

**Audit procedures on
Verification of Alternative Cash
Assistance Files**



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AUDIT PROCEDURES ON THE VERIFICATION OF ALTERNATIVE CASH ASSISTANCE FILES

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LETTER OF TRANSMITTAL

May10, 2014

Sayed Farrukh Ahmed

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Subject: **Submission of Internship Report.**

Dear Sir,

I take pleasure in submitting the report on “**Audit Procedures on Verification of Alternative cash Assistance Files**” as a requirement of BBA program, Department of Business Administration for your consideration. I have completed the report in due time and met all the proposed objectives.

Apart from the academic knowledge gained, this internship program and preparation of report has given me the opportunity to understand the audit procedure and auditor’s independence.

I have tried my best to make this report comprehensive and informative one. I hope you will appreciate my endeavor and find the report up to your expectation.

It has to be mentioned further that without your advice and cooperation it would not be possible for me to complete this report. I shall be gratified to answer any sort of queries you think necessary regarding the report.

Yours sincerely,

Johora Akter

ID No:111-11-2017

Department of Business Administration

Daffodil International University

APPROVAL CERTIFICATE

„Johora Akter ID:111-11-2017, major in Accounting, Department of Business Administration, Daffodil International University has completed internship report under my supervision. She has done this report on **“Audit Procedures on Verification of Alternative cash Assistance Files”** as a part of requirement for obtaining the degree of Bachelor of Business Administration.

I have gone through the report and found it a well written report. She has completed the report by herself. I wish him every success in life.

Sayed Farrukh Ahmed
Assistant Professor
Department of Business Administration
Faculty of Business & Economics
Daffodil International University
Dhaka, Bangladesh

PREFACE

In the early of year 2014, I was granted the unique opportunity to be employed by ACNABIN Chartered Accountants Firm as an Intern. Under the supervision of External Auditor Department, I was fortunate enough to undertake 90 days internship that expanded my horizons and my way of thinking. My major job in the aforesaid firm was based within the Auditing of audit clients and primarily involved practical understanding under the supervision of concerned manager and partner. During the internship period I got the opportunity to be engaged in auditing several clients e.g. Trust Bank Ltd., BASICI Bank Limited and along with these audit jobs I got a tremendous opportunity to be part of preparing of work file and certificates which enriched my domain of practical accounting knowledge.

ACKNOWLEDGEMENT

By the name of God I started this internship report and finally it has been completed. However, the special thanks to my honorable supervisor Mr. Sayed Farrukh Ahmed, Assistant Professor, Department of Business Administration, and Daffodil International University. The supervision and support that he gave truly help the progression and smoothness of the internship program. The cooperation is much indeed appreciated.

My grateful thanks also goes to Mr. Aminul Haque, ACA who has created the opportunity to get the practical knowledge. Besides, this internship program makes me realized the value of working together as a team and as a new experience in working environment, which challenges us every minute. Moreover, great appreciation goes to the other students and staffs of ACNABIN those help me a lot during the survey. The whole program really brought us together to appreciate the true value of respect of each other.

Last but not least I would like to thank my friends and fellows those who work together as intern at ACNABIN.

EXECUTIVE SUMMARY

Business education should have the focus on the real world where things sometimes we go beyond the boundary of theoretical concept for the demand of the present situation. Here lies the importance of the internship program, which facilitates to test the performance of the theoretical knowledge for the application in the practical field. As a part of this program I had the opportunity to work in **ACNABIN** Chartered Accountants, an independent a member of **Baker Tilly International**, which is the world's 8th (Eighth) largest network, as my first exposure to professional world to apply my theoretical knowledge in the practical field by linking up my academic qualifications achieved being an BBA student.

ACNABIN has established a close working relationship with many international and national consulting firms for providing services to clients in Bangladesh. In this way ACNABIN has enriched its professional base for serving the clients interest in best manner. In November 2010 the Central Bank of Bangladesh (Bangladesh Bank) ranked ACNABIN as the number one audit firm in the country for audit of banks and financial institutions. In 1993 the United States Office of Regional Inspector General/Audit, Singapore, approved the firm to perform financial audits of USAID fund recipients in Bangladesh.

For the purpose of my internship program I get a great opportunity to do work with ACNABIN. In this short period of time it is not possible to learn everything but how much I learn I mention in this report. I am trying my best to make a good internship report with the combination of which I learn from the internship period. Basically I focus the cash incentive audit in this report. In the first section of the report I mention introductory part which is covered introduction, objectives, scope, limitations & methodology of the study.

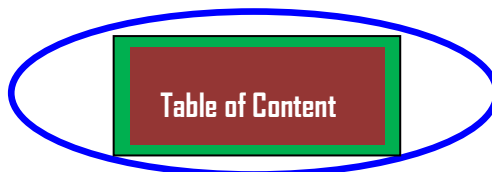
In the second section I mention the profile of the organization in where the update information of ACNABIN have disclose.

In third section I discuss about the audit procedures of ACNABIN. In fourth section the detail information about cash incentive is given. Introduction of cash incentive, its importance & conditions are disclose briefly. In section five the process of giving cash incentive is discuss. I also discuss the case study from my practical work. I discuss about

five industries which are capable to take cash incentive facility. I also mention the audit delay, wastage rates in other section. Finally I mention the concluding part and appendix which is related to my report.

In this report I try to focus all the topic which I have been learned from my internship period.

Audit Procedures on
Verification of Alternative Cash Assistance Files



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SECTION 1

Introductory part

- **Introduction**
- **Background Of the study**
- **Objectives of the study**
- **Scope of the study**
- **Literature Review**
- **Methodology of the study**
- **Limitations of the study**

INTRODUCTORY PART

1.1 Introduction:

Audit is the process of a formal examination of an organization's accounts or financial situation. An audit may also include examination of compliance with applicable terms, laws and regulations. Chartered Accountants perform three types of audit:

- Financial Statement Audit
- Operational Audit &
- Compliance Audit.

The purpose of compliance audit is to determine whether the audited client is following specific procedure, rules or regulation set by higher authority. Results of compliance audits are typically reported to someone within the organizational unit being audited rather than to a board of spectrum of users. Cash Incentive audit can be treated as compliance audit. It is a special type of audit within which the auditors check how to comply with terms of reference (TOR), Bangladesh Bank (bd) Circular and Import policy to certify appropriate amount of cash incentive for the applicants. Cash Incentive will obtain those exporters who will use indigenous yarn from BTMA member mills but not able bonded warehouse and duty draw back facilities.

Cash Incentive: Cash incentive is the assistance in the form of "Cash" given to any party on its fulfillment of certain conditions. Cash incentive scheme was first introduced in 1986. Cash incentive is given as a repayment of part of the production cost of the Bangladeshi exporter or incentive receiver when he completes the export process complying with all requirements of the Government (mentioned in the Bangladesh bank Circulars). In most of the cases, there are special motives behind giving Cash Incentive to the exporter. The government gives the subsidy to the exporter for only using local yarn from BTMA member mills. Cash Incentive is also used as a counter weapon against the undesirable practice of dumping by foreign countries. In Bangladesh, Cash incentive is mainly given to export-oriented sectors to boost the export there by earning foreign exchange.

1.2 Background of the Study:

Since BBA is a job oriented program, so internship is a mandatory part of this program. Realizing the fact, the department of Business Administration has included a 90 days internship program in the course curriculum after the effective completion of the program. To comply with this requirement, I have joined in ACNABIN as an internee where I had the opportunity to have the practical knowledge on overall auditing procedure.

Gaining a practical knowledge and experience of audit work that is performed in corporations, companies and non-profit organizations. This opportunity is giving me an opportunity to observe and perform real world knowledge about the audit procedure, which is followed by the chartered accountancy firms.

In the internship period I could relate the theoretical knowledge of auditing to practical exposure. From the knowledge and continued working experience gathered from the firm, I have selected the reporting topic “Audit Procedure on the verification of alternative cash assistance”.

1.3 Objectives of the study:

The basic objective of writing the report is to fulfill the partial requirement of the BBA program. After getting theoretical knowledge from university, it is all about the application of that knowledge in real world situations. The core objectives behind the study are:

General Objective:

- The main objective of the study is to know about the “Audit Procedures on verification of alternative cash assistance files.”

Specific Objective:

- Establishing relationship between theory and practices in real world situations.
- Adapting in organizational environment as a professional.
- Gaining knowledge about the practical experience how audit works are performed in corporations, companies and non-profit making organizations..
- Understanding the cash incentive facilities given in the Textile, and RMG sector Bangladesh.
- Obtaining a thorough knowledge of how the cash incentive audit is done and evaluating whether the cash incentive facilities are instrumental in promoting export of Bangladesh.
- Examining whether the cash incentive facilities were really misused before the introduction of independent cash incentive audit.
- To examine whether the cash incentive scheme has increased the backward links (Yarn exporting Fabrics and Fabrics or Yarn in exporting Garments) of Garments sector.
- To know the Audit delay in giving incentive
- To know the wastage rates in RMG sector.

1.4 Scopes of the study:

I have been assigned in ACNABIN that gave me tremendous scope to familiarize with the audit procedure of the organization. Major parts of scope are point out below:

- Background of the host organization and also their position.
- Audit procedure, which is followed by the organization for performing Bank audit & Cash Incentives.
- Nature and importance of it has depicted in this study.
- Audit methodology of the firm, which is followed by the organization for performing Bank audit & Cash Incentives.
- Audit administration of the firm, which is followed by the organization for performing Bank audit & Cash Incentives.

1.5 Literature Review:

Previous empirical research offers insights into the cash incentive provided by Bangladesh Bank and its impact on economy. The literature in this field is not very rich because previously only few research works have done on this topic. I have examined some of the works and those I want to mention here for more disclosures.

Rahman (1995) investigates that under the Cash Incentive Scheme, exporters who do not avail of Duty Drawback facilities and avail Cash compensation (through Bangladesh Bank) to the tune of 25% (previously, up to 1993 the rate was 15%) of export value of certain non-traditional items.

Karmaker (2004) investigates that the objective of the cash incentive scheme has been achieved a lot, although in the previous years a bulk amount of our invaluable public money has been drained out from the treasury with use of fake documentation and counterfeit arrangements. However, introduction of audit on cash incentive files by selective professional audit firms has reduced such corrupt incidences.

1.6 Methodology of the Study:

The study has been initiated to explore the insight of the critical issues of the audit procedure on cash incentive. To complete the study both primary and secondary data has been used.

Primary Sources of Information:

- (i) Information collected by working with different audit teams.
- (ii) Discussing with engagement partner, audit managers, audit staffs and articled students.
- (iii) Interviewing the client about their cash incentive plan.
- (iv) Observations during physical factory visit.

Secondary Data

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

Secondary Sources of Information:

- (i) Collection of secondary data from Annual audit report, management audit report, accounting system & audit working papers audited by ACNABIN.
- (ii) Secondary data also have been collected from the different publications of the Institute of Chartered Accountants of Bangladesh (ICAB).
- (iii) Other information was obtained from various corresponding files of the firm and various books especially from Bangladesh Standards of Auditing (BSA).
- (iv) Internet was one of the important sources for secondary data collection.
- (v) Obtaining information from circulars published by Bangladesh Bank.
- (vi) Also collected data from check-list regarding cash incentives developed by ACNABIN.

1.7 Limitations of the study:

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

- As the internship period is for 3 months, it is not possible for me to know each and everything about the Audit procedures on cash incentive within this limited time period.
- Many procedural matters were conducted directly in the operations by the top management level which may also give some sort of restrictions.
- As auditors, we can only verify the documents submitted by the applicant in support of application, but we cannot identify whether those documents were collected in fair way or not.
- Ever-changing circulars of Bangladesh Bank hamper the consistency of cash incentive audit and slow the pace of audit work.
- As the internship is the first practical experience, it is not possible for me to know all and everything of audit procedures.

SECTION 2

Profile of the Organization

PROFILE OF THE ORGANIZATION



2.1 Profile of the Firm

A.	Name of the firm	
B.	Date of registration	15 February 1985
C.	Mailing Address Telephone, Fax & E-mail	BDBL Bhaban (13th Floor) 12 Kawran Bazar C/A, Dhaka-1215 Phones : (880-2) 8144347-52 Fax # : (880-2) 8144353 E-mail : acnabin@bangla.net Web: http://www.acnabin-bd.com
D.	Branch Office	House # 734, Road # 26 CDA Residential Area, Chittagong.
E.	Name of Partners, their education and qualification	ABM Azizuddin B.Com.(Hons).M.Com.,FCA (ICAB Registration # 46)
		Iftekhar Hossain B.Com., FCA (ICAB Registration # 150)
		Abu Sayed Mohammed Nayeem B.Com (Hons), M.Com, M.Sc (UK), FCA, (ICAB Registration # 353)

		Mohammad Nurun Nabi B.Sc., FCA (ICAB Registration # 370)
		Md. Rokonuzzaman, M.Com., FCA (ICAB Registration # 739)
		M. Moniruzzaman, M.Com., FCA (ICAB Registration # 787)
		Md. Mominul Karim B.Com.(Hons.), M.Com., ACA (ICAB Regn. # 934)
		Md. Reajul Islam M (Mysore University, India), ACA ICAB Regn. # 1111)
		Muhammad Aminul Hoque MBA (DU), ACA (ICAB Regn. # 1129)

▪ **Background**

Founded in 1985, ACNABIN started with seven partners. The name “**ACNABIN**” comes from the acronyms of the founder partners:

- A = ABM Azizuddin
- C = Anwaruddin Chowdhury
- N = Abu Syed Mohammad Nayeem
- A = Mohammad Akhtaruzzaman
- B = ATMA Bari
- I = Iftekhar Hossain
- N = Mohammad Nurun Nabi.



At present the partnership comprises four founder partners and two new partners. ACNABIN represented BDO in Bangladesh during 1990-92 and Arthur Andersen from 1992 till the later collapse in 2002.

- **Registration of Firm:**

ACNABIN & Co. Chartered Accountants Firm is registered under The Institute of Chartered Accountants of Bangladesh in the year 1985.

- **Age of Firm:**

29 years from 1985.

- **Nature of Firm:**

ACNABIN & Co. is a Partnership firm, since it is consisted of eight partners.

- **Experience of the Partners**

ACNABIN partnership came into being in February 1985, with a mission to continually add value by helping clients succeed. The long and diverse professional background of the individual partners in academic, administrative, audit, consultation, privatization, system design (computerized and manual), taxation, feasibility study, cost and management accounting and budgeting fields have been brought together to establish a multidisciplinary organization. All the partners of the firm have an **in-depth experience of working** in Bangladesh and with international/ foreign consultants/ organizations working in Bangladesh and overseas. The diverse and wide exposure of the partners helps to deal effectively with most of the complex situations faced by business enterprises in today's competitive world, both in developed and developing countries.

- **Division**

The firm has one office in the capital city of Bangladesh with four different divisions to manage its day to day activities. The divisions are:



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

▪ **Relationship with International Accounting Organizations**

ACNABIN represented BDO in Bangladesh during 1990-92 and Arthur Andersen (AA) from 1992 till their collapse in 2002. During the association with Andersen they adopted AA's technical procedures and commitment to serve clients. Their working standard was periodically reviewed by AA. Services provided to AA clients included:

- Due diligence review
- Joint venture enquiries
- Business valuation
- Tax advice
- Statutory regulations
- Establishing business presence

From July 2005 ACNABIN is an independent member of Baker Tilly International.

BAKER TILLY International is a network of high quality, independent accountancy and business service firms, all of whom are committed to providing the best possible services to their clients, in their own marketplaces, and across the world, wherever the client needs help. BAKER TILLY International is the 8th largest network in the world by fee income and is represented by 122 firms in 75 countries, with a global aggregate fee income of US \$1.82 billion and 18,600 staff worldwide. In 2003, the network experienced a 17% growth in revenue.

▪ **How they work together**

The member firms of Baker Tilly International are all successful, independent business within their own distinct marketplaces. The independence of the member firms underpins the strength and diversity of the network. We believe that only a network of genuinely independent, local member firms can hope to meet the many challenge faced by businesses in today's expanding marketplaces.



In addition to high quality firms with expert knowledge of local business practices, laws and customs, our network gives clients access to many member firms which are internationally recognized as being leaders in their particular field of specialization. For instance, approximately a quarter of the top 100 US firms of accounting and business advisors ranked by fee income are members of the network.

▪ **Associations**

- a) Associated with ASNAF-ASEAN Accounting Firms, Singapore since 18 February 2003.
- b) USAID and EC Enlisted.

In 1993 we have been enlisted by the United States Office of Regional Inspector General/Audit, Singapore to perform financial audits of USAID fund recipients in Bangladesh. We have been also enlisted by the European Commission to conduct financial audit of the recipient of their fund.

- c) In July 2005 ACNABIN achieved “Representative Firm” status of **BAKER TILLY INTERNATIONAL**.

BAKER TILLY is an independent member of BAKER TILLY International. BAKER TILLY International is a network of high quality, independent accountancy and business service firms, all of whom are committed to providing the best possible services to their clients, in their own marketplaces, and across the world, wherever the client needs help. BAKER TILLY International is the 8th largest network in the world by fee income and is represented by 122 firms in 75 countries, with a global aggregate fee income of US \$1.82 billion and 18,600 staff worldwide. In 2003, the network experienced a 17% growth in revenue.



▪ **Membership**

ACNABIN is the member of:

- b) Metropolitan Chamber of Commerce and Industries
- c) The Dhaka Chamber of Commerce and Industries
- d) American Chamber of Commerce in Bangladesh.

▪ **Achievement of Firms:**

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

ACNABIN Introduced stipend to attract brilliant students to the profession of accounting in Bangladesh. It has introduced and implemented several forms for an effective audit field work. It is considered to be the market leader in audit and evaluation of microfinance organization.

▪ **Services rendered abroad:**

Since its incorporation, ACNABIN has successfully performed the following overseas assignments:

- ❖ Qinghai Micro-credit Project, China.
- ❖ Consultancy assignment on Accounting in DPR of Korea.
- ❖ Financial Analyst for Operational Performance of Nirdhan, Nepal, Funded by World Bank-CGAP
- ❖ Study of Micro-Finance Institution Capacity Assignment, Kuala Lumpur, Malaysia.
- ❖ Verification of Financial and Accounting System of Rural Credit Operations of Bhutan BDFC, Thimpu, Bhutan.
- ❖ Vivekananda Sava Kendra O Sishu Uddayan, West Bengal, India.
- ❖ Capacity Building of External Auditors for Micro-finance Audits, an ICPAU workshop held in Kampala, Uganda under the sponsorship of CGAP.
- ❖ Training on external audit of micro-finance institution in Addis Ababa, Ethiopia, sponsored by the Association of Ethiopian MFIs (AEMFI).



▪ **Hosting of International Internship:**

During October-November, 2001, ACNABIN has hosted an International Internship program for two (2) employees of Bank of Indonesia, Indonesia on External Audit of Micro finance Institution in Bangladesh.

(i) Firm ranking by fee size for city and/or country:

Bangladesh Bank, the Central Bank of Bangladesh Government has placed ACNABIN in the 2nd position out of 82 enlisted firms.

There are total 174 audit firms in Bangladesh, of which five (5) firms have 6 or more partners and ACNABIN is one of those 5 firms.

(ii) Publication and manuals used internally by the firm:

ACNABIN has developed the following two manuals which are extensively used by the ACNABIN staffs:

- a) **Audit Manual,**
- b) **Staff Manual.**



2.2 Services Offered

Audit Services

- ❖ Statutory audit
- ❖ Annual audit
- ❖ Interim audit

Non-audit Services

- ❖ Feasibility study
- ❖ Management consultation/development
- ❖ Accountancy
- ❖ Taxation
- ❖ Accountancy and management training
- ❖ System development
- ❖ Data processing with computer
- ❖ Privatization consultancy (Include pre-privatization review, restructuring, valuation in particular and privatization assistance in general)
- ❖ Other accounting ancillary services including investigation, internal and management audit.
- ❖ Micro- finance consulting.
- ❖ Human Resource Development Issues
- ❖ Organizational consulting services
- ❖ **Designing computerized systems for MIS and accounting and its implementation**
- ❖ Share/ business/ asset valuation.

2.3 ACNABIN Audit Administration

Audit Stages		Responsibility
1.	Planning	
	A. New Client	
i.	Putting a job number	• Job-in-charge
ii.	Familiarization with client's business	• Supervisor/Job-in-charge
iii.	Familiarization with client's accounting and other related work	• Supervisor/Job-in-charge
iv.	Preparation of planning memo:	• Supervisor/Job-in-charge
	a. GRA memo	
	b. Client profile	
	c. SRA memo	
v.	Preparation of time budget & cost estimate	• Job-in-charge
vi.	Preparation of work program	• Job-in-charge
vii.	Audit team selection	• Supervisor/Job-in-charge
	B. Continued Client	
i.	Putting a new job number	• Job-in-charge
ii.	Updating of the following:	• Job-in-charge
	a. GRA memo	
	b. Client profile	
	c. SRA memo	
	d. Work program	
iii.	Preparation of the time budget and cost estimate	• Job-in-charge
iv.	Audit team selection	• Supervisor/Job-in-charge
2.	Field Work	

AUDIT PROCEDURE ON THE VERIFICATION OF ALTERNATIVE CASH ASSISTANCE

	i.	Preparation of deputation letter	•	Job-in-charge
	ii.	Briefing to team members	•	Supervisor/Job-in-charge
	iii.	Issue of circularization to debtors, creditors, banks and donors	•	Job-in-charge
	iv.	Substantive audit	•	Job-in-charge and other team members
	v.	Submission of Job Status Report (Saturday)	•	Job-in-charge
	vi.	Updating of Job Admin. Report (Saturday)	•	Job-in-charge
	vii.	Compilation of work paper file	•	Job-in-charge
	viii.	Obtaining management representation letter	•	Job-in-charge
	3.	Conclusion & Reporting		
	i.	Preparation of audit report	•	Job-in-charge
	ii.	Review of report and work paper file	•	Supervisor
	iii.	Final review	•	Engagement Partner/Supervisor
	iv.	Referencing of report	•	Independent reference
	v.	Submission of draft report	•	Job-in-charge
	vi.	Attending discussion meeting with client	•	Partner/Supervisor/Job-in-charge
	vii.	Submission of final report	•	Job-in-charge



2.4 Total Turnover Ratio

Audit Services		
Annual/Statutory/Interim audit	40%	
Total Turnover through Audit Services		40%
Non-Audit Services		
Accounts preparation (including data processing and book-keeping)	5%	
Tax	15%	
Insolvency	10%	
Financial Advisory Services	20%	
Management Advisory Services	10%	
Total Turnover through Non-Audit Services		60%
Total		100%

SECTION 3

Procedures of Audit

PROCEDURE OF AUDIT

3.1 Engagement Procedures

Before discussing the Audit Procedures followed by ACNABIN, I try to focus on the engagement procedures through which ACNABIN is engaged/ recruited by the client to perform the audit. ACNABIN faces three kinds of situations in engagement process:

- ❖ Engagement with new client.
- ❖ Engagement with existing client.
- ❖ Directly appointed by the client.

Before starting the audit work, some letters are exchanged between ACNABIN and clients.

In case of new client:

Four (04) letters are exchanged between ACNABIN and client including acceptance letter of appointment at the time of involving with the new client. Following stages are followed by both ACNABIN and client:

STAGE – 1: Client requires for technical and financial proposal from the ACNABIN

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

STAGE – 2: The technical and financial proposal is sent by ACNABIN to the client

After reviewing the client letter or paper's circular, audit firm drafts a proposal letter to the client. The proposal letter contains technical and financial proposal for carrying out the subject of audit. ACNABIN estimates its personnel costs after considering the mandates to be utilized and using the minimum hourly rate of fees as prescribed by The

Instituted of Chartered Accountants of Bangladesh (ICAB). The firm also mentions that as it is an estimate, the cost may vary with variation in number of mandates estimated to be utilized for the job.

STAGE – 3: Acceptance by the client on the basis of proposal of ACNABIN – A letter of contract

After receiving proposal letters from various audit firms, client then selects the one which is favorable to them, and it appoints the audit firm for audit purpose. From the technical and financial proposal of the ACNABIN the client company understands the nature of the audit (such as independent, external) to assess the organization’s internal control system in administering the audited matter.

STAGE – 4: A letter is sent by ACNABIN to the client confirming to work with the client – Confirmation Letter

After receiving the acceptance letter from the client, ACNABIN provides confirmation letter describing the firm’s willingness to work with the client.

❖ **In case of last year’s client**

Three letters are exchanged between the ACNABIN and client:

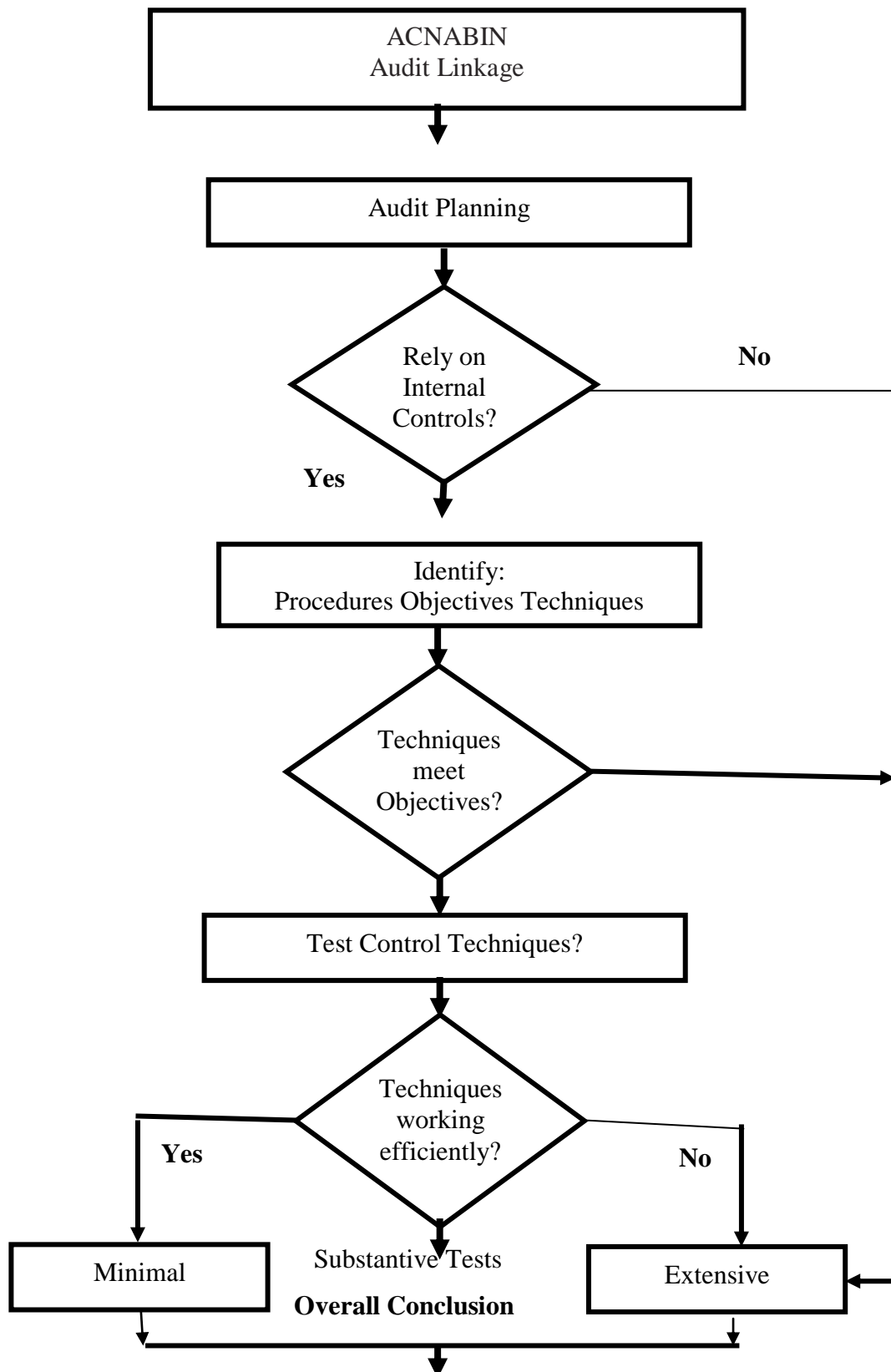
- a. Willingness letter for reappointment: In this letter ACNABIN wants to audit this year. It can request to increase audit fee or change some other conditions.
- b. Client sends appointment letter.
- c. ACNABIN accept this appointment.

❖ **In case of directly appointed by the client**

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.



3.2 ACNABIN Audit Linkage for working Independently





3.3 Audit Procedures Followed By ACNABIN

ACNABIN follows Arthur Andersen’s Audit procedure. The primary goal of ACNABIN at the time of involving in any audit engagement is to provide the opinion on Financial Statements in accordance with Bangladesh Standards on Auditing (BSA) as well as International Standards on Auditing (ISA). We also seek to provide auditing and business consultancy services that are innovative, efficient and most importantly responsive to our client’s business needs.

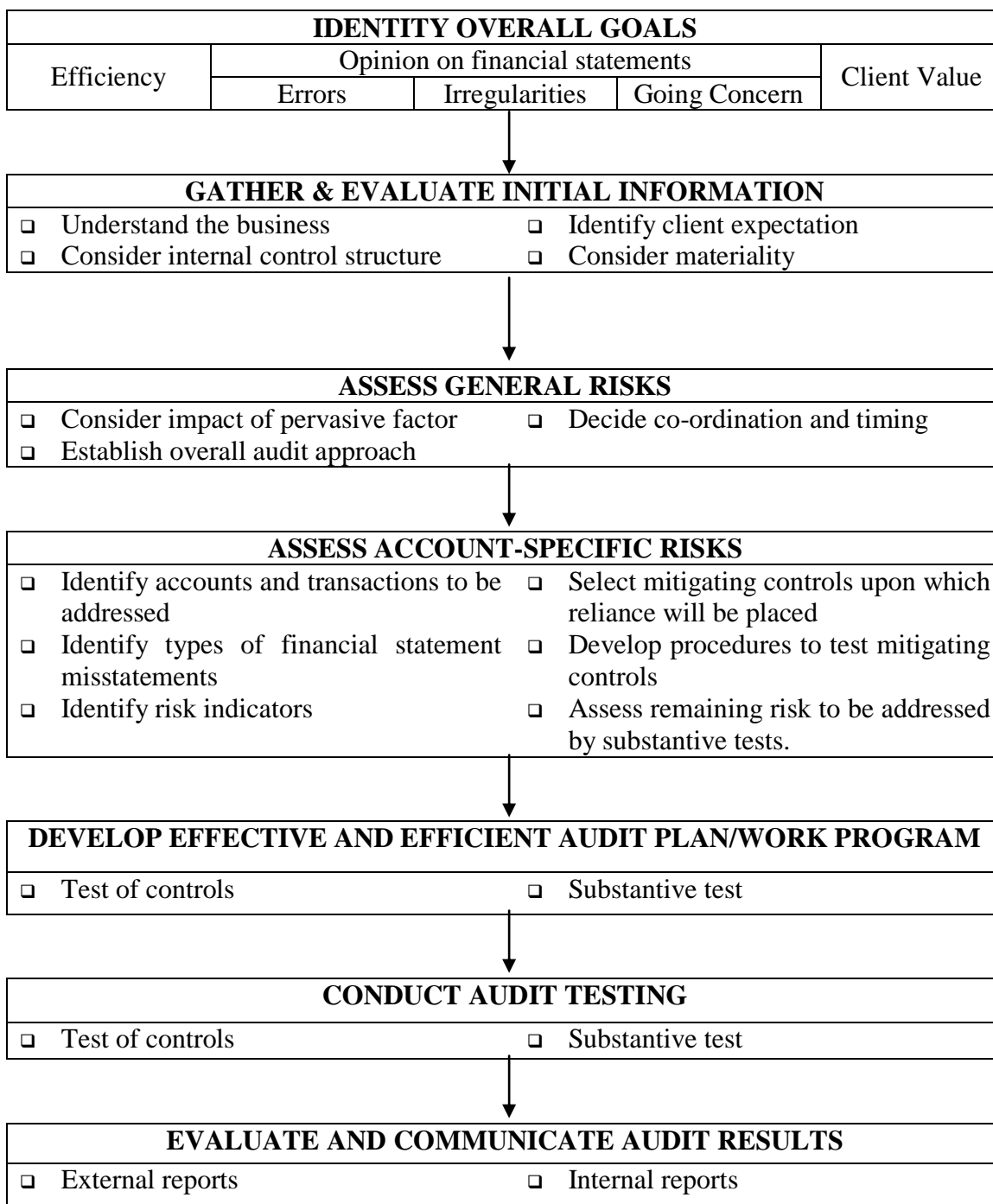
There are seven steps involved in the procedures that come one after another. Steps are as follows:

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



ARTHUR ANDERSEN AUDIT PROCESS

(This is followed by ACNABIN)



SECTION 4

Verification of Alternative cash assistance files

VERIFICATION OF ALTERNATIVE CASH ASSISTANCE

4.1 Introduction to Alternative Cash Assistance:

A country's economy like ours is very much dependent on foreign currency. To encourage the export related activities our government has taken many steps. Of them cash incentive is the most common and it is generally taken by the exporter. Actually our government provides three options to the final exporter. (I) DUTY DRAWBACK (II) BONDED WAREHOUSE (III) CASH INCENTIVE. In case of Duty drawback the importer is free from paying any kind of duty in the port and whenever any exporter/importer do not have any warehouse to keep their goods for the necessary time they need without any rent. On the other cash incentive can be taken from the total exported value of the ultimate exported goods. It is up to the exporter for which they will apply for. Generally they go for the cash incentive.

Exported goods that are produced locally and gone through a total procedure in Bangladesh will be eligible for the application of cash incentive. Generally, 5% cash incentive is provided on the realized amount of the exported goods. Suppose, the L/C amount was USD 5,00,000. Export amount was USD 3,50,000 and realized amount is USD 3,00,000. They will get incentive of USD 12,000 ($USD\ 3,00,000 * 80% * 5%$), if there is no wastage. Appendix (Details Calculation)

Though the work can be done by the applicant and the bank but due to some dishonest approaches by a group of people it is forwarded to a third party for providing a certificate assuring the actual amount to be paid by the BANGLADESH BANK. Previously, many companies applied for the amount of money which is not exactly real. But with the help of particular bank they got that amount. To avoid the manipulation; audit is done in favor of the client and government.

Our audit is done in nine steps starting from "Application for cash incentives submitted by the exporter" and ends with "The certificate that is submitted to the bank". Our total procedures for auditing of the alternative cash assistance are shown in the next page. For each assurance that we submit for approval to the concerned partner is reviewed and signed, if the documents that are submitted to us is found legal and perfect with the

requirement to be eligible to get the cash assistance. Most important thing is we have to provide the ABSOLUTE ASSURANCE rather than REASONABLE ASSURANCE as it is redirected to the Bangladesh Bank.

For providing this kind of assurance our firm gets certain amount of audit fee on the actual claim of the client (if everything found ok)

Claim of the client (Amounts in BDT)	Audit Fee (Amounts in BDT)
Up to 5,00,000	4,000
5,00,001 to 10,00,000	5,000
10,00,001 or above	7,000

4.2 Importance of Giving Cash Incentive to Composite sector of Bangladesh:

Composite sector is the most promising sector in our country. Composite is the main contributor of our export income. At present, almost 76% of our total export income is earned by exporting RMG. But in phase of recent MFA (Multi-fiber Arrangement) and quota phase out, the composite sector of Bangladesh will face alarming threat of losing foreign market. It is because the competitive advantage of our composite sector is the low labor cost compared to our competitors (China, India etc). But our material and other production costs are very high since we are to import almost all raw materials (Yarn, Fabrics) and accessories from abroad. The irony of fate is that, we have to import most of the raw materials from our rival countries (in foreign market) like India and accessories from China. In the phase of quota system out, they might stop supplying those inputs to Bangladesh and start using those for additional production to capture our market abroad. So, our composite sector is very much vulnerable as long as we can not establish a strong backward linkage for composite sector within Bangladesh.

Stepping into the shoes of the Bangladeshi exporters of composite, the Government of Bangladesh has offered alternative Cash Incentive to the composite sector of Bangladesh for the following reasons:

- To increase the export of composite.
- To establish and strengthen the backward linkage of composite.
- To encourage to establish more yarn producing factories in Bangladesh
- To motivate to use local yarn instead of foreign ones since it costs a great deal of our hard-fought foreign currencies
- To make our fabrics and RMG more competitive in foreign markets
- To make our composite sector sufficient from the foreign yarn
- To establish market for the local yarn producers.
- To encourage more value addition in the composite sector.

4.3 Conditions for Eligibility of Alternative Cash Incentives:

Alternative Cash Incentives will be payable only if the exported products are produced within Bangladesh using yarn collected from member mills of BTMA and no Duty Drawback facility or Bonded Warehouse facility is enjoyed at any stage 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 get 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 name of the applicant as the cash incentive receiver is not mentioned in the Back to Back L/C, the applicant will be rejected immediately.
- Authorized dealer, after receiving all necessary information and certificates, will compute the payable amount as Alternative Cash Incentives to the applicant.
- As soon as the 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 can not 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.

4.4 Beneficiaries for the Cash Incentive Facilities:

From the inception in 1986 as “Cash Compensatory Scheme (CCS)”, 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. From 1997, the following parties or organizations were entitled to Cash Incentive facilities:

1. Producer and direct exporter of fabrics i.e. producer and exporter of oven/knit/hosiery/fabrics/gray/dyed/printed fabrics and other specialized fabrics.
2. 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.
3. Producer and suppliers of fabrics from which RMG has been exported abroad after value addition done in the production process of the exporters.
4. Producers of fabrics from yarn and RMG i.e. a composite mill (Bangladesh Bank, 1997).

But after March 5, 2001 (BB FE Circular No. 09), the above matter has been changed.

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).

Not only the composite sector, there are several sector, who can get this cash incentive. They are.

- Jute exporter
- Lather exporter
- Agro exporter
- Fish exporter
- Pet flask
- Handicrafts
- Fresh Potato
- New market Exploration etc.

SECTION 5

Procedures of executing cash incentive audit

PROCEDURES OF AUDIT

The procedures of executing cash incentive audit are shown in the following diagram:

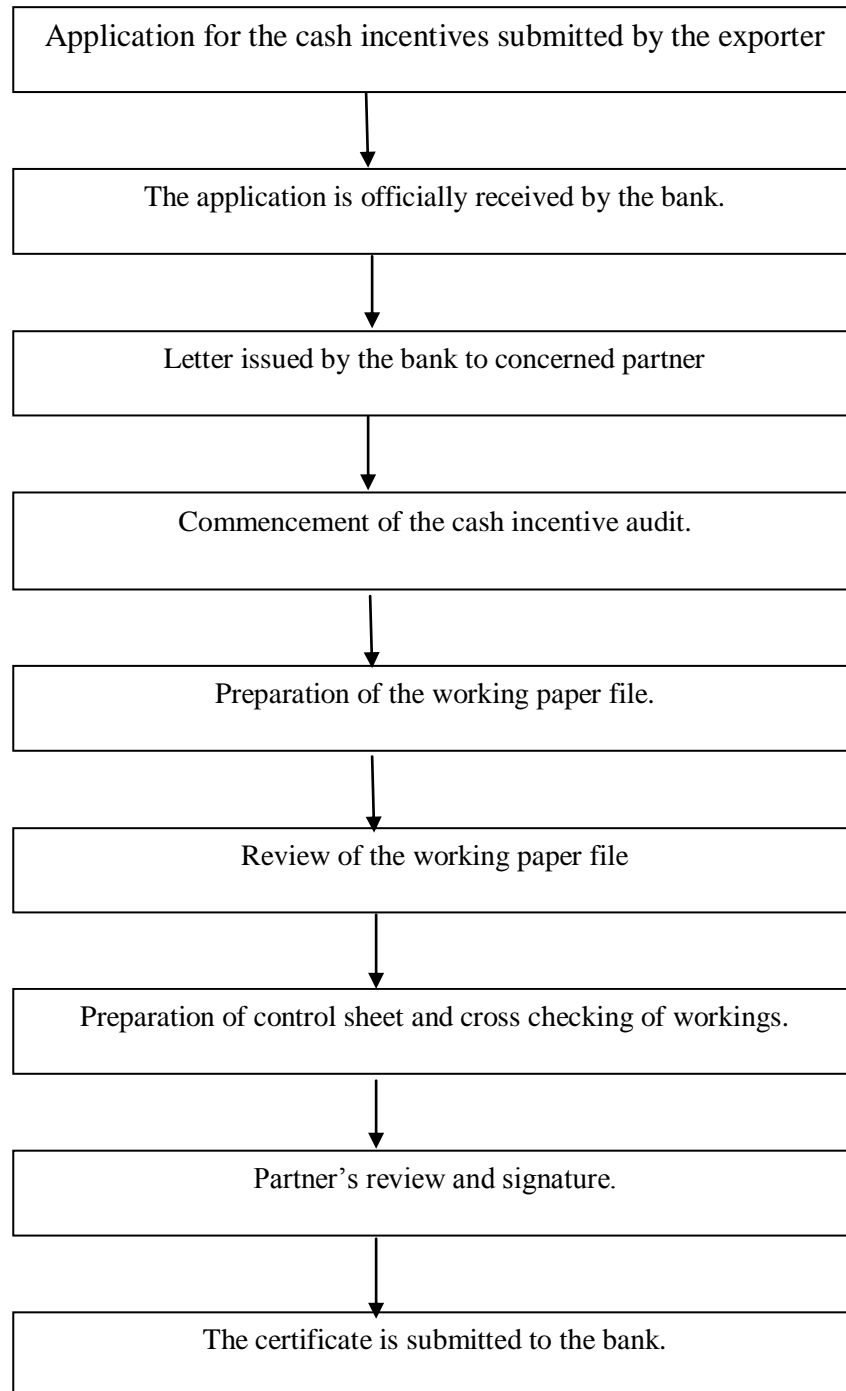


FIG: Procedural Activities done for Cash Incentive

5.1 Application for cash incentives submitted

Application for Cash Incentives is submitted by the Exporter along with all necessary documents to the Export Division of the Bank through which the export is made. It is done only after the date of the proceeds realization since it is the proceeds of the exported goods, on receipt of which the exporter becomes eligible to apply for Alternative Cash Incentives. Normally the application is supported with a number of different documents required by different authorities (GOB, Bangladesh Bank, the Bank of the exporter, Auditor etc.) to be submitted with the Application. All those are first filed with the application in a file properly and then submitted to the Export Division of the Bank through which the export was made. All photocopies must be attested in the files.

5.2 The application is officially received by the Bank

The Export Division of the concerned branch of the Bank officially receives the file of the application and necessary documents. Then the authorized officer of the concerned branch of the Bank needs to attest those documents. Before making the attestation, he checks all documents submitted to the bank. If he finds any error or incompleteness, the applicant must fulfill them and make the file in the form and manner required by the bank.

5.3 Letter issued by the Bank to the concerned Partner of the

Then the Head Office of the bank issues a letter asking the Audit Firm to complete audit work regarding the application for Alternative Cash Incentives.

5.4 Commencement of the Cash Incentive Audit

On receipt of the letter from the International Division of the Head Office of the bank, the audit firm sends auditors to the concerned bank and the Cash Incentive Audit officially commences. On completion of the attestation, the authorized officer of the concerned branch of the Bank sends the file to the auditors and auditors starts their work as per the Terms of Reference (TOR) recommended by the Bangladesh Bank in the FE Circular no. 291.

5.5 Preparation of the Working File

As an auditor, our first work regarding the audit of cash incentive file is to prepare a working file for each file of application. It is the first-hand work of such audit. For this purpose, we have a standard format prepared and given to us by the Audit Firm. A specimen copy of this file is given in the annexure. We put down that information of the application file in this format which is relevant for our audit purpose. Information that we put down in our working format from different documents are presented chronologically in the following section

- **Application**

- Name of the applicant

- Date of application

- Office address

- Factory address

- Applied amount (both in USD\$ and in Taka)

- **Value of the production (from the cost break up submitted with the application by the Applicant):**

- Cost of yarn

- Knitting and overhead cost

- Dyeing and over head cost

In the “applied amount” column of the application, we just put down the amount applied as cash incentive (and calculated) by the applicant as per the applicable rate at the date of shipment (e.g. any shipment date on or after July 1, 2004 is eligible for 5% cash incentive). But in most of the cases, this amount remains incorrect. So, we need to calculate the appropriate amount payable as cash incentive later. Sometimes we find that the date of application is absent. In such, the applicant is asked to put it in the application. We make sure that this date is always a date after the date of proceeds realization and not otherwise. In converting the US\$ figure into Taka, we use the exchange rate that was effective on the date of proceeds realization. For this purpose, we ask the bank to provide us with the Rate File of the bank and we use the OD sight exchange rate of USD. If there is more than one date of proceeds realization, we take all the rates effective on those dates. For numerous different dates, we go for an average rate or the rate which is the lowest.

▪ **TIN, VAT, AND Export registration certificate**

Registration No. & validity

TIN No.

VAT Registration No.

▪ **Master LC or contract (attested copy)**

LC No. & date of issue

Goods exported (fabrics / T-shirt / polo shirt etc.)

Quantity (in pieces)

Term (FOB / C&F)

Commission (if any)

Original amount of the LC (in USD)

Transferred amount of the LC (in USD)

Notifying party

Sometimes the original amount of the LC is fully transferred on behalf of the exporter, then both the original and transferred amount are same. But if the original amount is partially transferred, then only the portion of the amount

transferred is written in the “Transfer” column. Sometimes there are number of amendments along with the LC. In such a case, we are to put down every applicable amendment’s amount and quantity in the working paper and finally sum those up. If the Term is C&F (i.e. freight is prepaid by the exporter), we need to ensure that proper freight certificates are submitted with the application. In the “Notifying Party” column, we put down the name of the agent appointed by the importer to receive and safely bring the goods to the importer’s premises. In this LC, the transferred amount shown in the “Transfer” column is very much important for us.

▪ **Back To Back LC**

a) Local (attested copy)

LCNo.

Date of the LC

Beneficiary of the LC (the supplier of yarn or accessories)

Items (yarn or accessories)

Quantity (in kg. in case of yarn)

Amount (in US\$)

Master LC No.

Name of the incentive receiver (the exporter)

Sometimes the name of the incentive receiver is found in the amendment of the LC. If it is absent in the LC or in amendment, the applicant will not be eligible for any incentive. The quantity of this LC is found in the Pro-forma Invoice of the Back to Back LC. The amount is found both in the LC and in the Invoice. We need to make sure that both the figures agree. Moreover, there may be Back to Back LC for yarn, and for accessories. For us, Back to Back LC for yarn is important since cash incentive is tied to the use of local yarn.

b) Import (attested copy)

LC No.

Date of the LC

Quantity (in kg. in case of yarn)

Amount (in US\$)

Master LC No. & date

This section is only applicable if any input is imported from abroad to be used in the production of the exported goods. This imported yarn will not be considered for cash incentive purpose. Normally import of raw material is rare. And even if there is any, that is insignificant quantity in most of the cases. Imported raw material is used whenever specified by the buyer to be used in the production is not available in Bangladesh.

▪ **BTMA certificate (for cash incentive purpose)**

Certificate No.	Items (yarn)
Date of the Certificate	Quantity (in kg.)
Export LC number / Contract number.	Commercial Invoice number & Date
Date of that Export LC / Contract	Date of Delivery
Back to Back LC (for yarn) number	Gate Pass date
Date of Back to Back LC (for yarn)	

If any of the above information is missing or inconsistent with other documents, the certificate must have to be changed to that effect. The Gate Pass date must be on or before the Date of Delivery. To ensure the Gate Pass date, we need to check this date of BTMA certificate with the date of Challan attached with the certificate, and if there is any inconsistency, we ask the exporter to correct it.

▪ **BENEFICIARY CERTIFICATE**

Date of the certificate
Back to Back LC No.
Date of Back to Back LC
Name of the beneficiary (the supplier of yarn)
Quantity of inputs supplied (yarn)
Master LC No.
Date of Master LC

Declare that the beneficiary has not and will not apply for cash incentives, duty drawback facilities and bonded warehouse facilities. In this document, the Declaration is the most important part for us to check. We need to make sure that the declaration is complete and unambiguous. Here the beneficiary is the supplier of the yarn. The term “Beneficiary” is used since the yarn supplier benefits from the Alternative Cash Incentives System offered by the GOB. It is for this very reason that exporters become interested in using local yarn which in turn directly increases the business of the local yarn manufacturer and supplier.

▪ **PROCEEDS REALIZATION CERTIFICATE (ORIGINAL COPY)**

Reference no. of the certificate

Export LC No. -

Date of the Export LC

EXP. No.

Date of realization

Realized value in US\$

The original copy of Proceeds realization certificate (PRC) must be submitted. It is normally issued in the organizational pad of the exporter’s bank. No photocopy is accepted for cash incentive purpose. If photocopy is submitted instead of the original one, the original copy must be submitted as early as possible, otherwise the audit firm will not issue cash incentive certificate for that very application. Sometimes, the EXP. No., realized amount etc. are found to be wrong. We need to inform it to the bank immediately since it is issued by the bank. They are asked to correct the PRC.

▪ **EXPORT IN VOICE / COMMERCIAL INVOICE**

Export Invoice / Commercial Invoice No.

Date of issuing the Export Invoice I Commercial Invoice

Quantity / Unit (in pieces)

EXP. No.

Gross amount (in US\$)

Net amount (in US\$)

Commission (if any)

Gross weight (from the Packing List)

Net weight (from the Packing List)

Export LC No.

In the above list, we get all the information except the gross and net weight directly from the Export Invoice. For the gross and net weights, we need to check the Packing List attached with the Invoice. These weights should ensure the gross and net weights of the entire piece shown in the Quantity column. Sometimes part of the total units' weight is shown in Packing List. In such a case, the exporter is asked to correct the List so that it shows the gross and net weight of the total quantity.

▪ **BILL OF LADING (BL)**

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 information for the auditor regarding cash incentive. It is because, based on the date of shipment, we will decide the rate of cash incentive applicable for the exporter. Another important information is the freight. If freight is prepaid, we immediately need to find out the freight certificate.

▪ **BILL OF EXPORT**

Master LC No.

Master LC date

EXP. No.

Short shipment pieces (if any)

Quantity /Unit (in pieces)

Gross weight

Net weight

Name and address of the notifying party

If the quantity of this document is less than the quantity shown in the Export LC, the difference is considered to be short shipment quantity and written in the column labeled

as “Short shipment pieces”. But it is rarely found. But in most of the cases, the Master LC date is absent in this document

5.6 Review of the Working File

Senior articled student then reviews this working file to ensure that it is true & fair. He ensures the mathematical accuracy of the certified amount. He also verifies that the certified amount is calculated considering all relevant items mentioned in the Bangladesh Bank circulars.

5.7 Preparation of Control Sheet and Cross Checking of the

At this stage, we are to prepare a Control Sheet containing the most important and relevant information regarding each application. It is solely for the purpose of the Audit Firm. In fact, it is a bird’s eye view of all the applications. It acts as a database which facilitates the ‘systematic controlling of our working files and the application files.

After this, it is cross checked by the in-charge of the Cash Incentive Audit. He initially compares the control sheet with the working files and if he finds any discrepancies, he goes for the original file to sort and correct the discrepancies.

5.8 Partner’s Review and Signature

Last of all, the concerned Partner takes one final check of the whole matter. If in his opinion, everything is in conformation, then we start preparing the certificates of cash incentives. If the partner, on the other hand, has any queries, he asks the In-charge to resolve the matter. After all these steps, we prepare the final copy of Alternative Cash Incentives Certificate as per the Attachment-“Ga” of the FE Circular no. 291 dated June 02, 2002. For every single application, a separate certificate is prepared. Finally the concerned Partner of the firm issues these Cash Incentives Certificates by duly signing t

The format of Alternative Cash Incentives Certificate as per the Attachment-”Ga” are as follows:

<h2>Certificate</h2>
Applicant M/S.....exported through export L/C number.....dated..... for \$..... vide exp numberof..... Bank, local office, Dhaka containing export value of \$..... against which \$..... has been repatriated on.....and cash incentive claim is Tk.....
Amount repayable as per TOR after audit is Tk. (in words) only which is hereby certified to be true and fair.
Signature: Date: Name of the Partner: Name and address of the Audit Firm

5.9 The Certificate is submitted to the Bank

After signature of the partner cash incentive certificate is issued. Then this certificate is submitted to the Head Office of the bank. At that time the application of that certified file will also be submitted. The Head Office of the negotiating bank will receive this certificate and the certified amount will be paid to the applicant provided that sufficient fund is available.

SECTION 6

Case study

CASE STUDY

6.1 Case Study(Study on 5 industries)

The Cash Incentive Scheme was first introduced in 1986 as “Cash Compensatory Scheme (CCS)”. At that time there was no requirement for audit. Bank calculation was treated as the final calculation. During 1997 some malpractice was proved, as a result in 20 April 1997 Bangladesh Bank ordered the cash incentive applicants to submit their cases (files) in their negotiating bank. Here the audit work was done by the Bangladesh Bank’s own auditors (Bangladesh Bank, 1997). But from 2nd June 2002, Bangladesh Bank appointed the auditor’s of negotiating bank to audit the cash incentive cases.

During my internship period I have observed files of 10 companies which were presented to the respective bank for audit. Of those companies 6 were garments industries, 2 were Jute and the rest 2 were agro processing industries.

I have taken 5 companies for my study on the random basis. Name of the industries are as follows:

NAME OF THE INDUSTRIES	CRITERIA
1. S.B Style Ltd.	Garments
2. Hossain dyeing & printing Mills Ltd.	Garments
3. Chittagong Denim Mills Ltd	Garments
4. A.H Jute Spinning Ltd	Jute
5. Alin Food Ltd	Agroprocessing

I have gone through with many files of our client regarding Cash Incentive. Although it was very much difficult for me to explain the actual situation that happened during the audit, I am now giving hypothetical examples that are very much near to the real world scenario of the above five (05) clients.

In this section I want to show whether Bangladesh Bank can save money by appointing external auditor rather than Bank Calculation or Bangladesh Bank auditors.

Bangladesh Bank's Savings by Appointing External Auditors

01. S.B Style Ltd.

SL	Bank Calculation	Certified by Auditors	Bangladesh Bank's Saving	Audit Fees	Bangladesh Bank's Net Save or Loss
01.	3,12,973	2,50,990	61,983	(4,000)	57,983
02.	3,71,825	2,86,550	85,275	(4,000)	81,275
03.	8,64,170	7,02,753	1,61,417	(5,000)	1,56,417
Net Savings/Loss by Bangladesh Bank					2,96,125

02. Hossain dyeing & printing Mills Ltd.

SL	Bank Calculation	Certified by Auditors	Bangladesh Bank's Saving	Audit Fees	Bangladesh Bank's Net Save or Loss
01.	6,11,914	5,78,308	33,606	(5,000)	28,606
02.	7,43,279	6,55,834	87,445	(5,000)	82,445
03.	1,69,977	1,38,919	31,058	(4,000)	27,058
Net Savings/Loss by Bangladesh Bank					138,109

03. Chittagong Denim Mills Ltd

SL	Bank Calculation	Certified by Auditors	Bangladesh Bank's Saving	Audit Fees	Bangladesh Bank's Net Save or Loss
01.	2,16,175	2,16,175	—————	(4,000)	(4,000)
02.	3,41,974	3,31,006	10,968	(4,000)	6,968
03.	79,283	79,283	—————	(4,000)	(4,000)
Net Savings/Loss by Bangladesh Bank					(1,032)

04. A.H Jute Spinning Ltd.

SL	Bank Calculation	Certified by Auditors	Bangladesh Bank's Saving	Audit Fees	Bangladesh Bank's Net Save or Loss
01.	67,284	67,284	—————	(4,000)	(4,000)
02.	66,613	66,462	151	(4,000)	(3,849)
03.	72,591	63,012	9,579	(4,000)	5,579
Net Savings/Loss by Bangladesh Bank					(2,270)

05. ALIN Food Ltd

SL	Bank Calculation	Certified by Auditors	Bangladesh Bank's Saving	Audit Fees	Bangladesh Bank's Net Save or Loss
01.	4,71,967	4,68,356	3,611	(4,000)	(389)
02.	4,40,473	4,38,375	2,498	(4,000)	(2,498)
03.	96,782	82,746	14,036	(4,000)	10,036
Net Savings/Loss by Bangladesh Bank					7,149

Bangladesh Bank's Net Savings at a glance

SERIAL	NAME OF THE INDUSTRIES	NET SAVINGS/LOSS
01.	S.B Style Ltd.	2,96,125
02.	Hossain dyeing & printing Mills Ltd.	138,109
03.	Chittagong Denim Mills Ltd	(1,032)
04.	A.H Jute Spinning Ltd	(2,270)
05.	Alin Food Ltd	7,149
TOTAL AMOUNT =		4,38,081

SECTION 7

Audit Delay

AUDIT DELAY

7.1 Audit Delay in carrying out Cash Incentive Work

Here I have tried to show the audit firm's audit delay in doing cash incentive work. I have shown audit delay of my audit firm ACNABIN Chartered Accountants by taking 05 industries. For performing audit, at first audit firm gets a forwarding letter from the particular bank. After that within **seven (07) days** audit work has to be completed as per Bangladesh Bank circular. If the firm cannot accomplish audit within **Seven Days** it will be called as audit delay.

Audit Delay does not occur due to the negligence of the auditors. It occurs because of the insufficiency of necessary documents given by the applicants. Auditors firstly verify the documents and give a Quarry List (see appendix) if there is any missing of documents. Generally applicants make delay to submit the documents written in the quarry list, as a result auditors take time to provide certificate.

For example, audit delay can be occurred for missing or lacking of the following documents:

- Certificate or cash assistance by BTMA
- Beneficiary Certificate by supplier of raw materials
- Bill of lading

AUDIT DELAY

SL	Industry Name	Forwarding Date	Certificati on Date	Days Worked	Max. days allowed	Audit delay
01.	S.B Style Ltd.	13-09-11	15-12-11	93	07	86
02.	Hossain dyeing & printing Mills Ltd.	03-08-11	04-09-11	32	07	25
03.	Chittagong Denim Mills Ltd	25-06-11	27-07-11	42	07	35
04	A.H Jute Spinning Ltd	07-08-11	20-12-11	135	07	128
05.	Alin Food Ltd	20-06-11	27-07-11	37	07	30

SECTION 8

Wastage Rate

WASTAGE RATE

8.1 Wastage Rates

According to Bangladesh Bank BRPD circular no. 3 dated 24 January 1999, in case of 100% export oriented garments industries maximum wastage rate would be 16% in the whole production process For yarn (Dyeing) 7% and fabrics (Garments) 9%.

Wastage verification is very much important for the auditor because the exporter sometimes sale the produced garments/fabrics locally by showing it as a wastage. Bangladesh Bank does not allow the exporter selling the produced goods in the local market.

SL	Name of the Industries	Wastage Rate	Max Rate	Extra Wastage
01.	S.B Style Ltd.	10.70%	16%	-----
02.	Hossain dyeing & printing Mills Ltd.	20.67%	16%	4.67%
03.	Chittagong Denim Mills Ltd	12.54%	7%	5.54%
04	A.H Jute Spinning Ltd	-----	-----	-----
05.	Alin Food Ltd	-----	-----	-----

SECTION 9

Learning's

LEARNING'S

Learnings

Staying the internship period of 3 months in ACNABIN-Chartered Accounts firm as an Internee was extensively experiencing. I have gone through a lot of new situations, experienced a very new environment and learned about professional life.

9.1 Learnings From Organization

In the processing of collecting, gathering, synchronizing several information and preparing this report; I have learned many Audit procedures & techniques, facts such as how to make an working file, how to give a certificates to the client. From this time I also learn how to handle the clients and how to communicate with different people. I also learn how to overcome different situations. From the organization I also learn how to work together to maintain a chain of command and also know the importance of team work.

9.2 Learnings From Internship Program

The learning's for Internship program was a new experience since such event is very new in a student's life. I have learned to how to audit the documents and prepare an affiliation report.

From the internship program I have learned many thing about cash incentive. why cash incentive is given, how to take this facility etc. I also learn the audit procedures, audit delay and how to calculate the wastage rates. I also learn how a client take the cash incentive.

Procedures followed by the client to achieve the alternative cash assistance

The exporter at first applies for cash incentive which is officially received by the bank. After that a letter is issued by the bank to a concerned partner of a CA firm. Actual work of the cash incentive audit commences at this stage. Working file preparation and review is done. Partner's review is done after the preparation of control sheet and cross checking

of workings. Certificate on the actual amount that is eligible for the client to be paid is submitted to the bank.

SECTION 10



Findings

FINDINGS

10.1 FINDINGS (from the case study)

After the completion of in-depth study I am now in a position to draw a summary of the report which is based on the results of the study of 05 Industries and testing of compliance with various standards i.e. BR Circulars, TOR, Import Policies and BSA.

In my study I have found that external auditors are contributing a lot to protect the misuse of public money. I have taken few files for several companies and from this Government i.e. Bangladesh Bank has saved huge amount of money.

- In my 05 sample, I have just taken 03 (three) files for each industry and from that Government of Bangladesh (Bangladesh Bank) has saved **Taka 4, 38,081**.

So it is proved that before the introduction of cash incentive audit by independent auditor a bulk chunk of public money was drained out of the Treasury as cash incentive by some derailed persons through false documentation and counterfeit arrangements.

- Although auditors are missing some provisions e.g. delay in carrying out audit work within 7 days or issuing certificate for the wastage of more than 16% all of these issues do not provide any evidence that the applicant are getting more benefits for the cash assistance.
- Sometimes it is seen that many exporters who are exporting the goods 05 or 06 years back from the recent years are applying now. It would hamper a little in the country's economy as the demand of the foreign currency is higher now.

Physical verification should be controlled even in better way

- Master LC and back to back LC that was opened from a particular bank can be verified
- PRC (Proceed Realization Certificate) can be checked by going to the original bank to control the counterfeiting.
- Ultimate claimants factory is visited by us but from where the yarn is purchased is not visited, it can be verified by doing a field visit
- Factories should be visited at no time because it can be a well set drama or can be said as eyewash by showing others factories by their name.

Again, in case of some dishonest auditors necessary steps should be taken. Because, now a day's some people who are involved in fake documentations are trying to manipulate the auditors by bribing them to get the certificate of being eligible to have the cash incentive benefit.

9.2 FINDINGS (from the internship period in ACNABIN):

From the aforesaid study a number of findings can be disclosed. In this chapter major findings are being stated and in the immediate next chapter all the possible solutions of negative findings will be recommended.

- Professional firms as well as the clients are equally interested to continue audit relationship year after year.
- Positively, ACNABIN doesn't engage itself in auditing with whom they have financial or business relationship.
- Service provided by Accounting Professional Firms is not strongly monitored by ICAB or any other government bodies.
- Specifically ACNABIN provides huge number of non-audit services which are not adequately safely guarded.
- Increasing non-audit services and higher fees charged against those services weakens reliance on audited annual report of external users.
- Neither Chartered Accountant's firms are willing to disclose non-audit services provided in neither the Annual Report nor the clients.

SECTION 11



Recommendations

RECOMMENDATIONS

10.1 Recommendations

Cash incentive audits are not free of problems. All of these problems can be solved by the BB through various circulars and sincerity of Auditors, Banks and Applicants of cash incentives. The problems or unresolved issues which I have found in conducting my research study can be solved in the following ways:

- Audit delay can help the cash incentive receiver to produce false documents to get cash incentive. So to reduce audit delay auditors should firstly confirm from the bank whether the applicant submitted all the required documents. After getting confirmation auditors should go to the bank to start audit work, this will help them to execute audit work within 7 days.
- Auditors should take expert before going to visit the factory of applicants. Expert consent is needed to ensure whether goods are actually produced in this factory. Utilization declaration provided by the exporter should be verified by the expert.
- Auditors should not go to visit exporter's factory by fixing date with the exporter. If they do so, it can help the exporter to manipulate his documents and information.
- Exporters' bank should not be given the power for everything because bank always wants to retain its existing clients and tries to attract new clients and for this they sometime attest all the documents of the client without checking its legality. With the collaboration of banks exporter can go for malpractice.
- Cash incentive is contributing a lot to promote the export in Garments sector. So it may be a wise decision for BB to extend the date at least up to June 30, 2008. BB must also increase the rate of cash incentive to make it more meaningful.

SECTION 12

Concluding Remarks

CONCLUDING REMARKS

12.1 CONCLUDING REMARKS

In this report, I have tried my level best to cover the detail audit procedure as followed by ACNABIN in providing auditing service to its clients especially regarding the Loans & Advances of Bank. I have studied only those rules and regulations that are required by the Bangladesh Bank under BRPD Circular and other regulatory authorities. I think that ACNABIN performs an excellent job in providing audit services with a few lacking as explained in the **Findings** Chapter. The staffs who are directly associated with the excellence of audit service deserve to be acclaimed for their endeavor to this end. ACNABIN believes in creating the difference in the market place by offering impeccable quality. Now time has come to develop its quality of service in comparing to the international standards across the national boundary so that competing firms remain far behind it.

In the recent past, we have seen dramatic change in the RMG sector of Bangladesh. Number of textile mills has increased. Another startling result around us is that a lot of spinning mills have been established recently even though Bangladesh is not a producer of cotton. All these are, to a great extent, results of cash incentive given in the RMG sector of Bangladesh. So, backward linkage of RMG Sector has been strengthened by the cash incentive. In view of the above mentioned facts, we can conclude that cash incentive is a fair as well as a rewarding venture of the GOB in promoting the export of RMG. We can say that in the forthcoming days of quota-free world, cash incentive will act as a catalyst to the survival of the RMG sector of Bangladesh in the global market. The correlation coefficient between cash incentive and export of RMG is highly positive indicating that apart from few mi cash incentive is bringing in huge foreign currencies for Bangladesh.. So, while cash incentive is needed to increase the inflow of foreign, currencies into Bangladesh, independent cash incentive audit is needed to save public money. In the absence of independent audit of cash incentive files, deserving exporters will be deprived of cash incentive while false exporters will enjoy the misuse-benefits of cash incentive.

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APPENDIX

Appendix-01

Check List for Cash Incentive File:

1. Forwarding Letter.
2. Application Form.
3. Bank Calculation paper.
4. PRC.
5. Back to Back certificate.
6. Cost sheet.
7. BKMEA/BGMEA Certificate for cash assistance (original).
8. Master L/C.
9. Master L/C related document
 - a. Commercial Invoice.
 - b. Packing List.
 - c. Bill of Lading (Freight Certificate if Prepaid)
 - d. Bill of Entry.
 - e. Export Form (Short Shipment if any)
10. Back To Back L/C related document:
 - a. Back to Back L/C
 - b. Pro-forma Invoice.
 - c. Commercial Invoice
 - d. Packing List
 - e. Delivery challan.
 - f. BTMA certificate (original)
 - g. Muhak/GP-2.
 - h. Certificate of Origin.
 - i. Beneficiary Certificate.
11. Utilization Declaration.
12. Bond/Tk.300 stamp paper undertaking.
13. Accessories related documents (L/C, Pro-forma Invoice).

Appendix-02

বৈদেশিক মুদ্রা নীতি বিভাগ
বাংলাদেশ ব্যাংক
প্রধান কার্যালয়।

এফ,ই সার্কুলার নং ,১২
জুলাই ০৭ ,২০১৩

প্রিয় মহোদয়গণ,

২০১৩-২০১৪ অর্থবছরে রপ্তানির বিপর্ষিতে নগদ সহায়তা প্রদান প্রসঙ্গে।

পণ্যের নাম	প্রযোজ্য হার
১) রপ্তানিমুখি দেশীয় বস্ত্রখাতে শুক্ক বন্ড ও ডিউটি ড্র-ব্যাক এর পরিবর্তে বিকল্প নগদ সহায়তা	৫.০০ %
২) হোগলা, খড়, আখের ছোবড়া ইত্যাদি দিয়ে হাতের তৈরি পন্য রপ্তানি খাতে বিকল্প নগদ সহায়তা	১৫.০০-২০.০০%
৩) কৃষিপন্য ও পক্রিয়াজাত কৃষিপন্য রপ্তানি খাতে বিকল্প নগদ সহায়তা	২০.০০%
৪) হাড়ের গুঁড়া রপ্তানি খাতে বিকল্প নগদ সহায়তা	১৫.০০%
৫) হাল্কা প্রকৌশল পন্য রপ্তানি খাতে বিকল্প নগদ সহায়তা	১০.০০%
৬) ১০০% হালাল মাংস রপ্তানি খাতে বিকল্প নগদ সহায়তা	২০.০০%
৭) হিমায়িত চিংড়ি রপ্তানি খাতে বিকল্প নগদ সহায়তা	৭.৫০%
৮) চামড়া জাত দ্রব্যাদি রপ্তানি খাতে বিকল্প নগদ সহায়তা	১৫.০০%
৯) নতুন বাজার সম্প্রসারে বিকল্প নগদ	২.০০%

সহায়তা(কানাডা/ আমেরিকা/ইইউ ব্যতিত)	
১০)জাহাজ রপ্তানি খাতে বিকল্প নগদ সহায়তা	৫.০০%
১১)আলু রপ্তানি খাতে বিকল্প নগদ সহায়তা	২০.০০%
১২)পেট বতল-ফ্লাস্ক রপ্তানি খাতে বিকল্প নগদ সহায়তা	১০.০০%
১৩)বস্ত্র খাতের ক্ষুদ্র ও মাঝারি শিল্পের অতিরিক্ত সুবিধা (প্রচলিত নিয়মের)	৫.০০%
১৪)পাটজাতপণ্য রপ্তানিখাতে বিকল্প নগদ সহায়তা	
ক)পাটজাত চূড়ান্ত দ্রব্য (পাট সুতা ব্যতিত)	১০.০০%
খ) পাট সুতা	৭.৫%

সংশ্লিষ্ট সকল পক্ষকে এতদ মর্মে অবহিতকরনের জন্য অনুরোধ করা যাচ্ছে।