			
	Check and noted down the long outstanding figures;			
	Vouch the addition being made during the year;			
	Confirm the closing balance with GL & TB;			
	<b><u>Deposits:</u></b>			
	Confirmed opening balance with last year's audited financial statements; and			
	Confirmed closing balance with GL & TB.			

**BD. Advance Income Tax**

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Confirm opening balance from financial statements of 2013;			
	Obtain ledger from software;			
	Check TDS deducted at source by receivables and Tax paid to DCT for arrear tax (disputed tax);			

	Check TDS challan received from receivables;			
	Review tax return for income year 2013, submitted to DCT;			
	Review tax adjustment for tax liability made from AIT against the income year 2013;			
	Confirm closing balance			

**BE. Cash and Cash equivalents**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	<b><u>Cash at Bank:</u></b>			
	Confirm the opening balance with last year Auditors' report			
	Understand about the signatory of cheques and limit of drawings, Board resolution regarding thereto, etc.			
	<i>Confirm through bank confirmation</i>			
	Confirm through bank statements			
	Obtain bank reconciliation statements			
	Check the accuracy therein and its authorization			
	Check the subsequent position of reconciled items on test basis			
	Identify the old reconciled items with age analysis			
	FCR accounts and exchange rates used			
	Cheque issue authorization			
	Examine evidence of impendent checks of bank reconciliation (e.g. a signature)			
	Identification of stale cheques (above six months)			
	Examine evidence of follow up of outstanding items on the bank reconciliation. Pay particular attention to old outstanding reconciling items that should be written back such as old, un-presented cheques.			
	Review the timely deposit of collection (band draft and pay order) are regularly deposited to bank with the help of deposit slip			

	<b><u>Cash in hand:</u></b>			
	Confirm the opening balance with last year Auditors' report			
	Surprise cash counting			
	Cash certificate for balance			
	Insurance coverage for fidelity guarantee, cash in safe, cash in transit			
	Daily cash withdrawal and balances.			
	Petty cash impress limit			
	Test (to avoid double payment) to ensure that paid invoices are marked "paid"			
	Spoil currency notes (if any).			
	Insurance cover of cash in safe, fidelity guarantee and also cash in transit.			

### C. SHARE HOLDERS' EQUITY

#### CA. Share Capital

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Confirm the opening balance with last year Auditors' report			
	Authorized, issued, subscribed and paid-up capital –by reference to MA & AA			
	Understand the composition of share capital			
	Obtain the share capital position as of reporting period from the legal department which is supplied by Central Depository Bangladesh Department (CDBL)			
	Check whether any movement has made among the positions			

	Extend the audit procedures if there is any movement among the position of shareholders other than in the head 'Others'			
	Check the accuracy in the calculation of classification of shares by holding which is given in the FS to meet the requirements of DSE listing Regulation-2002			
	Observe any increase or decrease of share capital and if so then discuss with our manager for further audit procedures			
	Confirm the closing balance with GL & TB			

**CB. Share Money Deposit**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Check the opening balance with last year's audited accounts and opening balance of the trial balance			
	Obtain conformation from parent/contributing company			
	Check debit notes, bank advises and bank transaction			
	Obtain shareholder wise detail of share money deposit.			
	Confirm the share money deposit amount with reference to Board meeting resolutions.			
	Verify detail adjusting procedure of share money deposit.			
	If share money deposit is for other consideration than cash, verify the items received by the company as share money deposit.			
	Inquire the management regarding the tentative date of issuance of share against share money deposit.			
	Check casting, posting and referencing			
	Report, if any, to be reported to the Auditors' Report (if material) or to the management letter			
	Check current year's adjustment with share issue and Boards decision in this regard			

**D. NON-CURRENT LIABILITES**

**DA. Long Term Debts (Followed by IAS 1)**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	<b><u>Long Term Loan – Local Currency:</u></b>			
	Confirm the opening balances with last year Auditor' report			
	Review the agreement (in working paper) and understand the types of loan and other details			
	Understand the types of security arrangement			
	Inquire whether any rescheduling has occurred during the year			
	Obtain all correspondences regarding rescheduling and review whether any restrictive covenants has imposed for which disclosures is required			
	Obtain the summery schedule of loan repayment			
	Check whether the current portion has been properly segregated			
	Check whether the current portion has been properly presented in the BS as per IAS-01			
	Vouch the payment or adjustment being made during the year			
	Check whether the payment being made in due date and in accordance with the agreement			
	Review the calculation of accrued interest and duly accounted for in the accounts			
	Check the rate being used in the calculation of interest are correct			
	Vouch the loan which is introduced during the year			
	Obtain the agreement and summarize it			
	Understand the types of security arrangement for the new loan			



	Review the agreement whether any restrictive covenants are available for which disclosure is required			
	Note down the nature and purpose of the loan in the summary			
	Check whether any repayment is due during the year and made or not			
	Check whether the current portion has been properly segregated and presented in the balance sheet as per IAS-01			
	Review the calculation of accrued interest and duly accounted for in the accounts			
	Confirm the closing balance with GL and TB			
	Confirm the closing balance through alternative audit procedures if required			
	Review the disclosure requirements			

**E. CURRENT LIABILITIES:**

**EA. Advance from Customers**

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Confirm opening balance from financial statements of 2013;			
	Obtain ledger from software;			
	Review the allocated portion of Freedom Fighters and the Company from the agreement;			
	Obtain total customer's transaction summary from Customer Service Department and Accounts Dept.;			
	Select some major customers and obtained sub ledger of those customers;			
	Obtain payment schedule of those customers and reconcile with sub ledger;			
	Reconcile with payment schedule to customer's transaction summary;			

	Check out cut off of advance from payment schedule to sub ledger;			
	Confirm deposit of money from bank statement;			
	Reconcile the mismatch of data received from Customer Service Department to Accounts Department;			
	Check the unusual transactions i.e.. cancelled booking, refunded amount to customers for cancellation; dishonor cheque; Transfer from one flat to another, post-dated cheque receipt etc.			

**EB. Trade and Other Creditors (Followed by IAS 1)**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Confirm the opening balances with last year Auditor' report			
	Categorization between –trade creditors and others			
	Obtain the individual different schedules under this head			
	Matching of subsidiary balance with that of general ledger –if not, quantum			
	Observe the movement of balances therein if available			
	Check through software for origin of balance and subsequent movements			
	Download the individual ledger and convert into excel form for obtaining detail information about the balance			
	Cross check with invoice and purchase order			
	Check whether the continuous payment is FIFO basis i.e aging of PO			
	Observe the foreign currency rate being used in case of foreign supplier			
	Sort out the balances with related party and cross check with related party disclosures in the FS			
	Identify the new supplier from the schedule			

	Obtain the agreement and note down salient features			
	Whether secured or unsecured and against what			
	Check whether the payment has been made in accordance with the agreement			
	Obtain aging analysis and identify the long outstanding balances			
	Also identify the long outstanding balances and no longer payable and note the reasons behind them			
	Confirm the closing balances with GL & TB			
	Confirm some closing balances through alternative audit procedures if required			
	Reconcile the balance and if there is any discrepancy then extend audit procedures before drawing any conclusion			

**EC. Short term debts (Followed by IAS 1)**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Confirm the opening balance with last year Auditors' report			
	Check whether the repayment has been made in accordance with the pre-defined mode and date			
	Obtain the short-term borrowing facility for the current year			
	Obtain the list of banks from which short-term borrowing facility is availed			
	Obtain the agreement or other correspondences			
	Understand the purpose for which short-term borrowing is taken			
	Check whether short-term borrowing amount exceed the approved limit			
	Check whether the transaction is authorized by the appropriate level of authority			

	Understand the nature of security arrangement and confirm whether sufficiently disclosed in the FS			
	Understand the nature of interest – fixed or floating			
	Compare the interest rate among other short-term borrowing and bank OD rate			
	Understand the mode of repayment			
	Check whether the repayment has been made in accordance with the pre-defined mode and date			
	Review whether the repayment is being made through arranging another bank OD			
	Check the calculation of interest and its accounting			
	Confirm the closing balance with GL and TB			
	Obtain bank confirmation and reconcile the balance			

**ED. Current income tax liabilities (Followed by IAS 12 & IAS 1)**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
<i>The audit procedures relating to 'current income tax liabilities' is very much similar to the procedures of <b>Deferred tax</b> which are explicitly given in the above. However, concentration should be given in the following areas:</i>				
	Confirm the opening balance with last year Auditors' report			
	Check the provision being made during the year in the FS			
	Check the computation of deferred tax			
	Check whether the calculation has been made in accordance with Bangladesh Income Tax Ordinance, 1984 and IAS-12			
	Confirm the closing balance with GL and TB			

**P/L - 1. General and Administrative / Selling and Distribution Expenses**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
<b>Salaries and allowances</b>				

Compare the figure with corresponding period of last year			
Obtain the list of movement of employees all the year round			
Obtain the list employees who are newly introduced in the year			
Obtain the list of employees who left the organization			
Review payment system, whether the payment made in cash or banking channel as per IT			
Review BOI approval, in case of foreign employees			
Review payment procedures of foreign employees			
Review the tax deduction process as according to IT			
<b><i>Training, Seminars &amp; Meeting (both local &amp; foreign)</i></b>			
Obtain the policy (if available)			
Understand the nature & purpose of the expenses			
Compare the figure with corresponding period of last year			
Review the percentage of change or variance			
Consider the materiality			
Vouch both local & foreign currency transactions on a test basis			
Check all supporting documents to identify any discrepancy			
Check whether applicable VAT & TDS are deducted and accounted for			
Check whether the transaction as well as payment is properly authorized by the appropriate level of authority			
Check whether approval from Bangladesh bank is attached with the voucher in case of foreign payment			
Pay particular attention whether any foreign payment has been made through non-banking channel			
Check whether adequate provision has been made to conform with accrual concept			
Document the necessary documents in the working paper			

	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			
<b><i>Travelling – local and international</i></b>				
	Obtain the policy and review it			
	Compare the figure with corresponding period of last year			
	Review the percentage of change or variance			
	Consider the materiality			
	Vouch both local & foreign currency transactions on a test basis			
	Check whether the employees are entitled to this facility and on what terms and conditions			
	Check all supporting documents to identify any discrepancy			
	Check whether applicable VAT & TDS are deducted and accounted for			
	Check whether the transaction as well as payment is properly authorized by the appropriate level of authority			
	Check whether approval from Bangladesh bank is attached with the voucher in case of foreign payment			
	Pay particular attention whether any foreign payment has been made through non-banking channel			
	Check whether adequate provision has been made to conform with accrual concept			
	Document the necessary documents in the working paper			
	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			
<b><i>Legal Expenses</i></b>				
	Compare the figure with corresponding period of last year			

Review the percentage of change or variance			
Consider the materiality			
Understand the nature and purposes of the expenses			
Vouch 100% and point out the new expenses			
Review the correspondences attached with voucher and consult with legal department for more clarification if required			
Check whether applicable VAT & TDS are deducted and accounted for			
Check whether adequate provision has been made to conform with accrual concept			
Document the necessary documents in the working paper			
Briefly explain the reason for % of change in top sheet			
Confirm the closing balance with GL & TB			
<b><i>Computer expenses</i></b>			
Compare the figure with corresponding period of last year			
Review the percentage of change or variance			
Consider the materiality			
Understand the nature and purposes			
Vouch the transactions on a test basis			
Check whether any capital expenditures have charged off or previously capitalizing but now charging to P/L account			
Check whether the same supplier supplies both types of capital & revenue items			
Check whether applicable VAT & TDS are deducted and accounted for			
Check whether adequate provision has been made to conform with accrual concept			
Document the necessary documents in the working paper			

	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			
<b>Registration &amp; Other Fees</b>				
	Compare the figure with corresponding period of last year			
	Review the percentage of change or variance			
	Consider the materiality			
	Understand the nature and purposes			
	Review whether the annual statutory fees are duly paid			
	Vouch the transactions on a test basis			
	Check whether applicable VAT & TDS are deducted and accounted for			
	Check whether adequate provision has been made to conform with accrual concept			
	Document the necessary documents in the working paper			
	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			
<b>General Assistance Fees &amp; Trademark/ License Fees</b>				
	Compare the figure with corresponding period of last year			
	Read the agreement (in agreement file) and understand the basis of calculation			
	Recalculate the figures in accordance with the basis of agreement and reconcile with the figure given in the FS			
	In case of discrepancy, then consult with the concerned person			
	If the basis of calculation has changed, then obtain the revised agreement or any other correspondence			
	Check whether the revision is authorized from the concerned			



	regulator			
	Most importantly, check whether they have the required permission from the competent authority (BOI, BB) for payment			
	Consider TDS & VAT implication before outward payment in light with agreement			
	Check whether adequate provision has been made to conform with accrual concept			
	Document the necessary documents in the working paper			
	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			
<b><i>Insurance Expenses</i></b>				
	Compare the figure with corresponding period of last year			
	Review the percentage of change or variance			
	Consider the materiality			
	Identify the policies which are newly introduced this year			
	Understand the nature and purpose and mode of renewal			
	List out the purposes or items for which insurance arrangement exists at the period end			
	Cross check with the prepayment insurance whether appropriate amount of adjustments have been made			
	Check whether adequate provision has been made to conform with accrual concept			
	Document the necessary documents in the working paper			
	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			
<b><i>Advertisement &amp; Promotion</i></b>				

Compare the figure with corresponding period of last year and also compare the % of revenue of current and corresponding period			
Evaluate the impact on sales			
Review the percentage of change or variance and consider the growth of sales			
Consider the materiality			
Understand the nature and purpose of the activities particularly which are newly introduced			
Understand the philosophy behind the activities			
Determine which party directly involves with the execution of such activities			
Obtain the agreement if available and summarize it			
Consider TDS & VAT implication while making payment in light with agreement and in accordance with ITO, 1984			
Check whether adequate provision has been made to conform with accrual concept			
Document the necessary documents in the working paper			
Briefly explain the reason for % of change in top sheet			
Confirm the closing balance with GL & TB			
<b><i>Other Expenses (under both G&amp;A and S&amp;D)</i></b>			
Compare the figures with corresponding period of last year			
Review the percentage of change or variance			
Consider the materiality			
Determine the % vouching on the basis of % of change			
Obtain the agreements (if any) and summarize it			
Cross check the amounts which originates from the adjustment of prepayment or reclassification			
Vouch 100% after considering materiality which are newly			

	introduced			
	Check whether the transactions are properly authorized by the appropriate level of authority			
	Consider TDS & VAT implication while making payment in light with agreement and in accordance with ITO, 1984			
	Check all supporting documents rigorously and note down any irregularities			
	Check whether all utility bills are duly paid			
	Review the correspondences regarding any bills which remained as unpaid for long time			
	Check whether adequate provision has been made to conform with accrual concept			
	Document the necessary documents in the working paper			
	Briefly explain the reason for % of change in top sheet			
	Confirm the closing balance with GL & TB			

**P/L - 2. Non-operating Income**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Compare the figure with corresponding period of last year			
	Obtain the details list of non-operating income			
	Understand the nature of income and justification of regarding as non-operating income			
	Consider whether it is recurring or incidental			
	If recurring basis then obtain the permission copy from the competent authority if relevant for doing so			
	Consider the materiality before extending audit procedures			
	Check whether any net off is being made in the classified TB			
	Confirm the closing balance with GL & TB			

*General - 1. Changes in Accounting Policy (Followed by IAS 8)*

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Enquire whether any change has been made in the accounting policy during the year by the Company			
	Read IAS-08 meticulously and apply			
	Understand the ground for changes and review whether it is permitted as per IAS			
	Consider the consequences			
	Pay particular attention to the disclosure requirements			
	Consult with our audit supervisor and note down the guidelines			
	Agree with the period from which retrospective application is applied			
	Recheck the arithmetical accuracy therein			
	Check the amount of adjustments in the retained earnings for the current period and prior period presented			
	Check the amount of adjustment relating to periods prior to those included in the comparative information			
	The amount of adjustment recognized in net profit or loss for the current period			
	Check whether the changes and the reasons behind them are adequately disclosed in the FS			
	Disclosure about the period from which restatement is being made and if it is made from the period other than the actual affected period then the reasons for impracticability			
	Additional pro forma comparative information where alternative treatment is used			
	Document the relevant papers			

**General - 2. Significant Accounting Policy and Other Items (Followed by IAS 8)**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
<p><i>From the Financial Statements of the Company, we have extracted their significant accounting policies in a separate sheet in our Planning file. The policies and their consistent application we are reviewing with the relevant international Accounting Standards and making comments on them in that sheet. However, the following International Standards are relevant in any way for the preparation and presentation of financial statements of the Company:</i></p>				
	<p><b>Disclosure –compliance as required under</b></p> <p><b><u>IASs:</u></b></p> <p><b>IAS 01 Presentation of Financial Statements</b></p> <p><b>IAS 02 Inventories</b></p> <p><b>IAS 07 Statements of Cash Flows</b></p> <p><b>IAS 08 Accounting Policies, Changes in Accounting Estimates and Error</b></p> <p><b>IAS 10 Events after the Reporting Period</b></p> <p><b>IAS 12 Income Taxes</b></p> <p><b>IAS 16 Property, Plant and Equipment</b></p> <p><b>IAS 17 Leases</b></p> <p><b>IAS 18 Revenue</b></p> <p><b>IAS 19 Employee benefits</b></p> <p><b>IAS 21 The Effects of Changes in Foreign Exchange Rates</b></p> <p><b>IAS 23 Borrowing Costs</b></p> <p><b>IAS 24 Related party disclosures</b></p> <p><b>IAS 32 Financial Instruments: Presentation</b></p> <p><b>IAS 36 Impairment of Assets</b></p> <p><b>IAS 37 Provisions, Contingent Liabilities and Contingent</b></p>			

	<b>Assets</b>  <b>IAS 38 Intangible Assets</b>  <b>IAS 39 Financial Instruments: Recognition and measurement (specially for Derivatives)</b>			
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**General - 3. Statement of Changes in Equity (Followed by IAS 1)**

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Consistent presentation and compliance with IAS-1			
	Check whether net profit after tax are correctly extracted from the income statement			
	Classes of equity			
	Capital transactions with the owners			
	Distributions of profit to owners			
	Reconciliation between the beginning and end of the period			
	If there is any reserves in the Statement of Changes in Equity, then extend further audit procedures			

**General - 5. Commitment and contingency (Followed by IAS 37)**

Sl. #	Particulars	Y/N/N A	W/P Ref.	Initial & Date
	Confirm the opening balances with last year Auditors' report			
	Observe the movement			
	Obtain details list of commitment and contingent liabilities			

Verify all items with supporting documents-of the following: <ul style="list-style-type: none"> <li>▪ Guarantees given and received</li> <li>▪ Litigation</li> <li>▪ Purchases commitment (open PO)</li> </ul>			
Check the open purchase order (PO) i.e goods not yet received and accounted for but committed to purchase			
Check whether any new agreement made by the company and review the salient provisions of the agreement			
Review the disclosures given in the Financial Statements			
Check the requirements of <b>IAS 37</b> are properly complied			

**General - 6. Related Party Transactions (Followed by IAS 24)**

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Listing out subsidiary and associate companies and also the companies where common directorship/owner-ship exists			
	Arrangements between related parties –documented or not			
	Segregating purchases, sales, loans taken and given –with related parties for disclosures			
	Management and trustees of Pension and other trust fund			
	Affiliation of directors and officers with other entities			
	Register of interests in shares to determine the names of principal shareholders			
	Review the entity’s tax return, listing documents supplied to Stock Exchanges, returns to Registrar of Joint Stock companies and other information supplied to regulatory bodies for evidencing of the existing related parties			
	Review the invoices and correspondences from lawyers for indications of the existing of related parties or related party transactions			

	Review of minutes of meetings held by shareholders and directors and other relevant statutory records			
	Review of accounting records for large or unusual transactions or balances in particular transactions recognised at or near the end of the financial period			
	Review of confirmations of loans receivable and payable and confirmation from banks which may indicate the relationship, if any, of guarantors to the entity			
	Review of investment transactions, for example, the purchase or sale of an interest in a joint venture or other entity			
	Transactions which have abnormal terms of trade, such as unusual prices, interest rate, guarantees and repayment terms			
	Transactions which appear to lack a logical business reason for their occurrence			
	Transactions in which substance differ from form			
	Transactions processed or approved in a non-routine manner or by personnel who do not ordinarily deal with such transactions			
	Unusual transactions which are entered into shortly before or after the end of the financial period			
	Representation from each directors and from other members of management who are in a position to influence or who are accountable for the stewardship of the company			

**General - 7. Books of Accounts**

Sl. #	Particulars	Y/N/NA	W/P Ref.	Initial & Date
	Evaluation of Accounting systems and accounting records have been kept by the Company			
	Obtain written representations from management concerning the financial statements and particular matters			
	Draft the audit report			



	Prepare a list of comments on important audit findings for discussion with management. If we plan to issue a management letter, prepare a draft for review			
	Check that the prior year's final general ledger trial balance has been correctly brought forward to the current year's general ledger			
	Check that the Current year's general ledger trial balance, after all adjustments, is in balance and is in agreement with the financial statements			
	Check minutes books along with Directors Attendance Registers, Agenda Notice, etc.			
	Check the following books a) Shareholders Register b) Register of Directors, Managers, Managing Agents c) Directors attendance register			