SONARGAON UNIVERSITY

Thesis Report
on
At M.Z. Islam & Co. Chartered Accountants

Submitted to:

Department of Business Administration
Sonargaon University, Dhaka

Submitted by:

Md. Shobuz Islam
ID: **EMBA2201025006**
Program: EMBA
Major: Accounting
Department of Business Administration
Sonargaon University

Date of Submission: 11 May, 2023

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Submitted to:

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University

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Md. Shobuz Islam
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Letter of Transmittal

11 May, 2023

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University

Subject: Submission of Thesis Report.

Dear Sir,
It is my utmost pleasure to present my thesis report on "**Audit Procedure in Bangladesh: An Experience at M.Z. Islam & Co. Chartered Accountants**". The report is a prerequisite for completing my Executive Master's of Business Administration at Sonargaon University. The need to familiarize the readers of this report with the audit procedure followed in Bangladesh and how a chartered accountant firm audits an organization is the aim of this report. Attempts of utmost level were taken in order to gather relevant information and make this report as analytical and reliable as possible. The internship program has allowed me to explore and comprehend the work and difficulties auditors face in their line of work.

I, therefore, would be grateful if you can enlighten me with your perspective on the report and assess my report keeping the limitations in mind. I would also like to thank you for your continuous guidance and support.

Yours Sincerely

……
Md. Shobuz Islam
ID: **EMBA2201025006**
Program: EMBA
Major: Accounting
Department of Business Administration
Sonargaon University

Acknowledgement

I would like to express my sincerest gratitude to my honorable supervisor **Md. Shahbub Alam**, Lecturer, Department of Business Administration, Sonargaon University his continuous supervision, support and utmost care regarding the completion of my internship report. It has been a special twelve weeks work experience at M.Z Islam Chartered Accountants, where I received the opportunity to apply the knowledge that I had accumulated over the past four years. I would also like to express my gratitude to the other teachers whose teachings and advices have proven to be priceless and useful during my internship.

My utmost gratitude to all the classmates who supported during this period and tried to help me in every possible way.

Finally, I would like to thank Sonargaon University for giving the opportunity to experience self-development through practical experience.

Supervisor's Certificate

Certified that this project report titled "**Audit Procedure in Bangladesh: An Experience at M.Z. Islam & Co. Chartered Accountants**" is the bonafide work of Md. Shobuz Islam, carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

……

Md. Shahbud Alam
Lecturer
Department of Business Administration
Sonargaon University (SU)

Declaration

I, Md. Shobuz Islam, the student of Executive Master's of Business Administration, bearing the ID: EMBA2201025006, would like to declare that the Thesis report titled "Audit Procedure in Bangladesh: An Experience at M.Z. Islam & Co. Chartered Accountants" has been prepare solely by me under the supervision of my supervisor, Mr. **Md. Shahbub Alam** (Lecturer), Department of Business Administration, after the completion of the internship program at M. Z. Islam & Co. Chartered Accountants.

The report has been prepared and submitted for academic purposes only and it is a requisite for the completion of Executive Master's of Business Administration at Sonargaon University.

Preparing the report has enriched my knowledge on a professional level and has allowed me to relate the theoretical aspects to the practical ways of doing things. I express my sincerest gratitude for having been given the opportunity to prepare this report and I enjoyed doing so.

Md. Shobuz Islam
ID: **EMBA2201025006**
Program: EMBA
Major: Accounting
Department of Business Administration
Sonargaon University

Abstract

The report titled “Audit Procedure in Bangladesh: An Experience at M.Z. ISLAM & CO. Chartered Accountants” is the accumulation of the experience during the internship period. The aim of this report is to show-case the procedures and processes that are followed by auditors during an audit and procedures followed by M.Z. ISLAM & CO. Chartered Accountants, where the internship had taken place. The report has been segmented into eight different chapters. Chapter 1 covers the purpose and the reasons for which the report has been prepared and covers the difficulties that were faced when preparing this report. It also covers the sources of information that were made use of in order to complete the report. Chapter 2 covers a brief history of the firm and the purpose behind the existence of firm and how it came into existence. The second chapter also discusses the services and the clients of the firm and the distribution of authority with in the firm. Chapter 3 is the culmination of the four years’ theoretical knowledge at Sonargaon University. It represents the knowledge that was accumulated about auditing during the times spent in studying at Sonargaon University. In chapter 4, the procedures for engaging in an audit in Bangladesh is discussed in details. This chapter discussed about how a firm should conduct its audit and about the steps that are to be followed during an audit, till a reasonable conclusion is reached. Chapter 5 discusses about the audit procedures and sequences that has been adopted by M.Z. ISLAM & CO. Chartered Accountants. The chapter describes, in details, about either how the firm is approached by a client or how the firm itself approaches a client and the steps that proceed after the approach for both scenario. Chapter 6 covers the practical experiences and some of the tasks that are performed by the auditors, after being assigned to a client. Being an intern, I was not provided with tasks of significant importance but with the small and relatively easier tasks. Chapter 7 covers the experiences and the tasks that were performed when staying at the firm and how the experience, as a whole, matured and changed the ways of perceiving situations and events. Chapter 8 discusses the problems that are involved when conducting an audit and the difficulties that auditors face during the audit. It also tries to solve some of the problem through recommendations, included in this chapter. Few findings were discovered as the allotted time was not enough and due to other difficulties mentioned in the limitations part of chapter 1. The profession of chartered accountants is noble and daunting and given the current development of Bangladesh, their numbers will hopefully grow in the days to come.

EMBA: Executive Master's of Business Administration
FCA: Fellow Chartered Accountant
ICS: Internal Control System
ICAB: Institute of Chartered Accountants of Bangladesh
NGO: Non – Governmental Organization
CAATTs: Computer Assisted Tools and Techniques
GAS: Generalized Audit Software
CA: Chartered Accountant
BRTA: Bangladesh Road Transport Authority
BSEC: Bangladesh Securities and Exchange Commission
PCAOB: Public Company Accounting Oversight Board
ASB: Auditing Standards Board
AICPA: American Institute of Certified Public Accountants
APM: Audit Practice Manual
BSA: Bangladesh Standards on Auditing
ISA: International Standards on Auditing
IFRS: International Financial Reporting Standards
BIDA: Bangladesh Investment Development Authority

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Chapter One

Introduction

Chapter 1: Introduction

Internship is an opportunity that is offered by an employer to a prospective employee, called an intern, to work at a particular firm or organization for a fixed time frame. The interns are usually fresh graduates or students and most internship lasts a period of one to three months. Internship can be part-time or full-time, where internship can either be paid or voluntary. In Bangladesh, the practice of hiring paid full-time interns is prominent.

An internship is designed to give an intern the practical skills, workplace experience and discipline and superior knowledge regarding that particular industry, in favor of the employer receiving the benefits arising from the labor of the intern. So internship can provide the opportunity for the practical application of the knowledge that students have accumulated during their time at university and acquire experience by overcoming numerous and different task. Sonargaon University (UIU) has incorporated internship program into their curriculum for business graduates, allowing the graduates an opportunity to integrate their classroom knowledge and theory with practical application and skills developed in a professional environment.

This internship opportunity has allowed me to grasp a knowledge of how chartered accountancy firms operate in Bangladesh. I chose M.Z. ISLAM & CO. Chartered Accountants, one of the leading chartered accountancy firms in our country. I was assigned to the audit and consultancy team conducting internal audit and consultancy of **AGATA Feed Mills Ltd**, based on which I prepared my internship report. This study helped me to learn about how audits are conducted and what criteria are to be followed for auditing.

1.1 Objective of the Study

The EMBA program has equipped students with the theoretical knowledge that a business postgraduate should know, however the scenario at the workplace can be very different than those described in text books. Work experience is vital to bring that knowledge to completion and that is why internship is requisite for the completion of our undergraduate program. The goal of placement is:

- To learn how chartered accountancy firms operate an audit
- To acquire extensive knowledge about the audit practices followed by the firm
- Learn how the audit procedure is formulated and the manner in which it is implemented.
- Achieving versatility.
- Learn about the performance of field work during the audit.

1.2 Significance of the Study

Upon the completion of one's internship, the student is required to write an internship report based on the task that was assigned to the student during the internship period. The internship report aids the student to:

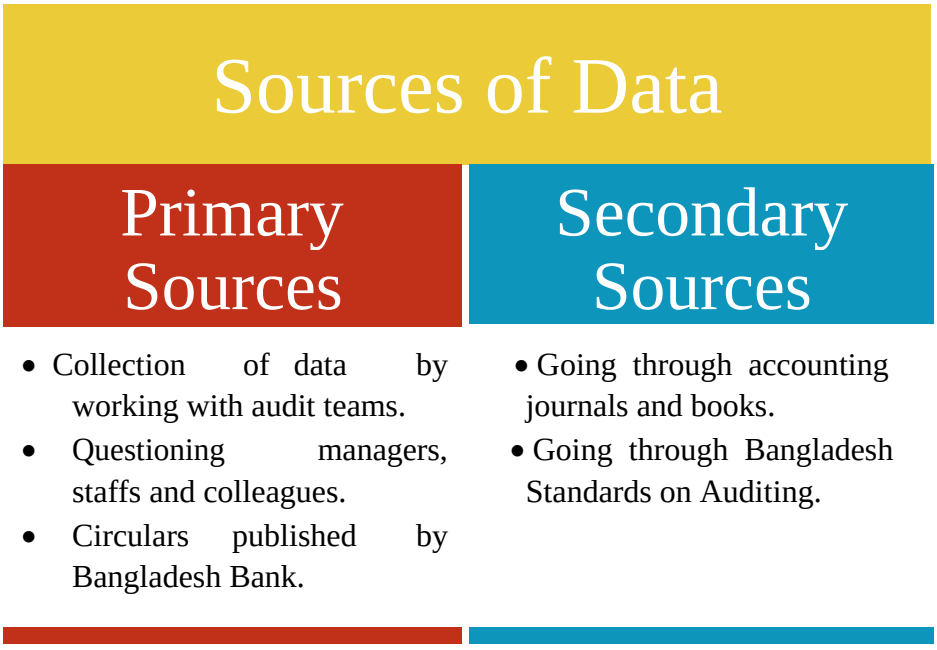
- Advance and nurture their written communication skills.
- Serve as a documentation of the internship experience.
- Think about the professional experience of the internship program.
- Reflect on the goals of internship and how or if they were achieved or they were achieved during the internship.

Internship allows students to create a channel of contacts, who can later help them, if they want to, to get a good job. This is especially applicable for a country like Bangladesh, where the competition is exponentially high and rising with each passing day. Those with no internship experience have no such contacts, making it significantly more difficult for such students to find a decent job.

1.3 Methodology of the Study

The report was prepared on the basis of the experience accumulated, from the assistance of seniors and colleagues and respected supervisors. Methodology of the study mainly covers the sources through which the necessary data was collected. The sources have been described below:

Sources of Data: This report has been prepared on data collected from both the primary and secondary sources.



1.4 Limitation of the Study

No work is without its challenges and the same goes for the preparation of this report and the work experience. A few limitations caused the preparation of this report to be minutely challenging. They are:

- The allotted time was insufficient to cover all the grounds.
- Due to confidentiality much information was not disclosed.
- Inability to observe the application of laws and procedures followed during the audit.

Chapter Two

Literature Review

Literature Review

(Kleijn & Leeuwen, 2018)Defines "Auditing is the procedure by which a competent, independent individual gathers and evaluates evidence regarding quantifiable information related to a specific economic entity to evaluate and report on the degree of connection between the quantifiable information and predetermined requirements."

Numerous studies have been conducted on the effectiveness of audits, but very few studies have been conducted on the effectiveness of audit policy. (Baatwah & S.R., 2019) It was decided that the audit policy's success would be measured by criteria other from those specified in the audit practice handbook. In his opinion, the criteria should take into account the audit company's leadership and organizational structure, the auditor's independence, the significance of the audit to the firm, the expertise of the firm's partners and workers, and the significance of the audit itself. The depth and breadth of the auditing team's expertise.

(Amalia & F.A., 2021) It was decided that auditing policies should be drafted such that there is a direct correlation between the risks being evaluated and the audit's timeliness, scope, and other relevant details. When developing supplementary audit procedures, the auditor should think about the level of risk involved, the likelihood of a material misstatement, the type of transaction, account balance, or disclosure at play, and the existence of the entity's specific controls, such as whether they are manual or done by machines. Some very important concepts are included in this definition. The following concepts are introduced to help with the definition:

a. Competent, Independent Person: To reach the correct judgment after evaluating the evidence, the auditor must be qualified to completely comprehend the criteria and informed about the types and quantities of evidence to collect. In addition, the auditor must have an autonomous mental disposition. When unbiased knowledge and objective reasoning are essential for making judgements and conclusions, having a competent individual who is also biased collect evidence serves little value. Independence cannot be absolute, yet it must be pursued and is possible to some degree.

b. Accumulating and Evaluating Evidence: To the auditor, evidence is anything that helps them evaluate whether the data they are examining meets certain standards. The auditor may rely on a wide variety of evidence, such as the auditee's (the client's) own words, letters and emails from third parties, and direct observation. The audit goals can't be achieved without collecting evidence of adequate quality and quantity. The auditor is responsible for defining the appropriate level of proof and checking that the available data meets the predetermined standards.

c. Quantifiable Information and Established Criteria: For an audit to be carried out, there has to be both information that can be independently confirmed and criteria that can be used to assess the information's accuracy. There are many different types of quantitative data. You may have your tax return audited, as well as the financial records of a firm, the time it takes for an individual to execute a job, the entire expense of a government building contract, and your own personal finances. The standards by which quantitative data are evaluated may likewise differ widely. An audit of a supplier's invoice for the purchase of raw materials, for example, can reveal whether or not the company received the correct quantity and quality of materials,

whether or not the raw material was obtained in accordance with the organization's operational needs, and whether or not the price was fair. The audit's goals will determine the criteria used.

d. Economic Entity: The auditor's remit should be made entirely clear before beginning an audit. The first step in any economic approach is establishing the economic force and time frame. In most cases, an economic entity also includes a distinct legal entity, for example a company, government agency, partnership, or even a single proprietorship. However, the entity may also be a division, a department, or even a specific individual in certain contexts. There are monthly audits, quarterly audits, annual audits, and lifetime audits.

e. Reporting: The audit report is the final deliverable of an audit and is used to relay the results to the target audience. Different types of reports serve different purposes, but they all should tell the reader how well the data they provided aligns with some standard.

Chapter Three

Organizational Overview

Chapter 3: Organizational Overview

3.1 M.Z. ISLAM & CO. Chartered Accountants

MZI was established in 1998 under the name MZ Islam & Co, Chartered Accountants. In more than Twenty years of its journey it has a track of successfully maintaining its reputation for professional competence, excellence in assisting its clients with due care and upholding professional standards and ethics in Bangladesh.

MZ Islam & Co (MZI), a professional firm, offers services in the field of accounting, audit & assurance, tax & legal services, management consultancy and advisory. MZI works for a broad group of clients: mostly domestic and international companies, small and medium enterprises, non-government organization and government institutions.

Bangladesh market is shaped by a constantly changing operating environment and a high degree of regulation at both national and international level. The day to day complicated problems faced by clients require a multi-disciplinary approach. Our professionals are specialists in their fields. Our professionals strive to add value for the benefits of clients. Their experiences are gained through their affiliation in a wide range of different organizations and markets

Name of Firm	**M.Z. ISLAM & CO. Chartered Accountants.**
Year of Establishment	1998
Address	Eastern View, 10th Floor Suit # 4 to 10 50 DIT Extension Road Naya Paltan, Dhaka-1000. Phone : +880 2 48310365, 222220092 Email : mzislam.ca@gmail.com Web : www.mzislam.co

Name of Partners	**Md. Zahirul Islam, FCA**
	Mohammad Fakhrul Alam Patwary,FCA
	Mohammad Moniruzzaman, FCA
	Md. Golam Kibria, FCA
	Md. Matiur Rahman, FCA, FCMA
	Badal Kumar Nath FCA

M.Z. ISLAM & CO. Chartered Accountant, has been serving a plethora of clients with utmost integrity
and always aims at delivering value and satisfaction to its clients and has been doing so for almost 25 years. According to the annual ranking conducted by Bangladesh Bank, it is listed. It has been globally recognized as an independent member of MGM CPAs Pty Ltd Australia.

3.2 **M.Z. ISLAM & CO. Chartered Accountants and its Services**

M.Z. Islam & Co., Chartered Accountants has been successfully providing its services for almost 25 years to a wide array of clients. Using the expertise accumulated over the years, the firm has been able to serve many clients using its carefully designed services. The aim of the services is to improve the ICS of the client company and add value to it. The key services are:

- *Audit and Assurance:* financial auditing is a set of steps used for the inspection of an organization's financial records to determine the degree of correspondence between the information and established criteria. The responsibility of an auditor is to express an opinion and provide reasonable but not absolute assurance. After the audit has been conducted, the auditor is required to provide an assurance report. The report contains the opinion of the auditor regarding the operations of the client and the client as a whole, based on certain risk factors and the findings collected during the audit period. M.Z. ISLAM & CO. maintains the utmost compliance with the guidelines and standards that has been declared by ICAB. This report makes the decision making process much easier and unbiased for the users of the report.

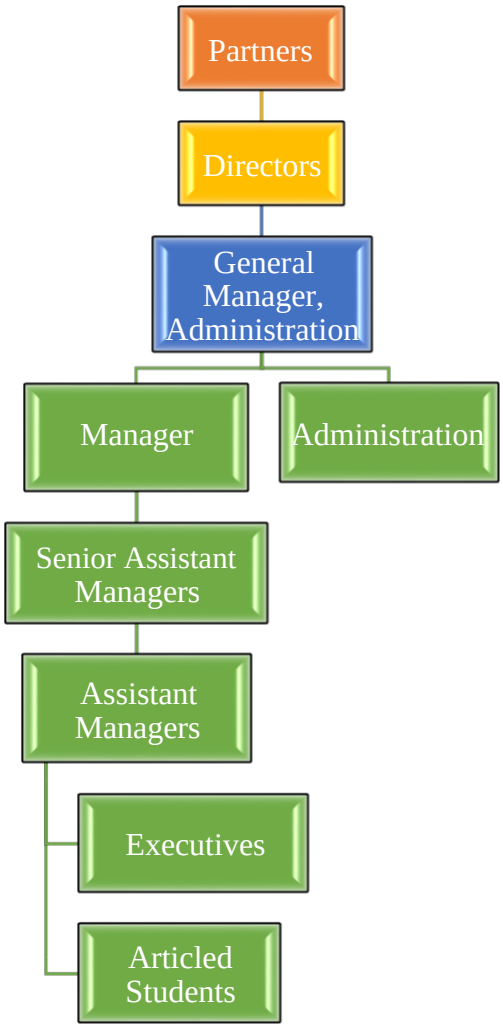
- *Tax and Legal Advice:* M.Z. ISLAM & CO. Chartered Accountants aide clients in the determination of their tax liability, incentives, indirect tax and many more. This service is delivered to both an individual and corporate level. Along with this, the firm also provides its clients with advices on how they can minimize the tax liability while maintaining the legal frameworks.
- *Advisory/ Consultancy Services:* the firm provides advices on how a client can form and maintain organizational accounts and book-keeping. It also provides consultative services about the business process in order to improve productivity and efficiency of the client company and provides management consultancy service in order to help the client improve the efficiency of its management, payroll schemes, overtime schemes etc.
- *Outsourcing:* the firm's outsourcing services include-
  - Accounts payable processing
  - Payroll and payroll tax processing
  - Human resource support and many others
- *Others:* the firm also accountancy and management training, data processing with computers, micro-financing consultancy etc.

3.3 M.Z. ISLAM & CO. Chartered Accountants and its Clients

M.Z. ISLAM & CO. Chartered Accountants being one of the biggest audit firms in the country has certainly served and is continuing to serve many clients of different industries. Some of their clients have been listed below:

Industry/ Sector	Name of Organization
Financial	Grameen Fund Grameen Capital Management CAPM Financial Institute, etc
Manufacturing	Knit Wear Ltd, The Trade Fashion Industries Ltd, Promakers Sweaters Ltd., METAL group(TAFE Tractor), Karnafuli Jute Mills Ltd, ACE Auto Private Ltd. etc
Education	Robindra University, Sonargaon University etc.
Gas	Titas Gas T & D Co. Ltd Jalabad Gas T & D Co. Ltd
Technology & Telecommunication	First Communications Ltd, Bangla Telecom Ltd, Enter IT Bd Ltd. BBC Bangladesh Ltd
NGOs	KWIT Charity. Chars Livelihood Program, Global Fund for Malaria Eradiction, Hasab Bangladesh, The Institute of Allergy and Clinical Immunology of Bangladesh, Intrehrated Education Research Foundation, etc
Govt. Projects	Local Governance Support Project(LGSP), Upazila Governance and Development Project (UGDP)(Funded by JICA)

3.4 The Organizational Hierarchy of M.Z. ISLAM & CO. Chartered Accountants



Chapter Four

Theoretical Framework

Chapter 4: Theoretical Framework

The theoretical framework defines key concepts, needed for the report, proposes relation between them and why they are essential to the report and discusses relevant theories and model on the basis of a literature review.

4.1 Introduction

After the exposure of many high level financial scandal, the public demand for the Sarbanes Oxley Act of 2002 grew. Many companies listed in the Fortune 500 were involved in the scandals. The Sarbanes Oxley Act of 2002 or SOX Act of 2002 aims to help protect investors from fraudulent financial reporting by companies. The main purpose of SOX Act is ensuring that companies work with transparency and to provide full disclosure of information when and where required.
Traditionally the audit workings and activities, performed by the chartered accountancy firms are completed using Microsoft Excel or other software or manual labor or a combination of all of them. The firms perform their task with efficiently and with due diligence, both computerized and manual, however the efficiency can be further improved by the use of audit software for audit purposes and adding further value to the services they render.

4.2 Literature Review

The ineffectiveness of the audit procedures has been discussed extensively in prior research papers. The CAATTs was and now is still being used by auditors for performing audits. Generalized Audit Software or GAS is one the most commonly used software for analyzing and auditing either live or collected data from a wide range of applications. The software allows the auditor to extract and analyze data from the client's system, perform statistical analysis and acts as an audit expert system. Many research paper already on GAS and the adoption of its usage exist (The utilization of generalized audit software by external auditors – Wehner and Jessup, 2005) however few have discussed its usage for the purpose of external audit.

Reviewing many research paper shows that most of them have been written on internal audit software rather than external audit software for effective audit software. No evidence was found on GAS being used as an external audit software for the audit procedures (Debreceny et al., 2005). A model of IT audit quality, consisting of five factors, was developed Douglas Havelka and Jeffrey W. Merhout. The factors are the client, IT audit personnel, IT audit organization, target process and audit process factors. The decision to use internal assistants by the external auditors throughout the audit process was examined by Maletta (1993). When deciding on whether or not to take the assistance of internal auditors for the audit process and the three factors affecting the strength of the internal audit function: competence, work performance and objectivity; the results

of the analysis show that auditors only consider the assistance of the internal auditors when the objectivity is high in the presence of high inherent risk. On the other hand, no effects were observed between objectivity and audit procedures of internal auditors in the presence of low inherent risk. Among the three factors mentioned before competence was the most important followed by objectivity and audit procedures for all levels of inherent risk. The internal and external auditors make use of CAATTs and computer tools and techniques as part of their audit procedures to process data of significance existing in the client's information system. (Singleton, 2003).

4.3 Theoretical Discussion

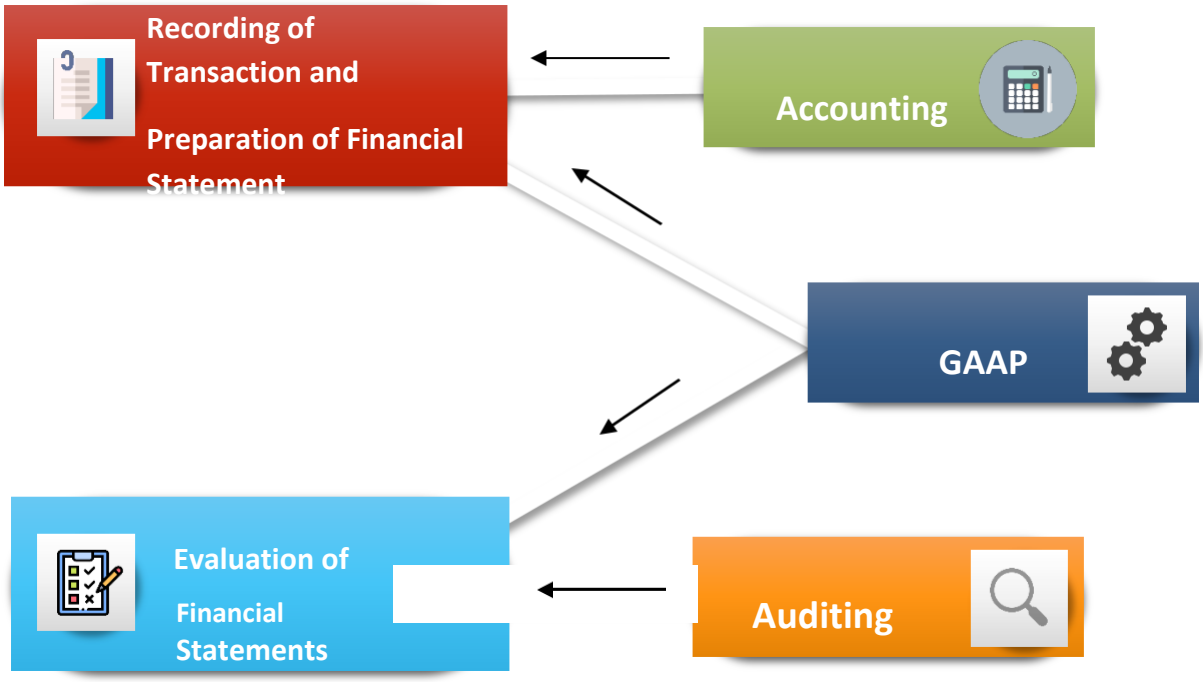
Auditing: auditing is systematic and independent inspection and examination of books, accounts, statutory records, documents and vouchers of the client and determine whether the financial statement and the non-financial disclosures have been prepared with a true and fair view or not. According to Alvin A. Arens, Randal J. Elder and Mark S. Beasley auditing can be defined as:
"Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent, independent auditor."

Evidence: any information used by the auditor to determine if the information being audited is in correspondence with the established criteria. Evidence can take different forms, including but not limited to:

- Oral testimony of the client
- Observation by the auditor
- Written and electronic communication with outsider
- Electronic and documentary data about transaction

4.4 Auditing and Accounting – Difference

People tend to confuse auditing with accounting, as most of auditing process is concerned with accounting information and the auditors have expertise in accounting matters. Similarity can be found in the basic processes of both accounting and auditing, where both are performed by person with sufficient accounting knowledge while using process and techniques of book keeping, computing and analysis. In easier terms, the key difference is auditing starts where accounting ends in order determine the true and fair view of the books of accounts.



Accounting is the process of recording, summarizing, analyzing and reporting financial transactions which are relevant to a particular business entity. The results of the process are used by the external user of the financial statement to make business decision.

The word "audit" usually refers to a financial statement audit. A financial audit is an objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the transactions they claim to represent. It is possible for the audit to be conducted by both internal auditors, who are usually employees of the company, and external auditors, usually the employees of a chartered accountancy firm. The people are CAs themselves.

4.5 Requirements of an Effective Audit

Some components need to be considered in order for an audit program to be successful. They are mentioned below:

- **Research the Audit Area:** understanding the business process is essential for the audit. Thoroughly researching the process, if not familiar with it, and review internal procedure and question both insiders and outsiders of the organization to have a better understanding.
- **Have a Detailed Understanding of the Concept of Internal Control:** internal controls are the mechanisms that are implemented by a company in order to preserve the integrity of the financial statements, preventing fraud and promoting accountability.

- **Conduct Process Walk-Throughs:** after having a clear understanding of the entity's processes**,** the business objectives, the methods used to achieve the objectives and applicable regulations must be identified. A walkthrough can include a factory visit or analyzing and scanning documents or records to understand the general condition.
- **Map Risks to the Organization:** identifying the risk to which the client might be exposed is crucial. Through research and interviews the risks influencing the business objectives and control measures used to diminish the risk are to be identified.
- **Obtain Data Prior to Fieldwork:** in the initial request for information, auditors generally emphasize on data needed by them to conduct the audit. Data analysis is performed before the fieldwork is commenced, allowing the auditors to identify the potential areas of anomaly. This allows the auditors to confirm a condition or weakness early, thus optimizing making target testing and sample selection.

4.6 Types of Audit

According to the book "Auditing & Assurance Services: An Integrated Approach there are three types of audit:

1. **Operational Audit:** concerned with evaluating the efficiency and effectiveness of any part of an organization's operating procedures and methods. The management usually expects suggestions for improving the operational processes after the completion of the operational audit. In this audit the reviews are not limited to accounting and include evaluation of organizational structure, computer operations, marketing, etc.
2. **Compliance Audit:** is performed in order to determine whether the client has followed specific rules and regulations set by the higher authority, such as the government, BRTA,BSEC, etc.
3. **Financial Statement Audit:** is conducted to ensure that the financial statements are prepared and presented on the basis of the specified criteria (GAAP).

3.7 Generally Accepted Auditing Standards (GAAS)

The PCAOB adopted the standard established by ASB. The PCAOB is a non-profit organization of the private sector created by the SOX Act of 2002 to oversee the audits of public limited companies and other associated issues in order to protect the interests of the investors and ensure public interest in the preparation of the independent audit reports. The standards which have been issued by the PCAOB are known as PCAOB Auditing Standard or GAAS. These standards are to be followed by members licensed by the AICPA. AICPA sets professional requirements for CPAs in the United States. Historically, the auditing standards have been organized into 3 categories consisting of 10 standards.
They are:

- General Standards
- Standards of Field Work

- Standards of Reporting

4.7.1 General Standards

There are three standards in this category. They are:

- The audit must be performed by a person or persons having sufficient technical training and proficiency as an auditor.
- An independence in mental attitude must be maintained at all times by the auditor or auditors for all matters related to the assignment.
- In the preparation of the report, due professional care must be exercised in the performance of the audit.

In this category, GAAS emphasized on the qualities that an auditor must possess.

- **Technical Training and Proficiency:** the auditor must have formal education in auditing and accounting and sufficient practical experience of the work being performed. Auditors are responsible for having appropriate and sufficient competence and capabilities to perform the audit. Having adequate knowledge and training assures the client that the CPAs can perform their assigned tasks adequately.
- **Independence in Mental Attitude:** The Code of Professional Conducts of The AICPA lays down the ethical requirements for CPAs. The need for independence, in other words being unbiased or free of nepotism, in an audit engagement is stressed by the Code and auditing standards. Independence has two aspects: impendence in facts and independence in appearance.
    - **Independence in Facts:** it refers to the auditor's independence of state of mind and how he/she acts or behaves in particular situation.
    - **Independence in Appearance:** refers to the absence of circumstances that would cause a reasonable and informed third party, having proper and adequate knowledge of the relevant information, to reasonably conclude that the professional skepticism of audit organization or member of the audit team had been compromised.
- **Due Professional Care:** refers to the care and skills that is applied by a reasonably prudent and competent auditor in similar circumstances. When the audits are carried out in compliance to the auditing standards, is when due professional care is exercised.

4.7.2 Standards of Field Work

There are three standards in this category. They are:

- The work is to be sufficiently planned and assistants, if any, are to be properly supervised.
- A sufficient understanding of the internal control system must be obtained to plan the audit and determine the nature, timing and extent of tests to be performed.

- Sufficient appropriate evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis of an opinion regarding the financial statements under audit.

In this category, GAAS emphasized on what the auditor must do before and when engaged in the audit process.

- **Adequate Planning and Supervision:** the responsibility to ensure an adequate audit and proper supervision of assistants which includes sufficient planning, lies on the shoulders of the auditor. A significant portion of the audit is performed by staff members with less experience and this is why extensive supervision is essential.
- **Understanding the Internal Control System:** the auditor is primarily responsible for determining and applying the appropriate level of materiality throughout the audit. This is due to the auditor's opinion on whether the financial statement contains any material misstatements or not. A misstatement is considered to be material only if its knowledge to the reasonable of user of financial statements causes the user to change his/her decision. The auditor must grasp a proper understanding of how the internal control of the client works in order to detect material misstatements or potential areas of material misstatements.
- **Sufficient Appropriate Evidence:** the auditor is responsible for obtaining sufficient evidence appropriate audit evidence, after designing and implementing proper responses to assess the risk, to determine if the financial statements contain any material misstatement. The amount and type of evidence to collect is subjective and mainly depends on the auditor's professional experience.

4.7.3 Standards of Reporting

There are four standards in this category. They are:

- The report shall state whether the financial statements are presented in compliance with generally accepted accounting standards.
- The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
- Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise mentioned in the report.
- The report shall contain either an opinion regarding the financial statement, as a whole, or an assertion to the effect that an opinion cannot be expressed. The reason shall be stated when an overall opinion cannot be expressed. In all cases, where the auditor's name is associated with financial statement, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of the responsibility taken by the auditor.

In this category, GAAS emphasized on what the auditor's responsibility after the audit has been conducted.

- **Presentation of the Financial Statement:** the auditor has to clearly state if the financial statements have been prepared in accordance to accepted accounting principles or state the misstatements or any violation of principles, if any.
- **Consistency:** the standard is concerned with the constant maintenance of an accounting principle among the alternative accepted accounting principles, after it has been adopted. The management of the company cannot simply follow a principle in one year and completely disregard in the year to follow, unless the company has a proper reason to do so. So any irregularity from the previous year must be detected and noted.
- **Disclosures:** the users of the financial statements are in no position to know whether the financial statements and other related information have been provided adequately by the management of the company. It is the auditor's responsibility to ensure that sufficient disclosure has been done in order to allow the user for the financial statements to take proper decisions.
- **Opinion:** the type of opinion declared by the auditor depends on the result of the audit. The audit report should clearly state the responsibilities of both the auditors and management, how the data were sampled, types of test used and all other necessary details. There are five types of opinion:
    - **Standard Unqualified:** is declared when all the financial statements, which have been included, are presented in accordance to accepted accounting standards with sufficient appropriate evidence and no circumstance requiring an explanatory paragraph is present.
    - **Unqualified with Explanatory Paragraph or Modified Wording:** is declared when the audit produces satisfactory results and the financial statements fairly presented but the auditor found is misstatement, not material, and believed an explanatory paragraph was necessary to describe the situation.
    - **Qualified:** is declared when the auditor has a restricted access to the information needed to perform the audit or failure to follow the accepted accounting principles. ○ **Adverse:** is declared when the auditor believes that the financial statements are materially misstated or misleading, with sufficient and appropriate evidence, to the degree that it does not portray the true position of the company or the statements
      have not been prepared in conformity to the accepted principles.
    - **Disclaimer:** is declared when auditor is unable to satisfy him/herself that the overall financial statement is free of material misstatement. This opinion arises when there are severe limitations to information or in the absence of the independence of the auditor. In simpler terms, it arises due to the lack of knowledge by the auditor.

4.8 Audit Procedure

The audit procedure can be divided into three broad steps:

- Planning the Audit
- Conducting the Audit
- Reporting the Results in the Audit Report

Planning the Audit: the standard of "*Standard of Field Work*" of GAAS requires the auditor to plan their audit program in details and with adequacy. For the purpose of carrying the audit effectively and efficiently, the audit activities need to be properly planned and controlled. This allows auditor to cost efficient, avoid misunderstandings and gather sufficient and appropriate evidence.

Understanding the Client's Business: having a proper understanding of the nature of the client's business and the industry in which it operates, allows the auditor to know where and how the resources must be concentrated and identify the key areas of risk for the client. This also allows auditor to pinpoint key areas of potential misstatement, identify complex transactions that have a higher chance of error and the ability of the client to continue as a going concern.

Developing the Audit Program: the audit program is the most crucial control mechanism. The procedures that are to be followed during an audit are outlined in the audit program.

Collecting and Analyzing Audit Evidence: all the accounting records contained in the financial statements and other information such as confirmation from third parties are considered as audit evidence.

Assessing Inherent Risk: it is the auditor's assessment of the possibility that material misstatements might be present in the account balances before considering the effectiveness of the client's internal control. The second standard of the *"Standards of Field Work"* emphasizes on understanding the client's internal control. The risk can increased or mitigated by the auditor's ability to assess fraud or by the unique characteristics of the business and its industry.

Assessing Control Risk: the risk that a material misstatement, either individually or in combination with other misstatement, will not be prevented or detected on a regular basis by the client's internal control. Understanding the client's internal control allows the auditor to identify potential areas of misstatement and the factors that might affect the risk of material misstatement.

Conduct the Audit: the audit is conducted based on the planning and the two following test are performed:

- Test of Control
- Substantive Test

Test of Control: the effectiveness of the internal control systems is obtained through the tests of control, as well as evidence regarding operation of policies and procedures applied. With the aid of this test, the auditor determines if the control techniques are working effectively to reduce the risk of material misstatement. The auditor is concerned with the following assertions in the test of control:

- Existence: Whether the control actually exists
- Effectiveness: The control is working effectively
- Continuity: The control has operated constantly throughout the stipulated time with low to no deviation in results.

Substantive Test: the completeness, accuracy and validity of the data produced by the accounting system is obtained through substantive test.

Chapter Five

Audit Procedure in Bangladesh

Chapter 5: Audit Procedure in Bangladesh

5.1 General Definition of Audit

The AICPA defines audit as:
"The highest level of assurance that a CPA performs and is intended to provide a user comfort on the accuracy of financial statements. The CPA performs procedures in order to obtain "reasonable assurance" (defined as a high but not absolute level of assurance) about whether the financial statements are free from material misstatement."

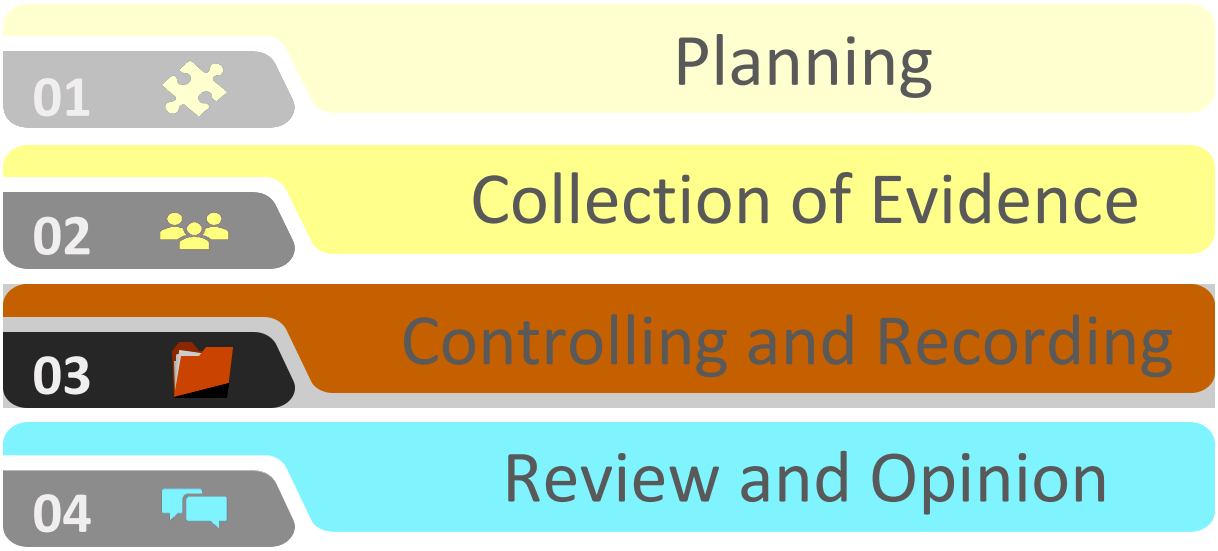
5.2 Regular Audit Practice in Bangladesh

Audit is a systematic process, which is similar in almost all the countries. Some variations among the rules and regulations of every country can be observed but the steps to conduct an audit is the same. There are different types of auditors, some of which are: internal, external, forensic auditor etc.

Auditor has the responsibility of accumulating evidence and judging whether the information on the financial statement is true and accurate.

5.3 Audit Process by ICAB

ICAB is the body in Bangladesh, which is responsible for regulating the activities of professional accountants and for matters connected therewith. Audit Practice Manual is the bible of the auditors and anything and everything written in it has to be followed by the auditor. A summarized version of the audit procedure can be found in the AP Four steps are discussed:



5.3.1 Planning

Proper planning helps to achieve any targeted goal as it provides a guideline or chart a course of actions for doing so. The process usually starts with the present operations and identifying the areas that require improvements. An efficient plan requires envisioning the goals that one wants to achieve and map the essential steps needed to arrive at the desired destination. Planning provides the information needed to make efficient decisions about the order and how to prioritize the elements, based on which the resources are allocated. Proper planning allows productivity to be maximized and wastage of resources to be minimized. This is applicable for an audit as well, as an audit might prolong for an extended period if not planned properly. The ISA 300, one of the many standards of the International Standards on Auditing, requires an audit procedure to be planned properly. The same also implies for Bangladesh Standards on Auditing (BSA).

BSA emphasizes on the importance of the necessity for the standard documentation of the client's planning memorandum. The planning memorandum is prepared in accordance to the audit strategy and on the basis of the aggregate audit knowledge and experience of the auditor. Planning documents include:

- The nature of the entity's business.
- Process of conducting the business.
- The risks involved and their effects on the business.
- Steps taken by the auditor to audit the company.

Planning is required as it is a requirement of BSA and an essential key to a successful audit. The factors of planning are:

- Assessment of risk and materiality
- Analytical review
- Test of control

5.3.1.1 Assessment of Risk and Materiality

Risk and Materiality are essential to formulating an audit plan and strategizing an audit approach.

Risk:

In BSA, two standards are associated with risk:

- **BSA 315:** Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment.
- **BSA 330:** The Auditor's Responses to Assessed Risks.

The business environment in which the entity operates determines the nature of the risks involved with the audit procedure. The risk may also arise from ability of the entity's control system to

detect misstatement or from a failure of the audit procedure due to improper sampling, which is known as sampling risk. Sampling cannot be eliminated however it is possible to minimize this risk. Some of risks include:

- **Business Risks:** these risks are exclusively associated to the company and its stakeholders and include factors that can potentially halt its activities and existence.
- **Audit Risk:** the risk that an auditor may pass an unqualified opinion due to the auditor's intentional or unintentional inability to detect material misstatement. It has three elements:
  - **Inherent Risk:** is a measure of the auditor's judgment of the possibility of the existence of material misstatement in the client's financial statements before taking the effectiveness of the client's internal control into consideration.
  - **Control Risk:** is a measure of the auditor's judgment that the client's internal control will be unable to prevent or detect a material misstatement that may occur.
  - **Planned Detection Risk:** the risk that the audit evidence for an audit objective will be unable to detect a material misstatement exceeding performance materiality.

Materiality:

Materiality refers to the information which if omitted or misstated could affect the economic decisions of the users of the financial statements. Materiality affects audit in three ways:

- Influences the nature and extent of the tests of detail.
- Influences decisions about adjustments of actual errors to projected errors.
- Assessing areas of significance regarding judgmental matters.

The level of materiality is usually related to the relative size of the business but some items, despite size, might be material due to their nature. In order for an account to be considered 'true and fair', it must be free from materiality. In this stage, all the planning is done to keep the materiality and associated risks in check.

5.3.1.2 Analytical Review

Analytical review evaluates financial information by analyzing the possible relationship between financial and non-financial data. BSA 500 requires an auditor to:

- Design and perform analytical procedure near the end of audit procedure.
- Investigate and evaluate the results of the analytical procedure.

The analytical review may be related to three different but intertwined stages of an audit:

- Planning
- Extensive analytical review

- Review of accounts

The APM states that these stages should be considered as a continuous process of review and not mutually exclusive.

5.3.1.3 Test of Control

A mandate to perform test of control has been made by Bangladesh Standards on Auditing and checking the client's internal control. Test of controls is necessary to strategizing a plan. The reasons for test of controls, as per APM, are:

- Understanding the entity and the environment in which it operates.
- Evaluating the design and implementation of all the controls related to the audit.
- Testing the efficiency and effectiveness of the internal control.

5.3.2 Collection of Audit Evidence

Audit evidence generally refers to the information that is collected to review the entity's financial statement. There are several ways of collecting audit evidence. They are:

1. Physical examination
2. Confirmation
3. Inspection
4. Analytical procedures
5. Inquiries
6. Recalculation
7. Performance
8. Observation

5.3.2.1 Audit Sampling

The question of the number of items to test in an audit is very subjective, according to APM. Tailoring the tests with the help of APM is encourage as designing tests that are directly related to the client is more accurate than filling in some form. A sample, used by the auditor for test, must be a clear representative of the population from which it is selected and must be sufficient in quantity in order to provide credibility to the conclusion that is formed.

The sufficiency of the sample size is entirely dependent on the judgment of the auditor. A theoretical start point can be determined by considering the inherent risk factors, population characteristics and materiality but the final decision about sample size is made using judgment. A benchmark is provided by the standard risk model which allows the auditors to assess the viability of their judgment.

5.3.2.2 Evaluation of Errors

Errors found when conducting the audit must be assessed and evaluated in order to determine the impact is has on the population as a whole. Evaluation of errors is difficult for auditors as judgment is required, which is impacted by experience.

5.3.3 Controlling and Recording

Controlling and recoding stage is the application of the planning stage. The evidence that has been collected are evaluated based on those assessments and recorded, after all assessments and aspects have been taken into consideration.

5.3.3.1 Assessment of Risk and Materiality

Risk:

According to the APM there are two types of risk assessments:

- **General Risk Assessment:** general risks mainly arises from the business and regulatory environment of the entity. Integrity of the management and business risk affect the assessment of general risk.
- **Specific Risk Assessment:** two objectives mentioned in the APM are:
  - To assess, in particular circumstances, the extent to which the audit can be undertaken.
  - To identify the various risks and the overall impact of those risks on particular areas of the financial statements.

Materiality:

The APM has laid down a guideline for the level of materiality, which is given in the table below. Determining the level of materiality, despite having a guideline, is a matter of professional judgment.

Amount in Taka	Profit before taxation parameters	Turnover and total assets parameters
0-5 Crores	10%	3.0%
5 Crores 1 to 10 Crores	10%	2.5%
10 Crores 1 to 20 Crores	10%	2.0%
20 Crores 1 to 56 Crores	10%	1.5%
Over 56 Crores	10%	1.0%

5.3.3.2 Reliability Factor

The standard model used in the APM can be expressed as:
It is possible to express the confidence level in the form of risk factors by using normal distribution. The basis of the sampling method is formed by the reliability method, which is the reciprocal of the risk factor. When conducting the sampling process, the factors related to the audit test must be recorded in the related sample planning form. Depending on the type of test, the reliability factor will be multiplied by a quotient. The test can be of details only, details plus analytical review and/or compliance tests. Details of the multipliers affecting the reliability factor are given in selection form and the multiplier is different for both balance sheet and profit and loss account.

5.3.3.3 Vouching the Total Population

The population may be tested, according to the APM, for very small companies. Companies which qualifies as small companies are also given in the APM. Under this circumstance applying inherent risk will have affect. The general risk assessment is still necessary as vouching all the invoices of the small company will still not provide sufficient audit evidence required to form a reasonable conclusion about the fact that all of the company's income and expenses have been correctly and accurately recorded.

5.3.3.4 Accountancy Work and Audit Testing

It is possible to use audit evidence gathered from the preparation of accounts, if the ethical issues haven been addressed properly and maintained. With specific audit objectives in mind, proper control over plans and adequate review, such accountancy work can be planned properly. Under these circumstances, the sufficiency of evidence gathered can make the need for further detailed testing redundant. Top-notch audit work is still required as such evidence do not provide completeness, continued existence etc., for instance.

5.3.4 Review and Opinion

The final stage of the audit procedure is the review and opinion. In this stage, a discussion is held between the management and auditors about the report and the audit results. Management provide

their feedbacks based on which some observations may be disclosed. After the discussion is completed, the managing partner of the firm analyzes the overall audit and issues an opinion. There is a checklist that is completed before the opinion is given.

The auditor reviews the answers of the checklist at first. The opinion that is issued is completely dependent on how the answers have been able to satisfy the audit team. If the answers are satisfactory then the audit team forms an unqualified opinion and if not then other than unqualified opinion is issued. The types of other than unqualified opinion has been discussed in the *"Chapter 3: Theoretical Framework"* of this report.

Multiple conclusions are drawn from respective multiple audit areas, as it is significant to do so. The conclusion should be drawn from the summary sheet and the tests that have been performed. The relevant working paper for each main tests for a particular area should include:

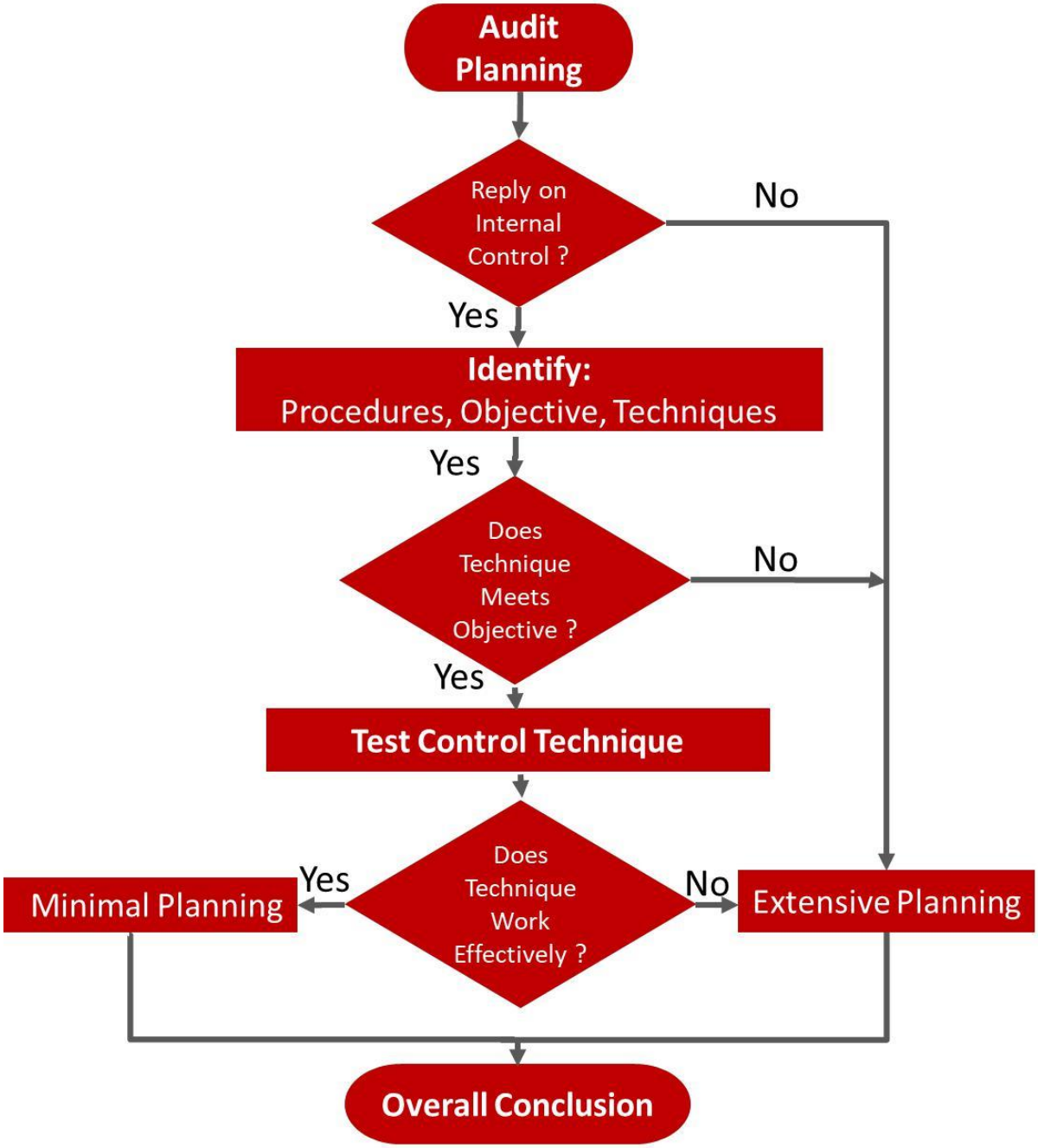
- Objective of the tests
- Tasks performed
- Results obtained
- Conclusion drawn

Chapter Six

Audit Sequences of M.Z. ISLAM & CO.

Chapter 6: Audit Sequences of M.Z. ISLAM & CO. Chartered

6.1 M.Z. ISLAM & CO. Audit Linkage



6.2 Audit Sequences of M.Z. ISLAM & CO. Chartered Accountants

6.2.1 Engagement Procedure

It is important to know the nature of business of the client and its type before the actual procedure can be proceed. M.Z. ISLAM & CO. Chartered Accountants has a diverse clientele. Clients can be new or existing and the approach for these two types of clients is different and is described below:

6.2.1.1 Engagement with New Clients

Dealing with a new client includes a few additional stages then dealing with existing clients. The stages are as follows:

- **Circular by Client:** new clients can give a circular for proposal or can directly choose a firm of their own choice. When the client chooses a firm of its own choice it asks to firm to directly send it a proposal letter. If this happens so for M.Z. ISLAM & CO. Chartered Accountants then the firm mentions the cost and time needed to conduct an effective audit based on the description of the areas of audit given by the client.
- **Proposal Letter Sent to Client by M.Z. ISLAM & CO. Chartered Accountants:** after reviewing the attachments sent by the client and finalizing the financial and technical terms, a proposal letter is sent by M.Z. ISLAM & CO. Chartered Accountants to the respective client. The proposal mentions the eagerness of the firm to fulfill the requirements of the client along with the approximate time and charge of delivering the desired service.
- **Proposal Acceptance and Letter of Contract:** when a circular is published, a company may receive proposal from more than one chartered accountancy firms and the company chooses the one that best fits its requirements. In the case of the firm being directly chosen by the company, the proposal letter is directly received and reviewed and after finalization the letter of contract is made and sent to M.Z. ISLAM & CO. Chartered Accountants.
- **Confirmation Letter:** a letter of confirmation is sent by M.Z. ISLAM & CO. Chartered Accountants to the management of the company after the firm has received the letter of contract.

6.2.1.2 Engagement with Existing Clients

The stages associated in engaging with existing client is much simpler and easier. In this case, the client sends an appointment letter directly to M.Z. ISLAM & CO. Chartered Accountants, requesting its services again for the upcoming year. If the firm accepts the proposal, then, after receiving the appointment letter, a confirmation letter is sent by the firm. The audit fees and fees of other services can vary for the coming year but it will not be lesser than the current year, unless specifically mentioned and approved by ICAB.

6.2.1.3 Directly Appointed by the Client

Firms which are interested in receiving the services particularly from M.Z. ISLAM & CO. Chartered Accountants directly send a letter of appointment to the firm. After receiving the letter, if the firm deems the proposal to be profitable for them then the firm accepts it and sends a confirmation letter. If it is not deemed profitable, then firm tries to negotiate with the client and if the negotiation fails then the firm rejects the proposal and a letter of rejection stating the reasons accordingly.

6.2.2 Audit Procedure

After the confirmation with the client, the actual process of auditing can commence. M.Z. ISLAM & CO. Chartered Accountants primarily follows the International Standards on Auditing (ISA) which also corresponds to Bangladesh Standards on Auditing. M.Z. ISLAM & CO. Chartered Accountants follows the international standards as it is an independent member of Baker Tilly International. The steps for the audit are:

- **Identifying Overall Goals:** when forming the reports, M.Z. ISLAM & CO. Chartered Accountants follows the IFRS and ISA. The first step in an audit procedure is identifying the goals, while considering some issues. The issues include finding errors and irregularities and efficiency of the company.
    1. **Errors:** finding errors in order to provide reasonable assurance is a requirement of the APM. Errors only include unintentional misstatements. In identifying the overall goal, the first consideration that must be made is material error. The existence and proper bookkeeping of assets and liabilities have to be found out by audit teams as well as the accuracy of recording data. Errors may arise due to the information in the financial statements being incorrect, when gathering and processing the data. The accounting estimates might have been incorrect or accounting principles were applied incorrectly.
    2. **Irregularities:** consistency is the key to maintaining proper accounts. Any irregularities, if there are any, need to be discovered in this stage as it is related to risk and materiality.
    3. **Efficiency:** refers to using minimum input to create maximum output and it is a key element in auditing. The ability of auditor to audit a whole year's worth of information in a short span of time is ensured by this stage. There are different ways to achieving efficiency, like, sending auditors who had been present in the previous audit of an existing client. Audit team is a combination of different type of people with different skills. However, efficiency is only achieved when all these people have the mind set to work together as a team to achieve one collective goal.
- **Gathering and Evaluating Initial Information:** the second stage involves gathering and evaluating information that is received initially. Knowing the nature of the client's

business and how the client operates is very important. The activities involved in this stage are:

1. **Understanding the Business:** first and foremost, the auditor has to grasp a proper understanding of the nature of the industry and business of the client. Gaining a proper understanding allows the auditor to determine the objectives, formulate strategies and identify relevant risks. The auditors will gain an understanding of the external factors that affect the business and focus on accounting policies and financial performances of the company. Finally, the ICS needs to be assessed in order to determine its effectiveness in detecting material misstatement, as the risks involved and sample size depend on the strength of the ICS. BSA-610, allows the auditors to request help from the internal auditors.
2. **Considering Internal Control Structure:** understanding the internal audit process is key to understanding the internal control system of the client. The auditors can test and reperform the steps of the internal audit, to evaluate its effectiveness. Ensuring the technical ability and working skills of the internal auditor is crucial. The demo questionnaire for the internal control is given below:

   Internal Control Questionnaire (ICQ):

3. **Identifying Client Expectation:** the external auditors should carry on their activities with the expectation of the client in mind and act accordingly.
4. **Considering Materiality:** the auditor might detect some error in the accounts and the auditor needs to decide whether this error has a material impact on the users of the financial statement or not.

➢ **Assessing General Risks:** when assessing the general risks, the auditor has to go for a 'top-down' approach. This approach is used to select the test of controls in an audit of internal control over financial reporting. Through this approach, the auditor gains an idea about the risks associated with internal control over financial reporting. The factors affecting the general risks are:

1. **Impact of Extensive Factors:** after receiving the high-level information, the process of documentation proceeds, which might extend depending on the level of risks involved. If the auditor thinks that the transactions are unreliable, the he or she might extend the area that needs to be covered.
2. **Establish Overall Audit Approach:** after identifying the areas that need to be covered, the auditor can decide on the approach. If the area to be covered is great then the cost and time required to finish it will be more and vice versa.
3. **Decide Co-ordination and Timing:** finally, the resources and time are set based on the tasks to be performed.

- **Assessing Account Specific Risks:** some risks are also associated with the individual accounts, which need to be assessed as well. According to the APM, specific tasks for this stage is:
    1. Identifying the accounts and transactions to be considered.
    2. Identifying the types of misstatements in the financial statements.
    3. Identify the indicators of risk
    4. Select controls that form the basis of reliance.
    5. Develop series of steps to test diminishing controls.
    6. Assessing remaining risks, if any, to be considered by substantive test.
- **Develop Effective and Efficient Audit Plan:** the effectiveness and efficiency of the audit plan falls significantly on the effectiveness and efficiency of the client's internal control system. The stronger the client's internal control, the lesser the need for a substantive test.
- **Conducting the Audit Test:** in this stage, all the plans and strategies the auditors and formulated till now are put into action. The auditor uses proper methods to collect evidence and performs tests to validate them. The IT systems are verified using the technical compliance tests before which the auditor goes through all the documents. The end result of this stage is the accumulation of papers and audit evidence.
- **Evaluating and Communicating Audit Results:** when audit evidences are evaluated material misstatements are taken into consideration. The auditors ensure that appropriate and sufficient evidence has been collected and if not, then additional steps are taken to achieve the needed results. The auditor compares the collected evidence to the planning materiality figure to detect misstatements. After this has been completed, the total misstatements are analyzed to determine if they cause the financial statements to be materially misstated or not. The misstatements are discussed with the management, who then clarify the reasons for the deviations and remaining issues are listed. If the accumulated issues cause the financial statement to be materially misstated then M.Z. ISLAM & CO. Chartered Accountants issue a qualified opinion and if not then an unqualified opinion is issued. After the audit evidence has been gathered and communicated to the client a report, based on these evidence, is complied.

Chapter Seven

Experience at **AGATA Feed Mills Ltd**

Chapter 7: Experience at **AGATA Feed Mills Ltd**

After joining M.Z. ISLAM & CO. Chartered Accountants, the client I was assigned to was **AGATA Feed Mills Ltd.** It is a Bangladesh and Singapore joint venture company. M.Z. ISLAM & CO. Chartered Accountants was hired to provide the following services:

- Accounting Services
- Taxation Management
- Taxation Services at the Commission of Taxes Level
- VAT Services
- Statutory Annual Audit of Financial Statements
- BIDA Services
- Case to Case Basis Opinion

7.1 **AGATA Feed Mills Ltd**

It is a Bangladesh and Singapore joint venture company. It was established in Comilla, Bangladesh, in 2013. We are a Fish, Poultry and Cattle Feed manufacturing company and offer Broiler Feed, Layer Feed, Sonali Feed, Fish Feed (Sinking & Floating), and Super-Floating Fish Feed (Micro-Feed). We use latest and efficient technology in all stages of production to produce quality and originality which contribute to the success of our customers.

7.2 Corporate Mission

The mission of AGATA Feed Mills Ltd is "To create wealth and value for the clients, partners, the company itself and the employees".

7.3 Corporate Vision

The vision of **AGATA Feed Mills Ltd** "Customer satisfaction is the aim of our efforts; thus, we always strive for uninterrupted monitoring for quality in all stages of processing.".

7.4 Core Values

The core values of **AGATA Feed Mills Ltd** are:

- Delicacy
- Teamwork
- Creativity
- Safety
- Quality
- Harmony

7.5 Management Team

The present management team of **AGATA Feed Mills Ltd**. is:

Name	Designation
Himangshu Bikash Bhowmik	Chairman
Premangshu Bikash Bhowmik	Managing Director
Debangshu Bikash Bhowmik	Director
Jhorna Bhowmik	Director
Shyamoli Rani Nath	Director
Badal Kumar Nath	Chief Financial Officer

7.6 Tasks Performed at **AGATA Feed Mills Ltd**

I was assigned to **AGATA Feed Mills Ltd** with Mr. Md. Sadekul Islam, an CA Article Student, who was my immediate supervisor there. Mr. Md. Sadekul Islam showed the way about and how to deal with the clients and their employees. At **AGATA Feed Mills Ltd** I was made to perform the following tasks:

- Preparing and updating the vendor list
- Entering the daily transaction in MS Excel
- Preparing vouchers
- Calculating the monthly Tax and VAT
- Preparing the List of Third Party Tax and VAT
- Handling the client in the absence of my supervisor

Chapter Eight

Experience as an Intern

Chapter 8: Experience as an Intern

I have been at M.Z. ISLAM & CO. Chartered Accountants as an intern for 3 months, starting from February, 2013 to April, 2023. My client for this entire period AGATA Feed Mills Ltd which is situated in Rupayan Tower, Bangla Motor, Dhaka. During my internship, I was able to learn how an organization and its employees operate and in any situation team work is crucial. The program also helped me mature in many ways, helped me realize that patience is key as I had to face some unpleasant situations. My experience here has also helped me to improve my managing skills. Three months a very short time to grasp a proper understanding of duties and responsibilities of an auditor. However, M.Z. ISLAM & CO., Chartered Accountants have mainly taught me to:

- Be responsible for my own actions
- To work alone and in a group
- To interact with employees and members of the client company
- Be punctual and logical
- Be a smart and efficient worker

Tasks Performed at the Firm:

Being an intern, I was given minute tasks at the firm. I tried to assist in every possible way and tried to perform the tasks with utmost diligence. The following were the task I performed at the firm:

- Using the Xerox machine to help them
- Scanning important documents and e-mailing them
- Printing documents
- Inputting data in excel
- Aiding in the preparation of Salary Statement and Other then Salary Statement
- Crosschecking invoices
- Delivering the annual reports and other documents to the client office
- Preparing Letter of Proposal
- Depositing and withdrawing money from bank accounts.
- Couriered documents to clients

Chapter Nine

Findings, Recommendation and Conclusion

Chapter 9: Findings, Recommendation and Conclusion

9.1 Findings

There exists no system which does not have its shortcomings or does not face obstacle in reaching completion. During my stay at M.Z. ISLAM & CO. Chartered Accountants, I have observed general some shortcomings in the audit procedures and some problems that auditors face when conducting the audit. I have also questioned some of the students and seniors at the firm, who were either in charge or involved in an audit. The shortcomings listed below have been identified on the basis of the information provided by the students, my seniors at the firm and my own experience. Some of the problems and shortcomings are:

- **Limitation of Time:** Clients have a tendency of contacting the firm at the latest possible moment, which creates a pressure in its own on the auditors to complete the audit process.
- **Quick Rotation between Audit Engagement:** Some cases were observed where the junior students, involved in one audit process, were called to attend and take care of another audit for some unforeseen reasons. This prevents the students from gaining a complete understanding of the entire audit process.
- **Lack of Sufficient Co-operation of the Client:** There are times when the employees of the client organization are reluctant to provide the documents needed to complete the audit in time or provide the documents in lackluster manner rather being organized. There were also moments when the employees of client were observed to be rude, unprofessional and not provide the necessary support to the auditors. This makes the collection of audit evidence challenging.
- **Difficulty in Issuing an Unbiased Opinion:** The second standard of GAAS requires the auditors to be independent in mental attitude. There are moments, when the clients try to influence the auditors' opinion about the client and its stability and sustainability as a going concern. There are times when the auditors issue an unqualified opinion in order to sustain a long-term relationship with the firm.

9.2 Recommendation

Robert H. Shuller once said, *"Problems are not stop signs, they are guidelines"*. The solutions to a problem might not be immediate, but are eventual. Some recommendations have been listed below as to how the problems might be reduced:

- The firm can add a clause which mentions the stipulated time needed for them to complete the audit and when the client should contact them in order to avail their services.
- Considering the use of auditing software like Cygna Auditor, Netwrix Auditor etc. to reduce the load on auditors.
- Making the sampling process as detailed as possible to ensure the utmost audit quality by the firm.

- Reporting any noncooperation or attempts to influence to the auditors to the regulatory bodies and mentioning them in the audit reports.
- Having sufficient staffing to ensure that no junior student is called from one audit engagement and assigned to another until the ongoing audit, in which the student is involved, is completed in situations of unforeseen events.

9.3 Conclusion

The internship program acts a bridge between theoretical and practical knowledge, allowing the intern to gain a better understanding of the entire process as a whole. This enriches the intern with knowledge and allows him or her to explore a dimension of experience that he or she was unaware of before. The internship program has been a rewarding experience as it is a real eye-opener. It closes the distance between reality and fantasy, allowing us to break free of the illusion of a perfect job and the ease of getting it done that we harbor inside us. I have tried to cover the audit procedure followed in Bangladesh in this report. The profession of chartered accountancy is well-reputed in Bangladesh and M.Z. ISLAM & CO. Chartered Accountants, being the top in its profession, has tried to follow all the rules and regulations enforced by ICAB. The firm has been successfully doing so for many years and hopefully will continue to do so in the years to come. There are however some loopholes in the process. In this era of rapidly changing technology and economy, chartered accountants play a key role to success. The firms should develop ways of providing more customer satisfaction to their clients and alleviating work stress from their employees and students. This already thriving sector can improve even more with the help of good resources, which in this case are the articled students themselves. I hope the audit procedure of M.Z. ISLAM & CO. Chartered Accountants will develop and improve further in the future and quality of their already satisfactory services will further improve as well.

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