



INTERNSHIP REPORT

ON

“VERIFICATION OF AUDIT IN ALTERNATIVE CASH INCENTIVE
BY ACNABIN CHARTERED ACCOUNTANTS: A CASE STUDY ON
BANK ASIA LIMITED

Date of Submission:

Submitted By:

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LETTER OF TRANSMITTAL

Md. Arif Hassan
Assistant Professor and Associate Head
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Daffodil International University
Dhanmondi, Dhaka 1207

Subject: **Submission of Internship Report.**

Dear Sir,

With due respect and great harmony I am representing my internship statement on Audit Procedure searched for after by **ACNABIN** Chartered Accountants. The title of my report is "Verification of Audit in Alternative Cash Incentive by Acnabin Chartered Accountants: A Case Study On Bank Asia Limited". My internship report is to find out the audit system from internal and external sources by **ACNABIN** Chartered Accountant firm. This report is presented under your supervision and guidance.

I appreciate you will assess my report considering the limitations of the study. Your kind advice will encourage me to do further research in future.

Sincerely yours

Md. Jubair Hossain
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LETTER OF APPROVAL

This is to make certain that Md. Jubair Hossain, ID No.152-11-4791, a Student of BBA Program of Daffodil International University, has finished the passage level position statement under my supervision. He has done this report which is about “VERIFICATION OF AUDIT IN ALTERNATIVE CASH INCENTIVE BY ACNABIN CHARTERED ACCOUNTANTS : A CASE STUDY ON BANK ASIA LIMITED and the report on the Audit of cash incentive of CA firm" as a bit of essential for getting BBA Degree. He has completed the report self-directed from any other person. He has been permitted to present the report.

I bless him; he could prosper in his life.



.....
MD. Arif Hassan
Assistant Professor and Associate Head
Department of Business Administration
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ACKNOWLEDGEMENT

By the gift of almighty Allah – The amazing part helpful and kind to me who helped me to undertake and finished the whole task by his great encouragement. Which help me to get the ability to start my Internship in ACNABIN Chartered Accountants and finally being able to exhibit this report of all my changing learning today. It should need to see the open support of my heartiest in context of my Supervisor Mr. Arif Hassan Sir for liberal supervision, Assistant Professor and Associate Head, Department of Business Administration, Daffodil International University.

The grateful appreciation goes to Mr. Mehedi Hassan, ACA, Manager, ACNABIN chartered Accountant Firm, BDBL Bhaban, Karwan Bazar, who helps me a lot for complete my assigned task in internship program. Another special thanks to my cash incentive team members at ACNABIN- Mr. Raju Ahmed, ACA, Cash incentive Supervisor, Ms. Sonia Akter Sammi, CC, team in charge and Mahmud Islam Shawon, Senior Student, Md. Papon Ahmed ACCA, Senior Student, Md. Aheia Hassan, Executive officer, Ms. Rimi akter, Senior Student, Ms. Fahima mehzabin, Senior Student, Woe sheing Chai, Senior Student of this firm. They help in any silly matter which gave me more way to explore real thing about the specific fact. In my report some crucial matter included which they discuss with me as a colleague to feel relax and help me to gather and analyze easily.

All of them carefully evaluated the report worth able quotation and supervision that were very caring for re make and completing the report.

EXECUTIVE SUMMARY

Business education is only form of a higher education. To flourish the system widespread there have some specific area which are Accounting, Finance, Human Resource Management and the Marketing are aggregated the whole task of commercial and economic for forecasting the budget. As a business student he has to well-known basic and fundamental idea about the foreign exchange, tax and other essential concept which he can easily apply in practical life for maintain learning. To fulfill it properly there have a facility which is internship.

The report is entitled “verification of audit in alternative cash incentive by ACNABIN Chartered Accountants. This report contains the details of the audit procedure provided by ACNABIN.

In this report the observations of different aspects of audit procedures have shown. After gathering the information and analyzed data help me fund that they have stronger than weaker in matter of audit provided to client. They follow Arther Anderson audit procedure, which is well known in auditing term. The firm Associated with ASNAF-ASEAN Accounting firms, and EC Enlisted. In July 2005 ACNABIN achieved “Representative Firm” status of BAKER TILLY INTERNATIONAL.

The whole report is described into five parts. In First part consists of the background of the study. The next part discloses fresh portrait of ACNABIN Chartered Accountants and also summarizes their services and functions. In chapter three the procedures of alternative cash incentive are discussed in details. Fourth part contains the assessment of cash incentives of Bank Asia as a case study. Finally the reports ends with some findings and facts found from the case study and make recommendations as effective solution to minimize problems.

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CHAPTER: 01

STUDY BACKGROUND

1.1 INTRODUCTION:

Audit is an efficient and autonomous examination of books, accounts, statutory records, reports and vouchers of an association to determine how far the budget reports and in addition non-monetary exposures present a genuine and reasonable perspective of the worry. It likewise endeavors to guarantee that the books of records are legitimately kept up by the worry as required by law. For internal auditing, the Institute of Internal Auditors provides a conceptual framework called the International Professional Practices Framework (IPPF) that provides guidance for internal audits. Some of the guidance is mandatory.

The Public Company Accounting Oversight Board (PCAOB) maintains external auditing standards for public companies (issuers) registered with the Securities and Exchange Commission (SEC). As of 2012, PCAOB has 15 permanent standards approved by the SEC and a number of interim standards that reflect generally accepted auditing standards, as described in standards issued by the Auditing Standards Board (ASB), which is part of the American Institute of CPAs (AICPA).

In Bangladesh there have many CA firms to operate audit work to perform in corporations, businesses and non-profit making institutes, the rules and regulation followed by ICAB and position placement provided by Bangladesh Bank.

The Institute of Chartered Accountants of Bangladesh (ICAB) is the National Professional Accounting Body in Bangladesh; set up under the Bangladesh Chartered Accountants Order, 1973 (Presidents Order No. 2 of 1973). **Acnabin Chartered Accountants** is one of the pioneer chartered accountant firms in Bangladesh. This report mainly focuses the audit methods in Alternative Cash Assistance by Acnabin Chartered Accountants. It concerns overall auditing and their system and how it works to operate their clients.

1.2 Origin of the Study:

In present day academic learning preparing is inadequate, sensible experience and data need to the achieving the goal. In order to gained idea and experience in practical at any University students in any faculty they have to complete 12 weeks internship course at any organization. To transform the theoretical base into practical knowledge and enter the challenging, complex business world the internship program is much helpful for every student.

As a part of my BBA Program, the twelve weeks internship program gave me the opportunity to gain practical knowledge on how an accounting firm operates in reality. As it has planned to think about Chartered Accountancy after fulfillment of my Graduation, It has been choosing that ACNABIN to finish my internship program which is the best Chartered Accountancy firm in Bangladesh.

After entering the firm I assigned to Cash Incentive Dept .This report properly completed and reviewed by the academic supervisor MD. Arif Hassan along with institution supervisor MD. Raju Ahmed and their guidance and supervised comments help me to complete whole task, this study allowed me a chance to observe and execute the review methods. After entering the firm, I was set in the Verification of Alternative Cash Assistance office, which I finish my internship report on. I will discuss my gained experience on working in this department in this report.

1.3 OBJECTIVE OF THE STUDY:

In our education system we acquire just only theoretical knowledge instead in job market there is no any value except the working experience. Receiving meaningful job experience in one major field of job concern should be a number one main concern. After getting theoretical knowledge from university, it is all about the application of that knowledge in real world situations. The primary objective of the study is to verify the auditing alternative cash assistance of Acnabin chartered accountants. There are some specific objectives which are given below:

- To gather knowledge about the Alternative Cash incentives of a Chartered Accountant Firm;
- To understand the money review policy of ACNABIN Chartered Accountant Firm;
- To assess the cash incentive audit and preparation of audit report for Bank Asia Limited made by ACNABIN Chartered Accountant;
- To find out some shortcoming related to Alternative Cash incentives Methods;
- To provide some suggestion based on the finding.

1.4 Scope of the Study:

ACNABIN CA Firm has been assigned me to give wonderful capacity to know practical knowledge about audit procedure by scope of the study which point out below:

- Background of the organization and as well their situation.
- Audit procedure, which is carrying out the organization for conducting an audit.
- Scenery and significance of this study.
- Audit procedure of the firm, which is pursuing by the organization for conduct an audit.

Audit team of the firm, which is follow by the organization for performing any audit.

1.5 Methodology of the Study:

To ensure most critical issues of audit procedure which can't be found instead of inquiry and the study is used both primary and secondary data has been used.

Data sources:

The primary and secondary sources are the main sources, to obtain it which processed as information from different client and senior advisor who give them the consultancy.

1. Primary sources:

- In cash incentive plan the client what they think by formal questionnaire.
- Observe audits theoretical concept between practical concepts by factory visit.
- To know solid reference by working with different audit teams.
- And also communication with senior advisor, staffs, agreement clients which is got it is more than information.

2. Secondary sources:

- The original related paper such as PRC, CIRCULAR, OD SIGHT RATE, MASTER LC, and BACK TO BACK LC from Bangladesh Bank.
- Internet was one of the significant sources for secondary data collection
- Less important data also have been collected from the Institute of Chartered Accountants of Bangladesh (ICAB), certified books and magazines etc.
- Other information was obtained from various corresponding files of the firm and various books especially from Bangladesh Standards of Auditing (BSA)
- Also collected data from check-list regarding cash incentives developed by ACNABIN
- Anthology of secondary data from Annual audit report, management audit report, accounting system & audit working papers audited by ACNABIN.

Target Population: They are targeting population of the study the audit managers, supervisors, article ship students, and the partners.

Sample Size:

- Two managing partners
- Seven senior articled students
- Ten administrative personnel
- Five junior articled students
- Three audit managers.

Sampling Method: Expediency sampling method has been used to choose the sample size.

Data Collection Method: Most important data were collected through

- Face to face interview
- Observation practice (connect with review team)

1.6 Limitation of the study:

The auditor based at the investigation of methodical exam for the outside audit techniques. During my study the boundaries the opportunity has become restricted for taking place the way and also the scope of forming a wholesome look at of the approaches.

There have some lacking of the study–

Time Constraint

In a brief time period the entire auditing technique inadequate to have a study and exercise and located into impact it numerous place of financial organization, there have greater way to reach and research the whole approach for advanced auditing society.

Natural limitations

They are best capable of presenting a ‘Reasonable Assurance’ over the fact and equity of the audited state of affairs consider in preference to expressing an ‘Absolute Assurance’. Audit is associated

with numerous constraints which limits the auditors to physically have a observe each single component of transactions. For instance, we just check the document they present have to verify is it matched with our circular required document. But the limitation was that the document was acquired in a legal way or not it can't be judged because it is beyond our capacity.

Restriction of Job responsibility:

As a junior-most auditor in my group, I was just given restricted occupation duty while a large portion of the procedural issues, for example, issuing Certificates, getting together inquiries, speaking with Clients and Banks, etc, were completed by other senior colleagues the best administration level. Hence, it was not possible for me to gain complete first-hand knowledge of the whole audit procedure. After 1 week while the functionality which include record checking, issuing certificates, meeting up queries, communication with purchaser and so forth they dispatched me to a few different corporate departments. Or maybe, I increased functional learning of a segment of the review technique myself while I needed to accumulate data from auxiliary secondary sources for the rest of it. There have another limitation which mentioned in below:

- As a first time it was not possible for me to cover everything of the audit procedures neat and clean.
- The assigned internal audit procedure very confidential purpose to the firm, it is hard to show the proper internal audit procedures format.
- In this internship program the acquired data and information is not adequate for this case study because they are independent audit firm.
- The strength of the analysis has been inadequate to the amount of information.

CHAPTER: 02

OVERVIEW OF ACNABIN CHARTERED ACCOUNTANT

2.1 HISTORICAL BACKGROUND OF THE FIRM:

ACNABIN partnership arrived into being in February 15, 1985, with a mission to constantly add value by serving clients succeed. ACNABIN Chartered Accountants is one of the most highly

regarded and leading independent accountancy and business advisory firm in Bangladesh with global affiliations. ACNABIN initiated its activity on fifteenth February, 1985 and is out in the open practice for just about 30 years. At present, ACNABIN is overseen by ten accomplices - every one of whom have broad working knowledge increased both locally and comprehensively and have aptitude in different fields of accounting, tax assessment, evaluating, checking on, business consultancy, mechanical arrangements, trainings, etc. In December 2013, the Central Bank of (Bangladesh Bank) positioned ACNABIN as the main review firm in the nation for review of banks and monetary organizations.

At present, ACNABIN is a free part firm of Baker Tilly International - a global bookkeeping system comprising of 145 firms working in 110 nations. Before this, ACNABIN was related with ASNAF-ASEAN Accounting Firms (Singapore) since 18 February 2003 to 2010 and Arthur Andersen LLP that was once one of the "Enormous Five" CA firms universally, till the firm deliberately surrendered its permit in 2002. Right now, ACNABIN is attempting to go into a connection contract with Price water house Coopers.

It mounted in February 1985 with a venture of upload price via assisting customers achieve success. This firm creates an awesome entity to everywhere in the corporation area. It has been appeared hundred times in which touch amongst numerous government and non government are create working relationship of tasks which is probably frequently got here through international companies together with ILO, CIDA, The World Bank, UNCDF, Save the children and so forth. There are three kinds of departments are -

- Consultancy Services
- Auditing
- Income Tax, and
- Insolvency.

Ellipsis	Name Of Partner
A	ABM Azizuddin
C	Anwaruddin Chowdhury

N	Abu Sayeed Mohammed Nayeem
A	Mohammad Akhtaruzzaman
B	ATMA Bari
I	Iftekhar Hossain
N	Mohammad NurunNabi

2.2 VISION, MISSION AND TACTICAL INTENT:

VISION

The vision of ACNABIN Chartered Accountants is as follows –

“We go beyond the traditional auditor and client relationship by becoming your Trusted Business Advisor. “

MISSION

The Mission Statement of ACNABIN Chartered Accountants is –

“We adhere to the strictest principles of client confidentiality. Then sensitive and competitive nature of proprietary information and the maintenance of trust demand it. We have built our success on such principles. We do our utmost to earn and keep client trust.”

TACTICAL INTENT: The tactical Intent of ACNABIN Chartered Accountants is –

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

2.3 Associations of the Firm:

1. ACNABIN symbolized BDO in Bangladesh throughout 1990-92 and Arthur Andersen (AA) from 1992 till their collapse in 2002. During the involvement with Anderson we adopted (AA) s technical procedures and assurance to serve clients. Our operational standard was periodically reviewed by AA. Services provided to AA clients incorporated:
 - Joint venture enquiries.
 - Tax advice.
 - Statutory regulations.
 - Business valuation.
2. USAID and EC joined.

In 1993, the firm has been joining by the United States Office of Regional Inspector General/Audit, Singapore to do financial audits of USAID fund recipients in Bangladesh.

3. Associated with ASNAF-ASEAN Accounting Firms, Singapore since 18 February, 2003.
4. In July 2005 ACNABIN accomplished “Representative Firm” status of **BAKER TILLY INTERNATIONAL**.

It is a system of immense value, independent accountancy and industry service firms, all of whom are committed provided that the best likely services to their clients, in their own marketplaces, and across the world, wherever the client needs help. It is the 8th largest network in the world by charge income and represented by 122 firms in 75 countries, with a global combined charge income of US \$2.18 billion and 18,900 employees worldwide.

2.4 Memberships of the Firm:

- American Chamber of Commerce in Bangladesh

- The Dhaka Chamber of Commerce and Industries.
- Metropolitan Chamber of Commerce and Industries.

2.5 Quality Control and Independence:

a) Engaging of Skilled Staff:

Professional staffs are employed based on their academic result, staffing test, interview and recommendation.

b) Exercising:

In a workshop on Supreme Audit Institution two partners participated regularly in May 1994 Singapore. The training course on “Procedures for Procurement and Disbursement” under the World Banks ‘Financed Project’ held at BRAC Centre, Rajendrapur, Bangladesh, in March 1998, where participated the partners along with two other senior staffs.

c) Review the Work Performed:

- Every personnel such as supervisor, audit manager, as well as partner perform carefully field visit, review of field visit engaged document.
- Review on every audit by second partner is done at the office after the training of sketch report. The procedures recognized and made available to all staffs.

2.6 Achievements of the Firm:

a) Services turn into abroad:

Since its integration, it has been successfully executed the following abroad assignments;

- Consultancy assignment on Accounting in DPR of Korea.
- Qinghai Micro-credit Project, China.
- Vivekananda Sava Kendra O Sishu Uddayan, West Bengal, India.
- Exercising on outside audit of micro-finance organization in Addis Ababa, Ethiopia, sponsored by the Association of Ethiopian MFIs (AEMFI).
- Financial forecaster for Operational Performance of Nirdhan, Nepal, Funded by World Bank-CGAP.
- Certification of Financial and Accounting System of Rural Credit Operations of Bhutan BDFC, Thimpu, Bhutan.

b) Hosting of worldwide internship:

During October-November, 2001, ACNABIN has hosted an International Internship program for two human resources of Bank of Indonesia, Indonesia on exterior Audit of Micro finance organization in Bangladesh.

c) A Brief statement on the outstanding activities and innovation by ACNABIN:

It established for payee to magnetize bright students to the career of accounting in Bangladesh. It has established and implemented numerous forms for an effective audit field work. It is recognized to be the market leader in audit and assessment of micro-finance organization.

There are total 175 audit firms in Bangladesh, of which several firms have seven or more partners and ACNABIN is one of those some firms.

2.7 Human Resources

SL	PERSONNEL TITLE	NUMBER
01	Partners	10

02	Professional Staff :	
	Directors : Audit and Consultancy	05
	Senior Director: Taxation	06
	Manager: (Taxation and Corporate affairs)	03
	Deputy Manager :(Audit and Consultancy)	09
	Deputy Manager :(Taxation and Corporate Affairs)	05
	Senior Assistant Manager : (Taxation and Corporate Affairs)	22
	Senior Assistant Manager :(Audit and Consultancy)	23
	Assistant Manager :(Audit and Consultancy)	10
	Assistant Manager : (Taxation and Consultancy)	14
	Executive and junior Executive – Taxation , Consultancy and Audit	32
03	Articled Students	273
04	Intern	15
05	Supporting Staff	22
06	ACCA students	42
	Total	= 491

2.8 LOGISTIC SUPPORT

List of clients from different sectors.

Financial Organization

- ❖ Insurance
- ❖ Investment
- ❖ Banking
- ❖ Capital Market

Commercial services

- ❖ Courier
- ❖ Hospital
- ❖ Airline
- ❖ Cargo Services

Nonprofit Organization

- ❖ NGOs
- ❖ Charitable Organization
- ❖ University

Energy and Telecommunication

- ❖ Oil and Gas
- ❖ Power and power generation
- ❖ Telecommunication and
- ❖ Mining

Manufacturing and trading

- ❖ Apparel
- ❖ Chemical processing
- ❖ Cement/
- ❖ Engineering/
- ❖ Fabricated Products
- ❖ Pharmaceuticals/Jute good /Garments
/Textile

2.9 SERVICE OBTAINABLE BY ACNABIN

- ❖ Data dispensation with pc structures
- ❖ Insolvency and zigzag up of corporations
- ❖ Micro-investment consulting
- ❖ Human Resource Development Issues
- ❖ Managerial consulting offerings

- ❖ Manipulative mechanized structures for MIS and accounting and its implementation
- ❖ Distribution/commerce/asset valuation
- ❖ Other offerings as consistent with wishes of the customers
- ❖ Presentation audit
- ❖ Monetary review
- ❖ Accountancy
- ❖ Legitimate audit
- ❖ Inner audit
- ❖ Extraordinary audit
- ❖ Administration audit
- ❖ Providing services regarding putting in place of office, drafting lease/hire agreement, recruitments of body of workers and lots of others.
- ❖ Bank economic information taking off for foreign customers.
- ❖ Obtaining consent from the treasured financial institution referring to innermost and outward fee.
- ❖ ISO 9001-2000 QMS Audit Consultancy.

2.1.1 Audit/Consultancy/Taxation/ and other Services:

It has worked and working as advisor to many types of working organizations in Bangladesh.

Financial Organization/Assurance:

- ❖ Rupali Insurance Company
- ❖ Arab Bangladesh Bank Ltd.

- ❖ Al Baraka Bank
- ❖ Bank of Small Industries and Credit (BASIC)
- ❖ Bangladesh Krishi Bank
- ❖ Eastern Bank Limited
- ❖ Shahjalal Bank
- ❖ Islamia Co-operative Bank Ltd.
- ❖ Credit Rating and Information Services Ltd.
- ❖ Capital Market Securities Ltd.
- ❖ Bangladesh Bank had appointed us for Verification of Directors loan and financial position of The city Bank Ltd

Multinational Organizations:

- ❖ C S international (Offshore) Ltd.
- ❖ Discovery Communications Bangladesh Ltd. (USA)
- ❖ Federal Express.
- ❖ Grameen Cybernet.
- ❖ Grameen Phone-Telenor.
- ❖ Highlight Polynat Pte. Ltd.
- ❖ Deutag.
- ❖ EBD Ltd. (Emery world)
- ❖ Hanjin Engineering & construction Co. Ltd. (S. Korea)

- ❖ YKK Zippers Singapore Pvt. Ltd.

- ❖ TFL Ledertechnik GmbH

- ❖ Samsung Co. Ltd. (S. Korea).

- ❖ Rothman of Pall Mall (Intl.) Ltd.

- ❖ Shell Bangladesh Exploration and Development B.V...(Netherland)
- ❖ Petrochem (Bangladesh) Ltd.
- ❖ Leader International (Hong Kong)
- ❖ Novartis (Bangladesh) Ltd.
- ❖ Occidental of Bangladesh Ltd.
- ❖ Link Tex ltd. (Singapore)
- ❖ Right Textiles Ltd.
- ❖ Sheba Telecom Ltd. (Malaysia)

2.1.2 Benefactor Agencies/NGOs:

- ❖ Association for Social Advancement (ASA)
- ❖ Association of Development Agencies (ADAB)
- ❖ Asian Development Bank (ADA)
- ❖ Bangladesh Rural Advancement Committee (BRAC)
- ❖ Buro Tangail
- ❖ Basic Support for institutionalizing child Survival... (BASICS)

- ❖ Bangladesh Population Health Consortium (BPHC)
- ❖ CARE, Bangladesh
- ❖ Canadian Development Agencies (CIDA)
- ❖ Protibondhi Foundation.
- ❖ Rangpur Dinajpur Rural Service (RDRS)
- ❖ Save The Children Fund (Australia)
- ❖ United Nation Children's Fund (UNICEF)
- ❖ United Nations Developments Program (UNDP)

Autonomous Bodies/Corporations:

- ❖ Bangladesh Rural Telecom Authority (BRTA).
- ❖ Bangladesh Biman Airlines
- ❖ Bangladesh Power Development Board (BPDB)
- ❖ Dhaka Electric Supply Authority (DESA).
- ❖ Fauji Chatkal
- ❖ L.P Gas Ltd.
- ❖ Palli Bidyut Samity.
- ❖ Petro Bangla

2.1.3 THE FUNCTION OF HUMAN RESOURCES:

❖ **PARTNER:**

As a leader of the firm he got most approval capacity to continue firms outline and eminent. To execute these obligation and obligation among the staffs and others he need to take vital choice, for example, finding a customer which have no any issue and the related record won't confront any misrepresentation and mistake by that candidate. To issue endorsement he needs to re-check once the working paper.

❖ **SUPERVISOR:**

The director need to secure least multiyear information in the ground of bookkeeping additionally finished after article transport time, and served in examining tank and duty therefore he assigned as the Audit Supervisor of the sanctioned bookkeeper firm.

❖ **SENIOR ARTICLE STUDENT:**

He has a couple of long periods of involvement in the contracted bookkeeper firm. Review chief and review administrator are checked the senior article understudy. Essentially they check rundown of count paper and issue the authentication for auditing the bank computations. They likewise met with customers and confirm their archives

There have also other unprofessional human resources those are –

- Manager, Administration
- Office Messenger
- Receptionist

CHAPTER: 3

THEORIETICAL BACKGROUND

3.1 The Definition of Audit:

Arens and Loebbecke, 1998 defines Auditing as:

“Auditing is the process by which a competent, independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.”

This definition includes numerous key words and phrases, to know the meaning; special terms are talked about below:

- **Financial Entity:**

The time period for perform an audit is generally one year but sometimes it can be quarterly, monthly several years. To complete the audit procedure the scope of the auditors' duty must be valid and fresh. Although it is considered as a division or a even an individual in most orders it is referred as a legal entity for a corporation, unit of government, partnership or proprietorship.

- **Reporting:**

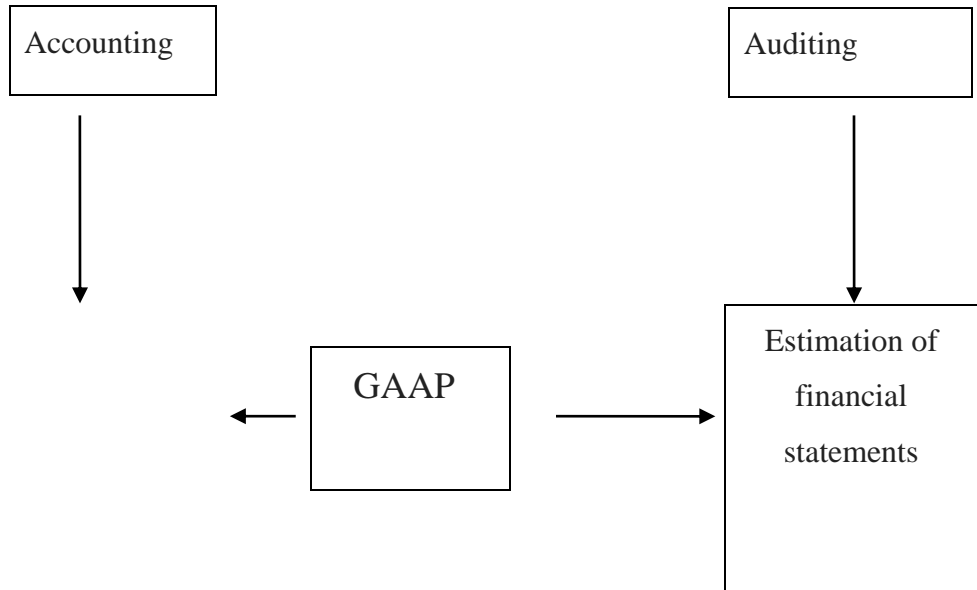
It is final part for a proper audit, it is add value and differ basis on nature or format. It helps reader to find queries and present the degree of connection between quantifiable information and standard criteria.

- **Experienced, Self-Sufficient Person:**

The auditor must be well known in auditing terms, concept, methods and procedure as the implied data is valid. To accumulate specific examine support information to reach proper conclusion of the audit. In personally the mentality of a auditor be independent in any corporate sensitive matter unbiased perception is good sign of a perfect auditor. Independence can't be absolute by any means, but it must be a goal that s worked toward; and it can be achieved to a certain degree.

3.2 Difference between Accounting and Auditing:

Though they are related but most cases they are separate from both others. A lot of financial statements client and associates of the general public confuse auditing with accounting, as auditing is apprehensive with accounting information, and many auditors have considerable expertise in these matters.



3.3 Requirements of an Effective Audit and Auditor:

In order for an audit to be completed properly, auditor must keep certain attributes. These are:

Recording of contacts and research of financial

1. In order to audit properly the auditor must also have a basic knowledge of GAAP.
2. Along with the GAAP, as much the idea of evidence gathering and evaluating these to complete certain companies audit report as important to know the internal control and internal audit.
3. Auditor must have a methodical perceptive of the entity being audited and the business of which it is a part.

In order to Taylor and Glezen, 1979, to agree with a chartered accountant, a person must complete the following requirements:

- ❖ The Education Background
- ❖ The Experience in the CA Firm.
- ❖ The Testing requirement

3.4 Types of Audit:

There are numerous types of audit. Such as:

- a) Audit of Financial Statements
- b) Compliance Audit
- c) Governmental Audit
- d) Internal Audit
- e) Interim Audit
- f) Operational Audit

A) Audit of financial Statements:

It is conducted to determine whether the overall financial statements the quantifiable information being verified-are stated in accordance with specific criteria. It is also come out the statement from income statement, statement of cash flow, financial position including accompanying footnotes.

Financial Statements audits are conducted to determine whether financial statements are presented fairly in accordance with generally accepted accounting principles (GAAP), applicable laws and regulations.

B) Compliance Audit:

It is a set of activities the observation of auditee followed specific procedures or rules set down by some higher authority. Results of compliance audits are generally reported to someone within the organizational unit being audited rather than to a broad spectrum of users. Management , as opposed to outside users, is the primary group concern with the extent of compliance with certain prescribed procedures and regulations.

It concerns such as:

- a) Auditing transactions and detailed records and
- b) Identifying problems.

C) Governmental Audit:

The federal financial assistance recipients concerning to report and test on conformity with laws and regulations the audit which is reported and included in government audit. It refers to the independent auditor's responsibility for determining compliance when engaged in audits of state and local government units, as well as non profitable units, which are the recipients of federal finance assistance.

D) Internal Audit:

It is an independent assessment function recognized within an organization to observe and evaluate its actions as an inspection to the organization. The purpose of internal auditing is to assist members of the organization in the effective discharge of their farm duties. It is practiced by auditors in a job by an organization, such as bank, hospital, city government, or industrial company.

E) Interim Audit:

In modern ages, certain changes in the information processing environment have begun to change the established approach to the interim audit. Instead of testing the internal control procedure during an only interim period, auditors are applying these tests, along with tests of selected contacts, at frequent intervals throughout the year. It sometimes referred to as Constant Audit.

F) Operational Audit:

It refers to the learn of business operation for the purpose of making advice about the economic and efficient use of capital, effective attainment of business objectives and fulfillment with company policies. An operational audit can be applied to almost every surface of an organization. Such audits are both demanding and interesting as the auditor is charged with developing objective criteria by which a process can be evaluated and the auditor by requirement becomes closely familiar with many operational aspects of an organization.

3.5 Rules of Conduct:

The rules are particularly enforceable under the rules of the AICPA.

Rule 101 Independence:

An affiliate in public practice shall be independent in the performance of professional services as required by standards broadcast by bodies designated by council.

Interpretation:

Independence shall be considered to be impaired if, for example, a member had any of the following transactions, interests.

- A) Within the period of a professional engagement at the time of expressing an opinion, a member or a members firm.
 - 1. The office, director or principal stockholders of the enterprise had any loan or not.
 - 2. Had any dual, intimately held business venture with the project or with any officer, director or primary stockholders thereof that was matter in relation to the member's net value or to the net value of the members firm.

- B) Throughout the era enclosed by the fiscal statements, professional engagements or at the time of expressing an opinion, a member's firm.
 - 1. Was associated with the project as a promoter, sponsor, or voting trustee or in any capacity equal to that of a member of organization or of an employee.
 - 2. The income sharing trust & the venture or a trustee was any pension.

Rule 201 General Standards:

A Member shall obey with the following standards and with any interpretations thereof by bodie designated by Council.

- 1. Professional Competence:
- 2. Due professional Care

3. Planning and Supervision
4. Sufficient Relevant Data

Rule 202 Compliance with standards:

A member who performs auditing, review, compilation, consulting tax or other professional services shall comply with standards promulgated by bodies designated by Council.

3.6 Audit Risk:

It is defined as “the risk that the auditor may accidentally fail to properly adapt his/her opinion on financial statements that are considerably misstated”. So audit risk is the risk that the inspector gives an unsuitable audit opinion when the financial statements are materially misstated.

The auditor should obtain a considering of the accounting and internal control systems enough to plan the audit and develop an effective audit approach.

- **“Control risk”:**

It is the risk that a misstatement that could occur in an account balance or class of connections and that could be material separately or when aggregated with misstatements in their balances or classes, will not be prohibited or detected and corrected on a well-timed basis by the accounting and internal control system.

- **“Inherent Risk”:**

The susceptibility of an account balance or class of transactions misstatements that could be material, individually or when aggregated with misstatements’ in other balances or classes, assuming that there were no related internal controls.

- **“Detection Risk”:**

Auditor’s substantive measures will not detect a misstatement that lives an account balance or class of communications that could be objects, individually when combined with misstatements in other balances or classes.

3.7 Audit risk:

In formative of the scenery, training and extent of substantive procedures necessary to decrease audit risk to an adequately how level, the auditor judged the reviewed levels of inherent control risks.

In this considered:

- The environment of substantive systems,
- The instance of substantive systems, and
- The degree of substantives systems.

Illustration of the Interrelationship of the Componenmets of Audit Risk:

The following table show how the acceptable level of detection risk may vary based on assessments of inherent and control risks.

		Auditors measurements of Control Risk		
		Low	Medium	High
Auditors measurements of inherent risk	Low	Highest	Higher	Medium
	Medium	Higher	Medium	Lower
	High	Medium	Lower	Lowest

3.8 Audit procedure of ACNABIN

Engagement Process:

To represent about it, at first, we have to appreciate the significance authentically and focus the procedure between the ACNABIN and the client, where legal constitution and selected association incorporate.

ACNABIN appears in three kinds of engagement:

- a) Directly appointed by the client.
- b) With new client
- c) With existing client

❖ Client As a new:

To make a new contractual or working relationship there required to four letters those are exchanged between the firm and client. Below steps both client and firm maintain to cooperate.

Step1: Client requirement for articulation of enthusiasm from concerned CA firm

Generally, the clients send one suggestion letter where fiscal and particular component of audit is fused, as the associations send back to the reaction that recommendation with their reference for the survey cost.

Step 2: Articulation of intrigue is send by Acnabin CA firm to the client.

Inspecting letter on papers about the customer sent proposition letter and included their monetary and specialized charge to remove the subject of review. In matter of work force s charge of hourly rate pursued by the Institute of Chartered Accountants of Bangladesh so as to ensure qualification of businesses fulfillment, which likewise sent alongside return proposition letter.

Stage 3: Acknowledgment by the client based on articulation of enthusiasm of ACNABIN- which is a letter of agreement.

All things considered the customer sees what is urging for them to do the review. A letter of agreement in the wake of accepting proposition letter they have to take choice, the letters originate

from different firm. The customer organization endeavor to assess the organizations evaluating proficiency by know their arrangement of specialized and budgetary proposition where determining, for example, autonomous, unceasing to survey the associations internal direct structure in overseeing the review matter.

Stage 4: A letter which is sent to the CA firm – confirmation letter

ACNABIN/the CA firm sent to the client as confirming, in return the client sent acceptance letter in order to make agreement. The firm also provide **confirmation letter** where it is entitled that they are willingly to work the client.

❖ EX-CLIENTS:

Three letters are traded between the ACNABIN and customer:

- a. Eagerness letter for reappointment: In this letter ACNABIN needs to review this year. It can demand to expand review charge or change some different conditions.
- b. Customer sends arrangement letter.
- c. ACNABIN acknowledges this arrangement.

❖ CLIENTS WILLING TO APPOINT ACNABIN:

If the client is interested to work with ACNABIN, then it directly sends an appointment letter to the firm which includes all terms and conditions. If all terms and conditions are favorable to the ACNABIN then it accepts the appointment and sends a letter to the client as an auditor.

3.9 Overview of cash Incentive:

As a Third-World country, the economy of Bangladesh is yet heavily and unfavorably dependent upon foreign currency. Thereupon, to retain a Balance of Payment (BOP) that is more favorable and encourage the export related activities of the economy, the Government has undertaken several

initiatives and granted incentives and facilities for industries to take. Among these facilities, the most availed and frequently utilized by exporters

- (a) Duty drawback (Importer is exempted from paying any kind of duty in the port)
- (b) Cash Bonded Warehouse (Rent free warehouse for Exporter/Importer to keep their inventory if they do not own one), and
- (c) Cash Incentive

Cash incentive is the assistance in the form of 'cash' given to any Client in case certain predetermined conditions are being fulfilled. Cash incentive scheme was first introduced in 1986 in garments factory, fish sector, jute mills, agro sector, and pet bottle & flakes plastic industry and new market exploration sector, etc of Bangladesh as a refund of part of the production cost of the local Exporter when Beneficiary completes the export process in compliance.

The incentive is issued by Bangladesh Bank. However, in order to justify whether the Client is indeed eligible to receive the claimed amount and to verify the authenticity of the export and production process and avoid any form of manipulation and fraudulent activities, an independent third-party is employed to express a reasonable assurance and to calculate the factual amount the Client is eligible to receive, as opposed to the amount they claimed. This is where the responsibility of an Audit firm comes in. The audit procedure of verifying a Cash Assistance File is laid out in nine distinct steps, which is discussed further in the next section. After forming a valid conclusion, we were required to issue a Certificate that is signed and sealed by the concerned Partner as an Approval that states that the submitted application is eligible for receiving Cash Assistance and includes an attachment of the calculations that matches up the amount of incentive receivable by the Client.

3.1.1 FACILITIES FOR BENEFICIARY:

From 1997, the following gatherings or establishments were certified for Cash Incentive workplaces: From the begin of "Money Compensatory Scheme (CCS)" in 1986, this place of job end up made available to RMG, Hosiery and Special Textile Units which are not implemented the fortified distribution center workplaces and duty downside workplaces. Although after March 5, 2001 (BB FE

Circular No. 09), there was a slight change to the list. The Cash Incentives will be entitled to the following parties from that date:

- Producer and direct exporter of fabrics i.e. producer and exporter of oven/knit/hosiery/fabrics/gray/dyed/printed fabrics and other specialized fabrics.
- Producer and exporter of different types of fabrics i.e. items like towel, bar, map, bathmat, grill pad, duster cloth, terry bag, bed shed cover, stocks and gloves.
- Producer and suppliers of fabrics from which RMG has been exported abroad after value addition done in the production process of the exporters.
- Producers of fabrics from yarn and RMG i.e. a composite mill (Bangladesh Bank, 1997).
- Producer and exporter of yarn (Bangladesh Bank, 2001 b). There are a number of industries who are eligible to receive a Cash Incentive, provided that all other conditions are effectively met. Some of such industries are as follows –
- Export of Leather
- Export of Handicraft items
- Export of Terry Towel, etc.
- Producer and exporter of RMG from fabrics.
- Producers of fabrics from yarn and exporters of the RMG, i.e. a composite mill.
- Producer and direct exporter of fabrics.
- Producer and supplier of fabrics from which RMG has been exported in abroad by exporter after value addition.
- New Market Exploration.

3.1.2 STATE OF AFFAIRS FOR ELIGIBILITY OF CASH INCENTIVE:

It can be payable most effective if the exported products are produced indoors Bangladesh with yarn amassed from member turbines of BTMA and no Duty Drawback facility or Bonded Warehouse facility is benefitted from at any segment of producing. Cash Incentive centers are given upon achievement of the subsequent situations:

- As soon as Alternative Cash Incentive is supported, the Proceeds Realization Certificate will be settled with "Elective Cash Incentive Paid" and set apart by the plain person who has confirmed the portion. It is done all things considered that the Proceeds Realization Certificate can't be manhandled something different. All of the examples of the portion of Alternative cash Incentives will be examined by the Internal Audit Team of the concerned Bank. Beside this, all records ought to be put something aside for no under 3 years by the bank for the examination of Bangladesh Bank visiting gathering/Government Audit gathering.
- Authorized Auditor, after receiving all necessary information and certificates, will compute the payable amount as Alternative Cash Incentives to the applicant.
- Alternative Cash Incentives will be payable only after the export price is received in foreign currency (Realized value).
- Applicant for Cash Incentives will submit his application to the negotiating bank within 180 days of the realization of export proceeds.
- Only one party among the yarn manufacturer, fabrics supplier and exporter will obtain Cash Incentives and if the Applicant's name is not mentioned in L/C document, the Applicant will be rejected immediately.

3.1.3 IMPORTANCE OF PROVIDING CASH INCENTIVE:

In period of late MFA (Multi-fiber Arrangement) and standard eliminate; the composite area of Bangladesh is relied upon to confront disturbing danger of losing remote market. The explanation for this is on the grounds that bit by bit we are losing upper hand of our composite part to nations, for example, India and China whose work cost are relatively getting less expensive from us. Then again, our material and other generation costs are high since we are will in general import all the crude materials (Yarn, Fabrics) and extras from abroad, incidentally from India and China, so as to deliver higher nature of yield. At present, moderately 76% of our total charge pay is earned by conveying RMG. Regardless, so, our composite division is particularly defenseless as long as we can't develop a strong in turn around linkage for composite part inside Bangladesh Cash Incentive is offered for different of different reasons. For instance, the clarifications for giving Cash Incentive for Composite yarn undertakings are according to the accompanying –

- To develop and fortify the retrogressive linkage of composite industry
- To enable enthusiasm for prospective organizations of yarn age
- To support and upgrade the Composite territory of Bangladesh
- To help the admission of composite yarn
- To animate the use of secretly conveyed yarn instead of yarn imported from outside association

3.1.4 CONDITIONS FOR ELIGIBILITY OF ALTERNATIVE CASH INCENTIVES

Alternative Cash Incentives will be payable only if the exported products are produced within Bangladesh with yarn collected from member mills of BTMA and no Duty Drawback facility or Bonded Warehouse facility is benefitted from at any phase of production. Cash Incentive facilities are given upon fulfillment of the following conditions:

- Only one party among the yarn manufacturer, fabrics supplier and exporter will obtain Cash Incentives.
- Applicant for Cash Incentives will submit his application to the negotiating bank within 180 days of the realization of export proceeds.
- Alternative Cash Incentives will be payable only after the export price is received in foreign currency (Realized value).
- If the Applicant's name is not mentioned in L/C document, the Applicant will be rejected immediately.
- Authorized Auditor, after receiving all necessary information and certificates, will compute the payable amount as Alternative Cash Incentives to the applicant.
- As soon as Alternative Cash Incentive is approved, the Proceeds Realization Certificate will be sealed with "Alternative Cash Incentive Paid" and signed by the very person who has approved the payment. It is done so that the Proceeds Realization Certificate cannot be misused otherwise. All the cases of the payment of Alternative cash Incentives will be

examined by the Internal Audit Team of the concerned Bank. Apart from this, all documents will have to be preserved for at least 3 years by the bank for the examination of Bangladesh Bank visiting team / Government Audit team.

3.1.5 BENEFICIARIES FOR THE CASH INCENTIVE FACILITIES

From the commencement of “Cash Compensatory Scheme (CCS)” in 1986, this facility was made available to RMG, Hosiery and Special Textile Units which are not chosen to use the bonded warehouse facilities and duty drawback facilities. However, from 1997, the following parties or organizations were entitled to Cash Incentive facilities:

- Producer and direct exporter of fabrics i.e. producer and exporter of oven/knit/hosiery/fabrics/gray/dyed/printed fabrics and other specialized fabrics.
- Producer and exporter of different types of fabrics i.e. items like towel, bar, map, bathmat, grill pad, duster cloth, terry bag, bed shed cover, stocks and gloves.
- Producer and suppliers of fabrics from which RMG has been exported abroad after value addition done in the production process of the exporters.
- Producers of fabrics from yarn and RMG i.e. a composite mill (Bangladesh Bank, 1997).

Although after March 5, 2001 (BB FE Circular No. 09), there was a slight change to the list. The Cash Incentives will be entitled to the following parties from that date:

- Producer and exporter of RMG from fabrics.
- Producers of fabrics from yarn and exporters of the RMG, i.e. a composite mill.
- Producer and direct exporter of fabrics.

- Producer and supplier of fabrics from which RMG has been exported in abroad by exporter after value addition
- Producer and exporter of yarn (Bangladesh Bank, 2001 b). There are a number of industries who are eligible to receive a Cash Incentive, provided that all other conditions are effectively met. Some of such industries are as follows –
- New Market Exploration
- Export of Jute yarn and products
- Export of Leather
- Export of Handicraft items
- Export of Agro products
- Export of Fish
- Export of Potato
- Export of Terry Towel, etc.

**The application is
officially Received by →
the bank**

3.1.6 PROCEDURE OF CASH INCENTIVE AUDIT.

In the Following diagram the procedure of cash incentive and the stage s are described in details showed.

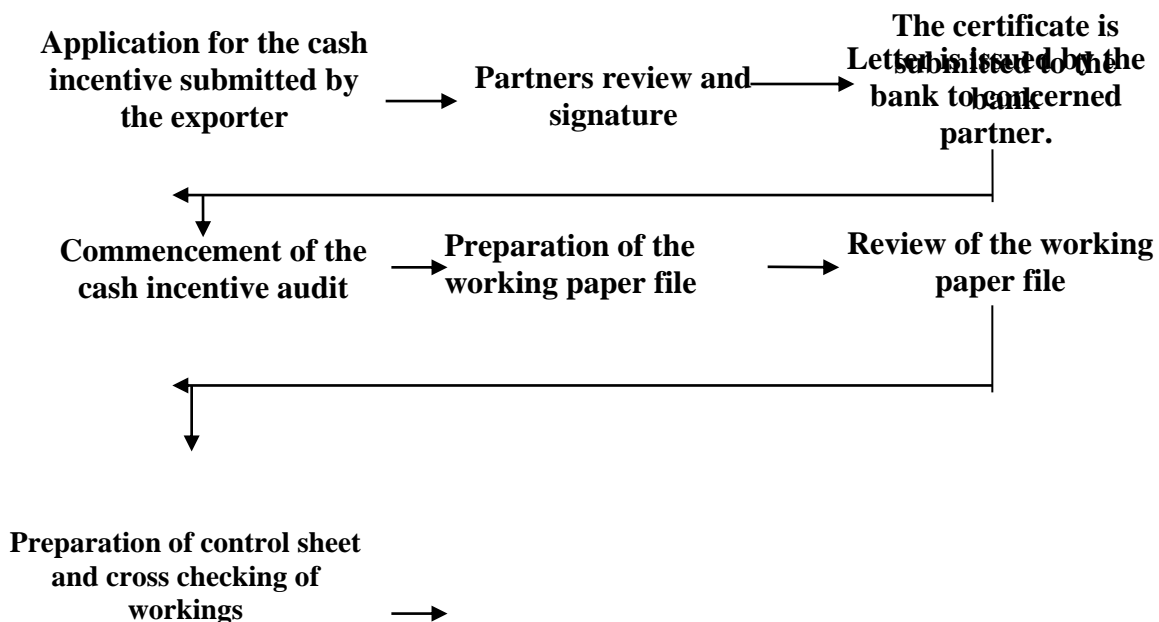


Figure 1.4 List of steps undertaken to execute a Cash Incentive Audit

Submission the application form to the firm:

In this shape the required and claimed the quantity described in audited thru banking internal auditor. When all the goods they used for particular reason and that is completed by using manner of nearby wholesaler, observed thru round moreover. This shape could be very essential to authorities, Bangladesh financial institution and the CA Corporation. After proper attachment of all required report and all photocopies or specific if it's far critical for commercial invoice, packing list and so on. This file created by means of the use of the exporter and it sent to respective economic organization.

The application certified from the bank:

The legal officer will re-take a look at the right set of export and related record and make certain it to certify for the audit company, In the period in-between if they were given any errors and mismatch among patron's reference and their record. They will ship it question, to complete the entire technique, the information needs to be evidence, that's why they study, if it needs to meet with purchaser to resolve and mitigate discrepancy, otherwise the inducement claimed amount will not be certified. They use the going for walks greater or less on their record and it is not usually deviate from our calculations until there are wastages blanketed, which we're required to compute and deduct from the claim amount.

Issued letter to the representative of ACNABIN:

When they complete their right formal operation and inquiry they sent it to issue for the schooling of audit in CA business company, further they provide OD sight fee, which come from inside the starting Bangladesh Bank instead they assist to get it. After their calculation and operating at the paper are organized, the Head Office of the Bank problems a letter asking the ACNABIN to finish audit paintings regarding the software for Alternative Cash Incentives of this positive exporter.

Beginning of the Cash Incentive Audit:

When the company receives a prepared letter and the record with prepared file they deliver the commencement letter or recognition letter to the internal branch of the respective economic institution that they begin their auditing as a lousy lot as possible. The organized attested all required files following one rule this is used as (TOR) Terms of reference encouraged with the aid of the Bangladesh Bank in the FE circular no. 291 The auditor after they use extra wastage for calculation there have entitled approximately that element by manner of in coins Appearance.

Working Paper prepare by CA firm:

As an auditor their first and ultimate duty is to preserve reference which we do and the specific works participant's mild mock-up in future. In auditing of cash incentive each document required to reveal their chain of document this is essential, now we've to test it nicely with based completely mostly on supply of information, together with the applicant call we are able to get software paper that is want to be the complete Export file. The packing list s recorded for exp no internet weight has to check with that exp no invoice of get right of entry to paper recorded net weight. When we the mistake and mismatch not placed, then we ought to take invalid calculation paper to calculate and checking the computation in software program paper to banking calculation is matching or no longer, then we must preserve one gentle replica of each files precise record so as to check equal as like and the documents want to have an monetary corporation seal, there have an one order of report manage to check results easily renovation form this is provided thru the ACNABIN.

To check perfectly there have some format provided by ACNABIN.

APPLICATION FORM

- Name of the applicant
- Applicant office address
- Invoice value, LC value, Purchase contact no, Sales contract no and issue date.
- Name of product and their quantity.

In first page there have a one seal wherein the date is authorized that the applicant carried out for cash incentive that day an awesome manner to finished BGMEA, BKMEA, JUTE SPINNERS ASSOCIATION, and all extraordinary EXP files moreover. And the date of software program to Shipment date inside a hundred and eighty days the CA firm can preserve it to auditing if the date is expired the purchaser have gift the paper of over No Objection Certificate (NOC). In the claim quantity we see the fee this is net FOB by manner of PRC after deduct all freight charge, fee, pay as you cross is taken into consideration. That quantity multiplies with that rate to OD sight price a good way to following the percentage of that with incentive charge.

Value of Production/ Cost Sheet

- Cost of yarn
- Knitting and overhead cost
- Dyeing and overhead cost

The Cost Sheet is supplied with the aid of manner of the Applicant wherein they offer us a breakdown of the charge of yarn, which we in shape up closer to the consumed quantity and charge that appears in BTMA certificate and Utilization Declaration (UD) file. The applicant's knitting and dyeing rate is likewise furnished in this Cost Sheet. However, there may be a ceiling fee of \$0. Ninety constants with kg of yarn for knitting and \$1.90 steady with kg of yarn for dyeing. If the Applicant's

fee is under the ceiling, we take the supplied charge quantity for wastage calculation, but if their furnished prices go this threshold, we put together a revised Cost Sheet in step with the ceiling rate.

Master LC or Sales/Purchase Contract

- LC no. & date of issue
- Description of goods exported (RMG/ Jute/ Handicraft/ Fabrics etc.)
- Terms of Conditions (FOB / C&F)
- Commission (if any)
- Original value of L/C (in USD)
- Quantity (in pieces/yards)
- Transferred amount

It could be very crucial and essential paper for every monetary institution and CA agency as a purpose the applicant make it before buy the goods or offered. Original charge of the L/C is the initial in reality really worth of the L/C on the identical time as it modified into in its inception. However, every so often the specific quantity of the L/C is transferred on behalf of the exporter. This is the Transferred quantity. If the entire price is transferred, then each the authentic and transferred quantity is probably same. If the particular quantity, alternatively, is partly transferred, then best the part of the amount transferred can be the Transferred Amount. In instances, L/Cs consists of some of amendments. In such instances, we take the date of the L/C at its inception, but take the final revised amount from the closing modification. If the Terms of Conditions of freight is C&F (i.e. Freight is prepaid through the exporter), we require a freight certificates issued by means of the logistics authority wherein the price of freight is stated. We take this fee and subtract it from the Realized quantity, at the facet of Commissions if there is any, from our calculations. Notifying Party is the agent/service that is appointed via the Importer to acquire and properly bring the products to the Importer's premises.

Back to Back (B2B/BTB) L/C

- L/C no.
- Date of the L/C
- Beneficiary of the L/C (the supplier of yarn or accessories)
- Items (Yarn/ Accessories/ Fabrics/ Dyeing Charges, etc.)
- Quantity (in kg or yds)
- Amount (in US\$)
- Master L/C No.
- Name of the incentive receiver (the exporter)

Hence, it is very vital to decide out whether or now not a B2B L/C is nearby or overseas because a miscalculation can bring about hyped up Claim quantity in addition to the quantity that we'd calculate that might be receivable with the aid of manner of the Applicant. B2B L/Cs is unfolded in competition to the Master L/C so that you can assist the Exporter finance the purchase of tool or offerings from a subcontractor. The Exporter seller is going to his personal financial institution with the unique L/C from the Importer's financial institution and has a second L/C issued with the Subcontractor as Beneficiary. The subcontractor is for this reason ensured of payment upon appealing the terms of the settlement. B2B L/Cs can be both of kinds – Local or Foreign. Local B2B L/Cs is those where the Beneficiary belongs from the Exporter's. Using B2B L/C, then it is probably an overseas B2B L/C. We can decide whether or not the B2B L/C is local or distant places by means of analyzing the L/C no. – All community B2B L/Cs have a code identical to or less than '04' and

Something above code '05' is a foreign B2B L/C. For example – if a B2B L/C's no. Is 2016 0060 1324, then it is a remote places B2B L/C due to the truth the code, that is contained inside the 6th and 7th digit of the L/C no., is above '04'. All foreign B2B L/Cs are accelerated 1.25 times and the acquired cost is subtracted from the Net FOB from our calculations as in line with Bangladesh Bank circulars.

BTMA Certificate (Original Copy Issued for Cash Incentive Purpose Only:

- Items (yarn)
- Quantity (in kg)
- Commercial Invoice no.
- Commercial Invoice number & Date
- Date of Delivery
- Gate Pass date
- Certificate No.
- Date of the Certificate
- Export L/C no. or Sales/Purchase Contract no.
- Date of that Export L/C or Contract
- Back to Back L/C (for yarn) number
- Date of Back to Back L/C (for yarn)

If any of the above records is lacking or inconsistent with different files, the certificate needs to should be modified to that effect. The Gate Pass date should be on or earlier than the Date of Delivery. To make sure the Gate Pass date, we need to check this date of BTMA certificate with the date of Challan Patra connected with the certificate and if there may be any inconsistency, we ask the applicant to correct it.

Beneficiary Certificate and Certificate of Origin Original Copy:

- Date of the Certificate
- Back to Back L/C no.
- Date of Back to Back L/C
- Name of the beneficiary (the supplier of yarn/fabric)
- Quantity of supplied materials (yarn/fabric)
- Master L/C No.
- Date of Master LC

Proceeds Realization Certificate (Original Copy Issued For Cash Incentive Purpose Only):

- Reference no. of the certificate
- Export L/C no.
- Date of the Export L/C
- EXP no.
- Date of Realization
- Realized value in US\$

The PRC is issued especially for Cash Incentive purpose by the Applicant's Bank is their official letterhead pad and is signed and sealed by the relevant authority representing the Bank. Generally, only original copy of PRC is accepted but in dire and selective cases, attested photocopy might be acceptable as well. In case there is any mismatch in the Application, we send up query to the Applicant and ask for a revised Application. In case there is any error in the PRC itself, we ask for a reissued copy of PRC or a attested correction seal and signature from the Bank. Such cases, the original copy are requested to be submitted as early as possible, if not, we will not issue cash incentive certificate for that very application file.

Bill of Lading (B/L)

- B/L no.
- Date on which the goods were shipped on board
- EXP no.
- Freight (if prepaid, from freight certificate)
- Gross weight
- Master LC no.
- Name and address of the notifying party In this document,
- the date of shipment is the most important

It is because, based on the date of shipment, we will decide the rate of cash incentive applicable for the Exporter. We also note the freight from this document. If, according to B/L, the freight is prepaid, we immediately ask for freight certificate to the Applicant if it is not provided

REVIEW OF THE WORKING PAPER:

In cash incentive, we artwork as a crew in which various form of people together with the in charge, senior manager, senior article student and different deputed employee and college students have there. They are right here for ensuring our accuracy in auditing paintings. They are humble in manner they taught them how overview and check the file to ensure its solidity. The evaluation completed via senior pupil and professional approximately that the entire report to discover in any calculations mistakes and make sure is it sincere. He also showed the documents monitoring records id and their supply of statistics.

PARTNER'S REVIEW AND SIGNATURE:

In closing step, the complete audit whole by way of legal department's worried partner of the audit. If he unearths any blunders or mismatch and the group failed to trace it then he will meet and that they both remedy the hassle. After a majority of these steps, we put together the final copy of Alternative Cash Incentives Certificate as in line with the Attachment- "Ga" of the FE Circular no. 291 dated June 02, 2002. For every single utility, a separate certificate is ready. Finally, the worried Partner of the company issues those Cash Incentives Certificates via duly signing them.

THE CERTIFICATE IS SUBMITTED TO THE BANK:

After signature of the accomplice, the Cash Incentive certificates are issued. Then this certificate is submitted to the Head Office of the bank at the side of the utility. The Head Office of the negotiating bank will obtain these certificates and the licensed amount may be paid to the applicant in accordance with the Bangladesh Bank.

CHAPTER 4:

A CASE STUDY ON BANK ASIA OF AUDIT PROCEDURE OF CASH INCENTIVE

4.1 THE CONTRACT

As an intermediaries (Bangladesh Bank) used to help the working relationship ethical, provided circular for both party the CA firm and the applicant company, there have a set of activities of audit procedure. As a new client to enter the CA firm the first attempt is complete general audit procedure

(which described early in page no 13-15). In last step ensure in which department give them the reviewed and verified audit report. They have to deal with specific department's concerned bank such as cash incentive dept. – Bank Asia, Audit dept. – Rupali bank, Tax dept. - Grameen bank.

According to the instructions they have some specific companies included:

- ❖ **R.K Jute Mills Association**
- ❖ **Virtual Association Limited**
- ❖ **Classical Handmade Association**
- ❖ **Interlink Appearance Limited**
- ❖ **Saiham Knit Enterprise**

In a cash incentive procedure bank is the main arranger of our whole task, the circular with provided information carried out also Bangladesh Bank. The required steps are shown below for new clients:

Step 1: At first the client company provides a circular where major such cash incentive, tax etc included. Then the CA firm have to send formal letter where include every requirement for valid contract and the level of measurement steps be recorded

Step 2: Acnabin CA firm will send the thank you letter with the technical about their manpower's cost , which they ensure to agree with the work forces charge of hourly rate which provided by the Institute of Chartered Accountant.

Step 3: After Received another CA firm's proposal letter R. K jute considered the ACNABINCA firm favorable for them as we are independent member of baker Tilly international. And the rules and our technical and financial proposal make ensured our ability to assess the organization's internal control system in administering the audited matter.

Step 4: After received acceptance letter from the client, the ACNABIN provides confirmation letter to the client company.

The bank is intermediaries between The CA firm and the Applicant Company. Actually The LC is prepared by the bank and the OD Sight rate which is more essential for bank calculation is checked before the CA firm.

4.2 Verification of Cash Incentives:

The submitted application is fit the bill for tolerating Cash Assistance and consolidates an association of the estimations that organizes the proportion of inspiration receivable by the Client. To assemble more age as a cost of whole association, is fundamental part for exporter pass on to other country alliance their thing. The beneficiary will appear as a great deal of activities, for instance, the clarification that any of affiliations he didn't take and apply, and the understood paper in like manner is begun from the bank which under they work all the system. For example, like one exporters LC regard was USD 100,000. The individual conveyed secretly conveyed jute worth USD 50,000 and got the recognized regard was USD 20,000. For secretly made unrefined material used sought after by round he will surrenders a 7% Incentive. Thus, there is no wastage, the Exporter will get a cash inspiration of USD 114989.56 (USD 20,000*82.1354*7%) [Refer to add-on o point by point calculation]

For providing this kind of declaration our firm gets definite amount of audit fee on the actual claim amount

CLAIM OF THE CLIENT	UP TO 500,000	500,001 to 10,00,000	10,00,001 to above
AUDIT FEE (AMOUNT IN BDT)	5000	6,000	8,000

Fig. 1.2 Audit fee range according to claim amount of client.

4.3 Calculations of Cash Incentives

However, due to heavy load of the Applicants, Bangladesh Bank started out to hire a third unbiased audit firm to verify the Cash Incentive documents on behalf of them. During my internship program purpose, I have completed more than two company's file belonging to a handful branches of Bank Asia. However, I chosen clients in Bank Asia to produce this case study on.

SL	Applicants Name	Bank Branch	Applied For
1	R.K Jute Mills Association	Dilkusha Corp	Jute
2	Virtual Association Limited	Mohakhali Corp	Yarn
3	Classical Handmade Association	CTSU	RMG
4	Interlink Appearance Limited	Mothejill Corp	RMG
5	Saiham Knit Enterprise	Corporate Corp	Yarn

1 R.K Jute Mills Association

SL	Bank Calculation	Certified by auditors	Bangladesh banks saving	Audit fees	Bangladesh Bank's Net Save or Loss
1	2,56,098	2,56,098	(-----)	(5,000)	(5,000)
2	1,22,000	1,10,000	12,000	(5,000)	7,000
= 3, 78, 0983, 55,09812,000(10,000)2,000					

2 Virtual Association Limited:

SL	Bank Calculation	Certified by auditors	Bangladesh banks saving	Audit fees	Bangladesh Bank's Net Save or Loss
1	3,00,000	2,90,000	10,000	(5,000)	5,000
2	2,50,000	2,30,000	20,000	(5,000)	15,000

= 5, 50,0005, 20,00030,000(10,000)20,000

3Classical Handmade Associations

SL	Bank Calculation	Certified by auditors	Bangladesh banks saving	Audit fees	Bangladesh Bank's Net Save or Loss
1	7,00,000	5,90,000	1, 10,000	(5,000)	1, 05,000
2	5,50,000	4,30,000	1, 20,000	(5,000)	1, 15,000

= 12, 50, 00010, 20,0002, 30,000(10,000)2, 20,000

4Interlink Appearance Limited

SL	Bank Calculation	Certified by auditors	Bangladesh banks saving	Audit fees	Bangladesh Bank's Net Save or Loss
1	4,20,000	4,90,000	70,000	(5,000)	65,000

2	4,50,000	4,38,000	12,000	(5,000)	7,000
=	8,70,000	9,28,000	2,000	(10,000)	(72,000)

5 Interlink Appearance

SL	Bank Calculation	Certified by auditors	Bangladesh banks saving	Audit fees	Bangladesh Bank's Net Save or Loss
1	2,20,000	2,75,000	55,000	(5,000)	50,000
2	1,50,000	1,28,000	22,000	(5,000)	17,000
=	3,70,000	4,03,000	77,000	(10,000)	(67,000)

NET INVESTMENTS OF BANGLADESH BANK

SL	Applicants Name	Net Saving
1	R.K Jute Mills Association	2,000

2	Virtual Association Limited	20,000
3	Classical Handmade Association	2, 20,000
4	Interlink Appearance Limited	72, 000
5	Saiham Knit Enterprise	67, 000
6	Total Saving	=3, 81,000

4.4 Outcome of Cash Incentive Audit

Based on the Case Study that was prepared based on six Companies whose files I have worked on during my Internship period, I have determined a number of both constructive and negative observations. Some of such remarks, based on various standards namely BB Circular, TOR, Import Services and so on are listed below

❖ **Mismatch in Bank Calculation**

Fact: We have saved BDT 3, 81,000 of Bangladesh Bank on the files of the five companies. After deducting our Audit fees of these six companies' files, we have saved Bangladesh Bank BDT3, 81,000, that is, these Clients have over-claimed almost 8, 00,000 Lakh Taka. Appointing us has saved Bangladesh Bank this huge amount of money.

Risk: As of earlier times, Bangladesh Bank used to consider the Bank's Calculation as their final payable claim. However, Banks seldom go into depths of these files and verify the authenticity of the provided documents. Due to reasons such as wastages and other numerous reasons, our calculation often comes lower than the claimed amount. This had lowered the liability of Bangladesh Bank towards these Cash Incentive Applicants.

Recommendation: To prevent the discrepancy between CA firm and bank calculation the people who assigned for these activity, they have to more concern and knowledgeable to do it, added also their method basis on they check, judge that also be trained by same CA firms trainee.

❖ **There is less significance provided on verifying the authenticity of provided documents**

Fact: As an Auditor, it is possible to verify the documents, but it is nearly impossible to identify whether these documents are acquired legally or in align with the rules and regulations. Hence, we are only capable to giving out a reasonable opinion on how much Alternative Cash Assistance the Clients deserve to receive. Therefore, we are not pressurized to forcefully determine the originality of the source of the documents. Nevertheless, we do have the capacity to verify whether the provided documents are manipulated or falsified in any way or not.

Risk: For instance, there are a number of techniques through which we can identify whether, say, an Export document or a BTMA certificate is manipulated or not. However, there is no formal training provided by the seniors or Managers of the firm regarding the ways in which we can identify manipulation. Whatever we have learnt about classifying such maneuvers are by learning it from colleagues and team members on-the-job.

Recommendation: I believe this is an important aspect of fraudulency and such misconducts should be controlled. For this, the firm should give more emphasis on determining such fraudulent activities and arrange intensive training on this.

❖ **Verification of origin of Yarn and Fabric is not ensured**

Fact: One of the basic requirements of receiving Cash Incentive is that the yarn or fabric acquired by the Applicant to produce RMG must be acquired through local suppliers. Quite often, to meet the quality standard requirements provided by foreign Buyers, Applicants often use foreign yarn and fabric, replicate the Certificate of Origin and Beneficiary Certificate of local yarn and fabric suppliers and apply for Cash Assistance.

Risk: According to circular paper hundred percent using of local yarn the applicant can get incentive on their products. Often the Discrepancy between Bill of lading and bill of entry in order to (net weight, gross weight, invoice value) get mismatch by sending query. They provide another LC no in EXP no which information is not match with application form. If it is not considered or find out they corrupt more money in which agreement are not approved in this Contact.

Recommendation: Now, we make Factory visits to make certain that the machineries and working labors are capable of producing the export volume that the Applicant's file exhibits. Yet, we do not visit the yarn and fabric suppliers to determine whether the Applicant really acquired the

materials from them or not. As this is one of the crucial prerequisite of receiving Cash Incentive, we should go in depth to verify the origin of these raw materials.

CHAPTER: 5

FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 FINDINGS AND RECOMMENDATIONS:

The audit conducted in Cash incentive audits is not a complete authentication by far. There are numerous loopholes in the system through which copious amount of Clients gets away with fraudulency. As an audit firm and having the authority to provide as valid an opinion as possible, we, along with Bangladesh Bank and other regulatory bodies, must work together to fill up any such gaps.

Finding no. 1:

There is strong amount of Audit interruption

Fact: As a team we have to move different branch bank every day, often clients come in our branch to give them query as a result they test our efficiency and experience which was awkward without proper learning. Bank contains OD sight rate and other document to complete our task for a while their checked document is unreadable and missing paper they sent very lately as a result we can't finish whole file exact time.

Recommendation:

1: Audit delay can be contained by assigning more manpower to the Cash Incentive department and allocating fewer Bank branches to each team. In this way, each team can work under lesser pressure and instead focus on the quality of their audit rather than quantity of files. That is, Auditors can concentrate more on determining fraud and verifying the documents rather than working in a rush to meet up deadlines and skipping the basic checking and reviewing procedures.

2: It is contained by allocating Negotiating Bank more responsibility. A major amount of time squanders away just to find out missing documents, creating a query for those, mailing the list and waiting for the Clients to meet up the query. Before accepting any Incentive files, if the Bank goes through the files and ensures that all the required documents are provided, we can easily reduce the time gap.

Finding no. 2:

Possible fraudulent activities on behalf of the Bank and Clients are not double-checked quite enough.

Fact: One applicant represent Six LC where different sales Contract, EXP form include but he show one contract in another LC and their shipment date also over, missing freight certificate in net weight and also.

Recommendation: These deceptions are often caught in documents such as Bank calculations, PRC and Back-to back Bank Certificates and there are means of identifying such con. Each Bank

maintains a PRC and Back-to-Back LC register and if we visit the Bank physically and go through the registers, we can easily match up any discrepancies between the provided documents and the Bank's record. In reality, it is indeed impossible to ascertain each file's validity of documents in such manner. Yet, the firm should try its best to minimize such kind of fraud.

Finding no. 3:

Lack of Supervision to junior trainer and intern

Recommendation: Trainings and seminars should be arranged for Auditors of Cash Incentive to teach us formally how to identify manipulation of original documents such as BTMA/BGMEA/BKMEA certificates, Utilization Declaration (UD), EXP forms and so on. Factory visits are usually conducted by a team of two consisting one senior and one junior Auditor. Bank always wants to hold on to its existing clients and for this they often attest all the documents of the Client without checking its legality. With the collaboration of banks exporter can go for malpractice.

Finding no.4:

Turning round from one audit engagement to another very swiftly

Fact: In some cases, subordinates are rotated from one audit engagement to another very quickly. One student implicated in one audit engagement and he or she may be called on any instance to join in one more audit engagement.

Effect:

- a) Because of quick rotation from one audit engagement to another, it is not potential for students to engage with the audit engagement commencing the beginning to the end.
- b) Students not succeed to follow the in general audit procedure followed by ACNABIN.

Recommendations:

Supervisor of an audit team should try to include vacant students in his audit team

5.2 Conclusion: In this report, I have tried my level best to wrap up all of the aspects audit procedure as followed by ACNABIN Chartered Accountants in offering service to its Clients. After scrutinizing the regulations and policies prerequisite by the Bangladesh Bank as per the BRPD Circular and other regulatory authorities, I came to believe that ACNABIN Chartered Accountants are executing the audit in an outstanding manner. Although there are certain drawbacks as mentioned in the previous chapters, yet comparing to other Audit firms and ACNABIN's work load.

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