Internship Report

On

“Audit Procedures of Razzaque & Co. Chartered Accountants”

Internship Report on

"Audit Procedures of Razzaque & Co. Chartered Accountants".

Supervised By:

Mr. Repon Miah

Senior Lecturer

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Submitted By:

Adiba Islam

ID: 193-11-6306

Program: BBA

Major: Finance

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Date of Submission: September 15, 2024

<u>Letter of Transmittal</u>

September 15, 2024

Mr. Repon Miah

Senior Lecturer

Department of Business Administration

Faculty of Business & Entrepreneurship

Subject: <u>Submission of Internship Report</u>

Dear Sir,

The intern is pleased to be presenting the report titled "Audit Procedures of Razzaque & Co. Chartered Accountants" as part of her internship at Razzaque & Co. Chartered Accountants. The report summarizes the intern's knowledge, experience, and insights achieved during her time as an intern. Throughout the internship, she got the opportunity to gain expertise in different areas of accounting, auditing, and financial management under the supervision of professionals. She conveys sincere appreciation towards the firm and the university for providing the resources and opportunities required to successfully finish the internship.

The intern genuinely hopes that the report fulfills the academic standards established by the university and serves as a confirmation of her dedication and commitment to both academic and professional success.

Thanking You,

…………………

Adiba Islam

ID: 193-11-6306

Major in Finance

Program: BBA

Department of Business Administration

Faculty of Business & Entrepreneurship

Acknowledgement

First, the intern conveys appreciation to the Almighty Allah for bestowing her with the prospect and potential for completing the report. Furthermore, she expresses appreciation to her honorable supervisor, Mr. Repon Miah, Senior Lecturer in the Department of Business Administration, Faculty of Business Administration, Daffodil International University.

The intern expresses special appreciation to Mr. Abdur Razzaque Mollah FCA (M. Com LL.B.), Principal of "Razzaque & Co. Chartered Accountants." She also wishes to thank Audit Manager Kawsar Jabeen (CC-PL) and Assistant Manager Hridoyesh Halder Rothi who provided guidance and assistance throughout the three-month internship. The staff at "Razzaque & Co. Chartered Accountants" were generous and diligent, offering suggestions and encouragement that greatly inspired the intern. The competence, diligence, and expertise of each and every staff member made a major contribution to the study’s success. The intern acknowledges their valuable advice, suggestions, and guidance, which helped her obtain information, analyze data, and prepare the report. Finally, the intern says that working in the friendly atmosphere of "Razzaque & Co. Chartered Accountants" was an excellent learning opportunity.

The intern is extremely grateful to her parents for their unwavering love, support, guidance, and encouragement. She recognizes that words alone cannot express her gratitude, and she consider herself fortunate to have them in her life.

Declaration

In partial fulfillment of the requirements of the academic curriculum, Adiba Islam, ID number 193-11-6306, a student of Daffodil International University's Bachelor of Business Administration (BBA) majoring in Finance, hereby declares that the internship report of "Audit Procedures of Razzaque & Co. Chartered Accountants" is an original work done by her for the BBA degree. She has never before submitted it for any other title, degree, diploma, or acknowledgement.

Thanking You,

……………….

Adiba Islam

ID: 193-11-6306

Major: Finance

Department of Business Administration

Faculty of Business Administration

Certificate of Approval

This attests to Adiba Islam’s status as an active student in the Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University, with ID 193-11-6306, Program: BBA, Major in Finance.

The report has been prepared using authentic data, and the findings given in this report are the genuine work of Adiba Islam, and it is recommended that the report to be considered for Adiba Islam's additional academic recognition and defense/viva voce.

This report is being presented as partial fulfillment of the requirements for Daffodil International University’s Bachelor of Business Administration (BBA) degree. Adiba Islam holds herself accountable and possesses an unwavering ethical standard. Working with her has been an immense pleasure.

Thanking You,

………………………………

Mr. Repon Miah
Senior Lecturer
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Preface

Adiba Islam was given the unique opportunity to work as an intern for Razzaque & Co. Chartered Accountants in the External Audit Department during her three-month internship period. During this three-month, she was able improve her perspective and gain credibility. Her primary responsibilities included auditing clients and gaining practical experience under the supervision of a dedicated manager. During her internship, she audited several clients, including Rana Builders (Pvt.) Ltd., Matador Toothbrush Industries Limited, Matador Shaving Industries Limited, Matador Distribution Limited, ABC Construction Chemical Company Limited, Home for Hope: Girls Emergency Night Shelter Project, and Millennium Textiles (Southern) Limited, among others. The duty as an auditor significantly broadened her knowledge of practical auditing.

Abstract

The report which is based on an internship program, is one of the requirements for Daffodil International University's Bachelor of Business Administration degree. Learning more about the "Audit Procedures of Razzaque & Co. Chartered Accountants" is the reports primary goal. The study investigates Razzaque & Co. Chartered Accountants audit procedures for financial statements, including their adherence to Bangladesh Standards on Auditing (BSA) and ICAB regulations, methods for acquiring a fair viewpoint, and auditing effectiveness. For addressing the research problem, the study used a methodology that included non-probability judgment sampling, as well as primary and secondary data collection, analysis, and arrangement based on the requirements of the study. The report's findings suggests that auditors encounter problems to review clients' books of account for time limitations and often experience difficulties in obtaining evidence. The lack of competence among junior auditors causes supervisors to be unaware of audit progress. Furthermore, students at Razzaque & Co. Chartered Accountants may not receive proper introductions to potential clients. The study recommends that auditors analyze three-quarters of financial statements in order to prevent misstatements and enhance audit accuracy. It also demonstrates the importance of management providing necessary paperwork, supervisors maintaining a productive environment, students receiving direction for document verification, and auditors collecting documents from the head office. The report highlights the firm's dedication towards offering high quality services to clients.

Table of Contents

Abbreviations

- GAAP = Generally Accepted Accounting Principles
- DVC = Document Verification Code
- DVS = Document Verification System
- IRS = Internal Revenue Service
- IIA = Institute of Internal Auditors
- FS = Financial Statement
- AICPA = American Institute of Certified Public Accountant
- SRA = Specific Risk Analysis
- IAS = International Accounting Standards
- GRA = General Risk Assessment
- ISA = International Standards on Auditing
- CA = Chartered Accountant
- BSA = Bangladesh Standards on Auditing
- GAAS = Generally Accepted Accounting Standards
- ICE = Internal Control Evaluation
- CPA = Certified Public Accountant
- ICAB = Institute of Chartered Accountants Bangladesh
- ICQ = Internal Control Questionnaire

Chapter 1

BACKGROUND OF THE STUDY

1.1 Introduction

This is an era where competition has greatly increased. Over the period of four years literature on particular topics has been produced. Adiba Islam was offered a three-month internship as a student at respected firm named Razzaque & Co. Chartered Accountants. It was established in 1994 and named after its founder Mr. Abdur Razzaque Mollah FCA (M. Com LL.B.) Principal of "Razzaque & Co. Chartered Accountants**."** It is situated in Kalabagan. The internship report which she prepared interprets about the audit procedures of this respected firm. This report is the outcome of an internship that was done to gain firsthand experience with the audit procedures used by CA firms. In short, the purpose of the report is to learn regarding the client's organization structure as well as acquire an understanding of the annual audit procedure of the CA firm. It is essential for ensuring that business entities present their financial positions fairly, precisely, and in compliance with accounting standards, thereby reducing the possibility of fraudulent activities.

The knowledge and information in this report was obtained through the internship program. Additionally, there are five essential chapters in this report. The study's background is addressed in the first chapter. This chapter informs the users regarding the primary concept of the report, including the purpose of the study, the location of the work, the study's scope, and the methodology of the study. It includes a list of the constraints encountered during the internship period. Details about the firm where the internship took place are provided in the second chapter. This chapter includes details about the firms, including their service offerings, personnel strength, and company profile. It also includes details about the firm's nature and its clientele. The third section is about the firm's industry and its competitive analysis. It includes an examination of the firm using SWOT analysis and Porter's Five Forces Model. The learning portion is covered in the fourth chapter and is split into two sections. The first section covers the abstract foundation of audit. It includes details concerning the audit, including what an audit is, its different forms, audit record-keeping, and the distinctions between auditing and accounting. Additionally, it includes details on risks associated with auditing as well as audit obligations and the general annual auditing guidelines that Razzaque & Co. Chartered Accountants adheres to. Chapter five contains the findings, recommendations and conclusion of the study.

1.2 Origin of the Study

In order to graduate from Daffodil International University's Bachelor of Business Administration (BBA) degree, students must complete the internship program. During the three-month internship at Razzaque & Co. Chartered Accountants, the intern gained valuable insights about the role of an auditor as well as the firm's commitment to independence. In response to the supervisor's concerns, the intern prepared a report titled "Audit Procedures of Razzaque & Co. Chartered Accountants." Each and every idea presented in this report was obtained through extensive surveying and field-level work.

1.2 Scope of the Study

Upon completing 123 credits at Daffodil International University, the individual was hired by Razzaque & Co. Chartered Accountants, a reputable firm that looked into a wide range of study topics. The scopes of the study that are outlined below:

- The independent policy and audit procedure of the firm, which are adhered throughout the auditing procedure.
- The background and long-term goals of the hosting company.
- Razzaque & Co. Chartered Accountants inspects the clients by assessing their situation.
- The organization complies with the firm's audit administration when the firm conduct any audit.
- Identifying potential risks & issues within an organization.
- Assessment of internal controls & the auditable entities.

1.3 Objectives of the Study

The objectives of the study are as follows

- To investigate the general audit procedures used by Razzaque & Co. Chartered Accountants for auditing financial statements.
- To understand the adherence of Razzaque & Co. Chartered Accountants audit practices to Bangladesh Standards on Auditing (BSA).
- To comprehend the methods used by Razzaque & Co. Chartered Accountants to obtain a true fair view of the presentation via its audit report.

- To analyze the effectiveness of the audit procedures and recommend based on findings.

1.5 Methodology of the Study

The methodical approach towards addressing the study's challenges is known as methodology. This study had been concluded by going through methodical, sequential procedures. The sampling method that was selected in that instance is known as non-probability judgment sampling. Both the primary and secondary data were gathered at that time. Immediately after collection, data were analyzed and arranged in accordance with the needs of the study.

1.5.I Data Sources:

The information was gathered from two sources. Which are:

1. Primary Data Source
2. Secondary Data Source

1. Primary Data

The person conducting the inspection obtained the primary data through field research from original sources. The first-hand and uniquely characterized primary data are those that are gathered through observation and interview. As a result, the primary data were gathered through direct field research.

Primary Data Sources:

- Auditors
- Audit Manager
- Audit Staff
- CA Articled Students
- Audit Client Executives

Target Population

The report's target audience includes the chosen clients of Razzaque & Co. Chartered Accountants in addition to the articled students, audit managers, assistant managers, and audit staff.

Sampling Technique

Implementation of judgement sampling, a non-probability sampling approach, was used to select a sample size from the population with the objective to obtain the primary data.

Sample Size

The following represents the study's sample size

- One Audit Manager
- One Assistant Manager
- Five Articled Students
- Four Audit Staff
- Five Client Office

Secondary Data

Secondary data refers to previously collected information through statistical methods. Secondary sources of data include published and reported components such as articles, journals, and books. Audit Practice Manual and Audit Procedure Guidelines by ICAB is a good source for secondary data collection.

Secondary Data Sources:

- Annual Audit Report
- Management Representation Letter
- Auditing Procedures
- Auditing Paperwork
- Relevant Books, Journals and Articles
- Razzaque & Co. Chartered Accountants Files
- Publications by Institute of Chartered Accountants Bangladesh (ICAB)
- Bangladesh Standard on Auditing (BSA)

1.5.II Data Collection:

The process of data collection are as follows:

Primary Data Collection:

- Obtained primary data via auditors during field operations.
- Consulted with audit manager, audit staff, and articled students and audit client executives at Razzaque & Co. Chartered Accountants.

Secondary Data Collection:

- Gathered secondary data via the annual audit report, accounting procedures, management representation letter, and auditing paperwork conducted by Razzaque & Co. Chartered Accountants.
- Secondary data was gathered from publications by ICAB which stands as the Institute of Chartered Accountants of Bangladesh.
- Additional data were gathered via the firm's relevant books and files, including the Bangladesh Standards on Auditing (BSA).

1.6 Limitations of the Study

This study aims to analyze external audit procedures and identify challenges encountered throughout the study process. These challenges can be referred to as limitations of the study. The limitations are given below:

- As an independent audit firm, the data acquired is insufficient for this study.
- The firm's annual audit procedures are confidential, which makes it challenging to disclose their specific format.
- Due to limited engagement time, it was difficult to fully understand the firm's annual audit procedures.
- The depth of analysis may have been inadequate to the available information.
- Finally, the study was completed in a relatively short period of time. Time constraints pose a significant challenge for the study.

Chapter 2

ORGANIZATION'S OVERVIEW

2.1 The Profile of Razzaque & Co. Chartered Accountants

Razzaque & Co. Chartered Accountant was established in 1994 and named after its founder Mr. Abdur Razzaque Mollah FCA (M. Com LL.B.) Principal of "Razzaque & Co. Chartered Accountants." It is situated in Kalabagan. The purpose of the firm is to help clients succeed by providing continuous value to their businesses. The firm has been in the legal profession over the past 28 years. It aims to create an environment that promotes leadership, development, advancement, and cooperation.

Razzaque & Co. Chartered Accountants, who have been in practice for over twenty-eight years, offer professional financial services to businesses. They offer a wide range of services, including auditing, taxation, accounting, financial analysis, risk supervision, as well as financial planning advice. During the last twenty-eight years, the firm has successfully established itself as one of Bangladesh's most reputable chartered accountancy firm. The firm is registered for audit practice under the Institute of Chartered Accountants of Bangladesh (ICAB) and conduct their service according to the rules and regulations provided by ICAB.

2.2 Manpower Strength

The list of workforces providing their services in Razzaque & Co. are listed below:

Serial No.	Personnel	No. of Workforces
01.	Principal	1
02.	Professional Staff	
	List of CC/Associate	13
	Audit Manager	1
	Assistant Manager	1
	Supervisor	1
03.	Articled Students	10
04.	Audit Staff	5
05.	Interns	5
06.	Supporting Staff	4
	Total	41

2.3 Role of Personnel

- **Principal:**

A principal is the individual who possess presidential power in a firm. They are frequently major investors with the largest stake in the firm. Their responsibilities differ based on the firm as well as the individual agreement. This position necessitates industry-specific expertise because employees in order are required to be competent and versed in the field they have chosen. They strive to improve the firm by devising innovative approaches to increase efficiency.

- **Audit Manager**:

An Audit Manager is in charge of managing internal operating controls, procedures, and practices. Professionals in this field must be technologically and mathematically competent. They analyze financial records, evaluate risk, carry out audits, and propose guidance to improve the financial condition of the firm.

- **Assistant Manager:**

The assistant manager or associate manager is in charge for carrying out workflow procedures as directed by the firm's audit manager. Their responsibilities involve devising audit plan and schedule, taking initiative in finalizing the Final report, act as a coordinator between the client and the firm and handling and training the fellow articled assistants.

- **Supervisor:**

A supervisor may or may not be a chartered accountant. After successfully completing the course and gaining experience in accounting, they are appointed as the firm's Audit Supervisor. The Audit Manager directs the supervisor about audit locations, timing, and procedures.

- **Articled Students:**

Articled Students undergoes practical training program which comes after the completion of an academic degree and is a requirement for becoming a Chartered Accountant with the ICAB. Articled students must work in a certified chartered accounting firm. The articled student receives extensive training in the field of accounting after being assigned to a principal who is an ICAB member and authorized to supervise articled students.

- **Audit Staff:**

The role of Audit Staff is to assist the chief auditors with carrying out audits, assessing financial statements, along with guaranteeing accounting standard compliance. Working along with competent auditors enables staff auditors to gain useful expertise and enhance the abilities required for potential advancement.

- **Interns:**

Interns in CA Firm have the chance to acquire knowledge and obtain hands-on experience in a real accounting firm. They assist with analysis, data entry, recording and maintaining accurate and complete financial records, financial statement preparation, account reconciliation, and various other obligations as required.

2.4 Non-Professional Staff

Razzaque & Co. Chartered Accountants non-professional staff designations are given below:

Assistant Manager

IT Specialist

Computer Operator

Photocopy Machine Operator

2.5 Services Provided by Razzaque & Co. Chartered Accountants:

Razzaque & Co. Chartered Accountants offers diverse, professional services to customers in both the public and private sectors of Bangladesh.

Services Offered Cover the Following Areas (Conditional):

- Statutory audit
- Internal audit
- External Audit
- Special audit
- Management audit
- Performance audit
- Financial review
- Accountancy
- Taxation – individuals, companies, banks, branch offices, liaison offices
- Human Resource Development Issues
- Organizational consulting services.
- Share/business/asset valuation.

- Other services as per needs of the clients.
- Consulting with management.
- Services associated with inventory control, managing fixed assets etc.
- Acquiring a trade license, factory license, export and import clearance certificates, bonded storage facilities, VAT authorization, and trade association/chamber participation among other things.
- Services related to prospectuses, right issues, initial public offerings and share issues.
- Development of systems.
- Getting approval from Central Bank for both internal and external remittances.
- Externalizing payroll, internal audit, and audit services etc.
- Constructing business plans.
- Offering assistance with office setup, writing rental or lease agreements, staffing needs etc.
- Assisting customers in implementing national and multinational audit standards.
- Creating manuals and regulations for internal control, finance, accounting, inventory, acquisition, functioning, management and staff development etc.
- Tax preparation and management.
- Training of auditing and administration.
- Creating bank accounts for clients abroad.
- Secretarial and business establishment tasks.
- Consulting for microfinance.
- Evaluation of due diligence.
- Business spinoff, merger and acquisition.
- Foreign nationals' employment authorization, immigration and security clearance.
- Investigating cases of inconsistencies and corruption.
- Computer based analysis of data.
- Closing and liquidation of businesses.
- Company's registration with the Ministry of Industries, the Board of Investment etc.
- Consultation on privatization.

2.6 Membership

Razzaque & Co. Chartered Accountants Registration with Relevant Authorities

- The principal of the firm is registered for audit practice under ICAB which stands as the Institute of Chartered Accountants of Bangladesh. It works to facilitate and oversee exceptional financial reporting and auditing in Bangladesh.
- It is enlisted by Financial Reporting Council (FRC) which is a Bangladeshi government regulatory agency in charge of overseeing financial reporting, auditing, and audit firms.
- The firm enlisted under NGOAB which stands as the Non-Government Organization Affairs Bureau Bangladesh.

2.7 Audit Administration Followed by Razzaque & Co. Chartered Accountants

Administration of audit requires overseeing and performing audits from start to finish, including report being submitted. Razzaque & Co. Chartered Accountants conducts audits coming from two different viewpoints: engagement and its completion.

i. Engagement with Recent Clients
ii. Engagement with Existing Clients

2.7.I Audit Administration Followed by Razzaque & Co. Chartered Accountants for Recent Clients:

Step 1. Convey a Notice Regarding Interest

Razzaque & Co. Chartered Accountants sends an expression of interest to prospective clients based upon their advertising at the initial phase of audit administration. Razzaque & Co. Chartered Accountants submits expressions of interest for notable works in reputable public limited companies.

Step 2. Receive Request for Proposal:

Razzaque & Co. Chartered Accountants is chosen right after evaluating and determining all expressions of interest according to reputation and logistical support. The client afterwards sends the request for proposal.

Step 3. Submit Proposal:

Razzaque & Co. Chartered Accountants submits an official application to the client for appointments as independent auditors, including an email.

Step 4. Confirmation of the Proposal:

When the proposal gets approval, Razzaque & Co. Chartered Accountants gets assigned by the client in accordance with the firm's guidelines and procedures.

Step 5. Receive Appointment Letter:

Once they have acknowledged the proposal, the client sends a letter of appointment to Razzaque & Co. Chartered Accountants, notifying them that their Managing Director has appointed them as the company's external auditor.

Step 6. Send Acceptance Letter:

Razzaque & Co. Chartered Accountants acknowledges the appointment letter and sends the client a letter of authorization.

Step 7. Collect No Objection Certificate:

Razzaque & Co. Chartered Accountants obtains a No Objection Certificate (NOC) through the client's former auditor prior to working on the audit. Razzaque & Co. Chartered Accountants requests that the former auditor inform them if they have any legitimate reasons why they ought to decline the client's appointment.

Step 8. Understand Client's Business:

To prepare an audit plan, Razzaque & Co. Chartered Accountants must first comprehend the business of client. To conduct an audit effectively, the auditor must have a complete comprehension of the client's business activities.

Step 9. Construct and Present an Audit Plan:

Razzaque & Co. Chartered Accountants selects an Audit Manager based on the client's business needs. During this step, the Audit Manager selects team members as well as creates an audit plan that outlines the areas of work, team responsibilities, and timeframe for completion.

Step 10. Construct the Audit Program:

An audit program is made following the audit plan's submission. Standardized exams to execute audits are part of the audit program.

Step 11. Arrange Orientation with Team Member:

During this step, the Audit Manager provides team members with detailed guidelines for conducting audit procedures for certain business.

Step 12. Appointing Team Members for Audit:

Students receive a deputation letter and are given responsibility to the client's office upon accomplishing their initial orientation session. Razzaque & Co. Chartered Accountants uses a Deputation Letter to identify their auditors to the client's senior management representative.

Step 13. To Issue Requisition Slip:

The client workplace provides a requisition slip for auditors to fill out, including the necessary documentation, financial statements, previous year's audit report, and logistics assistance.

Step 14: To Start Audit Work:

Razzaque & Co. Chartered Accountants begins the audit procedure once all necessary formalities are completed.

Step 15: To Prepare Draft Audit Report:

The Auditors and Audit Manager collaborate to create a draft audit report. Razzaque & Co. Chartered Accountants compiles all audit evidence and findings along with a recommendation within the audit document.

Step 16. To proceed with a Preliminary Management Letter:

The client receives a preliminary audit report and management letter from Razzaque & Co. Chartered Accountants. The firm identifies the client's flaws in internal control and accepts its audit responsibilities in the management letter.

Step 17. To Schedule a Meeting for Review on the Preliminary Report:

Once Razzaque & Co. Chartered Accountants provides the preliminary report of audit and management letter, the client arranges a meeting with the audit firm's principal, audit manager as well as auditors.

Step 18. To Draft and Send the Complete Audit Report:

After completing necessary paperwork, Razzaque & Co. Chartered Accountants prepares the final audit report, providing an adequate viewpoint and submitting it, along with a forwarding letter to the client. At the last phase in the audit management, the firm must complete all necessary paperwork with the client prior to dismissing the audit engagement.

2.7.II Audit Administration Followed by Razzaque & Co. Chartered Accountants for Existing Clients:

A client's financial accounts may be audited by a chartered accountant firm for three years in a row. To conduct an audit for an existing client, comply with the steps below:

Steps	Activities
i.	Propose re-appointment request
ii.	Approval of the request
iii.	Obtain a letter of re-appointment
iv.	Forward a letter pf Acceptance
v.	Compile and send the audit plan
vi.	Create an audit program
vii.	Decide members of the audit team
viii.	Provide the requisition document
ix.	Start the audit procedure
x.	Create a preliminary audit report
xi.	Deliver the preliminary management letter and audit report
xii.	Schedule a meeting for reviewing the preliminary report
xiii.	Finalize the audit report and deliver it.

Razzaque & Co. Chartered Accountants conducted audits for existing clients following the procedure outlined above. The re- appointment request submission is the first step in the procedure. Audit administration process remain consistent with the previous year for the same client.

2.8 Audit Engagement Letter

Date: 20 August 2024

EXECUTIVE DIRECTOR

ALTERNATIVE DEVELOPMENT INITIATIVE (ADI)

58 (4th floor), Road 03, Block B, Niketon,

Gulshan 01, Dhaka 1212, Bangladesh.

Subject: Engagement Letter – Audit of Annual Financial Statements for the period from 01 July 2023 to the year ending 30 June 2024.

Dear Sir,

This letter confirms our understanding of the engagement to provide professional services to the **ALTERNATIVE DEVELOPMENT INITIATIVE (ADI)** for the year ended 30 June 2024.

The objective and scope of the audit

You have requested that we audit the Annual Financial Statement/Accounts of the **ALTERNATIVE DEVELOPMENT INITIATIVE (ADI)** for the period of **1st July 2023** to **30 June 2024** and a summary of significant accounting policies and other explanatory notes for the years then ending. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be made with the objective of our expressing an opinion on the financial statements.

The responsibilities of Auditor

We will conduct our audit in accordance with Bangladesh Standards on Auditing (BSA) and the Company Act 1994. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the inherent limitation of an audit, together with the inherent limitation of internal control, there is an unavoidable risk that some material misstatement may not be detected, even though the audit is properly planned and performed in accordance with BSA. In making our risk assessments, we will consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

As part of our audit, we will read the other information in your annual report (if any) and consider whether such information, or the manner of its presentation, is materially consistent with information, or the manner of its presentation, appearing in the financial statements.

The responsibilities of Management

We remind you that the responsibility for the preparation of Annual Financial Statement / Accounts including adequate disclosure is that of the management of the Organization. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the Organization.

Our audit will be conducted on the basis of accounts received from management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

a. For the preparation of Financial Statement / Accounts that give a true and fair view;
b. For identifying and ensuring that the Organization complies with laws and regulations applicable to its activities;
c. For maintaining proper accounting records and, selecting and applying proper accounting policies consistently;
d. For such internal control as management determines is necessary to enable the preparation of Financial Statement / Accounts that are free from material misstatement; and
e. To provide us with:
    i. Access to all information of which management is aware that is relevant to the preparation of the Financial Statement / Accounts such as records, documentation and other matte.;

ii. Additional information that we may request from management for the purpose of the audit; and

iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit. We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit.

Reporting

We are required to form our opinion on whether the Financial Statement / Accounts give a true and fair view of the state of the Organization's affairs.

Our report will be addressed to the Management of the Organization. We cannot provide assurance that an unqualified opinion will be rendered and circumstances may arise in which it would be necessary for us to modify our report or withdraw from the engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to the Management.

As part of Management of the Organization, you are responsible for maintaining proper accounting records, selecting and applying proper accounting policies and preparing the reporting package in accordance with Bangladesh Financial Reporting Standard (BFRS)/Bangladesh Accounting Standard (BAS), which presents fairly the results of the Organization's Financial Statement / Accounts.

Timetable

If you require us to complete our work under this engagement contract or, any part of it, by a specific date or time, you will inform us in writing of your requirement. Whilst we will make every effort to complete such work within a reasonable time.

Limitation of liability

In connection with this engagement, parties agree that they are bound by the terms of this letter for any loss or damage suffered by the other party, arising out of or in connection with this engagement, however the loss or damage is caused, including negligence, but not willful default. Any claim, shall be limited to the amount of our fees.

Governing law and Jurisdiction

This agreement is made under, and shall be governed by Bangladesh law, and all disputes arising from or under this agreement shall be subject to the exclusive jurisdiction of the courts in Bangladesh

Statement of entire agreement and provisions for modifications to contract

This letter forms the entire agreement and understanding between us with respect to the subject matter hereof. Any variation to the terms of this letter shall be made in writing and will not be effective unless signed by a Proprietor of Razzaque & Co. and by a duly authorized representative of the Organization.

Confidentiality

We agree that we will treat as such all confidential proprietary information obtained from you and will not disclose such information to others, except to those persons engaged in providing services to you, or use such information except in connection with the performance of the services agreed to in this letter. This undertaking shall not apply to any of the information that we are required by law or by the requirements of any regulators or by specific professional standards to disclose or that is in or hereafter enters the public domain.

Confirmation

Please sign and return one copy to indicate that it is in accordance with your understanding of the arrangements.

Yours faithfully,

Abdur Razzaque Mollah, FCA

Proprietor

Razzaque & Co.

Chartered Accountants

Mobile: 01918-404848

Email: razzaqueandco@yahoo.com

We confirm the above terms of audit for and on behalf of **ALTERNATIVE DEVELOPMENT INITIATIVE (ADI)** for the Year Ended 30 June 2024.

Signature:

Chapter 3

INDUSTRY & COMPETITIVE ANALYSIS

3.1 Porter’s Five Forces Model Analysis of Razzaque & Co. Chartered Accountants:

The Porter’s Five Forces analysis of Razzaque & Co. are given below:

1. Threat of New Entrants-High

In recent years, new CA firms are forming to provide higher-quality audit and tax services. Bakhtiar Israfil & Co Chartered Accountants, along with other new audit firms, are major competitors in the audit industry. New firms pose a threat to Razzaque & Co. Chartered Accountants' ability to continue serving potential clients.

2. Bargaining Power of Suppliers-Medium

CA firms in Bangladesh are dependent on future and articleship students, who are considered as current auditing professionals just as suppliers. The ICAB's policy on articleships limits the firm's bargaining power when hiring students. The firm has bargaining power when hiring experienced professionals who demand higher pay for the services they provide. Razzaque & Co. Chartered Accountants is indifferent regarding it because their services offer good value in the marketplace.

3. Bargaining Power of Buyer-High

The buyers of CA firms' services are primarily their clients. Razzaque & Co. Chartered Accountants have significant bargaining power with their clients. Since there are numerous well-known CA firms in the industry, such as this one. Chartered accountants include Rahman Rahman Huq & Co., Hoda Vasi Chowdhury & Co, Howladar Yunus & Co, Bakhtiar Israfil & Co, Qasem & Co, and Syful Shamsul Alam & Co. among others. Clients of Razzaque & Co. Chartered Accountants can easily switch firms based on the level of service provided.

4. Threat of Substitution-Medium

In accordance with Porter's Five Forces model, consumers will always choose the service with the lowest price or that costs the least to obtain, as long as it provides comparable benefits. The threat of substitutes is always present for Razzaque & Co. Chartered Accountants when the substitute services cost the same or less than what it provides. If a firm's substitute services cost more than its offering, the threat of substitutes is deemed low.

5. Rivalry Among Competitors-High

According to ICAB statistics, Bangladesh has approximately 235 CA firms (ICAB, 2024). There are currently 108 proprietorship firms and 127 partnership firms registered with the institute. As a result, rival firms compete fiercely to attract clients. CA firms are rated by category (A, B, or C). Razzaque & Co. Chartered Accountants faces fierce competition.

3.2 Differentiation Strategy:

Razzaque & Co. Chartered Accountants has developed a differentiation strategy to keep up with the growing competition among CA firms. They customize the auditing services to meet their clients' specific needs. This builds a positive relationship between the firm and the business organizations.

3.3 SWOT Analysis of Razzaque & Co. Chartered Accountants:

The SWOT Analysis is the analysis of Razzaque & Co. Chartered Accountants strength, weakness, opportunity and threats. It is discussed below:

Strength:

Razzaque & Co. Chartered Accountants' primary strength is its brand value in the auditing field, as it has been one of the well-known audit firms in Bangladesh since 1994. They produce a large number of qualified chartered accountants and professionals each year. They serve a large clientele due to their strong connections with major organizations. The firm's Principal has a strong relationship with ICAB, providing a significant competitive advantage.

Weakness:

Razzaque & Co. Chartered Accountants has an inadequate working environment that hinders productiveness and innovation. Overwhelming workloads along with deadlines for completion are placed on article-ship students and CA professionals, which is not acceptable. The relatively low succeeding percentage for CA exams leads to a significant shortage of articled students. As a result, the firm recruits' students with little experience and assigns these individuals to audit services, resulting in lower reassurance quality. Audit professionals face a significant geographical challenge when working with clients who are located far away from their home office, resulting in a shortage of experienced professionals after completing their articles. Finally, the firm's retention policy falls short of others in Bangladesh.

Opportunity:

ICAB just introduced particular guidelines that benefit audit firms. ICAB's DVC policy facilitates firms demonstrate their annual reports and statements (Nath, B.B 2022). This Policy is designed to assist firms proficiently preserve documentation (ICAB, 2022). Razzaque & Co. Chartered Accountants sees an opportunity within newly formed companies in Bangladesh as prospective clients. Finally, Bangladesh's economic growth provides advantages to emerging companies to expand and benefiting the firm.

Threat:

Razzaque & Co. Chartered Accountants faces a significant threat from newly emerging CA firms entering the market. Consequently, existing clients may consider switching to other firms to reduce audit costs. Maintaining confidentiality of clients can be challenging due to the presence of both working professionals and non-professionals. Clients may file suits against the firm if their confidential information is disclosed without their consent. The firm faces a challenge of finding authorized CA professionals since there's an inadequate amount of interest in this profession.

Chapter 4

THEORITICAL BACKGROUND OF AUDITING

4.1 Definition of Accounting & Auditing

Accounting refers to precisely keeping track, categorizing, and analyzing financial transactions in order to guide decision-making. Accounting provides financial data for management and decision-making purposes. Accountants need a comprehensive knowledge of accounting principles and rules to provide accurate information. Accountants need to establish a procedure to accurately and cost-effectively record the financial transactions for the organization.

Auditing is the procedure of gathering and evaluating quantifiable data concerning a business organization to determine whether it adheres to specified requirements. Audits ensure that the organizations have produced precise and accurate financial statements along with the fact no forged transactions have been taking place inside the organization.

4.2 Differentiation Between Accounting & Auditing:

Accounting	Auditing
Definition	
Accounting is defined as the method of keeping track, categorizing, summing up, as well as understanding financial activities and statements to evaluate the company's financial condition.	Auditing is defined as the procedure for analyzing the activities of an organization's financial documentation, which include financial transactions and statements, with the goal to identify irregularities throughout the procedure of documenting the financial transactions as well as to ensure the authenticity of the records.
Purpose	
Accounting is used to demonstrate the financial condition, revenue, and overall achievement of a business organization.	Auditing is performed to ensure the preciseness of any information gathered through accounting. This is carried out with the intention of demonstrating how the correct and equitable interpretation of documentation has been preserved within financial transactions.

Objective	
To evaluate the revenue and loss or financial condition of an organization over a certain time frame.	To evaluate the preciseness regarding each transaction that were documented.
Mode of operation	
Accounting is performed on a regular schedule, because financial transactions take place on every single day for all kinds of organizations.	This constitutes a periodic evaluation that can be performed periodically, every three months, or annually.
Performed by	
Accounting is conducted by Accounting Professionals.	Auditing is conducted by Professional Auditors.
Sequence	
Accounting begins at the final stage of financial records.	Auditing begins at the final stage of accounting.

4.3 Requirements of an Effective Audit:

An effective audit is accomplished on time and with less interruption towards the organization. An efficient auditing process requires a reliable auditing firm along with the team. The firm requires solid procedures; the team requires knowledge of the organization and its sector, as well as judgment, transparency, and mental independence. Effective auditing requires a detailed understanding of Generally Accepted Accounting Principles (GAAP). Donald H. Taylor and G. William Glezen (1979) outlined the following prerequisites for becoming a chartered accountant:

i. Academic Qualification
ii. Proficient
iii. Evaluation requisite

4.4 Categories of Audits:

Different types of audits are daily conducted by Razzaque & Co. Chartered Accountants. They are mentioned and explained below:

Compliance Audit

Operational Audit

Performance Audit

Audit of Financial Statements

Interim Audit

Government Audit

Internal Audit

Compliance Audit:

Compliance audits assess an organization's adherence to agreements or contracts. Organizations create legal documents and agreements for various commercial objectives. The firm thoroughly reviews as well as audits legal documents to prevent fraudulent activity and assure compliance with legal requirements. External compliance audits regarding organization contracts and agreements are frequently conducted by certified audit firm or individual CPAs.

Operational Audit:

Audits which analyze the corporate activities and suggest cost-effective utilization of resources, accomplish corporate goals, and adhere to corporate regulations is known as operational audit. Following an operational audit, administration typically receives suggestions to improve business operations. Operational audits aim to assist executives in meeting their obligations and improving their financial performance. Operational audits cover various aspects of the daily activities of a corporation. Audits are difficult yet fascinating since it requires the auditor to establish independent standards for evaluating operations and grows completely acquainted with different components of a corporation. A standard operational audit cannot be defined due to the variety of areas for evaluating efficiency during operations.

Performance Audit:

A performance audit evaluates an organizational or a charitable organization's programs, functions, operations, organizational structures, and processes to determine if resources are being used efficiently and effectively.

Audit of Financial Statements:

Financial statement audits ensure financial statements are disclosed accurately and in compliance with GAAP. Government-related financial inspections assess the fact that whether financial statements comply with regulations and legal requirements. An audit of financial statements verifies data that can be measured meets certain standards. Financial statements tend to involve a statement of financial position, income statement, and cash flow statement, together with any associated notes. Financial statement audits anticipate that various entities will utilize them for various objectives. It can be effective for an individual auditor to conduct an audit and provide reliable results for everyone who uses it.

Interim Audit:

Interim audits are conducted before an organization's year-end to reduce threat levels. During the interim audit period, the organization's internal accounting controls are restated and transactional validity is tested. Interim audits are conducted a few months or weeks before the balance sheet date. Current alterations to the data analyzing environment have altered the conventional strategy to interim audits. Auditors verify methods of internal control and choose transactions at regular intervals throughout the year, rather than only during an interim period. Advanced IT infrastructure clients usually get benefit from this audit. It is also known as continuous audit.

Governmental Audit:

A governmental audit evaluates and reports on compliance with the national rules and legislation for individuals of financial support. Independent auditors conduct governmental audits to ensure that they comply with legal requirements for municipal and state governments, as well as nonprofit organizations receiving government funding. Governmental auditors work with different state, local, and national governments.

Internal Audit:

Internal audits are distinct evaluation that analyze the performance of an organization for its benefit. Internal auditing aims to help employees fulfill their obligations efficiently. Internal auditing is performed by auditors within an organization, such as banks, hospitals, governments, manufacturing companies etc. The standards of the educational process and worldwide operations of internal auditors are supervised by the Institute of Internal Auditors.

4.5 AICPA Generally Accepted Auditing Standards:

Standards of auditing provide instructions which helps the auditors accomplish duties as professionals when auditing previous financial statements. Professional characteristics like competency and self-determination, reporting standards, and documentation are all factors to take into account. The American Institute of Certified Public Accountants (AICPA) established these prerequisites in year 1947. There are three Generally Accepted Auditing Standards which are discussed below:

4.5.I General Standards:

General standards emphasize unique characteristics which auditors need to have acquired.

Technical Training and Proficiency:

Auditing individuals who possess sufficient technical knowledge and competency should conduct the audits. Having sufficient knowledge and competence as an auditor ensures consumers that CA professionals can deliver the services which they had promised. Auditors are expected to possess an academic background in auditing and accounting, relevant hands-on experience, and constant professional growth. Auditors need to have technical skills and previous expertise in the sectors that they audit.

Independence in Mental Attitude:

Auditors need to preserve an independent mindset. Auditors have to be distinct from administration to effectively serve those who use financial statements. Auditors must maintain objectivity and impartiality while evaluating financial statements and knowledge. Fairness is anticipated from both organizations and managers issuing financial data, as well as the individuals who use it. The independence of auditors encompasses both the information and appearances. Auditors must not solely have a self-sufficient mindset towards auditing, but they must also represent themselves as independent of their clientele in terms of aesthetics.

Effective Expert Assistance

Third general standard necessitate effective expert assistance in each component of auditing. It needs to adhere to both general and practical work requirements. Auditors have to be capable, self-sufficient, schedule and regulate audits, comprehend internal procedures, and gather relevant proof to ensure safety. The standard of effective expert assistance necessitates the "discreet auditor" to use verdict in a dedicated manner, which means thoroughly evaluating every relevant variable prior to making an assumption. It also requires that the auditor generate an appropriate attempt to verify that the financial records are free of any material errors. The auditing procedure evaluates the documents, information, and submit reports to ensure comprehensiveness and relevance. While auditors have to prevent imprudence and dishonesty, they aren't anticipated to provide flawless assessments in all cases.

4.5.II Standards of Field Work:

Standards of field work correspond to gathering verification and conducting audits within the area of operations.

Appropriate Arrangement and Guidance:

It is a standard which ensures a carefully organized participation which includes sufficient auditing and monitoring of personnel. To conduct an organized audit, effective preparation and monitoring will be necessary. Audit planning requires comprehending the organization, evaluating uncertainty, and creating auditing procedures. Auditing staff require close supervision in order to guarantee their accuracy. Supervising staff involves guiding them on their duties, having them updated of major issues, evaluating their tasks and reports, and solving disagreements between audit staff.

Understand the Internal Control Structure:

When preparing for an audit, it's essential to gain a thorough comprehension of the structure of internal controls. This will help to identify the types, schedule, and scope of procedures that need to be conducted. Internal controls indicate to the measures taken by a company in order to guarantee legal transactions that are handled and documented precisely and in a timely manner. Auditing procedures and theories emphasize the significance of a clients with internal control structure for generating accurate financial information. Auditors can reduce the overall amount of audit evidence required if they believe the client has an effective internal control structure that ensures accurate information and protects resources and documentation.

Sufficient Competent evidence:

In order to form a judgment on the financial reports, adequate evidence needs to be acquired via evaluation, findings, challenges, and approvals to provide certainty. Auditors' action is guided by documentation, which impacts their perspective. Evaluating financial statements and citations requires accurate and pertinent testimony.

4.5.III Standards of Reporting

When the audit report is reaching finalization, the four reporting standards address the operating evaluation. Independent auditors rely upon four reporting standards for guidance on their final report.

Presentation in Accordance with GAAP:

Auditors must confirm that financial statements meet Generally Accepted Accounting Principles (GAAP) standards.

Consistency:

The consistency standard ensures administrators uses accurate accounting standards from year to year, enhancing the ability to compare and effectiveness of financial reports. It doesn't suggest that these values have to be accompanied strictly. Changes in an organization's standards need to be documented in the financial statement citations and referenced in audit reports.

Disclosures:

Financial statement disclosures should be considered reasonable even when mentioned alternatively within the report. Financial statement audiences frequently become unable to determine the accuracy of disclosures and citations. If no reference to it is given in the auditor's report, audiences might expect sufficient disclosures. The auditor follows the Financial Accounting Standards Board (FASB) along with additional legitimate statements to figure out if the necessary disclosures were provided.

Opinion:

The report should primarily demonstrate a viewpoint on the financial records in general or indicate the fact that no viewpoint is permitted to be conveyed. If it's impossible to convey a general viewpoint, explain the reasoning. When the name of auditor gets linked in records of financial statements, the report ought to explicitly clarify the nature of their duties and the level of obligation they take. The auditor's findings determine the sort of viewpoint to be given. The auditor's report ought to describe the kind of assessment and level of obligation for it.

4.6.I Audit Strategy

The audit strategy specifies overall the manner in which the audit will be executed, as well as the scope, schedule, and guidance. It informs the establishment of the auditing plan, which involves comprehensive responses regarding the auditor's risk evaluation. ISA 300 necessitates auditors to keep in mind certain issues when developing audit strategies, and its appendix contains a list of typical issues to take into account. These issues are addressed below:

- **Identify the features of the agreement which determine its scope**

Audit agreement's involving particular features, such as groups or international businesses, have broader scopes. Internal auditors' abilities, external service organization liaison, IT influence on audit procedures, financial reporting structure, audited entity's business nature, business operations, and client staff availability all have an influence on scope.

- **Determine the agreement's reporting goals to plan the audit scheduling and the nature of the essential interactions**

Audit standards differ and certain organizations have extra reporting standards for corporate responsibility or compliance with industries. Auditors need to comprehend these standards and plan interactions, including interaction with the auditing teams and management.

- **Take into account the variables which are essential for guiding the audit team's actions in the auditor's competent judgment**

The strategy must respond problems with quality control such as managing resources, team briefings, evaluate timetables, and agreement quality control evaluations.

- **Take into account the outcomes of initial agreement actions and the information acquired from other agreements**

The audit strategy consists of initial materiality evaluations, risk identification, major incidents, and prior audits. Furthermore, it evaluates the audit firm's services, like company plan evaluations and estimates of cash flows, which might have an impact on the audit strategy.

- **Determine the nature, scheduling, and amount of the resources required for executing the agreement**

The audit strategy intends to effectively distribute resources to the audit team, that include experts and qualified auditors for extremely risky tasks, while allocating additional resources for brief timelines to guarantee timely assessment and evaluation.

4.6.II Audit Risks

In order to properly plan and conduct audits, auditors need to have an in-depth knowledge of internal control systems and auditing. Auditors must utilize their professional expertise to evaluate risk associated with audits and formulate procedures that limit it to an acceptable extent.

Audit risk:

The term "audit risk" refers to the possibility that an auditor may mistakenly give their judgment on substantially incorrect financial statements. Audit risk refers to the possibility of the auditor issuing a wrong judgment due to material misstatement of financial statements. Audit risk consists of three elements, as described below:

Inherent risk

Inherent risk refers to the possibility of a material misstatement in a financial statement or category of activities, due to independently or in combination with distinct errors, in the absence of associated internal controls.

Control risk

Control risk refers to the possibility that financial reporting and internal control systems will fail to avoid or resolve material misstatements in financial position or financial transactions.

Detection risk

Detection risk refers to the chance that an auditor's essential processes could fail to identify a material misstatement in a financial statement or a category of transactions, on their own or in combination with distinct omissions.

4.7 Types of Audit Documentation

Auditors must keep recorded evidence on the basis of their audit report which demonstrates proper planning and execution. The specific documents that are needed for conducting an audit vary depending on the type of audit and industry, but certain standard documents include:

- Financial statements
- Bank statements and reconciliations
- Invoices, purchase orders, receipts and other supporting documentation
- Payroll records
- Tax returns
- Inventory records
- Contracts and agreements
- Policy and procedure manuals
- Regulatory filings
- Information technology documentation

For big audits, company details are often preserved on the record. The auditing procedure might include a summary or cross-reference to this file. Permanent files typically contain the following data:

- Hard copies of contractual documents and agreements
- Client's organization and sector's history
- Deeds
- The identities of the directors, the shareholders and the individuals in control of administration
- Board of directors' contractual agreements for services
- Data regarding system

4.7.I Audit Evidence Collection Procedure

Audit evidence is obtained using audit procedures. Effective auditing evidence must be adequate, dependable, from a trusted source, and pertinent to the audit at hand. There are seven types of audit procedures:

1. Inspection: Auditors obtain evidence through observing tangible assets, records, or documents.
2. Observation: Auditors examine their client's company's procedures and activities in order to detect flaws.
3. Inquiry: Auditors consult with the company's senior management to get greater knowledge of company procedures for the purpose of auditing. Only inquiry fails to qualify as adequate proof of auditing to mitigate risk.
4. External confirmation: This requires gathering verbal or written feedback from other individuals, such as consumers, vendors, or financial organizations.
5. Recalculation: The auditors carry out calculations to ensure that the final account balances correspond to those reported by the client.
6. Reperformance: The auditor independently executes procedures or controls that had already been executed by the entity to ensure their efficiency and effectiveness.
7. Analytical procedures: The auditor examines both financial and non- financial data, such as evaluating current and prior-year financial ratios or trends, to look for unexpected changes or patterns that might indicate errors.

4.8 Contents of an Audit File

Generally, it consists of at least three categories, which are given below:

i. Establishing Plans or Planning
ii. Implementation
iii. Finalization

Planning

Audit Planning Memorandum is most probably the segment's focus of attention. The procedure for auditing is going to be studied by the whole audit team beforehand getting started. It is expected to contain the following:

- Initial assessment and evaluation
- Locations that must be inspected
- Risks regarding audit
- Client's background information, which involves previous accomplishments
- Deadlines
- Fiscal management and recruitment
- Modification from the audit of previous year
- Strategies of audit
- Guidelines for auditing
- Essential laws and rules that an organization must abide by
- Procedure timetable
- Client's trial balance
- Relevance evaluation

Implementation

Components of work papers usually include the following:

- Description of the audit work schedule
- The backup schedule, that divides the sum into pertinent subtotals
- The lead schedule, generally presents overall numbers and correspondents with the financial records

Finalization

An audit's phase of completion consists of several typical elements which are given below:

- Representation letter
- List of auditing standards
- Blueprint of final report
- Assessing last analysis
- List of errors
- Assessing the events that occurred next
- Preliminary report for staff members responsible for administration
- Going concern assessment
- An overview of the modifications done after the trial balance was created

4.9 Audit Responsibilities

4.9.I Responsibilities of Management:

Management is in charge to guarantee the compliance with essential rules and regulations, which include:

- Law on health and safety
- Regulations for exchanges of stocks
- Business law
- Laws on governance of corporations
- Law regarding employment
- Consistent financial transparency

To guarantee regulation, it's necessary to observe legal obligations, create internal control systems, and evaluate their efficiency.

4.9.II Responsibilities of Auditors:

Auditors have to provide adequate certainty that the financial records are not contaminated by significant errors, whether result of mistakes or fraudulent activity, and are disclosed accurately according to the appropriate accounting principles. Failure to comply with the laws and guidelines might have a negative effect on financial reports as organizations must account for potential litigation expenses and penalties. In the most serious cases, the organization's capacity to carry out operations may be jeopardized. Auditors must ensure that they adhere to laws and regulations while arranging, conducting, and assessing procedures for auditing.

Bangladesh Standards on Auditing (BSA)

The Institute of Chartered Accountants of Bangladesh (ICAB) has developed the Bangladesh Standards on Auditing (BSA) and Bangladesh Auditing Practice Statements (BAPS), which chartered accounting firms in Bangladesh must follow while performing audits. Razzaque & Co. Chartered Accountants adheres to each of their requirements. The following is the list of around forty audit standards:

BSA No.	Present Title (BSA)
120	Framework of Bangladesh Standards on Auditing
200	Objectives and General Principles Governing an Audit of Financial Statements
210	Terms of Audit Engagements
220	Quality Control for Audit Work
230	Documentation
240	The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements
250	Consideration of Laws and Regulations in an Audit of Financial Statements
260	Communication of Audit Matters with those Charged with Governance
300	Planning
310	Knowledge of the Business
315	Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement
320	Audit Materiality
330	The Auditor’s Procedures in Response to Assessed Risks
400	Risk Assessments and Internal Control
401	Auditing in a Computer Information Systems Environment
402	Audit Considerations Relating to Entities Using Service Organizations
500	Audit Evidence

501	Audit Evidence-Additional Considerations for Specific Items
505	External Confirmations
510	Initial Engagements-Opening Balances
520	Analytical Procedures
530	Audit Sampling and other Selective Testing Procedures
540	Audit of Accounting Estimates
545	Auditing Fair Value Measurements and Disclosures
550	Related Parties
560	Subsequent Events
570	Going Concern
580	Management Representations
600	Using the Work of Another Auditor
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert
700	The Auditor's Report on Financial Statements
710	Comparatives
720	Other Information in Documents Containing Audited Financial Statements
800	The Auditor's Report on Special Purpose Audit Engagements Glossary
1000	Inter-Bank Confirmation Procedures
1004	The Relationship Between Banking Supervisors and Banks' External Auditors
1005	The Special Considerations in the Audit of Small Entities
1009	Computer-Assisted Audit Techniques
1014	Reporting by Auditors on Compliance with BAS and BFRS

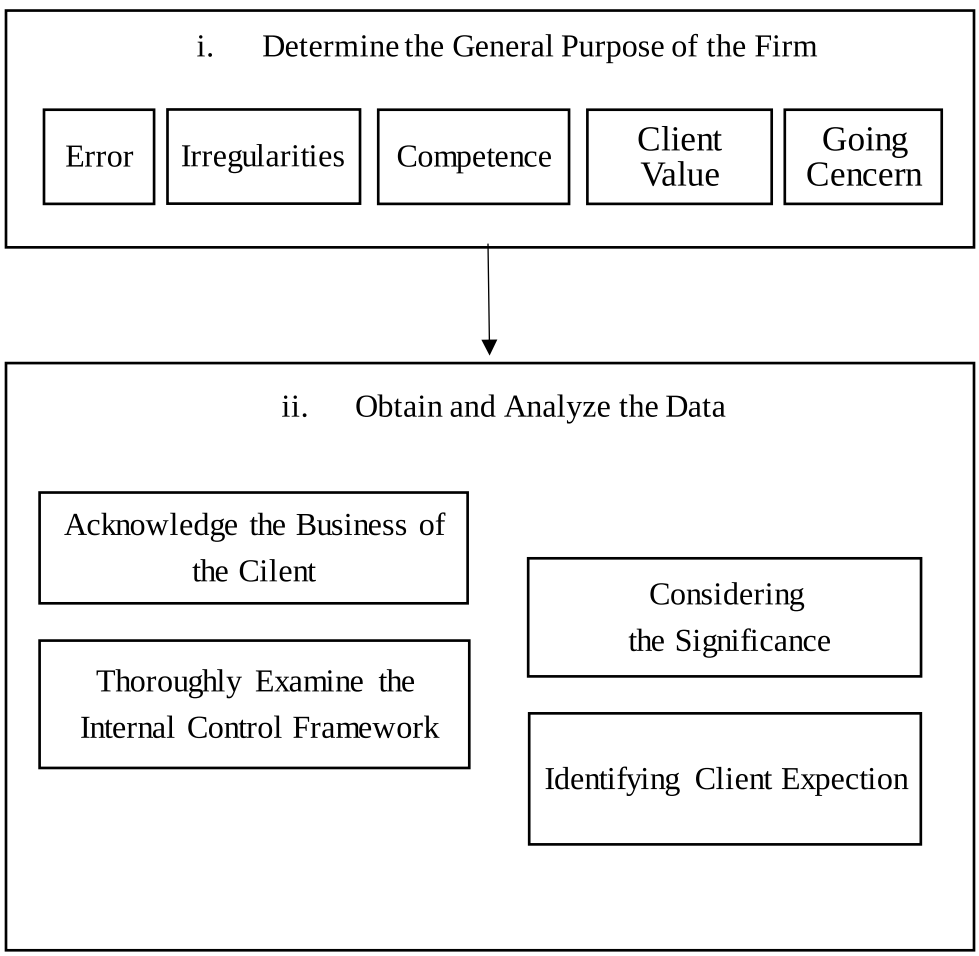
Chapter 5

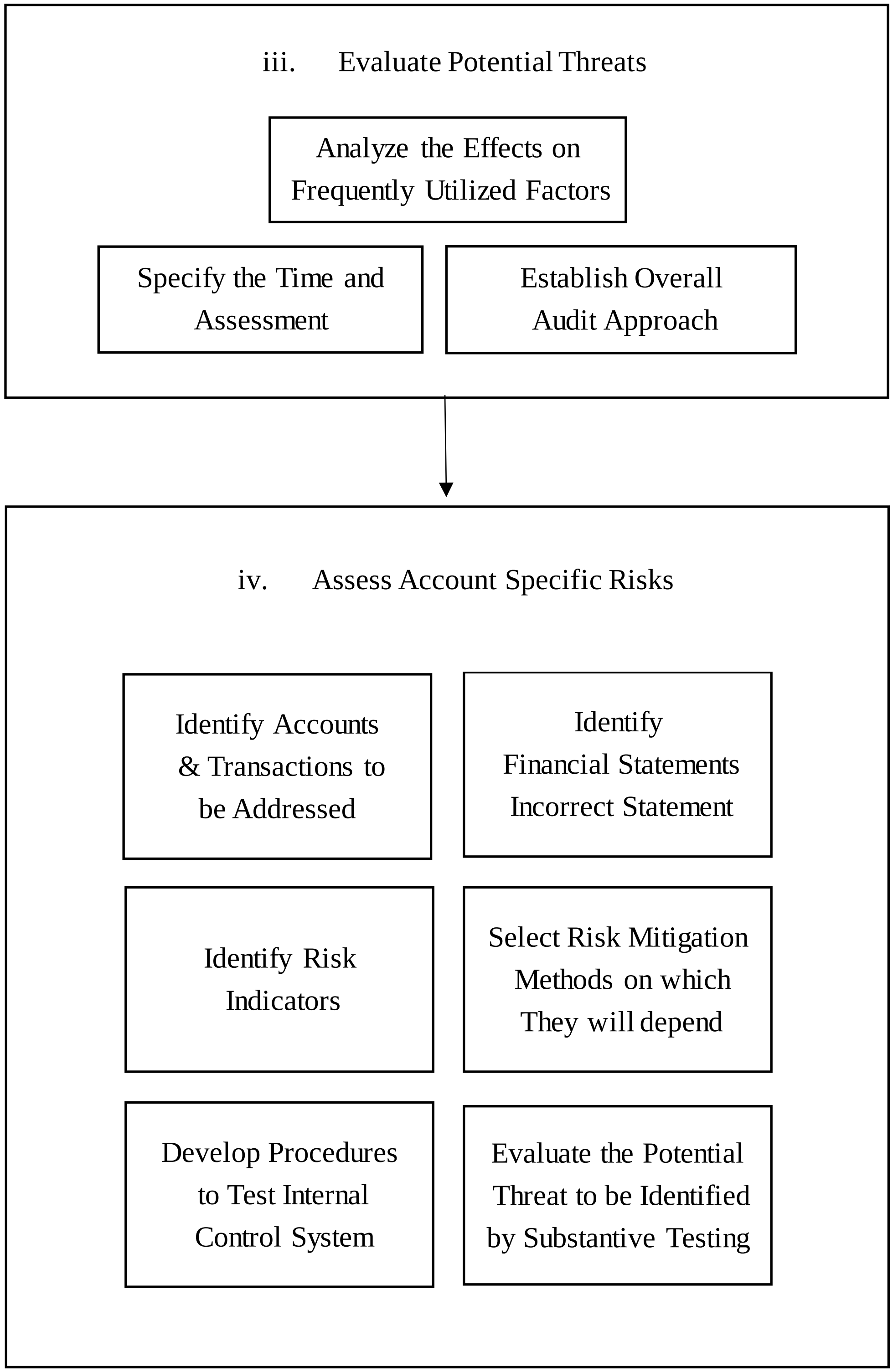
AUDIT PROCEDURES OF RAZZAQUE & CO. CHARTERED ACCOUNTANTS

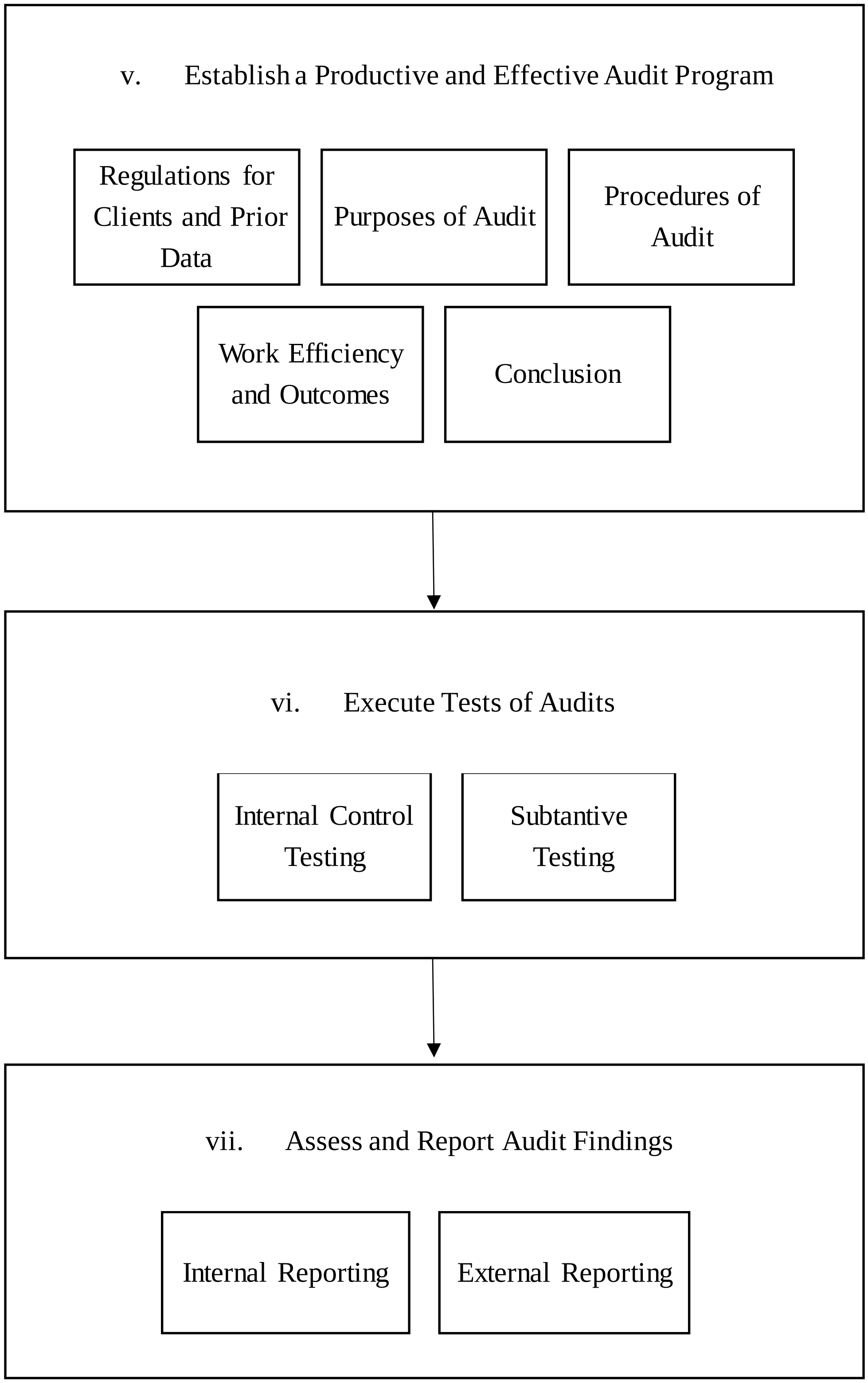
Annual Audit Procedure of Razzaque & Co. Chartered Accountants:

The goal of the audit is to determine if the financial statements adhere to GAAP, and audit is conducted in accordance with BSA which stands as Bangladesh Standards on Auditing. They aim to give auditing and managerial consulting services which are creative, productive, and flexible to their clients' company requirements. Implementing their seven-step procedure, they conduct the audit in an appropriate manner and can express their evaluation by presenting an accurate and unbiased assessment of the financial statements. The procedures consist of seven sequential steps, as shown in the table below:

RAZZAQUE & CO. CHARTERED ACCOUNTANTS YEARLY AUDIT PROCEDURE




iii. Evaluate Potential Threats
Analyze the Effects on Frequently Utilized Factors
Specify the Time and Assessment
Establish Overall Audit Approach
iv. Assess Account Specific Risks
Identify Accounts & Transactions to be Addressed
Identify Financial Statements Incorrect Statement
Identify Risk Indicators
Select Risk Mitigation Methods on which They will depend
Develop Procedures to Test Internal Control System
Evaluate the Potential Threat to be Identified by Substantive Testing


v. Establish a Productive and Effective Audit Program
Regulations for Clients and Prior Data
Purposes of Audit
Procedures of Audit
Work Efficiency and Outcomes
Conclusion
vi. Execute Tests of Audits
Internal Control Testing
Subtantive Testing
vii. Assess and Report Audit Findings
Internal Reporting
External Reporting

i. Determine the General Purpose of the Firm

Razzaque & Co. Chartered Accountants relies on auditing guidelines or standards for offering accurate information that financial statements are not subject to substantial mistakes and are accurately stated in compliance with GAAP. In providing a viewpoint, the audit team takes into account obligations for:

- Error
- Irregularities
- Competence
- Client value
- Going Concern

Errors

Errors in financial statements include accidental inaccuracies or missing information of accounts or statements.

a) Errors in obtaining or analyzing accounting data used for generating financial statements.
b) inaccurate accounting assumptions due to supervision or interpretation error of information.
c) Inaccurate implementation of accounting standards, including value, categorization, and presentation.

Irregularities

Financial irregularities include conscious inaccuracies omissions, forged reports, and misuse resources. Material flaws have an inherent risk of being unnoticed. Management's dominance over internal controls, conspiracy, forged documents, or unreported investments may raise the risk.

Competence

The audit team must develop reliable audit procedures to achieve the objectives. An effective audit consists of:

a) Collaborating with individuals and management to evaluate risks.
b) Establishing audit procedures according to risk evaluation to minimize the probability of significant errors going unnoticed.
c) Delegating duties to qualified and supervised individuals with relevant expertise and abilities.

Client Value

The firm has an extended record of adding value to clients through audits. Utilizing this approach has helped us stand apart from other firms. Proper interaction of valuable information during audits is crucial for establishing and upholding strong relationships with client, executives and managers.

Going Concern

Going concern is a concept in accounting stating that a business entity is going to continue functioning in the long run and is unlikely to be liquidated or forced to close for any reason.

If a company is unable to fulfill its requirements without major changes or asset sales, it might not be able to continue operating. A single occurrence such as a lawsuit, failure to repay a loan, or faulty goods can lead to insolvency. A company's financial position may additionally impact its position in the market, with annual expenditures exceeding income or long-term debt resulting in inadequate profit. Auditors implement quantifiable indicators to assess going concern, with low liquidity ratios, high turnover of staff, or declining shares of market indicating a higher likelihood of going concern.

An auditor examines a company's financial statements in order to assess whether it can operate as a going concern for a year. Negative operational outcomes, constant deficits, defaulted loans, legal proceedings, and rejection of supplier credit are all causes for suspicion. Companies which are not in condition of going concern in business might seek external funding, restructuring, asset liquidation, or acquisition.

To identify if the going concern assumption is appropriate, management should assess the business's potential in the future. Auditors must evaluate if the evaluation by management is accurate and if there are any significant uncertainties.

ii. Obtain and Analyze the Data

Razzaque & Co. Chartered Accountants begin by collecting and analyzing necessary data about the company of the client for the following objectives:

- Identifying client expectation
- Acknowledge the business of the client
- Considering the significance
- Thoroughly examine the internal control framework

Identify Client Expectations

As an auditor for Razzaque & Co. Chartered Accountants, it's important to understand the requirements of the client and plan an audit accordingly.

Acknowledge the Business of the Client

Prior to conducting audit, an auditor must thoroughly comprehend the operations of the client's company. An effective audit requires an in-depth knowledge of the client's company activities. After being appointed by a client, audit team members gather information from a number of sources to gain insight into the company owned by the client. The following sources help auditors comprehend the client's company.

- Written instruction of finance and administration
- Communication with the Client
- Yearly reports
- Accounting records
- Internal and external audit reports from prior years

Consider the Significance

Information is regarded as material if it is missing or incorrect and may impact users' financial choices based on financial statements. Materiality is determined by the size of the item or mistake, as well as the events surrounding the missing information or inaccuracies.

Thoroughly Examine the Internal Control Framework

Each firm uses an accounting procedure to organize, document, and track financial transactions. A trustworthy internal control system can greatly benefit auditors by achieving the following goals:

a) Ensure that the documents are updated, reliable, and legally approved.
b) Identifying inaccuracies and fraudulent activity.

Auditors analyze a client's internal control structure when deciding the scope of their audit obligations.

iii. Evaluate Potential Threats

Razzaque & Co. Chartered Accountants gather initial audit records for audit designing and risk evaluation.

1. Evaluate the intrinsic threat of possible financial statement errors.
2. Determine the variables for potential current issues. And

3. Develop an audit procedure that addresses account specific risks and provides certainty.

The risk evaluation is completed through a highest to lowest strategy. The audit team primarily concentrates over higher-level data. Documentation necessities differ depending on an organization's size, complicated nature, proprietorship, and threat level.

iv. Assess Account Specific Risks

Specific Risk Analysis (SRA) is based on data gathered through the General Risk Assessment (GRA) and upon the assessment of the internal control system. Specific risk assessment is carried out to determine the kind and scope of substantive evaluations during the auditing phase.

The Transaction Type and Account Balance

The following essential account heads should be examined in order to assess account balance and hazards in transaction: bank, cash, inventory, fixed assets, accounts receivable, income, accounts payable, costs, retained earnings, paycheck, total asset, investment, funding balances, loan, additional debts and additional assets. Razzaque & Co. Chartered Accountants evaluate account balance risks based on the items given below:

- The likelihood of misstated financial statement account.
- Expert assistance may be required due to the complicated nature of transactions and events.
- The level of evaluation required in deciding account balances.
- Assets are susceptible to theft or unauthorized use.
- Completing unusual and complicated transactions, particularly prior to end.
- Transactions are not subject to normal analysis.

Audit Risks

When identifying the necessary procedures for minimizing audit risk, auditors must take into account both inherent and control risks. In this regard, Razzaque and Co. Chartered Accountants take three matters into consideration. The schedule, limitations and characteristics of substantive process.

Reviewing Mistakes and Illegal Activities

Razzaque & Co. Chartered Accountants holds legal accountability for significant discrepancies in financial statements caused by mistakes and inconsistencies. Auditors have to offer sufficient security by detecting significant mistakes and inconsistencies. Every engagement has the ability to lead to financial statement fraud. To reduce the possibility of fraudulent activity, we have to:

i. Implement auditing standards to deal with the potential risks were detected.
ii. Evaluate the threat of prospective fraudulent activity.

Razzaque & Co. Chartered Accountants conduct auditing with professionalism along with proper attention.

Administrative Quires

Structuring audit, Razzaque & Co. Chartered Accountants inquires administration:

a) Gain a comprehension of:
   - Management assesses the risk of material misstatement of financial statements due to fraudulent activity or negligence.
   - Management has implemented internal control systems to mitigate such risks.

b) Become familiar with management's understanding of accounting and internal controls to avoid and identify mistakes.

c) Evaluate if management is conscious of any fraudulent activity affecting the organization or evaluating an alleged fraud.

d) Inspect any major mistakes.

Evaluation of Internal Control Risk and Inherited Risk

Evaluation of internal control risk and inherited risk involves considering the potential of material misstatement of financial statements due to mistake or fraudulent activity. When assessing the risk of material misstatement due to fraud, auditors must search for indicators of forged reporting of financial documents or unauthorized use of organizations resources.

Evaluation of the Detection Risk

They establish processes that minimize detection risk to an acceptable level, taking into account inherent and control risks. The fundamental processes are designed to handle detected risk factors.

Documentation

If fraud risk factors are discovered through an audit and require further processes, the auditor must record their existence and consequence.

Management Representation

The auditor must get written representations from management that:

- It recognizes the obligation of implementing and operating accounting and internal control systems in order to avoid misconduct and mistakes.

- It provided the auditor with the result of its assessment on the possibility that fraud will cause the financial statements to be significantly misstated.

Interactions

Management and in some situations regulatory authorities must be reported when an auditor notices a misstatement brought on by error or fraud.

v. Establish a Productive and Effective Audit Program

The guidelines that are required to be adhered to while conducting an audit are outlined in the audit program. It should include precise goals for every section to guide and ensure the effective completion of the task at hand. It has been established for various types of businesses and account heads. Typically, an audit work program contains:

- Procedure of audit
- Regulations for clients and prior data
- Work efficiency and outcome
- Purpose of audit
- conclusion

Corrections to the audit program throughout evaluation need to be clarified and granted by the manager of audit.

vi. Execute Tests of Audits

Audit team at Razzaque & Co. Chartered Accountants is accountable of planning the audit and offering reasonable assurance after finalizing the audit program. Determine material errors and frauds in an organization's financial statements. The audit team leader is accountable for ensuring compliance with the following two tests. During a financial statement audit, the objective is to provide reasonable assurance to consumers who are curious about the financial statements of the organization. The tests are known as internal control testing and substantive testing.

Internal Control Testing

Internal control testing involves evaluating a sample of transactions to calculate rates of error and reduce control risk. This test includes observing, recovering or testing of documents.

The internal control test will function best at the following situations:

- Inadequate or non-existent control systems.
- Limited transaction documents

- The company is not exceptionally small

The auditor evaluates the organization's control to assess their effectiveness throughout the audit.

Substantive Testing

Substantive testing is the part of an audit in which the auditor collects samples in order to detect any material errors in the client's financial records or other data. This is necessary to ensure that the financial records of an organization are precise, up-to-date and reliable. It adheres to generally accepted auditing standards (GAAS). It demonstrates that all material assertions in the financial statements are accurate. Tests may detect misstatements or inaccuracies in the accounting information that is presented or transactions that are recorded. Two categories of substantive tests are carried out by auditor, which are analytical procedure and detail test.

Analytical Procedure

Analytical Procedures evaluate financial details by comparing genuine and anticipated connections between non-financial and financial information. It can be utilized to evaluate balances and review year-end financial statements. Analytical procedures should be applied during the audit planning and review stages.

Analytical procedure involves comparing an organization's financial information to that of others. It's discussed below:

- Previous data is comparable.
- Expected organization results, such as budgets or forecasts, or auditor expectations, like depreciation estimates.
- Assess the company's sales to accounts receivable ratio against industry averages or against other comparable companies in the same sector.

Razzaque &Co. Chartered Accountants use analytical procedures near the end of the audit to determine if the financial statements align with their understanding of line of work.

Detail Test

This test encompasses the following things:

- Third party confirmation
- Asset observation
- Reconciliation test
- Account analysis

- Attestation
- Audit objection
- Test of cut off
- Inquire
- Test of valuation
- Evaluation of Financial Statements

Confirmation

The audit team must decide if external evidence is required for verifying financial statement. External audit evidence can be more accurate than internal evidence in certain circumstances. Audit evidence, such as written replies to third parties are unrelated to the audited company's demands for verification, can help reduce audit risk to an acceptable level. Razzaque & Co. Chartered Accountants rely on bank balance confirmation forms to confirm client balances for accounts receivable and payable.

Asset Observation

Audit observations are the outcome of an audit. Asset observation defines as the process of analyzing physical evidence pertaining to an organization's current and fixed assets by audit firms. Typically, auditor's calculate inventory, cash on hand, inspects equipment, investments, etc. It improves internal controls and allows the organization to generate a precise balance sheet, guaranteeing regulatory compliance.

Reconciliation Test

Reconciliation tests refer to bank reconciliation. It is an act of comparing a company's internal ledgers to its bank accounts. If there's any discrepancies among the ledger and the accounts, they need to be thoroughly investigated and resolved. It helps detect and avoid fraud and errors.

Account Analysis

Account analysis is the method of carefully reviewing an organization's financial transactions or statements for a specific account, usually by a trained auditor or accountant. It aids in decision-making and provides insight into an organization's overall condition. As this is a very complex process, the auditor must have an in-depth knowledge of both the data and the organization.

Attestation

Attestation can be defined as ensuring entries in the books of account by inspecting official documents or vouchers, such as invoices, debit and credit notes, statements, receipts etc. It is an essential component of auditing because when conducting an audit, an auditor needs to have evidence of all transactions. Without the evidence provided by vouching, the auditor's claims are simply claims. Frauds which are difficult to detect can only identified through the use of vouching. Therefore, the auditor must take vouching very seriously.

Audit Objection

Deviations from the expected outcomes of testing one or more of the service organization's control procedures is known as audit exception. Your auditor must test each control specified in the service organization's audit description. The auditor has to independently confirm that the manager's information is correct, and that controls have been established correctly designed and functioning efficiently to meet any associated control objectives or criteria. Omissions may be among the audit exceptions. It could be accidental or deliberate, qualitative or quantitative.

Test of Cut Off

The cutoff test indicates if a transaction has been documented in the correct accounting period. The audit team should choose expenditures or purchases that occurred close to the cutoff date and determine if they have been documented in the appropriate period according to the invoice date. For example, if products are delivered before the end of the year, they get included in the cost of goods sold rather than inventory.

Inquire

Inquiry is the process of collecting data from experts in financial or nonfinancial roles inside or outside the organization. It can be conducted throughout the audit. It may vary from official written inquiries to unofficial oral inquiries. Examining the responses to inquiries is a crucial aspect of the inquiry process. Inquiry into company personnel solely fails to offer enough evidence for an audit to decrease audit risk to a minimal level for a relevant statement.

Test of Valuation

Valuation is a method of calculating the financial worth of the assets and liabilities of an organization as shown on its balance sheet. In the case of valuation, expert knowledge is essential. Auditors might ask for valuation to accurately evaluating the assets on the balance sheet.

Evaluation of Financial Statements

Financial statement evaluation is the method of evaluating the financial statements of an organization to help making decisions. Stakeholders utilize it to assess an organization's general condition, its financial performance, and value to the marketplace. Internal individuals utilize it to keep track and manage their finances. An auditor reviews financial statements, including management disclosures, to provide a professional perspective concerning if they accurately represent the organizations financial performance and position in accordance with GAAP.

vii. Assess and Report Audit Findings

The audit team reports the results to management and other relevant parties. Two kinds of reports are produced by the audit team. That are:

- Internal Report
- External Report

It’s not necessary for all firms. They can provide one or both.

Addressing the Audit’s Findings:

The audit procedure ends with the audit report. The audits scope, the auditors’ duties and the findings of the report are briefly summarized in the audit report. It presents the auditors judgements and findings for this reason its regarded as an essential part. In most cases, it is the sole portion of the audit that users view. Audit reports aim to improve interactions among auditors and financial statement readers by describing the following:

1. Introductory Paragraph: What was audited and the distribution of duties among the auditor and client’s administration for financial statements.
2. Scope Paragraph: The audit procedure’s nature.
3. Opinion Paragraph: The auditor’s assessment of the financial statement’s reliability.

The report of audit contains essential details for users and outlines the auditor's obligations. Regardless of auditor, the subsequent sections of the audit report remain consistent:

- Title of the report
- Address of the audit report
- Paragraph of introduction
- Paragraph of scope
- Paragraph of opinion

- Audit reports date
- Address of auditor
- Signature of auditor

Title of Report:

A title is necessary for the audit report. The word "independent" must appear in the title to set it apart from other types of reports, unless the auditor lacks independence.

Address of Audit Report:

The report from the auditor must be stated and discussed precisely based on the engagement circumstances and regional laws and regulations. Audit reports are typically sent to the organization's shareholders or board of directors.

Introductory Paragraph:

The introductory paragraph clearly distinguishes between the obligation of management to generate financial statements and the obligation of an auditor for providing a judgment on them. Management is directly responsible, while auditors are indirectly responsible for implementing due diligence and providing a judgment on financial statements. The auditor's role is to review financial statements and provide a judgment. An instance of such concerns in an introductory paragraph is:

"We have audited the accompanying balance sheet of the XYZ company as of June 31,2000 and the related statements of income and cash flows for the year ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit".

Scope Paragraph:

The initial statement of the auditor's report should indicate that the audit was carried out in accordance with BSA. The term "scope" refers to the auditor's capacity to perform audit procedures that are deemed necessary for the audit. This is necessary to reassure the audience that the audit was carried out in accordance with acknowledged standards and procedures. The report ought to state that the audit was scheduled and conducted to ensure the financial statements are free of material misstatement. The auditor's report should describe the audit as including:

i. Testing evidence to verify financial statements' amounts and disclosures.
ii. Evaluating accounting principles applied to prepare financial statements.

iii. Evaluate management's important projections in financial statements.
iv. Assessing the general financial statement presentation.

The auditor ought to mention in the report that they offer reasonable assurance based on their judgment. In scope paragraph, the following problems are represented:

"We followed the Bangladesh Standards on Auditing (BSA) when conducting our audit. According to such requirements, we must organize and carry out the audit to get an accurate estimate as to whether there have been no substantial misstatements in the financial statements. Evaluating the financial statements on a test basis and gathering proof to back up the disclosures and amounts is all part of an audit. In addition to analyzing the entire financial statement formatting, an audit also evaluates the important assumptions given by management and the accounting rules that were utilized. We think that the basis for our view is a sufficient level of confidence as provided by our audit."

Opinion Paragraph:

The financial reporting structure that was used to prepare the financial statements and assessment of their reliability and conformity with regulatory standards must both be included in the audit report's opinion paragraph. The assessment of the auditor can be expressed as "offer a genuine and accurate view" or "present appropriately in all material respects," which are both equivalent. Along with providing a judgment on an accurate and unbiased view, the report issued by the auditor can contain a judgment determining if the financial statements fulfill other requirements imposed by significant rules and regulations.

"We believe that the financial statements deliver an accurate and equitable representation of the organization's financial condition as of June 31, 2000, as well as the operational and cashflow results for the year ended in compliance with Bangladesh Accounting Standards (BAS) in every major respect"

Audit Report's Date:

The auditor must sign the report, which usually has a date after the audit fieldwork is completed. This indicates that the auditor has taken into account the impact of recent incidents and transactions on financial statements and reports.

Auditor's Address:

The report should specify the exact location of the auditor's office in the city at which they are responsible.

Signature of Auditor:

The audit firm's signature is required on the report. Since they are in charge of the auditor's work, the firm usually signs the auditor's report.

Razzaque & Co. Chartered Accountants Auditor's Report

After conducting the audit, Razzaque & Co. Chartered Accountants must determine if a judgment can be provided. If a judgment can't be provided, auditors must provide a clear disclaimer and explain why. The auditor has to choose whether to give a positive or negative judgement in the audit report, in accordance with Bangladesh Standards on Auditing.

Positive Opinion

(I) Unqualified Auditor's Report

Razzaque & Co. Chartered Accountants issued an unqualified audit report, which means the auditor concluded that the financial statements had been created in all material respects in compliance with the relevant financial reporting framework. Furthermore, an unqualified judgement demonstrates that the financial records were kept in compliance with the Generally Accepted Accounting Principles (GAAP). This happens to be the most appropriate form of the report that may be sent to a corporation. Typically, an unqualified auditor's report's heading includes the term "Independent". It is carried out to show that a third party with no bias assembled the report. The body of the content is followed by heading. Three paragraphs that outline the auditor's responsibilities, goal and conclusion make up the main body of the audit. The document bears the auditor's signature and date, along with address.

(II) Revised Report by Auditors

Razzaque & Co. Chartered Accountants can additionally offer Revised audit reports. The following circumstances allow for revisions to an auditor's report:

I. Factors that don't impact the auditor's assessment
   - Matter which has been emphasized

I. Factors that have impact on auditor's assessment
   - Qualified opinion

- Adverse opinion
- Disclaimer of opinion

Factors that don't Impact the Auditor's Assessment

Razzaque & Co. Chartered Accountants auditors may include an emphasis of matter paragraph that highlights specific points.

- A significant issue with a problem that prevents the business from continuing
- A substantial amount of uncertainty

The auditor's view remains unaffected by the inclusion of an emphasis matter paragraph. It should be placed after the opinion paragraph and emphasize that the opinion is unqualified in this regard.

Factors that have Impact on Auditor's Assessment (Qualifications in Audit Reports)

Razzaque & Co. Chartered Accountants auditors may unable to offer an unqualified opinion if one of the following incidents occurs and has a material impact on the financial statements.

- The acceptability of accounting guidelines is disputed by administration, their application, or financial statement revelations.
- The auditor's field of expertise is constrained.

Negative Opinion

(I) Qualified Opinion

If the financial statements of an organization are not in compliance with GAAP but no misstatements are found, Razzaque & Co. Chartered Accountants will offer a qualified opinion. Qualified opinions are written similarly to unqualified opinions. A qualified opinion encompasses a paragraph that explains why the audit report is not unqualified.

(II) Disclaimer of Opinion

Sometimes auditor finds it difficult to provide a precise report of audit. It could be due to inadequate financial records, among other factors. When this occurs, Razzaque & Co. Chartered Accountants will give a disclaimer of opinion, indicating that the firm's financial position cannot be identified.

(III) Adverse Opinion

An adverse opinion is the most severe kind of financial report that an organization might receive. This demonstrates that the firm's financial records do not comply with GAAP. Furthermore, the business's financial records were grossly inaccurate. Despite this could happen by accident, it is frequently an indication of fraud. After receiving an adverse opinion from Razzaque & Co. Chartered Accountants, an organization has to fix and re-audit its financial statements to avoid rejection by creditors, investors, and other parties.

Key Audit Matter

Key audit matters refer to a number of significant issues identified during the current period's financial statement audit.

It improves audit report impact on communication by providing extra details on auditors' competent judgment, emphasizing crucial management judgment in financial statements, and encouraging participation by users with the audit committees and management.

To identify key audit matters auditors should assess major threats in financial statements, as well as significant auditor judgments about major incidents or transactions, and how they affect the audit.

Some common key audit matters and how auditors' responses to them are discussed below:

- **Revenue Recognition**

Response

The procedures included evaluation of the revenue recognition accounting policy, performing inspections, analyzing internal control over financial reporting, performing sample tests, resolving sales reports and VAT returns, and evaluating the relevance and presentation of disclosures against IFRS-15 to reduce the client agreement challenges.

- **Property, Plant and Equipment**

Response

The accounting policies for capitalizing investments have been found to be in accordance with IAS 16. Management's views about useful lives were reviewed to verify that they adhered to with IAS 16 principles. Significant changes in asset useful lives were compared to previous years, and capital expenditures were funded using granted internal orders for purchases. Invoices and LC documents were checked for proper classification.

- **Cash and Cash Equivalent**

Response

The auditor confirms cash balances with financial institutions, revises foreign currency balances, and ensures the client's reasonable reconciling distinctions.

- **Measurement of Deferred Tax Liability**

Response

The company's delayed tax liability balances were evaluated based on adequacy, fairness of key beliefs, time frame for reversal, deadline of tax loss carry forwards, acknowledgment and estimation, and the level of estimation involved. The tax implications and presentation were also analyzed.

- **Valuation of inventory**

Response

The procedure requires evaluating inventory controls, performing inventory counts, analyzing stock aging profiles, assessing net possible values to related information, and evaluating sales post-year-end to the cost price of a sample of inventories.

Internal Report/ Management Letter

Razzaque & Co. Chartered Accountants provides management letters as a value-added service to audit clients. The letter of management is intended to emphasize limitations that need to be addressed. Auditors may recognize possibilities for cost savings or improvements in efficiency. It typically addresses minor issues which don't require an audit requirement.

Purposes of Management Letter

1. Management letters facilitate auditors to provide feedback on the financial documents, systems, and controls they have analyzed. Auditors emphasize and bring to management's knowledge any possible limitations in the controls and systems that could result in material errors.
2. As an additional objective, management letters may also be utilized for offering beneficial feedback to management.
3. A management letter is also an effective way to present issues that came to auditors' consideration throughout audit and could have influence over potential audits.

Contents

The following are the subsequent issues resulting from the audit:

1. Imperfections in accounting system framework as well as internal control.
2. Defects in operation of accounting system.
3. Inappropriate regulations and procedures of accounting.

4. Failure to comply with accounting standards.

The points brought up in prior years' management letters which needs to be assessed. They haven't been managed efficiently. Auditors must determine the reason why necessary action hasn't been implemented.

Management Response:

The auditor should ask for some clarification from management on all brought up points, which includes the strategies they have for responding to the comments stated in the letter. The auditor anticipates an acknowledgement of the letter or, if necessary, an overview of the letter during the board meeting.

Chapter 6

FINDINGS, RECOMMENDATION & CONCLUSION

6.1 Findings of the Study

During the period of internship, the intern communicated with audit manager and articled students at Razzaque & Co. Chartered Accountants to complete the report. Following the discussion regarding the audit procedures of Razzaque & Co. Chartered Accountants, the following were discovered:

- Auditors might not be able to thoroughly review client's invoices and records of accounts because of deadlines since they rely on sampling.
- Challenges are often faced while gathering evidence and documents from the clients, which results in the procedure being delayed.
- Junior auditors' insufficient expertise leads to a lack of knowledge for supervisors regarding the audit procedures progress.
- Razzaque & Co. Chartered Accountants students might lack appropriate introductions to new clients' businesses. As a consequence, students perform audit activities lacking proper knowledge of the client's business.
- Whenever a client schedules an audit with Razzaque & Co. Chartered Accountants for a brief period, the auditor may need to complete the audit quickly and only verify certain financial statement documents before issuing the report.

6.2 Recommendations of the Study

In accordance with the findings, the intern suggests the following recommendations in her report:

- Auditors should investigate at least three-quarters of financial statements in order to minimize the risk of material misstatements and increase the accuracy of the audit report.
- The audit firm needs to verify that the management has been instructed by the organizations higher authority to provide the necessary paperwork for the audit.
- The Supervisor should ensure a well-organized and scheduled working environment by providing direction and oversight to the juniors.
- Razzaque & Co. Chartered Accountants should provide students with orientation to ensure appropriate verification of documents and audit report issuance for new clients.
- As we know that auditors cannot visit all branches, so they must collect documents from the head office.

6.3 CONCLUSION

The report encompasses the audit procedures implemented by Razzaque & Co. Chartered Accountants according to BSA which stands as Bangladesh Standards on Auditing when delivering auditing services to clients. Initially, the intern presented users with a theoretical understanding of audits and related issues, followed by a study of ICAB auditing regulations. Razzaque & Co. Chartered Accountants offers outstanding audit services to their clients. Staff responsible for providing high-quality audit services deserve recognition. Razzaque & Co. Chartered Accountants aims to stand out in the competitive marketplace by providing exceptional quality services.

References

- (ICAB), (2007). *Guidance for Members in Practice (Part II: Framework for Quality Control)*. The Institute of Chartered Accountants of Bangladesh .
- (ICAB), (2017). *Audit Practice Manual.* The Institute of Chartered Accountants of Bangladesh.
- (ICAB), (2018). *Audit & Assurance.* The Institute of Chartered Accountants of Bangladesh .
- Arens, A. A., & Loebbecke, J. (2009-2010). *Auditing-An Integrated Approach.* Prentice Hall.
- Mautz, R. K., & Sharaf, H. A. (1961). *The Philosophy of Auditing.* American Accounting Association.
- *www.google.com.*
- *www.investopedia.com.*
- *www.wikipedia.com.*