CHAPTER-ONE

INTRODUCTION

1.1 Introduction of the study:

This is an internship report which is prepared to get practical knowledge about audit procedure' report. In a simple word this report is prepared to know about audit procedure' report and to get idea about the audit report of CA firm specially my host firm K.M. Hasan & Co.

This report is divided into four major chapters. The first chapter contains the background of the study. This chapter contains some basic topics such as; this report contains the formal letter, contents of the report, abstract, origin of the report, and scope of the study, objective of the study and limitation of the study. This chapter provides information to the users about the core concept of the report such as what is the main objective of this study. Where I have performed my work i.e. scope of the study how the data of this report are collected and analyzed i.e. methodology of the study. Finally, this chapter contains some limitations that I have faced during my work period. The second chapter shows information about the organization where I have done my work. This chapter contains information about the firms such as historical background of the firm, profile of the firm. It also contains information about the firm clients and nature of the firm. Third chapter is the learning part. I have added information about K. M. Hasan & Co. and try to show their audit procedure i.e. how they conduct their audit. Chapter four contains is audit procedure of Bangladesh. Chapter five contains conclusion, findings and recommendation of the study.

1.2 Origin of the Study:

The internship program is a mandatory requirement for the students who are graduating from the BBA Program under the faculty of Business Administration of The Sonargaon University (SU).

In the internship program I was engaged in a host firm named K.M. Hasan & Co. for three months period. During this period, I have learned about how an audit is conducted. I also learned about the annual audit procedures of CA firm and how the engagement is done in case of an annual audit.

As a result, I have decided to write a report about the Independent Auditor's Report of K.M Hasan & Co. from my practical knowledge that I have observed. During this time, I also engaged in various audit activities.

1.3 Objectives of the Report:

Broad Objective:

The broad objective of the study is to know about the Independent Auditor's Report of Chartered Accountants (CA) Firm based on my internship experience gathered form K M Hasan & Co. (A CA Firm).

Specific Objectives:

If a work or study is done without specific objectives I think the work would not draw a meaningful conclusion because I think work without specific objectives is like a ship without radar. That's why my study also contains some specific objectives which are summarized below:

- To know about Audit and its various types.
- To gather practical knowledge about audit engagement procedure.
- To be acquainted with about different condition of an audit report.
- To be acquainted with about the audit report issued by K M Hasan & Co.
- To make some recommendations based on my findings.

1.4 Scope of the Report:

Although this report mainly emphasizes on the Independent Auditor's report of CA Firm based on my audit experiences gathered form K.M. Hasan & Co., it also contains a brief overview of K.M. Hasan & Co. and its services, operating activities, clients and so more.

1.5 Methodology of the Report:

Methodology is an essential part of any study. Methodology can properly refer to the theoretical analysis of the methods appropriate to a field of study or to the body of methods and principals' particulars to a branch of knowledge. In another word, methodology me refer to nothing more than a simple set of methods or procedures that how recognize the nature of the problem, identify how much information is available and recognize what information is needed.

Nature of the Report:

This is mainly an exploratory research. This type of research required more information in order to make the report effective or meaningful. In order to prepare the assigned internship report I have collected necessary information from both primary and secondary sources.

Sources of Data:

1. Primary Sources.
2. Secondary Sources.

1.5.1 Primary Data:

The primary data has been collected from original sources by the investigator through face to face conversation. The primary data are those which are collected a fresh and for the first time and are original in character. So, the primary data are assembled from the first hand field investigation.

Primary Data Collection Procedures:

1) Working experience with the different audit teams of KMHCO during my internship period.

2) Conversation with the Managing Partner, Audit Manager, Tax manager, Audit staffs and Articled students of KMHCO.

1.5.2 Secondary Data:

The secondary data, on the other hand, are those which have already been collected by someone else and which have been passed through the statistical process. Secondary sources of data consist of all published and reported materials including books, journal, articles etc.

Secondary Data sources are:

1. I have also collected secondary data from the annual audit report, management audit report, accounting system & audit working papers audited by the KMHCO.
2. Secondary data also have been collected from the different publications of The Institute of Chartered Accountants of Bangladesh (ICAB).

3. Other information has been collected from the various corresponding files of the firm and various relevant books mainly Bangladesh Standards on Auditing (BSA).

Target Population

The target populations of this report are the articled students, audit managers, managing partner and audit staffs of K. M. Hasan & Co.

Sample Size: The sample size of the study is as follows:

- Two Managing Partners.
- Two Audit Managers.
- 10 senior Articled Students.
- 5 Junior Articled Students.
- 3 Audit staff.

Sampling Method:

In order to prepare this report convenience sampling method has been used to select the sample size.

1.6 Limitations of the Report:

The study is performed with an objective to make a thorough study of external audit procedure. I have availed many facilities but faced some obstacle during my study. These obstacles may be termed as limitation of the study. These limitations are as follows:

- As an independent audit firm, the information that I have collected is not adequate for this study.
- Independent Auditor's Report are a confidential report or objects to the firm, so it is very difficult to present the exact format of annual audit report of the firm.
- As my engagement time was not so long, that's why it was not possible for me to know all about the annual audit procedures of the firm.
- The depth analysis has been limited to the extent of information.
- At last, the study has conducted within a very limited time. Therefore, shortage of time is a major downside for the whole study.

CHAPTER-TWO

BACKGROUND OF K.M. HASAN & COMPANY CHARTERED ACCOUNTANTS FIRM

A Chartered Accountants (CA) firm is the organization of legal and advisory service provider where the main task is to issue a written report expressing an opinion that the financial statements that it audited are free from all kind of material misstatement and fraud. In a simple word it provides the opinion that financial statements state the true and fair view of the state of affairs. In every firm audit is mainly conducted according to the Generally Accepted Accounting Principles (GAAP) and Bangladesh Standard on Auditing (BSA).

The most general definition of an audit is an evaluation of an organization systems both internal and external and its books of accounts in order to provide an opinion that the organization systems is efficient and books of accounts are maintained properly. During the course of audit an auditor check the books of accounts and its supporting documents such as bank statements, vouchers, receipt and payment invoices etc. in order to prove that the figure that they showed in the financial statements are true. The most important thing that one has to remember that an auditor work on the basis of sampling, because it is not possible to check the all document of an organization. That's why an auditor done his work on the basis of random sampling. Another important thing is that we have to remember that an audit is not a guarantee that financial statements that are audited are free from material misstatement and fraud; it's an opinion that financial statements are free from all type of material misstatement and fraud.

2.1 Historical Background of the firm:

The firm was founded in 1984 as K. M. Hasan & Co. Chartered Accountants by the name of the founder K. M. Hasan. After a few years another partner Ali Mohammad Chowdhury joined this firm as a senior partner. With these two partners this firm continues some days and other two partners Hedayet Ullah and Tariquzzaman Khan joined this firm as a senior partner. It was located in the shewrapara at Mirpur. At present with its three partners the firm is located in Hometown Apartments in its own premises. The second generations to its founders are already considered to be the new entrants in immediate near future. Additionally, a few potential trainees who are inclined to join the profession are under active assessments to be members of the firms growth and expansion in the upcoming years. The wider horizon of the firm is now visible to all those who take it with their professional interests.

The age of firm is 34 year from 1984 to 2018. During this 34 year the firm is operating with a good corporate background. Its HR team is so skilled which helps the firm to operate the firm with a good corporate background.

2.2 Profile of the Firm:

Registration of Firms:

K. M. Hasan & Co. Chartered Accountants Firm is registered under The Institute of Chartered Accountants of Bangladesh in the year 1984.

Head office Contact Address:

Hometown Apartments (8th & 9th floor)
87 New Eskaton Road, Dhaka-1000
Phone: 9345792, 9351457, 9351564, 9351682
Fax: 880-2-8358817
E-mail: kmh_co@yahoo.com
Age of Firm: 34 Years from 1984

Nature of Firm:

K. M. Hasan & Co. is a Partnership firm, since it consists of three partners.

Corporate Office Dhaka:

Level 8th & 9th Hometown Apartments
87 New Eskaton Road, Dhaka-1000

Team of KMH & Co.

1. K. M. Hasan B com, FCA, Managing Partner
2. Ali Mohammad Chowdhury B Com, FCA, Senior Partner
3. Hedayet Ullah FCA, Senior Partner
4. Tariquzzaman Khan FCA, FCS Senior Partner

Consultants / Senior Executives:

1. M. N. Khan Lodi BCS (Taxation)
   Retired Member, Taxes Appellate Tribunal
2. P.P. Chowdhury M Com FCMA
   Retired Dy, GM (Finance & Commerce) telephone shilpa sangstha ltd.

3. Md. Mozaffar Hossain MA BED
   Retired Controller (A/cs & Finance) Rural Electrification Board, Dhaka
4. Ajahar Ali Hohammed Suja BA LLB
   Retired Deputy Solicitor (Additional District & Sessions Judge)
5. Saliki Ahmed Fawjul Qavi MSc Ag. Economics
   Retired Field Co- Ordinator CCDB
6. Mrs. Nargis Ahmed BSc ICMA
   Office Manager.

Retainer / Panel Experts:

1. K. Mohammad Ali BAR-AT-LAW

2. S.M.S. Zaman LLB

   BCS (Taxation) Advocate Supreme Court, Retired Member NBR

3. Engr. Md. Shafiqul Alam

   Retired Chief Engineer Bangladesh Water Development Board

4. Engr. A. H. M. Nazrul Islam

   Retired Chief Engineer, Bangladesh Power Development Board

5. Mohd. Habib Hasan

   Architect, BARCH (BUET)

Staff Classification:

Chartered Accountants	04
Chief Advisor FCA-1	
Partners FCA-3	
Consultants / senior Executives	18

Retainer / Panel Consultants	08
CA course completed employees	05
Articled students	53
Audit / law tax Assistants	15
Administrative support employees	15

2.3 Clients of the firm:

Our clients profile includes public sector, private sector, listed & non- listed public companies, corporations, government run enterprises & boards, trade bodies & firms. Starting from banks, leasing, finance & insurance companies that include joint venture & nationally promoted entities. We have prolonged list of clients. These clients include non- government organization (NGOs), which are top notch in the NGOs of the country active within and beyond the geographical boundary of Bangladesh. Our industry group client etc. extends from textiles to garments, chemicals, pharmaceuticals, knitting, and entertainment companies. We have track record of auditing & rendering professional services to power & utilities sector entities, local bodies, and educational institutions under the government &outside it. In case of service sector entities like property & real estate developers, parks & amusements entities, hospitals, and health services complexes are within our client's network. Different types of networking and fashions houses are also included in our client list.

2.4 List of Services of the firm:

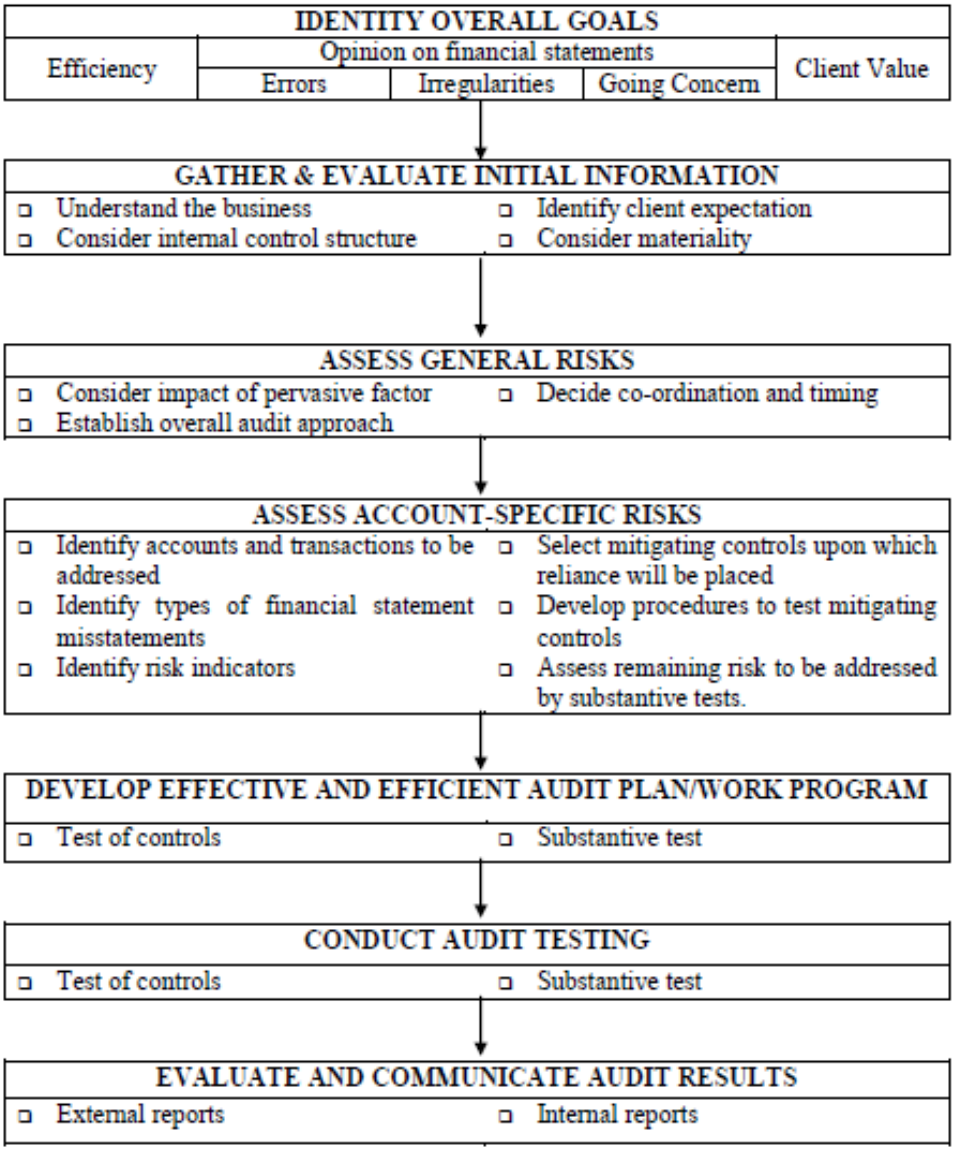
- ✓ Auditing and Accounting Services
- ✓ Financial & Management Consultancy Services but not restricted to:
  - Project feasibility studies
  - Financial management
  - Computer assisted financial planning
  - Organization planning and development
  - Management information system
- ✓ Tax consultancy and company law matters
- ✓ Asset valuation consultancy services
- ✓ Publications.

CHAPTER – THREE

AUDIT PROCEDURES OF K.M HASAN & CO.

The main focus of this chapter is, to discuss how K.M Hasan & Co. perform audit procedure. The following table reveals the details of audit procedure followed by K.M. Hasan & Co.

3.1 Audit Procedure of K.M. Hasan & Co.: (Chart)



3.2 Engagement Procedures

Before discussing the Audit, Procedures followed by K.M. Hasan & Co., I try to focus on the engagement procedures through which K.M & Hasan & Co. is engaged/ recruited by the Client company to perform the audit. K.M. Hasan & Co. faces three kinds of situations in engagement process:

- ✓ Engagement with new Client Company.
- ✓ Engagement with existing Client Company.
- ✓ Directly appointed by the Client Company.
- ✓ Before starting the audit work, some letters are exchanged between K.M. Hasan & Co. and Client Company's.

3.2.1 In case of engagement with new Client Company

4 (four) letters are exchanged between K.M. & Hasan Co. and Client Company including acceptance letter of appointment at the time of involving with the new Client Company. Following stages are followed by both K.M Hasan & Co. and Client:

Stage-1: Client Company requires for technical and financial proposal from the K.M. Hasan & CO.

Client Company generally gives circular with the newspaper or directly wants proposal for audit from the audit firm. In case of direct offer they request to the audit firm to submit a quotation for the cost of conducting audit of the Client Company. They also mention the specific date to confirm the decision taken by the audit firm and completion date for audits. The Client firm mentions here the key areas of the audit in the form of attachment. It assures that if K.M. Hasan & Co. audits Client's firm, they will supply the formal terms of reference/audit mandates to govern the conduct of audit.

Stage-2: The technical and financial proposal is sent by K.M. Hasan & Co. to the Client Company

After reviewing the Client Company letter or paper's circular, audit firm drafts a proposal letter to the Client Company. The proposal letter contains technical and financial proposal for carrying out the subject of audit. K.M. Hasan Co. estimates its personnel costs after considering the mandates to be utilized and using the minimum hourly rate of fees as prescribed by The Instituted of Chartered Accountants of Bangladesh (ICAB). The firm also mentions that as it is an estimate, the cost may vary with variation in number of mandates estimated to be utilized for the job.

Stage-3: Acceptance by the Client Company on the basis of proposal of K.M. Hasan & Co. – A letter of contract

After receiving proposal letters from various audit firms, the Client Company then selects the one which is favorable to them, and it appoints the audit firm for audit purpose. From the technical and financial proposal of the K.M. Hasan & Co. the Client Company understands the nature of the audit (such as independent, external) to assess the organization's internal control system in administering the audited matter.

Stage-4: A letter is sent by K.M. Hasan & Co. to the Client Company confirming to work with the Client Company – Confirmation Letter

After receiving the acceptance letter from the Client Company, K.M. Hasan & Co. provides confirmation letter describing the firm's willingness to work with the Client Company.

3.2.2 In case of engagement with existing Client Company

Three letters are exchanged between the K.M. Hasan & Co. and Client Company:

1. Willingness letter for reappointment: In this letter K.M. Hasan & Co. wants to audit this year. It can request to increase audit fee or change some other conditions.
2. Client Company sends appointment letter.
3. K.M. Hasan & Co. accept this appointment.

3.2.3 In case of directly appointed by the Client Company

If the Client Company is interested to work with K.M Hasan & Co., then it directly sends an appointment letter to the firm which includes all terms and conditions. If all terms and conditions are favorable to the K.M. Hasan & Co. then it accepts the appointment and sends a letter to the Client Company as an auditor.

3.3 Necessary documents for Client Company audit

- Client Company has its own memorandum. So, an Auditor should study its activities
- Client Company's may receive grant from foreign institution. So, Auditor should check whether it is received as per the provision of financial rules and regulation of the nation or not.
- Auditor should check the use of government's grants and proper account is maintained for the recording of such grant or not.
- If such institution has received donation from any individual or organization, an Auditor should check accounting of such amount and its use.
- Auditor should examine the amount received as subscriptions ratifying with counterfoils of the receipts.
- Auditor should study decisions taken by the executives.
- Auditor should make physical verification of assets ratifying with store ledger.

- Auditor should check the liabilities and also that its assets and its transfer is proper or not.

3.4 Audit procedures followed by K.M. HASAN & CO.

The primary goal of K.M. HASAN & CO. at the time of involving in any audit engagement is to provide the opinion on Financial Statements in accordance with Bangladesh Standards on Auditing (BSA) as well as International Standards on Auditing (ISA). K.M. HASAN & CO. also seek to provide auditing and management consultancy services that are innovative, efficient and most importantly responsive to the Client Company's needs. There are seven steps involved in the procedures that come one after another.

Steps are as follows:

- Identity Overall Goals
- Gather & Evaluate Initial Information
- Assess General Risks
- Assess Account-Specific Risks
- Develop Effective and Efficient Audit Plan/Work Program
- Conduct Audit Testing
- Evaluate and Communicate Audit Results

3.4.1 Identify firm's overall goals

The goal of K.M. HASAN & CO. in conducting an audit is to express an opinion as to whether the financial statements are prepared and presented fairly in accordance with Generally Accepted Accounting Principles (GAAP). The Firm's policies on Generally Accepted Accounting Principles are contained in Accounting Standards. The audit team considers these standards in formulating an opinion. In forming an opinion, the audit team also addresses responsibilities for:

- Errors
- Irregularities and other matters
- Efficiency
- Client value

3.4.1.1 Errors

Errors are unintentional misstatements or omissions of accounts of disclosures in financial statements and may involve:

a) Mistakes in gathering or processing accounting data from which financial statements are prepared.

b) Incorrect accounting estimates arising from oversight or misinterpretation of facts and;

c) Mistakes in the application of accounting principles relating to amount, classification, and manner of presentation or disclosure.

The audit team is required to design the audit to provide reasonable assurance of detection of material errors. The In-charge of an audit team is responsible to ensure that the following matters are considered at the time of audit:

Existence or occurrence: Assets or liabilities of the entity exist at a given date and recorded transactions have occurred during a given period.

Completeness: All transactions and accounts that should be presented in the financial statements are so included.

Accuracy: Transactions and account balances are accurately recorded.

Valuation: Assets are stated at realizable value, and liabilities are stated at expected settlement amounts.

Rights and obligation: Assets are the rights of the entity and liabilities are the obligations of the entity at a given date.

Presentations and disclosure: Particular components of the financial statements are properly classified, described and disclosed.

3.4.1.2 Irregularities and other matters

Irregularities are intentional misstatements or omission of amounts or disclosures in financial statements, including fraudulent financial reporting and misappropriation of assets. So there is always a risk that material irregularities may occur and not be detected. This risk is increased by the possibility of management's override of internal controls, collusion, forgery, or unrecorded transactions.

3.4.1.3 Efficiency

a) The audit team should design audit procedures that accomplish the overall goals discussed above in the most efficient manner. Performing an efficient audit involves:
b) Performing front-end risk assessment and planning with adequate partner and manager involvement.
c) 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.
d) Assigning work to adequately trained and supervised persons with appropriate experience and skill levels.

3.4.1.4 Client Value

It has long been a tradition of K.M. HASAN & CO. to provide enhanced value to Client Company's as an integral part of audits. This strategy has allowed K.M. Hasan & CO. to differentiate our approach from that of other firms. Delivering added value as an integral part of an audit and effectively communicating the added value information to top management, directors etc. is a key factor in building and maintaining a sound Client Company relationship.

3.4.2 Gather & evaluate initial information

After involving with the Client Company, K.M. HASAN & CO. first task is to collect and evaluate the relevant and necessary information related to the Client Company's operation for the purpose of:

- Understanding the Client Company's activities and operation
- Considering the internal control structure
- Identifying Client Company expectation
- Considering materiality.

3.4.3 Understand the operation of Client Company's

Proper planning and designing of an audit is dependent on proper understanding of Client Company's operation. So, after appointing by a Client Company, we, the members of an audit team use various sources to gain an understanding of Client Company operation. Different sources which provide us Company Company's operating information are as follows:

- Annual report
- Notes
- Internal Reports
- Previous year's audit Work Papers
- Discussion with Client Company
- Client Company policies and circulation

3.4.4 Consider internal control structure

Every business has some kind of accounting system by which transactions are processed, and records are maintained. The existence of a reliable system of control can be a great help to the auditor, because the objectives of the system should be:

a) Ensuring that the records are complete, accurate and properly authorized;
b) Detecting errors and fraud.

After involving with client, we try to understand the internal control structure of the client business as much as possible because understanding of client's internal control structure helps us to determine the extent of our audit risk.

3.4.5 Identify client expectation

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

3.5 Asses general risks

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

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

3.5.1 Audit risk

In determining the nature, timing and extent of substantive procedures required to reduce audit risk to an acceptably how level, we the auditor consider the assessed levels of inherent and control risks. In this regard we consider:

a) The nature of substantive procedure
b) The timing substantive procedures
c) The extent of substantive procedures

3.5.2 Consider of fraud and error

We have a professional responsibility for materially misstated financial statements resulting from errors and irregularities. As an auditor, we must provide reasonable assurance that such materials errors and irregularities are detected.

The potential for financial statement fraud exists on every engagement. To address the risk of potential fraud we must:

- Assess the risk of potential fraud
- Design our audit procedures to respond to identified risks
- We need to perform our audit with appropriate professional skepticisms and due processional care

3.5.3 Assessment of detection risk

Based on the assessment of inherent and control risks, we design substantive procedures to reduce the detection risk to an acceptability low level. In designing the substantive procedures, we address the fraud risk factors that have been identified as being present.

3.5.4 Assessment of inherent risk and control risk

When assessing inherent risk and control risk, we generally consider how the financial statements might be materially misstated as a result of fraud or error. In considering the risk of material misstatement resulting from fraud, the auditor should consider whether fraud risk factors indicate the possibility of either fraudulent financial reporting or misappropriation of assets.

3.6 Development of effective and efficient audit plan/ work program

Work program is a list of procedures that are needed to be performed to conduct the audit. The program may also contain the audit objectives for each area and should have sufficient detail to serve as a set of instructions to the assistants involved in the audit and also as a means to control the proper execution of the work.

In K.M. HASAN & CO., we use work program for different types account head. Work program were developed for different types of business and for different types of account heads. Usually an audit work program contains: -

- Client procedures and background information.
- Audit objectives.
- Audit procedures.
- Performance and results of work.
- Conclusion.

The work program must be completed and any revisions in the program, made during testing, must be adequately explained and approved by the senior or manager.

3.7 Evaluate and communication audit result

At the last stage of audit, the audit team communicates the result of the audit to the management and the stakeholders of the company. The audit team issues two types of reports:

a) External reports which is commonly known as the auditors reports
b) Internal report which is known as management letter.
c) We therefore have three areas to deal with

i. The unqualified audit reports
ii. Qualifications in audit reports

3.8 External report/auditor's report

Basic elements

The auditor's report includes the following basic elements, ordinarily in the following layout:

a) Title
b) Addressee
c) opening or introductory paragraph
    i. Identification of the financial statements audited
    ii. A statement of the responsibility of the entity's management and the responsibility of the auditor
d) Scope paragraph (describing the nature of the audit)

    i. A reference to the BSA
    ii. A description of the work the auditor performed
e) Opinion paragraph containing
    i. A reference to the financial reporting framework used to prepare the financial statements,
    ii. An expression on the financial statements

f) Date of reports
g) Auditor's address; and
h) Auditor's signatures

3.8.1 Modified reports

In addition to unqualified or qualified, we sometimes provide modified audit report. An auditor's report is considered to be modified in the following situation;

a) Matters that Do Not Affect the auditor's opinion
    i. Emphasis of matter

b) Matter that Do Affect the auditor's opinion
    ii. Qualified opinion
    iii. Disclaimer of opinion, or
    iv. Adverse opinion

3.8.2 Matter that do not affect the auditor's opinion

In certain circumstances, an auditor's report may be modified by adding an Emphasis of matter paragraph to highlight:

I. A material matter regarding a going concern problem.
II. A significant uncertainty (other than a going concern problem)

The addition of such an emphasis of matter paragraph does not affect the auditor's opinion. The paragraph would preferably be included after the opinion paragraph and would ordinarily refer to the fact that the auditor's opinion is not qualified in this respect.

Matters that do affect the auditor's opinion (qualifications in audit report)

The nature of the circumstances giving rise to a qualification of opinion will generally fall into one of two categories.

a) Where there is an uncertainty which prevents the auditors from forming an opinion on a matter (uncertainty);or
b) Where the auditor is able to form an opinion on a matter but this conflicts with the view given by the financial (statements)
c) In disclaimer of opinion the auditor states that he is unable to form an opinion as to the whether the financial statements give a true and fair view.
d) In an adverse opinion the auditor states that in his opinion the financial statements do not given a true and fair view.

3.9 Internal report/management letter

As a value-added service to the client K.M. HASAN & CO. gives a management letters to its audit clients. The main purpose of the letter of management is to draw the attention of management to areas of weakness requiring rectification. It is also possible for the auditor to suggest areas where economics Efficiency are possible. It is usually deal with matters not serious enough to justify an audit qualification

3.10 Purpose of management letter

1. The principal purpose of a report to management is to enable the auditor to give his comments on the accounting records, system and controls that he has examined. Significant areas of weakness in system and controls that might lead to material errors should be highlighted and brought to management's attention.
2. As a secondary purpose, a letter to management may also be used to provide management with other constructive advice.
3. A letter to management is also a useful means of communicating matters that have come to the auditor's attention during the audit that might have an impact on future audits.
4. Identify specific deficiencies or areas of weakness in systems and controls and make recommendations for their improvement.
5. Report on the degree of compliance of each of the financial covenants in the financing agreements and given comments, if any, on internal and external matters affecting such compliance.

3.11 Content

Generally, the following matters, arising out of the audit, will be included in a letter to management:

a) Weakness in the structure of accounting systems and internal controls.
b) Deficiencies in the operation of accounting systems and internal controls.
c) Unsuitable accounting policies and practices.
d) Noncompliance with accounting standards or legislation.

Points made in previous years 'management letter should be reviewed. Where they have not been dealt with effectively, the auditors should enquire why appropriate action has not been taken.

3.12 Management response

The auditor should request a reply to all the points raised, indicating what action management intends to take as a result of the comments made in management letter. It should be made clear in the report that the auditor expects at least an acknowledgement of the letter or where he considers it appropriate, discussion of the letter to be recorded in the board minutes.

3.13 Basic elements of the management letter

The management letter includes the following basic elements, ordinarily in the following layout:

a) Addressee
b) Transmittal letter
c) Title
d) Background information
e) Scope of work, e.g.
    i. Compliance
    ii. Authorization
    iii. Accuracy
    iv. Monitoring
    v. Safeguarding
f) Findings; each finding consists of four different section, as under:

I. Fact (what it is)
ii. Effect (what harm was caused by not complying with the criteria)
iii. Recommendation (that corrects the caused and the condition as applicable)
iv. management response

g) Date of the report;
h) Auditor's address; and
i) Auditor's signature.

A form of "audit finding & conclusion summary" that is provided by K.M. HASAN & CO. to the management of the client is given in appendix

In this report, I have tried my level best to cover detail audit procedure as followed by K.M. HASAN & CO. in providing auditing service to its clients. I have studied the rules and regulation that are required by the Bangladesh bank and ICAB for auditing.

Chapter-Four

Audit Procedure of Bangladesh

4.1 General Definition of audit process and procedure

Auditing is a significant part of the company's compliance efforts. Properly executed, audits will enable to identify conduct which may violate the federal and state laws or detect weaknesses in the claim development and submission process. Audits also will enable to appropriately target and measure the effectiveness of its educational efforts, ensure that appropriate corrective actions have been taken and quickly identify problems in the claim development and submission process which give rise to civil or criminal exposure.

4.2 Audit Process

It is a sequential order of steps followed by the auditor in the examination of client records. The audit process may vary depending upon the nature of the engagement, its objectives, and type of audit assurance desired. The process includes understanding the particular client's environment, conducting the auditing procedures and tests, appraising the audit results, and communicating the results to interested parties.

4.3 Auditing procedure

It is auditor technique in gathering auditing evidence to substantiate the reliability of the accounting records. The auditor evaluates whether the information presented is logical and reasonable. Examples of auditing procedures are observing assets to verify existence and amount (e.g., fixed assets), collecting independent confirmations from external parties (e.g., bank confirmation), evaluating internal control, appraising management's activities, and obtaining management representations. The audit procedures to be followed on an engagement are indicated in the audit program. The work papers indicate what has been done on the audit.

4.4 Audit Process and Procedures in Bangladesh

Audit Practice Manual is intended for use whenever an audit is carried out in accordance with International Standards on Auditing (ISA) as well as Bangladesh Standards on Auditing (BSA). While this will apply principally to audits of limited companies, it applies equally to audits of other businesses. However, when dealing with certain specialist audits like banks, NGOs, Insurance Cos., Educational Institutions, Utility Cos. you may wish to consider using specific tailored audit programmes which can be used in conjunction with the programmes contained within this APM.

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

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

1. Planning.

2. Collection of evidence.

3. Controlling and recording.

4. Review and opinion

The APM uses an approach that ensures compliance with BSA in an efficient way.



Figure: Audit Process

4.4.1 Planning

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

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

In order to assist in a disciplined approach to planning and to ensure compliance with BSA, the APM provides documentation enabling a record of planning to be kept, demonstrating the approach adopted for each audit and the reasons for that approach.

Planning is essential for two reasons.

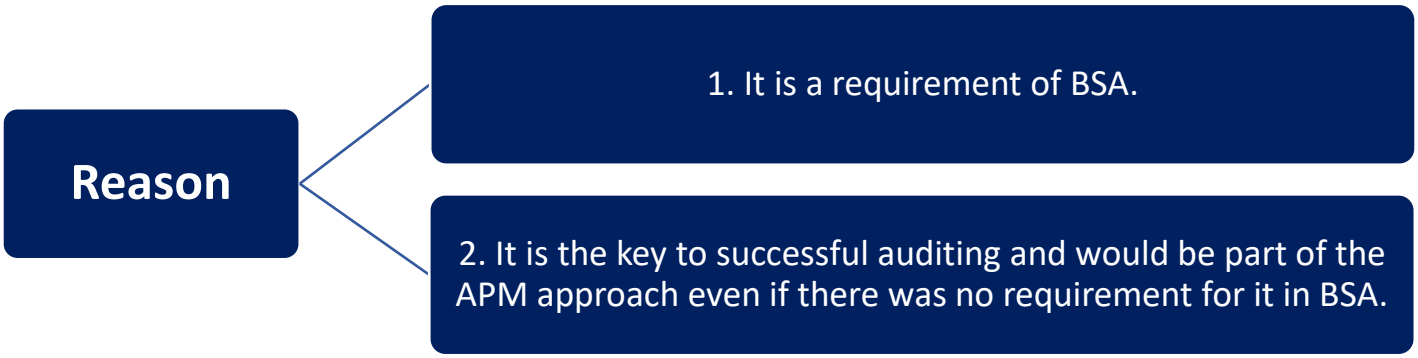


Figure: Planning is essential for two reasons.

Guidance on APM audit planning is set out in Chapter 2 (above).

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

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

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

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

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

Furthermore, there are other information's also which is provided under planning documentation. Planning document includes about the company and its business. In addition to the standard documentation there should always be a client-specific planning memorandum setting out:

- ❖ What the entity does
- ❖ How it conducts its business
- ❖ Where the risks and issues are and
- ❖ How these will be audited.

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

Points for Consideration in Audit Planning:

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

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

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

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

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

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

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

(d) Changes in the Business or Management:

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

(e) Changes in the Accounting System:

The introduction of computers such that when a company introduces substantial deviations in its operating processes will be need a review and evaluation of the system of internal control.

Moreover, the system software can be changed or the company buys a new and advanced accounting software for preparing their accounts. Example: ERP, SAP and Tally. Thus, reviewing those new software's is essential.

(f) Deadlines Established for the Submission of Audit Report

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

Assessment of risk and materiality

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

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

Thus, as an auditor we seek for those accounts which we think that it could be related with material or immaterial. Example: normally if expenses are increased in accounts we Debit that particular entry and credit the bank Account or payables. But it is rare to find expenses were accounted in credit and bank account is debited. That's where we want to know what happened in that particular transactions to check materiality. However, the risk in particular is at core of the approach to audit set out in the BSA. Thus, we use sampling method to determine whether to check a transaction or not.

Analytical review

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

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

Analytical review can be a useful source of audit evidence. It may include:

- A preliminary analytical review
- An extensive analytical review, and/or
- A final analytical review.

Tests of controls

Bangladesh Standards on Auditing (BSA) require a much greater consideration of the client's system of internal control than was the case under the old standards. Under the old regime the testing of internal controls was entirely optional. This is not the case under BSA. In addition,

as before, the auditor may choose to test the effectiveness of controls where this is more effective than relying solely on substantive procedures.

- As part of understanding the entity and its environment it is a requirement to evaluate the design and implementation of all controls relevant to the audit.
- Evaluating the design and implementation of controls requires more than just enquiry; further work such as inspecting documents or tracing transactions through the system is required.
- 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 substantive tests alone do not provide sufficient evidence of their operation.

4.4.2 Collection of audit evidence

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

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

Audit Tests:

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

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

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

Moreover, while sampling auditors choose also those documents which seems suspicious and also have a scope of doing fraud.

Consider internal control structure:

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

Evaluation of internal control:

1. General:

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

To measure the effectiveness and efficiency of the internal control system auditors run test upon the system by seeking.

Basic Controls

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

Disciplines over Basic Controls

This is basically for the management's supervision and routine stock checks in the inventory and other areas by which one top management can supervise their employees and their works. The techniques employed to record and evaluate the system of accounting and internal controls are usually one or more of the following:

(i) The use of narrative, with an aide memoire or checklist;
(ii) The use of flow charts; and
(iii) The completion of an internal control questionnaire that includes questions designed to establish what the system is, as well as questions relating to the evaluation of the relevant controls, the first two being to record the system while the third is to evaluate the effectiveness of the system.

2. Management letter:

After the auditor has completed his evaluation of the internal controls and the tests to confirm whether the appropriate internal control procedures are operating, he should report to the client on any internal control insufficiencies that have come to his attention and on any other

matters (of an operational nature) which he considers relevant at this stage. If additional matters come to his attention later as a result of applying substantive tests, these should be reported to the client at that stage.

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

4.4.3 Controlling and recording

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

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

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

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

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

However, documented evidence is more likely to be reliable than oral evidence. The auditors seek for those documentation that satisfy his need not what the clients showed to the auditor.

Sometimes, to check the transaction it is necessary to visit physically if it is possible. For example: in terms of inventory, auditors do not rely on papers rather the physically visit those warehouses and see whether the documented against inventory is reliable or not.

Assessment of Risk:

The biggest impact of the change to Bangladesh Standards on Auditing (BSA) is in the approach to risk. There are two risk BSAs:

• BSA 315: Understanding the entity and its environment and assessing the risks of material misstatement; and
• BSA 330: The auditor's procedures in response to assessed risks.

These BSAs are significantly more demanding than the previous standards in the depth of understanding of the client's systems and operations that is required and also the extent of the linkage of the actual work undertaken to the assessed risks.

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

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

General risk assessment:

General risk relates to the commercial and regulatory environment in which the audit client operates. It is also affected by the business risks the entity faces and an assessment of the integrity of management.

This assessment should assist 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 take and the greater the audit assurance that is needed.

The overall assessment of risk for a client is determined after completion of the detailed risk **assessment at C6.4.**

Specific risk assessment:

The assessment of specific risk achieves two objectives:

- It may be used 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 reason; and
- It may be used to pull together the various risks identified.

Reliability factors

The standard model used in this manual can be expressed as:

$$\text{Sample size} = \frac{\text{Population value } \textit{minus} \text{ Items above Tolerable error } \textit{minus} \text{ Key items}}{\text{Tolerable Error}}$$

i.e.

$$\text{Sample size} = \frac{\text{Adjusted Population Value}}{}$$

Tolerable Error

By using the normal distribution it is possible to express confidence in sampling results in the form of risk factors. The reciprocal of a risk factor is a reliability factor and these form the basis of the sampling method.

Vouching the total population

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

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

Materiality:

BAS 320.3 reiterates 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 omission 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 error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful'. '

Materiality affects audit work in two ways.

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

Materiality guideline as per as ICAB:

Range of turnover or gross asset	**% of turnover or gross profit**	**% of profit after tax**	**Material ranges**
Tk. 0 - Tk 5 Crores	**3**	**10**	**Tk. 1 – Tk. 15 Lacs**
Tk. 5 Crores 1 – Tk. 10 Crores	**2.5**	**10**	**Tk15 Lacs –Tk. 25 Lacs**
Tk. 10 Crores 1 - 20 Crores	**2**	**10**	**Tk. 25 Lacs 1- Tk40 Lacs**

Tk. 20 Crores 1 - 56 Crores	**1.5**	**10**	**Tk. 40 Lacs 1- Tk. 84 Lacs**
Over Tk. 56 Crores	**1**	**10**	**Over 84 Lacs**

'True and fair' accounts are those free of 'material' misstatement. For this reason above all others, an assessment of materiality should always be made, even on the very smallest of companies.

Recording:

After collecting the adequate 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 implication of the given journals. BSAs also suggest different procedures for recording the transactions and there treatment regarding situation.

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

Such accountancy work must have been properly planned with specific audit objectives in mind, properly controlled, recorded and subject to adequate review. In such circumstances it may be that sufficient 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 evidence of, for example, completeness, continued existence or title, thus still requiring top up audit work to be done.

4.4.4 Review and opinion

This section deals with how partner can review the overall audit and form an opinion. 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 etc.

The first task of the auditor is to get answer about the review check list. If the answers satisfied the audit team and partners, they may form unqualified opinion about the client. In other cases they may opinion other than unqualified opinion.

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

- The aim of the tests;

- ❖ The work performed;
- ❖ The results obtained, and
- ❖ The conclusion reached.

The conclusion section provides the following options:

Planning

Particularly where there has been significant tailoring of the audit approach, it is essential 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 commenced. This will also serve to improve the efficiency of the audit.

Final completion stage

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

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

Alternative conclusion

The summary sheet should state clearly the alternative conclusion reached, with adequate explanation for the conclusion to be understood. The alternative conclusion must be brought to the attention of the partner.

Before reaching an alternative conclusion, consideration should be given to 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.

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

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

- ✓ **The Companies Act 1994;**
- ✓ **International and Bangladesh Financial Reporting Standards;**
- ✓ **International and Bangladesh Accounting Standards;**
- ✓ **International and Bangladesh Standards on Auditing;**
- ✓ **VAT Act 1991;**
- ✓ **Customs Act 1969;**
- ✓ **Labour Act 2006;**
- ✓ **The Securities and Exchange Rules 1987;**
- ✓ **Memorandum and Articles of Association of the Company;**

- ✓ **Various major contracts and agreements; and**
- ✓ **Other applicable international and local laws and regulations.**

Audit Manual By ICAB Page 50-54.

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

CHAPTER: 05

FINDING & RECOMMENDATIONS

5.1 Findings & Recommendation

Audit procedures are designed to detect material misstatements in the financial statements and focus on the financial aspects of transactions and events. Despite of this there are numerous loopholes in the system that undermines the prospects of this glorious profession.

In this report, on my behalf, I would like to share some of the complications that I observed during my working as an audit staff and would like to recommend some solutions according to my point of view. The findings and recommendations are discussed below.

Findings

Use of Sampling

All the information of financial statements cannot be justified. They work on sample basis. So, all the transactions, assets value of the company cannot be monitored by the auditor.

Management Representations

Although auditors collect audit evidence from a range of sources, they focus more on external evidence. Too often they have to rely on the representations of management in order to assess the reasonableness of the matters concerning financial statements. This is usually difficult to corroborate management representation of appropriateness.

Time Constraints

Auditors face strict time constraints, above that firm's involve audit staffs in an audit engagement without having prior knowledge of client's business, but some new students are joining audit activities but they have little knowledge about auditing. So, they cannot justify properly client company selection and application of accounting policies.

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Work programs are not followed properly

Work programs contain step by step instructions to carry out the audit work. But in most of the cases, work programs are not followed properly, just touch each account head to save time. As a result, auditor's miss some important issues to be discussed.

Use of Professional Judgment

An auditor may at times misjudge a situation which may cause the auditor to overlook a misstatement in the financial statement and provide their opinion based on that.

Recommendation

Use of Sampling

Auditors need to perform as detailed testing as possible, from the samples they choose out of the entire population of transactions and balances. So the result is more accurate and fair.

Management Representations

Internal evidence should also be considered by the management to get more reliable form of audit evidence and for the representations about the appropriateness of their judgments with external evidence.

Time Constraints

Before going to the client, supervisor or in charge should give some brief idea about the client's business to all the members of the audit team so that they can finish their job in time to provide their opinion on the financial statements.

Work programs are not followed properly

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

Use of Professional Judgment

All the situation discussed properly with the client as well as with the staffs before giving or publishing the final opinions in forming sound professional judgment.

5.2 Conclusion

Having an effective audit system is important for a company because it enables it to pursue and attain its various corporate objectives. Business processes need various forms of internal control to facilitate supervision and monitoring, prevent and detect irregular transactions, measure ongoing performance, maintain adequate business records and to promote operational productivity.

In the report, Audit Procedure in Bangladesh: A case study on K.M. HASAN & CO. CHARTERED ACCONTANT, I have tried my level best to deliver the shadow of audit procedure that K.M. HASAN & CO. follows in offering service to its client's. Chartered Accountancy is one of the most respectable professions in Bangladesh. It is mainly a step by

step process. From engagement to report submission the step is followed with reasonable and professional care and maintaining all rules and regulations and standards set by the ICAB. K.M. HASAN & CO. is doing a great job with their seamless internal control, disciplinary policies and strong chain of command. Their inflexible ethical moral has earned them a brand status in the market.

The auditing profession has contributed and will be contributing a greater extent, ensuring transparency and efficiency of internal control system of various sectors of Bangladesh. The achievement of the auditors will be after having the maximum people of the country be aware of their rights and then proper transparency will be set conquering all obstacles.

5.3 References

- Bangladesh Standards on Auditing (BSA)
- Bangladesh Accounting Standards (BAS)
- Paper F8 (INT/UK) Audit and Assurance
- Audit Practice Manual by (ICAB)
- website of K.M. HASAN & CO. Chartered Accountants
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