Thesis Report
on
Audit procedure of Bangladesh-
A Case Study on ACNABIN Chartered Accountants



Submitted To:

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Date of Submission: May 11, 2023

Submitted for the partial fulfillment of the degree of Masters of Business Administration (MBA)

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Submitted To:

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Letter of Transmittal

May 11, 2023

Md. Shahbub Alam

Lecturer

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Subject: Submission of thesis report "Audit Process and Procedure of Bangladesh- A Case Study on ACNABIN Chartered Accountants"

Dear Sir

This is a great pleasure for me to submit the thesis report on "Audit Process and Procedure of Bangladesh-A Case Study on ACNABIN Chartered Accountants" as a partial requirement for MBA program. I have successfully completed my thesis program from September 22, 2018 to December 22, 2018 in ACNABIN Chartered Accountants. I believe that the knowledge and experience I have gathered during my thesis period will help me in my professional life. Therefore, I hope that you would be pleased to grant my draft report and allow me to submit the report for the stated topic. However, I will always be happy to welcome any further clarification that you may require.

Sincerely,

……

Md. Nazmul Ahsan
ID: MBA2202026012
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Student's Declaration

I do hereby declare that the thesis report on "Audit Process and Procedure of Bangladesh- A Case Study on ACNABIN Chartered Accountants" prepared by me under the appropriate guidance of Md. Shahbub Alam, Lecturer, Sonargaon University (SU) in fulfillment of the requirement for the award of MBA degree.

This work I have presented does not breach any existing copy right and not submitted to any other University, College for an academic qualification.

Sincerely,

……

Md. Nazmul Ahsan
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Letter of Authorization

This is to certify that the thesis report titled “Audit Process and Procedure of Bangladesh-A Case Study on ACNABIN Chartered Accountants” is the bona fide work of **Md. Nazmul Ahsan**, who carried out the study under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other thesis report or dissertation on the basis of which degree or award was conferred on an earlier occasion on this or any other candidate.

……

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

Acknowledgement

At first, I am highly grateful to Al-mighty Allah who has provided me with all kinds of opportunity to complete the Thesis Program.

It is a great pleasure of having the opportunity of expressing my deepest gratitude, grateful thanks and sincere appreciation to my honorable supervisor, of Md. Shahbub Alam, Lecturer, Program: MBA, Sonargaon University (SU) for his constant guidance, excellent co-operation and inspiration, without which this work would not be possible.

I like to express my thanks and deepest gratitude to ACNABIN Chartered Accountants for giving me the opportunity, appointment for the thesis program that I have completed.

Md. Nazmul Ahsan

Executive Summary

Practical knowledge is necessary for newly graduate and practical knowledge is totally different from bookies knowledge. For gaining practical knowledge entering into a work or corporate is necessary. To complete graduation every student is required to do thesis in any organization. As my thesis I had chosen ACNABIN Chartered Accountants, prominent accountancy firm in Bangladesh. The main objective of my study is to analyze and identify the audit procedure of Bangladesh and also the audit procedure of ACNABIN. I was also aimed to find out comparison of International audit procedure with ACNABIN audit procedure. For fulfilling my objectives, I had used both primary and secondary sources. Primary sources were direct experience by working and help from audit manager and others person's from ACNABIN. And secondary sources were accounting system, internet and other papers of ACNABIN. In my working period in ACNABIN I had face and found several things. Some were good and some were problematic. One of the main problems is without giving proper knowledge of the client's business students were sent to audit. Sometimes ACNABIN don't follow the work program properly. In most of the cases ACNABIN's supervision is not so good and the audit team had to face time limitations for completing the audit. One of the best finding in ACNABIN that their audit procedure gives them an opportunity to describe the problems in accounts of the client through management letter. And they also have a prescribed audit engagement procedure for the engagement with their clients. According to my experience I think ACNABIN should change some things. They should give proper knowledge to their students before sending them to audit, they must need to follow the work program in a proper way. The supervisors of an audit should be more cooperative and should supervise the audit on time to time basis. As far I had seen in ACNABIN they had a great potentiality and their workings are quite good. They had good capability for fulfilling their client's needs. But if ACNABIN could overcome their limitations it will be best for them and their clients.

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Chapter 1

Introduction

Introduction

Classroom knowledge and practical knowledge is totally different. That's why to boost up knowledge it is essential for a graduate to enter into the corporate world. Corporate world is the place to gain practical knowledge, experience of the practical and professional world for a student. Thus, students are required to undertake a thesis program in any operating organization.

A thesis is a great opportunity for an intern to choose his career he wants to pursue in the future. As I have aimed to study Chartered Accountancy after completion of my Graduation, I have chosen ACNABIN Chartered Accountants, a prominent Chartered Accountancy firm in Bangladesh to complete my thesis program. My twelve weeks' thesis program gave me the opportunity to gain practical knowledge on how an accounting firm operates in reality.

The study gave me an opportunity to observe and perform the audit procedures and also gave me knowledge about Chartered Accountancy works. I was assigned as an audit student of ACNABIN and was engaged for the audit of VIVO MOBILE COMPANY (BD) LTD., which was my first working experience in corporate world. This report is all about my gathered practical experience on audit procedure in client and procedures followed by ACNABIN Chartered Accountancy firm.

1.1 Objectives of the study

- **Primary Objective**

To analyze and identify the audit procedure of Bangladesh

Secondary Objectives

- To identify the audit procedure followed by ACNABIN Chartered Accounts
- To compare ACNABIN Chartered Accounts audit procedure with International audit procedures
- To identify the gaps between ACNABIN's procedure and International audit procedure.

1.2 Methodology of the study

In conducting the study both primary and secondary data were used. Various charts were used to present the information:

Primary sources are-

- I have collected information from my working experience of auditing
- I have collected information by discussion with audit managers, audit staffs and articled students
- Some information's were collected by interviewing and

working client's Secondary sources are-

- I have collected several information like accounting system and audit working papers audited by ACNABIN
- I have collected information from various audit related documents of ACNABIN
- Information collected from Internet

1.3 Limitation of the Study

The objective of the report was to make an extensive study of external audit process and procedures. Although I got lots of opportunities during the thesis I had to face lots of obstacles. And those obstacles could be said as the limitation of the report. Those are-

- **Educational Background**

  As I am a student of Finance and audit works were mostly related accounting it could be a limitation.

- **Time Constraint**

  Only 12 weeks is too short time to understand the audit process and procedure in a proper way.

- **Code of Conduct of Firm's**

  According to firm's policy firm maintain their secrecy and confidentiality. Firm's information's are restricted to disclose that's why I was not allow to provide in-depth information's about the audit process and procedure.

- **Practical Environment**

  As I have lack of practical knowledge my area of works was small which limit my scope and opportunity to know and understand the whole audit procedure.

Chapter 2

ACNABIN's Profile

2.1 Profile of ACNABIN

Name of the firm: ACNABIN Chartered

Accountants Registration Date: 15th February

1985

Address: BDBL Bhaban (13th Floor), 12 Kawran Bazar C/A,

Dhaka-1215 Phone: (880-2) 8144347-52

Fax: (880-2) 8144353

E-mail:

acnabin@bangla.net

Web:

http://www.acnabin-

bd.com

Branch Office: House No.#734, Road No.#26, CDA Residential Area, Chittagong.

2.2Background of ACNABIN

At present ACNABIN I is in no. 10 position by the recent ranking of CA firms by Bangladesh Bank. Although in the previous ranking it was in no. 1 position. The fall of raking may arise because of some internal problems. This firm have global affiliation which have enabled the firm and its peoples to be up-to date with recent information and professional knowledge. ACNABIN Chartered Accountant is an independent member firm of Baker Tilly International. Baker Tilly is an international accounting network that has 149 firms in 125 countries.

ACNABIN was formed in February 1985, since now the firm has been proving a lot of services to its clients in the field of audit, tax, consultancy and others. ACNABIN has 10 partners at present whose experience in diversified sectors has established the firm as a multidisciplinary organization. Various government and non-government organizations had been appointed ACNABIN for carrying out various services. ACNABIN is an enlisted auditor of USAID and European Commission.

In that time ACNABIN was initiated with seven partners. And the name "ACNABIN" comes from the acronyms of the founder partners:

A= ABM Azizuddin

C= Anwaruddin Chowdhury

N= Abu Syed Mohammad

Nayeem A= Mohammad

Akhtaruzzaman B=

ATMA Bari

I= Iftekhar Hossain

N= Mohammad Nurun Nabi.

At present the firm has four founder partner and six new partners. ACNABIN has represented BDO in Bangladesh during 1990-92 and Arthur Andersen from 1992 to 2002 till the later collapse.

2.3Vision, Mission & Strategic Intent

Vision: ACNABIN vision is “We go beyond the traditional auditor and client relationship by becoming your trusted business advisor”.

Mission: This CA firm has its mission as “we go on to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information and the maintenance of trust-demands it. We have built our success on such principles. We do our utmost to earn-and keep-client trust.”

Strategic Intent: ACNABIN want to become trusted leader in the market ensuring highest level of professional ethics and competencies. While securing safe & trusted position in the market for financial institutions, telecommunications, foreign branch & liaison offices and NGOs/NPOs, we still see wider space for us to get involved in other sectors in the country and in the region.

2.4Services Provided By ACNABIN

The firm has Three Divisions in its office in Dhaka city for providing diversified services to its clients. Those divisions are auditing, tax & consultancy. ACNABIN provides the following services:

Firm’s services can be segregated into Five sectors,

2.4.1 Audit & Assurance

ACNABIN’s professionals provide a wide range of services based on the knowledge and understanding of (BSA) Bangladesh Standard on Audit and (ISA) International Standard on Audit. ACNABIN is committed in providing focused and personalized service and solution-based advice for giving required assurance to the client and their stakeholders. Audit services are:

- Statutory audit
- Internal audit
- Special audit
- Cost audit
- Compliance audit
- Forensic audit
- Management audit
- Performance audit
- Interim audit
- Review engagement

2.4.2 Tax & Legal Services

ACNABIN have designed its tax & legal services to help its clients to apply most effective business strategies. The firm work closely with its clients to deliver high quality tax services to maximizing tax planning opportunities and to find the right answers to the tax challenges in respective industries. Tax & legal services are:

- Individual and corporate tax planning
- Personal Income Tax
- Deferred tax computation and application
- Indirect tax
- Tax investigations
- Capital gain tax
- Designing VAT Management System and Compliance Audit
- Tax compliance and preparation of various tax returns
- Tax assessments and appeals Preparation of income tax return
- Tax effective remuneration planning

2.4.3 Advisory Services

ACNABIN provides the following services as advisory service:

- Preparation and filing of Annual Return
- Formation, incorporation, liquidation and winding up of companies
- Preparation of Directors' minutes
- Maintenance of statutory records
- Transformation of companies and close corporations
- Preparation of AGM minutes
- Increase of paid up capital & share money
- Company name changes
- Articles & Memorandum changes
- Preparation of Special resolutions
- License Issues;
- Legal Opinion on Laws, Licenses
- IP Rights (Logo, Trademarks, Copyrights)

2.4.4 Consultancy Services

- Structured financing advisory,
- Standard operating procedures (SOP),
- Management Accounting Services,
- Management
- Consultancy, Fixed assets management,
- Accounts receivables management,

- Payroll management,
- Business planning and project
- feasibility studies, Project appraisal,
- Inventory Management,
- Performance
- measurement, Business
- and asset Valuation, Cost Management Services

2.4.5 Outsourcing Services

Rather than other services ACNABIN provides outsourcing solutions that delivers a high level of confidence and professional results by focusing your business. Those services are:

- Accounts payable processing,
- Payroll and payroll tax processing,
- General ledger and financial statement processing,
- Accounting services,
- Human resource support,
- Preparation of management accounts and management information systems,
- Preparation & Maintenance of books of accounts,
- Support in day to day Transaction Processing,
- Book keeping and preparation of final accounts &
- Fixed Assets verification and completion of records

2.5 SWOT Analysis of ACNABIN Chartered Accountants

In the time of my thesis in ACNABIN Chartered Accountants I would like to do the SWOT analysis of ACNABIN. The SWOT analysis is given below-

Strengths

- ✓ ACNABIN have a great reputation as an audit firm within the Country,
- ✓ It has large amount of highly experienced staff to perform audit and accounting services,
- ✓ Modernized computer system and effective utilization of software has made it able to increase productivity,
- ✓ High client retention, providing consistent referrals to the firm
- ✓ Expertise in diversified work field and industry,
- ✓ Collaboration with Baker Tilly International,
- ✓ Experienced partners in diversified fields,

Weaknesses

- ✓ There are a lack of diversification in revenue resource because of Over-dependence for individual and business clients tax preparation,
- ✓ In exam time of CA students, the firm face incapability in serving their client due to lack of staff,
- ✓ Difficulty in retaining aggressive non-partner CAs, as they move to smaller firms that will make them partners sooner
- ✓ Being perceived as a non-progressive, "too traditional" firm and maybe overlooked as a viable option for new clients
- ✓ Some individuals within the professional staff do not understand or a commitment to the marketing activities of the firm

Opportunities

- ✓ Increase in population can give benefit as increase in population leads to increase in industry and businesses,
- ✓ Increasing income levels of the population over the age of 60 that have aggressively saved for retirement and have increasingly complex tax planning, tax preparation, and estate planning needs,
- ✓ Continuous growth in major industries like health/medical, mobile, automobile and IT may create new scope of work,

Threats

- ✓ Sole practitioners and new firms are increasing rapid and this could be a threat,
- ✓ Software's are taking place of CA in term of tax preparation, accounting, and bookkeeping services,
- ✓ Peoples have perception that CA firms only work for tax related aspects rather that diversified are of services,
- ✓ Wrong perception of some organizations about that to plan for Initial Public Offering (IPO) they must need a national firm,
- ✓ State and/or federal tax laws that lead to gross simplification, such as legislation leading to a flat income tax, which would result in reducing billable hours for business and individual taxes.

Chapter 3

Literature Review

3.1 General Definition of Audit Process and Procedure

Audit means to identify whether the company had provided accurate, fair and true information's in its financial statement, and the company is in practice of following required rules and different financial standards or not. According to the definition it can be said that the purpose of audit is to provide an independent opinion about the accuracy and fairness of a company's financial statement, process, procedures and rules and financial standards in recording transections and activities.

Auditing gives assurance to the users of a company's financial statements and others information's that the information's provided by the company are reliable and free from misrepresentation and it also assure that the company is following government and others rules, regulations and standards.

Audit Process

Audit process is a sequential order of steps which is followed by the auditor in the examination of client's records (Morse, J. M., Barrett, M., Mayan, M., Olson, K., & Spiers, J., 2002). The audit process may vary from company to company depending upon the nature of the engagement, its objectives & types of audit assurance desired. It comprises understanding the particular client's environment, conducting the auditing procedures and tests, appraising the audit results and communicating the results to interested parties.

Audit Procedures

Audit procedure is auditor's technique by which the auditors gather audit evidence to verify the reliability of the accounting records. The auditor evaluates whether the information provided in financial statement are logical and reasonable (Akkerman, S., Bronkhorst, L. H., & Zitter, I., 2013). Some examples of auditing procedures are-

- Observing assets to verify existence and amount (Fixed Assets),
- Collecting independent information's from external parties (Banks),
- Evaluating the company's internal control,
- Appraising management's activities,
- Obtaining management representation.

Audit procedures to be followed by the auditor on an engagement are indicated in the audit program. The work paper indicates what has to be done by the auditor in audit (Allwood, C. M., 2012).

3.2 Audit Process and Procedure in Bangladesh

Institute of Chartered Accountants of Bangladesh (ICAB) is the regulator of audit firms of Bangladesh. All the audit firms are regulated and guided by ICAB. Firms are suggested and provided with different subject regarding auditing by ICAM. Auditing procedures has been suggested by Audit Practice Manual (APM) of ICAB that all the firms of Bangladesh follow in doing audit.

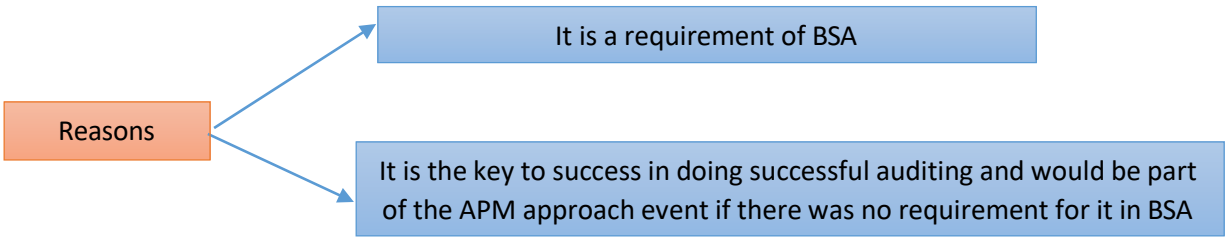
(APM) suggested audit process may be summarized as follows-

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

1.Planning:

The Audit Practice Manual provides knowledge about the planning of keeping documentation and demonstrate the adopted audit approach and the reasons for that approach in order to assist in a disciplined approach for planning and to ensure compliance with BSA.

Planning is essential for two reasons:



Along with the standard documentation there should always be a client-specific planning memorandum setting out:

- How the company conducts its business operations,
- Where the risks and issues are,
- What the company does,
- How this will be audited.

These separate stages should not be considered as to be mutually exclusive, but part of continuous process of review, perhaps it is fair to suggest that analytical review is not as widely used as it could be, particularly in the auditors of small companies. Some form of final analytical review is generally bringing to pass but, by that stage it may be of little use in directing the audit towards areas of importance.

- **Assessment of Maturity and Risk**
  Two of the principal planning procedures are assessment of risk and materiality. The assessment of risk in certain is at the core of the approach to audit set out in the BSA. In the Audit Practice Manual approach audit risk interacts with materiality and population value to determine sample sizes.
- **Analytical review**
  Analytical review can be a feasible source of audit evidence. It may include:
  I. A preliminary analytical review,
  II. An extensive analytical review &
  III. A final analytical review.
- **Tests of controls**
  Bangladesh Standards on Auditing (BSA) require a much greater consideration of the client's internal control system than was the case under the old standards. According he old rules for testing internal control it was optional. This is not the case under Bangladesh Standards on Auditing (BSA). In addition, as before, the auditor may choose to test the effectiveness of controls where this is more effective than relying solely on tangible procedures.
  I. Evaluation of implementation and design of all control relevant to audit is required for upstanding the entity and its environment.
  II. Evaluating the design and implementation of controls requires more than just enquiry; further work such as on looking documents or tracing transactions through the system is required.
  III. Testing of the operational effectiveness of internal controls (compliance testing) is mandatory where: the risk assessment includes an expectation that controls are operating effectively, or actual tests alone do not provide sufficient evidence of their operation.

2. Collection of Audit Evidence:

The Audit Practice Manual (APM) audit programs are comprehensive and designed to deal with most eventualities. However, it is crucial that the programs are appropriate to meet particular circumstances of the client.

- **Audit sampling**
  The question of how many items to test has always been an arguable subject. It is far better to design tests right away relevant to the client rather than to merely 'fill in the forms'. Tailoring or drafting of programs using Audit Practice Manual (APM) the as an aide- memoire is therefore encouraged. Clearly, any sample must be representative of the whole population and it

must be sufficiently large to enable dependable conclusions to be formed. The practice of judgment must ultimately determine the sufficiency of sample sizes. The use of inherent risk factors, materiality and population characteristics may give a feasible theoretical starting point but ultimately judgment must prevail. The standard risk model does at least provide a benchmark in opposition to which to assess the reasonableness of your judgment.

- **Evaluation of errors**
  Errors found in the performance of audit tests must be evaluated to determine their dominance on the population being tested and on the accounts as a whole. Evidence suggests that, at times, auditors have faced trouble in making this evaluation.

3. Controlling and Recording

Controlling and recording provides detailed guidance on the use of the documentation, including the way in which the forms should be completed for the preparation of a well-documented audit file.

Audit Evidence

The auditor supposed to have sufficient evidence against his/her clams or opinions otherwise the opinion is not justified. 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 grounds his opinion on the financial statements. Sources of audit evidence includes the client's accounting system and documentation, tangible assets, management and other employees, consumers, dealers and other third parties who have dealings with, or information of the client's business.

- **Assessment of Risk**

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

  I. From the business environment in which the entity operates its business,
  II. From the operation of the entity's control systems and
  III. From the failure of audit procedures, including 'sampling risk'.

- **General Risk Assessment**

  General risk is risk which is related to the organization's environment. It also could be said that general risk is related with the audit client's commercial and regulatory environment. It is also affected by the business risks the company faces and an assessment of the integrity of management. This assessment

should aid in determining the riskiness of the engagement as a whole. The higher the perceived risk, the lower the audit risk that the auditor is willing to bear and the greater the audit assurance that is needed.

- **Specific Risk Assessment**

The assessment of specific risk achieves two objectives:

I. It may be utilized in the context of the very small company to assess the extent to which the full audit program approach can be foregone in the particular circumstances of the audit in question. This approach must always be documented and justified, not simply applied without any reason and
II. It may be used to pull together the different risks identified.

- **Vouching the Total Population**

It may happen that a small company's total population is tested. For example, the scenario may be like that only 20 invoices a very small company has in a year and all 20 has been decided to examine. The innate 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 20 invoices cannot on its own, provide all the audit evidence that we require forming a reasonable conclusion that all income has been entirely and accurately recorded in the company's accounting records.

- **Materiality**

BAS 320.3 repeat the following definition of materiality which is taken from the IASB 'Framework for the Preparation and Presentation of Financial Statements'. 'Information is material if its error or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or omission 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'. 'True and fair' accounts are those free of 'material' misstatement. For this reason, above all others, an assessment of materiality should always be compiled.

Materiality affects audit work in two ways, those are-

I. It is one of the factors which impacts the nature and extent of the tests of detail.
II. It impacts 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.

- **Recording**

After collecting the sufficient sample, it is important to record in double entry systems so that the proper recording of the transaction can be determined. It also helps to observe whether the accounting procedure used by the client is correct or not and what are the synthesis of the given journals. BSAs also suggest different procedures for recording the transactions and there treatment regarding different situation.

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

Such accountancy work must have been absolutely planned with specific audit objectives in mind, properly controlled, recorded and subject to adequate review. In such circumstances it may be that adequate audit evidence can, in respect of certain assertions, be obtained to obviate the need for further detailed testing. Remember, however, that such audit evidence will not provide proof of, for example, completeness, continued existence or title, thus still requiring top up audit work to be done.

4. Review and Opinion

This part deals with how partner can review the overall audit and form an opinion. Audit Practice Manual (APM) 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

The first task of the auditor is to get answer about the review of check list. If the answers satisfied the audit team and partners, they may form disqualified opinion

about the client. In other cases, they may opinion other than disqualified opinion.

A conclusion needs to be drawn for each audit area. This is essentially important. Not only need 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**

Particularly where there has been significant tailoring of the audit approach, it is vital that there is evidence to show that the partner has approved the approach being taken to the audit of the particular section before the work is undertaken. This will also serve to enhance the efficiency of the audit.

- **Final completion stage**

Confirmation of a number of different things is required by the conclusion. This includes confirmation that:

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

- **Alternative conclusion**

The summary sheet needs to state clearly the alternative conclusion reached, with adequate explanation for the conclusion to be understood. The alternative conclusion must be brought to the care of the partners.

Consideration should be given before reaching an alternative conclusion whether or not there are any additional audit procedures that could be carried out to enable a satisfactory confirmation of the audit objectives to be given.

Chapter 4

Audit Procedure of ACNABIN

4.1Audit Procedure Followed by ACNABIN:

ACNABIN provides opinion on financial statement based on Bangladesh Standard on Auditing (BSA) and International Standard on Auditing (ISA) in the time of involving in any audit and this is the primary goal of ACNABIN. ACNABIN also looks for providing innovative and efficient auditing and management consultancy services and most importantly ACNABIN tries to fulfill their client's needs.

Before starting the audit, procedure there are series of activities those need to be followed. For example: meeting with management, audit engagement and clearance letter.

4.2Engagement Procedure:

Before discussing the audit procedure of ACNABIN I will try to give a picture of ACNABIN's engagement with clients. the scenario could be three types. Those are:

1. Engagement with new client,
2. Engagement with existing client,
3. Directly appointed by the client.

4.2.1 Engagement with New Client:

For new clients along with acceptance letter four letters were exchanged between the client and ACNABIN. The stages followed by ACNABIN to engage with new client is given below:

- **Stage-1: Client requires for technical and financial proposal from ACNABIN**

The scenario is that new client generally give circular for audit proposal in newspapers or directly contact with firm and ask for audit proposal. In case of direct offer, the client requests the audit firm to submit a quotation for the cost of conducting the audit and the client also request to mention the time duration for conducting the audit. The client also mentions the areas of audit in a form of attachment. (That assures that if ACNABIN audit the client's firm they will supply the formal term of reference/ audit mandated to govern the conduct of audit).

- **Stage-2: The technical and financial proposal is sent by ACNABIN to the client**

After reviewing the letter of the client, the audit firm prepare a draft proposal which contains the technical and financial proposal for carrying out the audit. ACNABIN estimates their costs for conducting the audit and also keep in mind

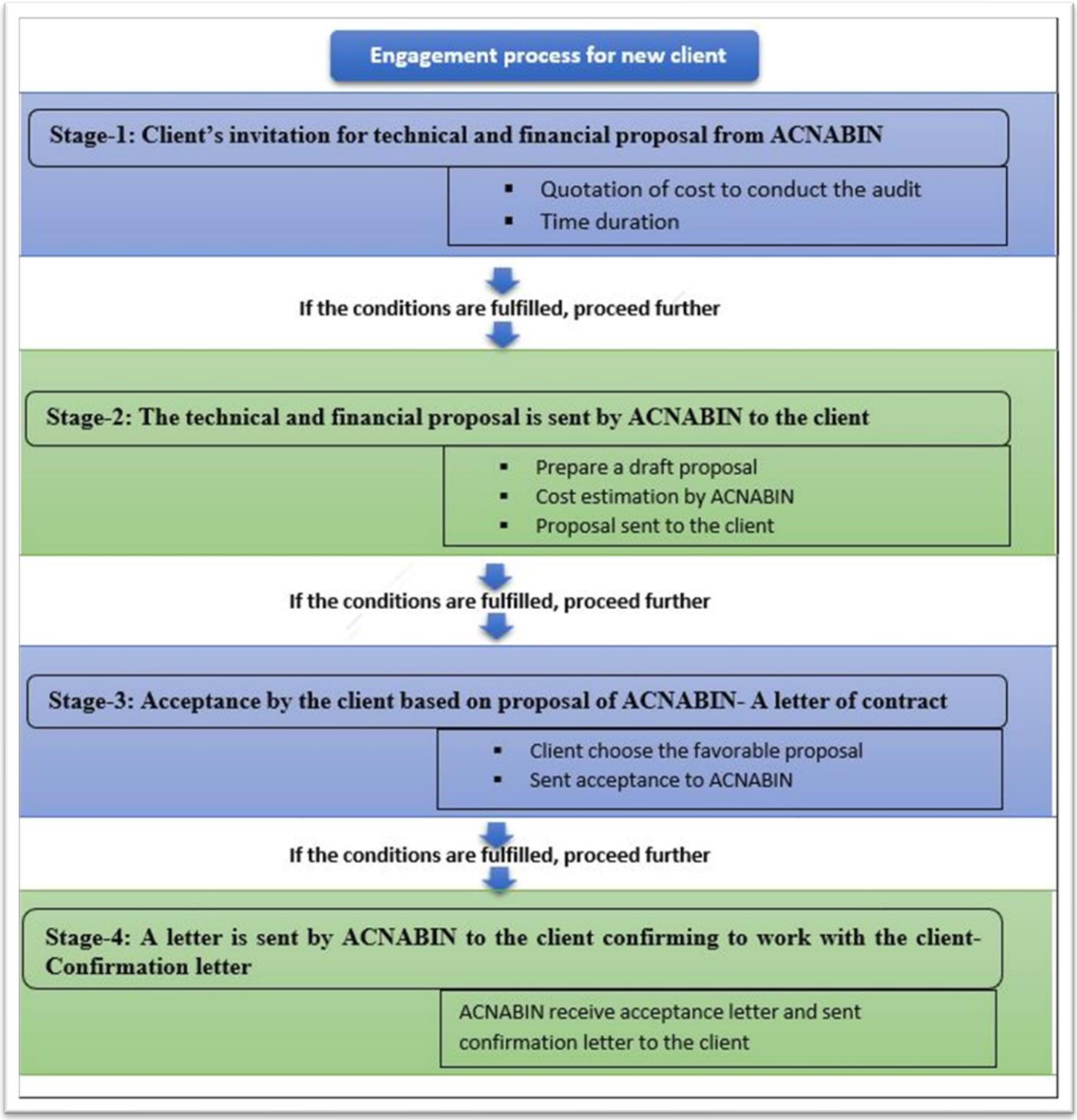
about the injunction of (ICAB) about minimum hourly rate of fees prescribed. The firm also mention in the proposal about that the cost may vary a sit is a estimate.

- **Stage-3: Acceptance by the client based on proposal of ACNABIN- A letter of contract.**

The client may receive lots of proposal from various firms. After reviewing those all the client chooses the favorable and best one for them. By the proposal client understand the nature of the audit of ACNABIN. And how ACNABIN will carry out the audit. An acceptance letter is sent to the firm in this stage.

- **Stage-4: A letter is sent by ACNABIN to the client confirming to work with the client- Confirmation letter.**

In this stage of engagement with a new client when the firm receive the client's acceptance letter ACNABIN gives letter of confirmation to the client by informing that the firm is willing to work with them.


Engagement process for new client
Stage-1: Client's invitation for technical and financial proposal from ACNABIN
Quotation of cost to conduct the audit
Time duration
If the conditions are fulfilled, proceed further
Stage-2: The technical and financial proposal is sent by ACNABIN to the client
Prepare a draft proposal
Cost estimation by ACNABIN
Proposal sent to the client
If the conditions are fulfilled, proceed further
Stage-3: Acceptance by the client based on proposal of ACNABIN- A letter of contract
Client choose the favorable proposal
Sent acceptance to ACNABIN
If the conditions are fulfilled, proceed further
Stage-4: A letter is sent by ACNABIN to the client confirming to work with the client- Confirmation letter
ACNABIN receive acceptance letter and sent confirmation letter to the client

4.2.2 Ex-clients or Clients from Last Year:

If the engagement is between ACNABIN and a previous client or client from last year there were three letters exchanged between them. Those are:

4.2.2.1 Letter of willingness for reappointment: In this letter ACNABIN gives a letter to the previous client, describing that they are willing to audit the client again in this year. There may be a request for increasing the audit fees or changes in other conditions.

4.2.2.2 Client sends appointment letter to ACNABIN.

4.2.2.3 ACNABIN accept appointment letter.

4.2.3 Directly Appointed by the Client:

Client have good knowledge about the audit firm, their works or may be previous experience with the firm directly appoint the audit firm. In this case the client sends an appointment letter to the audit firm with containing all the terms and conditions. If ACNABIN thinks that all the terms and conditions are favorable to them then ACNABIN accept the appointment letter and sent a confirmation letter to the client.

4.3 Audit Procedures

There are seven steps in audit procedures that are interlinked to another that's why one comes after another. We all know that ICAB have suggested audit procedures in Audit Practice Manual, which are followed by all the CA firms in Bangladesh and ACNABIN also follow that procedure. Those steps are:

1. Identity Overall Goals
2. Gather & Evaluate Initial Information
3. Assess General Risks
4. Assess Account Specific Risk
5. Develop Efficient and Effective Audit Plan Program
6. Conduct Audit Testing
7. Evaluate and Communicate Audit Results

1. Identity Firm's Overall Goals

ACNABIN conducts the audit for the purpose of to identify that whether the financial statement and information's provided are accurate and fair in accordance with Generally Accepted Accounting Principle (GAAP). Accounting Standards contains the firm's policies on Generally Accepted Accounting Principle (GAAP). The audit team give opinion by taking in consideration these standards. In forming an opinion, the audit team also addresses responsibilities for:

- Errors

- Irregularities and other matters
- Efficiency

Errors

Errors are unintentional misstatements or mistakes of accounts of disclosure in financial statements. The audit team is required to design the audit as it could provide reasonable assurance of the identification of material errors. The person who is in-charge of an audit team is responsible to ensure that the clients rightfully owned existent or occurred assets or liabilities are recorded accurately and completely with balance or value at given date and disclosed properly. Errors may arise for some reasons. Those are:

- Mistakes in gathering or processing accounting data
- Oversight or misinterpretation of fact that leads to arise of incorrect accounting estimate and
- Mistakes in the application of accounting principles relating to amount, classification and manner of presentation or disclosure

Irregularities and other matters

This is just opposite of error. Irregularities are basically intentional misstatements or omission of amounts or disclosures in financial statements and this includes fraudulent in financial reporting and misrepresentation of assets. So there is always a risk that material irregularities may occur and not been detected. This risk is increased by the effectiveness and efficiency of internal managements. If the management internal control are effective in doing collusion, forgery or un-recordation of transaction the risk is increased. But this can be reduced by taking some steps regarding detection of irregularities.

Efficiency

Auditors have budget for conducting the audit. The auditing procedure should be efficient in manner but it should not exclude the project budget or audit engagement. Performing an efficient audit involves:

- Performing front-end risk assessment and planning with adequate partner and manager involvement
- The same team of the previous year could be appointed if it is a recurring audit
- 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

2. Gather & Evaluate Initial Information

To conduct an efficient audit, it is a pre-requisition to have clear idea about the client. For this reason, when ACNABIN engage in an audit project at first it requests the client for some basic information's, such as what is the basic business of the client, what is the foundation of the establishment of the business or how the business is being operated, who are the major buyer or seller etc. This information's helps to understand the following subjects:

- Understanding operation of the client
- Considering the internal control structure
- Identifying client's expectation
- Considering materiality

Understanding operation of the client

The auditor understands of the entity and its environment should include information about each of the following categories:

- Industry, regulatory, and other external factors, including the applicable financial reporting framework
- Nature of the entity
- Selection and application of accounting
- policies Objectives, strategies and related business risks
- Measurement and review of financial
- performance Entity's internal control

Considering the internal control structure

According to Bangladesh Standard of Auditing (BSA)- 610 audit team can ask for help from internal auditors. Internal control structure provides an overall idea about the risk of the company that must be considered. Audit risk can be minimized if the client has a strong internal control. And this will also have an effect on sample size. But if the client does not have a strong internal control system that may increase the possibility of material misstatements and audit risk, and therefore increase in sample size also. ACNABIN prepare an internal control questionnaire to check internal control. A standard questionnaire is given below:

4.4Audit Questionnaire

Internal Control Questionnaire (ICQ)

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.

1. ACCOUNTING PRACTICE	**Yes**	**No**	**N/A**
(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?			
2. CASH & CASH EQUIVALENTS (1)	**Yes**	**No**	**N/A**
(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 cask 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?			
3. CASH & CASH EQUIVALENTS (2)	**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?			
4. INVESTMENTS	**Yes**	**No**	**N/A**
(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?			

5. FIXED ASSETS	**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:			
Purchase Department?			
Accounts Department?			
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			
Scraping 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 regard?			
(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 tattled 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?			

(xxi) If they are lodged as security, are certificates obtained to that effect periodically?			
(xxii) Are registration books of vehicles periodically verified?			
Verification	**Yes**	**No**	**N/A**
(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?			
Insurance	**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?			
6A. OTHER ASSETS	**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?			
6B. SECURITY DEPOSITS AND PREPAYMENTS	**Yes**	**No**	**N/A**
(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?			
7. BORROWINGS	**Yes**	**No**	**N/A**
(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?			
8. PAYMENTS	**Yes**	**No**	**N/A**
(i) Whether vouchers prepared, checking thereof approval and disbursements are done by separate persons?			
(ii) Whether supporting is 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?			
9. INCOME	**Yes**	**No**	**N/A**
(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-borrower's 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?			

Identify client's expectation

As external auditor, we need to identify the client's expectation and design and perform the audit to meet the client expectation.

Consider materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

We can say an information as material when its misstatement or omission could influence the economic decision on the basis of the financial statement. The size of the item or error judged in the particular circumstances of its omission or misstatement are the variables on which materiality depends. The auditor should consider materiality when:

- Determining the nature, timing and extent of audit
- procedures Evaluating the effect of misstatements.

4.5 Assess General Risks

"Top-Down" approach is used for accomplishment for assessment of risk. Initially the audit team focuses on high-level information. According to on a company's size, complexity, ownership characteristics, and level of risk its nature and extent of documentation may significantly vary. The ability to identify, assess, and management of risk is often indicative of an organization's ability to respond and adapt to change. Therefore, assessment of risk helps organizations to quickly recognize potential adverse events, be more proactive and forward-looking, and establish appropriate risk responses, thereby reducing surprises and the costs or losses associated with business disruptions. 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
- Identify account specific risk and design an overall audit approach to provide reasonable assurance of detecting material misstatements.

4.6 Assess Account Specific Risk

In this fourth step the auditors have to determine risks associated with specific accounts such as accounts receivable or payable, sales, acquisition and payment cycle, inventory and cash. The audit team can use APM questionnaire as guideline for the assessment. By getting the answers in the questionnaire, audit team can assess how much risk is associated with that specific account.

For example, normally all the expenses need to be recorded when they occur but

the audit team found that expenses are being recorded when those are being paid, which means cash basis and that is totally forbidden.

That implies that there exists risk for material misstatement in total expense,

account payable etc. accounts. To asses those risk auditors can do two things.

Those are-

- Test of Control
- Substantive test of transaction

4.7 Develop Efficient and Effective Audit Plan Program

In this step, for performing the audit in an effective and efficient way the job in charge make an overall plan or strategy. The motive for overall audit strategy is to develop an effective response to material misstatement risk. For developing an effective and efficient overall strategy which will appropriately respond to assessed risks the auditors considers what they have found in preliminary planning activities such as client acceptance, ethical position and environment of the audit firm, their understanding about the entity and the entity's internal control.

Through the development of audit plan, the overall audit strategy includes consideration of planned audit responses to specific risks associated with specific accounts. 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:

- Relevant characteristics of the audit engagement, such as the reporting framework used in order to set the scope of the engagement
- Key dates for reporting and other
- communications Setting of materiality
- Preliminary risk assessment and whether internal controls are to be tested
- and Consideration of resources available and how they are to be used.

4.8 Conduct Audit Testing

At the sixth step of audit procedure fieldwork starts. In this step the auditors try to gather audit evidence by using methodology through work plan for example interviewing the works and staffs, analysis security system etc.

Auditors start their fieldwork by reviewing the documentation of the client through the accounting year. The auditors read all the documents and tries to find out observations (Carcary, M., 2009). Auditors create audit evidence with audit paper in accordance with the audit plan.

In the second stage of fieldwork the auditor's tests IT system to identify that the

system is configured in accordance with the entity's security policy. In this stage audit team also review the organization's other policies such as HR policy, Management policy etc.

The output of this step is an accumulation of audit working papers and evidence in the audit files.

4.9 Evaluate and Communicate Audit Results

Once auditors complete to collect all the audit evidence or observation relating to the financial statement and overall company, the auditors enter in the completion phrase. First all the evidences gathered throughout the audit are being evaluated. The primary assessments of the risk of material misstatement are used to evaluate competency and appropriateness of the evidences collected. Auditors will need sufficient appropriate evidence to reach on justify conclusion about fairness and appropriateness of financial statements. The next stage is to identify the final materiality amount and to evaluate all identified misstatements. The final materiality amount could be planning materiality amount or lower it. That actually depends on the auditors. Nevertheless, auditors should not increase planning materiality figure during the completion stage. Then the auditor accumulates the total misstatement and determine that the financial statement is materially misstated by it or not.

At the completion stage before the completion of financial report, the auditors disclose all the misstatements in front of the interested parties and the client. The client has given a chance to change some or all of its misstatements if they want to do so. If the uncorrected misstatements are judged to be material, the auditor give opinion that the financial statement is materially misstated, ACNABIN may issue a report with a unqualified opinion. But if the ACNABIN financial statement is materially misstated due to misstatements rather than unqualified opinion may issue a report.

Chapter 5

Comparative Study on ACNABIN's Audit Procedure with International Practices

Personal working experience in ACNABIN Chartered Accountant

5.1 Introduction

I have joined ACNABIN Chartered Accountants at 25th May 2018 which fulfill the requirement of my graduation program. From the beginning I was given basic ideas on how chartered accountant firm's workflows works. It was very reflective of my manager to provide me some materials for studying just to get an idea on assurance and accounting. The main idea was to find out the gap between theoretical and real-life scenario. It was very 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 VIVO MOBILE (BD) LTD. to study thoroughly. After reading it carefully I found out that this company is having losses as it was a new company in our country just because they have a huge operating and administrative expenses than their revenue. However, primarily I was able to find out only one aspect but later I learnt many new things to scan an annual report.

With two other senior auditors and I went to VIVO MOBILE (BD) LTD. for doing and interim audit. The senior auditors make me understand the internal control system of the company. They use V2 and excel system for their accounts. Moreover, I was appointed to look after operating and administration expenses. My seniors also discuss everything in brief so that I can actually perform the tasks.

The things that I have learned at ACNABIN Chartered Accountants are-

- Meaning of responsibility,
- Accountability to the profession,
- Obligation of commitment,
- Auditing and Reporting responsibilities,
- Working with ethics,
- Working Independently,
- Client dealings,
- Bangladesh Accounting Standard (BAS),
- International Standard of Auditing (ISA),
- Punctuality and regularity are very important and
- Ability to interact with different sorts of people

5.2 Nature of the Job

I worker in Chartered Accountancy firm named ACNABIN, as an audit staff from 22 May to 22 August, 2018.

5.3 Job Responsibility

My job responsibilities were-

- Preparing and developing the checklist and audit program for audit, accounting and consultancy services.
- Based on nature, timing, activities and financial involvement of the organization planning the audit procedure.
- I was assigned to review administrative and operational expenses of the organization.
- Checking TDS & VDS deduction.
- Checking whether expenses have been classified to appropriate heads or not.
- Preserving necessary supporting documents.

Comparative Study on ACNABIN's Audit Procedure with International Practices Comparison Between Baker Tilly International Audit Procedure (That Is Followed By ACNABIN) And Chronological Sequences of Audit Engagement of Another Firm Described by Emile Woolf:

The main purpose of all audit engagement is more or less same. The motive audit is to provide the audit report to the interested parties on the result of the audit investigation. To achieve this objective, the auditor:

- Collects necessary and relevant information regarding the client's business to understand the overall business.
- Examines client's financial statements to determine whether they are prepared in accordance with GAAP and whether they give a true and fair view of the client's business.
- Provides audit report through which he expresses his opinion.

The audit procedure on which basis the auditors will conduct the audit that are mostly depends on the client's business nature, size complexity and other variables. Client's business area or environment may also have an effect on the auditors to determine the audit procedure.

The book "Auditing Today" written by Emile Woolf, in the book it had been described audit procedure in an extensive way that covers all the steps

followed by the auditor. Although audit procedure contains eight stages, there are three main factors. Those are: -

1. Gather background information and operation system of the client's business,
2. To determine the strengths and weaknesses of the client business operation system consider and evaluate internal control and overall security structure and what are the consequences of weaknesses in major operational areas,
3. Prepare own or use clients detailed year-end financial statement, form an opinion on the basis of financial statement examination or analysis and give opinion in form of audit report to the interested parties.

Now I will try to find out the similarities and dissimilarities between Baker Tilly International "Audit Procedure" which is followed by ACNABIN and Emile Woolf's "Chronological Sequences of Audit Procedure".

5.4 Similarities with ACANBIN

a) Firm's Overall Goal:

To achieve the firm's overall goal firms, need to consider some factors that are focused by Baker Tilly International's audit procedure on financial statements. The auditors should concern with:

- Errors
- Irregularities
- Going concern
- Efficiency
- Client value

Emile Woolf's audit procedure does not focus on the same factors but for at the time of designing nature of the business and timing and others need to be considered.

b) Gather Information:

Both audit procedures try to understand the client's overall business and

tries to obtain a knowledge by gathering and evaluating the background and operational system of the client's business.

c) Internal Control System:

Internal control system is the system which is established by the management to carry out the business. Existence of reliable internal control system helps the auditors in several ways in audit period. For example:

- Identify strengths and weaknesses in operational major areas,
- Determine whether all the transactions are authorized and classified or not,
- Determine whether all the records are complete or not,
- Detect errors and frauds.

Both the audit procedures give importance on the proper understanding and evaluation of the internal control system by the external auditor.

d) Prepare and Execute Audit Program:

Audit program is list of audit procedure. The purposes audit programs are:

- To establish an orderly and planned approach to an audit,
- To record an overview of the client's accounting procedures and the audit procedures to be performed,
- To control how the audit plan works during testing.

e) General Risk Assessment:

To assess the general risk the auditor should consider the following factors:

- The client's business nature
- Management's integrity
- Client motivation
- Results of previous audits
- Related parties
- Dollar amount of account balances
- Initial versus repeat engagement
- Susceptibility of defalcation

Both the procedures focus on the assessment of risk at the financial statement level that is the assessment of general risk.

f) Account Specific Risk:

Risks that are associated with specific accounts are called account specific risk. The auditor should check and consider some major accounts for account specific risk. Those are:

- Accounts Receivables
- Accounts payables
- Inventory
- Cash
- Assets
- Revenue
- Loan
- Investment etc.

5.5 Dissimilarities with ACNABIN

a) Engagement Procedure:

Emile Woolf's "Chronological Sequence of Audit Procedure" describes in details about the way or process of engagement with new and existing clients. But in terms of Baker Tilly International they do not have any prescribed engagement procedure for new and existing client. ACNABIN just follow the same kind of engagement procedure to engage with new and existing client.

b) Management Letter:

Followed by Emile Woolf "Chronological Sequence of Audit Procedure" auditors only provide the audit report to the interested parties. But followed by Baker Tilly International audit procedure auditors give audit report along with management letter. Management letter gives auditors opportunity to describe the mistakes he/she had found in accounting record system during the audit procedure. This letter helps the management to identify weaknesses and overcome the weaknesses in the future.

Chapter 6

Findings, Recommendations & Conclusion

6.1 Summary of Findings

Finding No: 1

Involvement in an audit engagement without having proper knowledge of client's business.

Fact:

Most of the cases when ACNABIN get a new client for audit partner just select a manager as the supervisor. Then the manager selects some students to perform the audit. And the most senior among the students being selected as job in charge, but the problem is that except the job in charge most of the times other students don't even have the knowledge about the client. The manager may only give a short briefing to job in charge. The students don't have knowledge about the audit client's business nature, type or why of doing business.

Effect:

I. Because of lack of knowledge among the students about the client and its business they need to give more time to understand the client rather than doing audit works. Therefore, auditors were required more time to conduct the audit and sometimes they may face difficulties to complete the audit within the time.

II. As the students don't have knowledge about the client's business most of the cases they had to depend on the senior for doing audit tasks, and for that man powers were not properly utilized.

Finding No: 2

Work programs are not properly followed.

Fact:

To carry out the audit there are step-by-step instructions in work program. ACNABIN also have business sector wise work program. For making audit easier work programs were developed for different sector heads. But the thing is that in most of the cases work programs were not followed properly. Even in some cases auditors just touch an account head and don't do deep analysis of that head.

Effect:

I. As work programs were not properly followed auditors can't get proper idea about every head,
II. Sometimes auditors may miss discuss some important issues.

Finding No: 3

Lack of supervision.

Fact:

Proper supervision is necessary for doing quality audit. Consequent upon the audit standard, in audit all tasks must be properly supervised by the supervisor. Supervision could be done by job in charge or assistant manager. But moreover, in most of the cases that's does not happens in ACNABIN. The job in charge just give students some specific heads or some works and don't supervise further at all.

Effect:

I. As lack of supervision juniors may collect unnecessary information or could do anything wrong and some important documents or information's may not collected due to lack of supervision.
II. Another problem is that for any wrong doing most of the times juniors are bound to take liability. That's why partners check the working files or enquiry about work progress juniors have to face problems.

Finding N: 4

Working too faster to complete an audit.

Fact:

In most of the times auditors have to work very fast to complete the audit. Because they get very short time to complete the audit and give the report. Auditors need to work like that because of mainly one reason. That is the client may need to submit that audit report to its regulatory authority. It may be the stock exchange or Registrar of Joint Stock Companies (in case of private limited companies) or TAX &VAT authority with their fixed date. Also, sometimes it could be identified that engagement partner also forces the audit team to complete the audit as soon as possible to fulfil the client need.

Effect:

As the auditors need to complete the audit engagement and provide the audit report very quickly most of the times it is not possible to ensure the quality of the audit work. Sometimes some account heads may be untouched.

Finding No: 5

Difficulties in obtaining required audit evidences.

Fact:

Auditing standard suggests that sufficient and competent audit evidences must be collected and must be analyzed properly. Because of time limitation, it is not possible to test all the transactions. We identify some transactions having significant amounts or we feel significant, and test them and provide our opinion on the basis of such transactions. So, we try to collect all the evidences related to those transactions. But in some cases, management of clients are not interested or do not want to provide all the necessary or required documents because of their lack of knowledge about audit or they want to hide some illegal or wrong works done by them.

Sometimes, we have to wait 2/3 days to get our required documents. Sometimes, client lost the documents that are helpful for our tasks.

Effect:

If the client fails to provide the required and necessary documents, it is difficult for us to give or issue an appropriate audit opinion and provide the appropriate audit report.

6.2 Recommendations

Although ACNABIN is a very well-known and reputed CA firm in our country, they also have some problems in their way of working that I have found in my thesis period. For the improvement recommendations are:

I. When ACANBIN is engaging with a client for audit before sending the audit team they should arrange a meeting of audit team with the partner so that he could give them a brief idea about the client business and how to do audit in different businesses,

II. Work programs according to which the audit will be performed must be properly introduced to the juniors/ new students and must be followed as much as possible in each audit engagement.

III. In charge of an audit team must be ordered and properly instructed to supervise the work of his juniors. The in charge need to supervise the works of the juniors on time to time basis and give correction if they are going in a wrong direction,

IV. An audit team should get proper time to conduct the audit in a proper way.

V. Higher authority of the client must order or instruct the management to provide Auditors the required documents. The management should not hide any information's asked by the auditors.

6.3 Conclusion

Baker Tilly International's Audit Procedure describes the step-by-step instructions of a financial statement audit. This procedure is sufficient for ACNABIN. If all these steps are followed properly, it is possible to ensure a proper conduct of financial statement audit. Nevertheless, as I stated above, in some cases the auditors of ACNABIN violates some audit standards and not carry out their audit tasks properly. As a result, the quality of audit work cannot be ensured all the time. But if all these problems can be removed, ACNABIN & Co. will be able to maintain its present status and improve its position to the client. So, all the partners and the articled students of ACNABIN must be conscious about this matter.

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