

**Cash Incentive Audit of ACNABIN Chartered
Accountants: The Case of AB Bank Limited**

Daffodil International University

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Letter of Transmittal

05 May, 2014

Masud Ibn Rahman

Assistant Professor

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102, Shukrabad, Dhanmondi. Dhaka-1207

Subject: Submission of Internship Report.

Dear Sir

With due respect and great pleasure I am submitting my internship report on “Cash Incentive Audit of ACNABIN Chartered Accountants: The Case of AB Bank Limited” to you. The three months internship program gave me a great experience and also provided me wide exposure to the professional environment. The title of the report is “**Cash Incentive Audit of ACNABIN Chartered Accountants: The Case of AB Bank Limited**”.

Main focus of the study is to find out the cash incentive audit procedures followed by ACNABIN Chartered Accountants. The report is prepared under your supervision and respectfully acknowledges your guidance and help. To make this report up to the standard, I have tried my level best to fulfill the requirements.

I believe the knowledge and experience that I have gathered during my internship program will immensely help me in my professional life.

I would like to thank you and the University for giving me the better opportunity to do internship and for preparing the report. I have concentrated in it greatly to achieve the objectives of the practical orientation and hope that my endeavor will serve the purpose. However, I will always be happy to welcome any further clarification that you may require.

Sincerely yours

.....

Md. Omar Faruk

Id. 101-11-1368

Batch: 25th

Program: BBA (Accounting)

Major: Department of Business Administration

Certificate of Approval

I am pleased to certify that the internship report on “**Cash Incentive Audit of ACNABIN Chartered Accountants: The Case of AB Bank Limited**” that has been successfully completed by **Md. Omar Faruk** bearing Id. 101-11-1368. Department of Business Administration has been approved for presentation and viva voce. Under my supervision **Md. Omar Faruk** worked with ACNABIN Chartered Accountants.

I am pleased to hereby certify that the data and findings presented in the report are the contributory work of **Md. Omar Faruk**. I strongly recommend the report presented for further academic commendation and viva voce.

It has indeed been a great pleasure working with him. I wish him all success in life.

Masud Ibn Rahman

.....

Assistant Professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

Preface

At first, I would like to express my deepest gratitude to the **Almighty Allah** for giving me the strength and the composure to complete the report.

At the very outset, I would like to express my sincere thanks & gratitude, and indebtedness to honorable teacher Mohammed Sakhawat Hossain, ACMA, Assistant Professor, Faculty of Business & Economics, Daffodil International University, for his valuable advice.

I am profoundly indebted to my supervisor Masud Ibn Rahman, Assistant Professor, Faculty of Business & Economics, Daffodil International University. He gave me right directions that helped me enormously in preparing this report efficiently. He provided overall guidance, support and assistance to the development of work plan and report outline, data analysis, and report writing. He reviewed the draft report and gave valuable comments and suggestions those were very helpful for restructuring and finalizing the report.

I would honestly express my sincere thanks to the partner, Aminul Haque, ACA, ACNABIN, Chartered Accountants Firm, for his support & help. Specially, I am very pleased to Fojj Ahmed (Manager), Muntarina Shaihela Khan Showrna (Senior Student), Arifuzzaman Tanvir (Senior Student) and Sharifullah (Senior Student). Thanks are also due workers, staffs and officers who spent a lot of valuable time to discuss with me. I apologize for that it is not possible to name all who helped me in workplace. I am also grateful to my friends for their precious suggestions.

While doing this report I had to face few difficulties in order to collect data and information. However, I was able to complete my report in spite of those difficulties. I spent more efforts to make the report better one from my level. Despite my sincere effort, there may have some shortcomings. I regret for those conscious and unconscious mistakes.

Finally, I would like to say that working within the amicable environment of ACNABIN was a wonderful experience and this report is an outcome of the joint and cordial efforts of all referred to the above.

Abstract

ACNABIN Chartered Accountants Firm is one of leading Chartered Accountants Firm in Bangladesh. ACNABIN holds the **First Position** among all the chartered accountancy firms of Bangladesh as per recent evaluation done by Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC). All the knowledgeable persons work together efficiently for catching the top position in market. That acts as a standard model for other firm.

The internship report has been prepared by internship experience and activities which were gathered during internship period. This report is all about cash incentive activities in ACNABIN Chartered Accountants. This report is sub-divided into six parts: part one is following both introductory part and organizational part, part two is following both the importance of cash incentive audit and theoretical part, part three is following both analysis of the study and concluding part.

Appendices & References have been attached after the body of the report. In the appendix, all the necessary documents have been affixed. Finally, working papers of Cash Incentive Audit, the necessary documents have been given for providing practical exposure to the readers of the report.

This report writing started with a strong background, objectives of the study and also the limitations faced in conducting the study. Moreover, there is also discussion about the process of

export-related documents. It will be strongly helpful for those who are not familiar about the export related documentations.

In addition, there is also an integration of procedures of cash incentive audit and related documents to be checked by the audit firms which will be beneficial for auditors who are going to start cash incentive audit and who are out of audit profession but interested in this issues.

On the basis of the observations in conducting the research study, some recommendations have been drawn at the end of the report. It plays a vital role for protecting the misuse of Government's invaluable resources.

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Chapter-1

Introductory Part

1.1 Introduction

ACNABIN was formed in February 1985, with a mission to continually add value by helping clients succeed. The firm is in public practice for more than 26 years. The then largest partnership firm was founded with a vision to build an institution which would foster an environment for leadership, continuous growth, learning, and collaborations. Over the past twenty-seven years, the firm has become one of the leading and most reputable chartered accountancy firms in Bangladesh with global affiliations. At present, ACNABIN has ten partners whose expertise in audit, accounting, review, business consulting, business process outsourcing, technology solutions and taxation has established the firm as a multidisciplinary organization. All the partners have many years of experience of working both at home and abroad and with international consultants and organizations operating locally and globally. ACNABIN is regarded as one of the top firms of chartered accountants in the country context and has significant exposure in the relative market.

ACNABIN started with seven partners. The name “ACNABIN” comes from the acronyms of the founder partners. 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. In July 2005 ACNABIN achieved “Representative Firm” status of BAKER TILLY INTERNATIONAL. ACNABIN holds the **First Position** among all the chartered accountancy firms of Bangladesh as per recent evaluation done by Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC)

1.2 Background of the study

Audit is the process of a formal examination of an organization 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 and compliance audit. The purpose of compliance audit is to determine whether the audit client is following specific procedures, rules or regulations set by higher authority. Results of compliance audit is to determine whether the audit client is following specific procedures, rules or regulations 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 user.

Cash Incentive Audit can be treated as a compliance audit. It is special type of audit within which the auditors have to company with Terms of Reference (TOR), Bangladesh Bank (BB) Circular and Import Policy to certify appropriate amount of cash incentive for the applications. Cash incentive will obtain those exports that will use indigenous yarn from BTMA member mills but not avail boned warehouse and duty drawback facilities.

Cash incentive is the assistance in the form of “cash” given to any party on its certain conditions. Cash incentive scheme was first introduced in 1986. In the Composite sector of Bangladesh, Cash Incentive is given as a repayment of part of the production cost of the Bangladesh exporter (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.

It might be given to nurture the child industry, to strengthen the backward or forward linkage o an industry, to make the products of the industry more competitive in the local and foreign market etc. Cash incentive is also used as a counter weapon against the undesirable practice of dumping by foreign countries. In the Bangladesh, cash incentive is mainly given to export oriented sectors to boost the export thereby earning foreign exchange.

1.3 Scope of the study

Alternative cash incentive files like Composite, Jute, and Agro-product from different clients were audited by ACNABIN Chartered Accountants. There was enough scope to learn many things while contacting with different departments. This study gives a massive overview of cash incentive audit procedures of ACNABIN. There was enough opportunity to spread out about the audited company's performance and financial condition of the third party. That is totally illegal in case of auditing other than few reasons.

1.4 Objective of the study

Objectives of the study can be categorized into general objectives and specific objectives.

The general objectives of the study have detail insight on the Cash Incentive Audit of ACNABIN Chartered Accountants in AB Bank Limited.

The specific objectives of the study are as follows:

- ◆ To know about to cash incentive facilities given in different sectors.
- ◆ To obtain a detail knowledge of how the cash incentives audit process is done by ACNABIN Chartered Accountants.
- ◆ To evaluate whether the cash incentive facilities are instrumental in the promoting the export of Bangladesh.
- ◆ To examine whether the audit work has reduced the receipts of cash incentive through fake documents and counterfeiting.
- ◆ To make some recommendations based on the findings.

1.5 Methodology

This was a descriptive type of study. The information was collected by both observation and documented materials supplied by the bank.

Population

During internship period, cash incentive files of companies were presented to the respective bank for audit. All of those companies are different types like garments factory, fabrics, jute mills, agro-products, and so on. The documents presented by all of those companies who are associated to AB Bank were taken as the population of the study.

Sample

Although AB Bank has intrinsic clients from diversified category, following a purposive sampling process, a total no. of 9 companies was chosen as a sample for this study. The categories and the sample units are as follows:

Name of the Sector	Name of the Companies
Composite	Auto Tex Fabrics Ltd.
	Iren Knitwear Ltd.
	Knit Asia Limited
	M.P.L Wear Limited
Jute	Afil Jute Weaving Mills Ltd.
	Rupali Bangla Jute Mills Ltd.
Fabrics	Shanta Expressions Ltd.
Agro-product	Danish Foods Limited.
	Monsur General Trading Company Ltd.

Sources of Data

The report has been prepared based on both primary and secondary data.

- ◆ Primary Sources like officers of AB Bank informed many things about files which are true or not, beneficiaries also informed many information regarding the respective files, and observation.
- ◆ Secondary Sources like files from AB Bank, Report, BB's Circulars, and Web Sites.

The report is an elaborative presentation following both primary and secondary data was used while studying.

Data collection methods:

- ◆ Face to face conversation with concerned staff and senior of the firm.
- ◆ Informal discussion with client.
- ◆ Discussion with the commercials of the respective companies.
- ◆ During physical factory visit.

Data analysis:

After collecting the data, those were analyzed by using some tools such as MS word, Excel etc. to make the data meaningful and presentable.

Significance of the study:

The significance of the report is multi-dimensional. The study has figured out carefully the cash incentive activities. To calculate and determine the actual amount of cash incentive on the behalf of government is very important. To provide effectively and efficiently the cash incentive on right hand for right purpose is also an important issue for the study.

1.6 Limitations of the Study

All the necessary information was collected so far for preparing this report. Insufficiency of data is the most important problem faced during the preparation of this report. Time limitation also was a great problem because office hour from 9:00 am to 5:30 pm was to be maintained and sometimes it was over. As a result, many difficulties were faced due to manage time for preparing this report. Due to time, resource and data constraint, I have faced the following problems in carrying out this study:

- ◆ Sometimes, factory visits were not possible because some of factories were outside of Dhaka.
- ◆ The provided documents were verified by the auditors but it was not possible to identify whether those documents were collected in a fair way or not.
- ◆ To maintain the organizational confidentiality, the report omitted a few topics.
- ◆ This study has been conducted within a limited time that influenced the report extensively.
- ◆ Few months experience is not enough to make the subject matter clear.

Chapter-2

Organizational Part

2.1 Historical Scenario

ACNABIN was formed in February 1985, with a mission to continually add value by helping clients succeed. The firm is in public practice for more than 26 years. The then largest partnership firm was founded with a vision to build an institution which would foster an environment for leadership, continuous growth, learning, and collaborations. Over the past twenty-seven years, the firm has become one of the leading and most reputable chartered accountancy firms in Bangladesh with global affiliations. At present, ACNABIN has ten partners whose expertise in audit, accounting, review, business consulting, business process outsourcing, technology solutions and taxation has established the firm as a multidisciplinary organization. All the partners have many years of experience of working both at home and abroad and with international consultants and organizations operating locally and globally. ACNABIN is regarded as one of the top firms of chartered accountants in the country context and has significant exposure in the relative market.

2.2 Profile of the ACNABIN

Name of the firm	: ACNABIN Chartered Accountants
Date of registration	: 15 February 1985
Mailing Address	: BDBL Bhaban (Level-13)
Telephone, Fax & E-mail	12 Kawran Bazar C/A, Dhaka-1215 Bangladesh Phones : (88 02) 8144347 to 52 Fax # : (88 02) 8144353 E-mail : acnabin@bangla.net Web: http://www.acnabin-bd.com

2.3 Mission

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

2.4 Vision

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

2.5 Firm's registration with relevant authorities

- ◆ Partners of ACNABIN are registered with The Institute of Chartered Accountants of Bangladesh (ICAB) for audit practice.
- ◆ ACNABIN is enlisted with the Non-Government Organization Affairs Bureau Bangladesh (NGOAB), Enlistment # 02 with NGOAB.
- ◆ ACNABIN is registered with the Registrar of Joint Stock of Companies and Firms # PF 27897/86 under Section 58 (1) of the Partnership Act, 1932 (IX of 1932) dated June 21, 1986.

2.6 Strategic Intent

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.

2.7 Values

Our culture is driven by the Baker Tilly Internal core values:

- ◆ To lead by example
- ◆ To deliver quality services with integrity
- ◆ To communicate openly, to act ethically
- ◆ And to foster a community built around civic responsibilities and teamwork.

We are passionate about helping our clients, while at the same time developing our people's potential

2.8 Associations

◆ Affiliation with International Auditing/Accounting Firm

ACNABIN is an independent member of **Baker Tilly International**, 8th largest network in the world with 145 independent member firms in 110 countries.

◆ Relationship with International Accounting Firm

- ® Formerly associated with ASNAF-ASEAN Accounting Firms, Singapore since 18 February 2003 to 2010.
- ® As an authorized representative firm of former Andersen SC until July 2002 ACNABIN has adopted Technical Manuals, global best practices knowledge-base and commitment to serve client. We have had many enquiries from the then Andersen's clients abroad. Services already provided to the clients include

- ✚ due diligence review
- ✚ joint venture enquiries
- ✚ business valuation
- ✚ tax advice
- ✚ statutory regulations
- ✚ establishing business presence
- ✚ liquidator/official receiver
- ✚ secretarial services

◆ USAID, EC and CIDA 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 and Canadian International Development Agency to conduct financial audit of the recipients of their fund.

◆ Collaboration with other consulting firms

ACNABIN has been able to establish close working relationship with many national and international consulting firms in Bangladesh through its efficient and dedicated services. ACNABIN has thus enriched its professional base for serving the clients' interest in the best possible manner.

2.9 Membership

ACNABIN is the member of

- ◆ Metropolitan Chamber of Commerce and Industries
- ◆ the Dhaka Chamber of Commerce & Industries
- ◆ American Chamber of Commerce in Bangladesh.

2.10 Firm's Position

In November 2010 the central Bank of Bangladesh (Bangladesh Bank) ranked ACNABIN as the number one audit firm in the country for audit of bank and financial institutions.

2.11 Achievement of Firm

◆ **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 filed 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 assignment:

- ◆ 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 Operation 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 to November, 2001, ACNAB IN has hosted an International Internship program for two (2) employees of Bank of Indonesia, Indonesia on External Audit of Micro finance institution in Bangladesh.

◆ **Firm ranking by fee size of 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 firm in Bangladesh, of which five (5) firms have 6 or more partners and ACNABIN is one of those 5 firms.

2.12 Services

- ◆ Audit & Assurance
- ◆ Tax and legal advice
- ◆ Advisory
- ◆ Consultancy
- ◆ Outsourcing
- ◆ Others

2.12 (A) Audit & Assurance

Our expert professionals provide a range of audit services based on a strong understanding of accounting principles which is related with the Bangladesh Standards on Auditing and International Standards on Auditing. These are complemented by an appropriate knowledge of business systems, processes and controls.

We are committed to delivering a personalized and focused service and providing solution based advice to give our clients and their stakeholders the assurance required. Our risk-based audit approach ensures that we focus on significant business issues affecting our client's Financial Statements. Audit services like

- ® Interim audit
- ® Donor audit
- ® NGOAB audit
- ® Management audit
- ® Cost audit
- ® Internal audit
- ® Statutory audit
- ® And so on

2.12 (B) Tax and legal advice

We provide services of Tax & Legal advices which are designed to help our clients to apply the most effective business strategies.

With our wide-ranging industry knowledge and experience, we are committed to deliver this and meet your highest expectations.

We work closely with clients to deliver timely, high quality tax services to maximize tax planning opportunities and find the right answers to the tax challenges in their respective industries.

We offer advice tailored to your needs and circumstances and propose solutions that will enable you to move forward:

- ® Corporate & individual tax planning
- ® Personal Income Tax
- ® Capital gain tax
- ® Tax investigations
- ® Indirect tax
- ® Preparation of income tax returns
- ® Import Duty and Customs cases
- ® And so on.

2.12 (C) Advisory

As part of our advisory services we provided following services:

- ® Preparation of AGM minutes
- ® Preparation and filing of Annual Return
- ® Formation, incorporation, liquidation and winding up of companies
- ® Maintenance of statutory records
- ® Increase of share capital
- ® Change of company name
- ® Change of Articles & Memorandum
- ® And so on

2.12 (D) Consultancy

- ® Management Consultancy
- ® Cost Management Services
- ® Payroll management
- ® Accounts receivables management
- ® Business Valuation
- ® And so on.

2.12 (E) Outsourcing

ACNABIN offers business outsourcing solution that delivers a high level of confidence and professional results by focusing your business. Our main outsourcing services included:

- ® Accounts payable processing
- ® Fixed Assets verification and completion of records
- ® Book keeping and preparation of final accounts
- ® Preparation & Maintenance of books of accounts
- ® Accounting services
- ® General ledger and financial statement processing
- ® Payroll and payroll tax processing
- ® And so on.

2.12 (F) Others

- ® Accountancy and management training
- ® Data processing with computers
- ® Micro-finance consulting
- ® Human Resource Development Issues

2.13 About ACNABIN partner

Roots for the name ACNABIN stem from the names of seven partners who merged their own knowledge, skills and experiences in 1985:

- ◆ A stands for Aziz-uddin
- ◆ C stands for Chowdhury
- ◆ N stands for NurunNabi
- ◆ A stands for Anwaruddin
- ◆ B stands for Bari
- ◆ I stands for Iftekhar
- ◆ N stands for Nayeem

Our partners from diverse background ensure high-quality service through our unique and proven execution process map. We partners with today's innovators and leaders to meet their short term needs while remaining focused on their long term financial goals. We take pride in providing outstanding service for over 28 years.

ACNABIN Partners is different. We offer clients the expertise of Big 4 in a client friendly service framework. The structure of our engagements is designed to ensure and facilitate communications between the service team and our client. This allows us to quickly and effective address any client concerns that arise, keeping the engagement running smoothly from start to finish.

Quality is at the center of everything we do. Clients rely on our work to be of the highest quality. To exceed our clients' expectations, we deploy a structured project team format that leverages the experience of Associates, Manager and Partners. Our partners are actively involved, and our teams deploy a mix of more experienced Associate level professionals to create efficiencies and reduce the occurrence of issues during the project.

2.14 Insight ACNABIN



ACNABIN Chartered Accountants never stop learning. Our professionals are committed to maintaining expertise in their field of practice, passing along that learning to their clients through impeccable service and high quality service delivery. They are recognized thought leaders frequently sought out for publishing opportunities and speaking engagements. Allow us to share their learning, expertise and experience in concise, easy to understand articles and Updates we call Insights.

2.15 Training



The firm being of international standard one believes in giving due importance and impetus to a steady and continuous process of professional training/education so as to keep pace with the latest development/technique. As is well known Andersen maintained one of the largest and prominent professional education and training centers in the world located in the United States and also had a network of other major sister training centers in Europe and Asia.

In May 1994, two of our partners actively participated in a workshop on Supreme Audit Institution held in Singapore. In January, 1997 also the firm participated in the training workshop held in Bangkok on USAID Rules and Regulations.

As a matter of routine, two of its partners took part in Andersen Worldwide SC Regional Representative Firm's Training Program held in January 1994 in New Delhi, India. Partners also participated in such program in Dubai, UAE during February 1997. Such other programs held in St. Charles, Chicago, USA, The Netherlands, Dubai and India were also attended by our partners.

In March 1998 partners along with two other senior staff members took the opportunity to participate in the training course on "Procedures for Procurement & Disbursement under the World Bank's Financed Project" held at BRAC Center for Development Management, Rajendrapur, Bangladesh. This is a part of a continuous process for updating the knowledge in its concerned spheres of work and also to widen the horizon of latest know how.

In August 2011 our Partners visited Australia to attend a World Conference of Baker Tilly International to update themselves on the latest developments of the profession.

In November 2011 our Partners visited Malaysia to attend Regional Conference of Baker Tilly International to update regional changes in profession.

2.16 Why ACNABIN?



We have our own mission and vision thinking for the future demand and consequences considering our glorious past. For that we always make sure that our staffs getting proper training, support, guidance and latest updates that are needed for doing good work with dynamic clients. Our benign administration always make sure that all the staffs getting proper environment for doing their duties in an efficient manner so that their experiences add a great value to services that we render towards our clients.

Throughout your journey with us you will be able to meet and gain knowledge and insight that will stay with you for the lifetime. Whenever you join us and how long you choose to stay we assure you that you will have valuable experiences with versatile types of clients which will lead your career towards being an efficient and true professional.

2.17 Manpower Strength

Sl. #	Personnel	Number
01.	Partners	10
	Subtotal (a)	10
02.	Professional Staff:	
	- Senior Director-Taxation (Ex Member, NBR)	1
	- Qualified (CA, ACCA & CMA)	7
	- Part Qualified	44
	- CA Course Completed (CC)	13
	- Lawyers	2
	- Others	11
	Subtotal (b)	79
03.	Articled Students:	
	- Registered	177
	- Probationary	35
	- Prospective	26
	Subtotal (c)	238
04.	ACCA Students/Trainee	41
	Subtotal (d)	41
05.	Supporting Staff	27
	Subtotal (e)	27
	Total = (a+ b+ c+ d+ e+ f)	395

Chapter-3

The Importance of Cash Incentive Audit in the Different Sector

3.1 Cash Incentive

Cash incentive is the assistance in the form of “cash” given to any party in terms of the fulfillment of certain conditions. 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, cash incentive is given as a repayment of part of the production cost of the Bangladesh, Cash Incentive is given as repayment of part of the production cost of the Bangladeshi exporter (incentive Receiver) when Beneficiary 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. It might be given to nurture the child industry, the industry more competitive in the local and foreign market etc. 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 thereby earning foreign exchange.

3.2 Cash Incentives Granted by Bangladesh Bank

Composite, Fish, Jute, Pet bottle & flakes plastic and new market exploration sector and others are the most promising sector in our country. Different major products are the main contributor of our export income. At present almost 76% of our total income is earned by exporting RMG and other product export income 24%. 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 composite other product advantage of our composite sector is the low labor cost compared to our competitors (China, India, Pakistan etc.). But our material and other production cost are very high since we are to import almost all raw materials (Yarn, Fabrics) and accessories from abroad. Jute is our country natural asset. That sector huge income foreign currency. Another, fish is our natural asset. That sector Bangladesh earn foreign currency & Hilsa fish worldwide famous. So, our garments factory, fish factory, jute mills, and pet bottle & flakes plastic industry and new market exploration sector is very much vulnerable as long as there is lack of a strong backward linkage establishment for that particular sector within Bangladesh.

Stepping into the shoes of the Bangladesh exporters of garments factory, fish factory, jute mills, pet bottle & flakes plastic industry and new market exploration sector the Government of Bangladesh has offered alternative Cash Incentive to the particular sector of the Bangladesh for the following reasons:

- ◆ To increase the export of that sectors.
- ◆ To establish and strengthen the backward linkage of that sectors.
- ◆ To encourage to establish more export factories in Bangladesh.
- ◆ To motivate to use local market stable of foreign ones sine its costs a great deal of the hard-fought foreign currencies.
- ◆ To establish market for the local product to producers.
- ◆ To make the composite, fish, jute, pet bottle & flakes plastic industry and new market exploration and others sector sufficient from the local product to produce.

3.3 Conditions for 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 certificate , Jute association certificate, Frozen fish and ice association certificate, *Bangladesh* Pet Flakes Manufacturers & Exporters *Association* (BPFMEA) Certificate 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 incentive.
- ◆ Application for cash incentive will submit the application to the negotiating bank within 180 days of the realization of export proceeds.
- ◆ Alternative cash incentive 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.

- ◆ The client (AB Bank Ltd), they are also authorized dealer, after receiving all necessary information and certificates, will compute the payable amount as alternative cash incentive to the application.
- ◆ 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 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 the Bangladesh Bank visiting team / Government Audit Team.

3.4 Beneficiaries for the Cash Incentive Facilities:

Bangladesh Bank introduced a cash incentive (export subsidy) program back in July 1994. Initially it was for export of jute goods produced by government and nongovernment mills, and export-oriented local textiles. Since then, the scope and extent of the cash incentive program have expanded. For example, a cash incentive for leather goods (a 100 percent export-oriented industry) was introduced in April 2000. In case of agricultural products, a cash incentive was introduced in 2002. From 1997 the following parties or organizations are entitled to get cash incentive facilities:

- ◆ Producer and direct exporter of fabrics i.e. producer and exporter of woven/knit/ 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 sheet etc.
- ◆ Jute mills make yarn, some time make jute product like bag, wall mat, house hold activities.
- ◆ Fish and ice factory to processing to export items like shrimp and other fish.

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.
- ◆ Produces the local yarn use to get more facilities.
- ◆ Jute, fish, and pet bottle and flakes export the product local raw material.

Not only has the particular Different product, other several sectors can get this cash incentive.

There are:

- ◆ Agro product (not agro process product)
- ◆ Potato

3.5 Calculation of the Amount of Cash Incentive

The cash incentive amounts in general cases are calculated as a percentage (10%, 5%, and 2%) of the lower of the following two:

- ◆ Net FOB (Free on Board) value less addition in production of exported as a percentage of net FOB value. And
- ◆ Total cost of production using local yarn, local raw material of the value of the supplied.

3.6 Cash incentives rates are shown below:

Rate of Cash Incentives

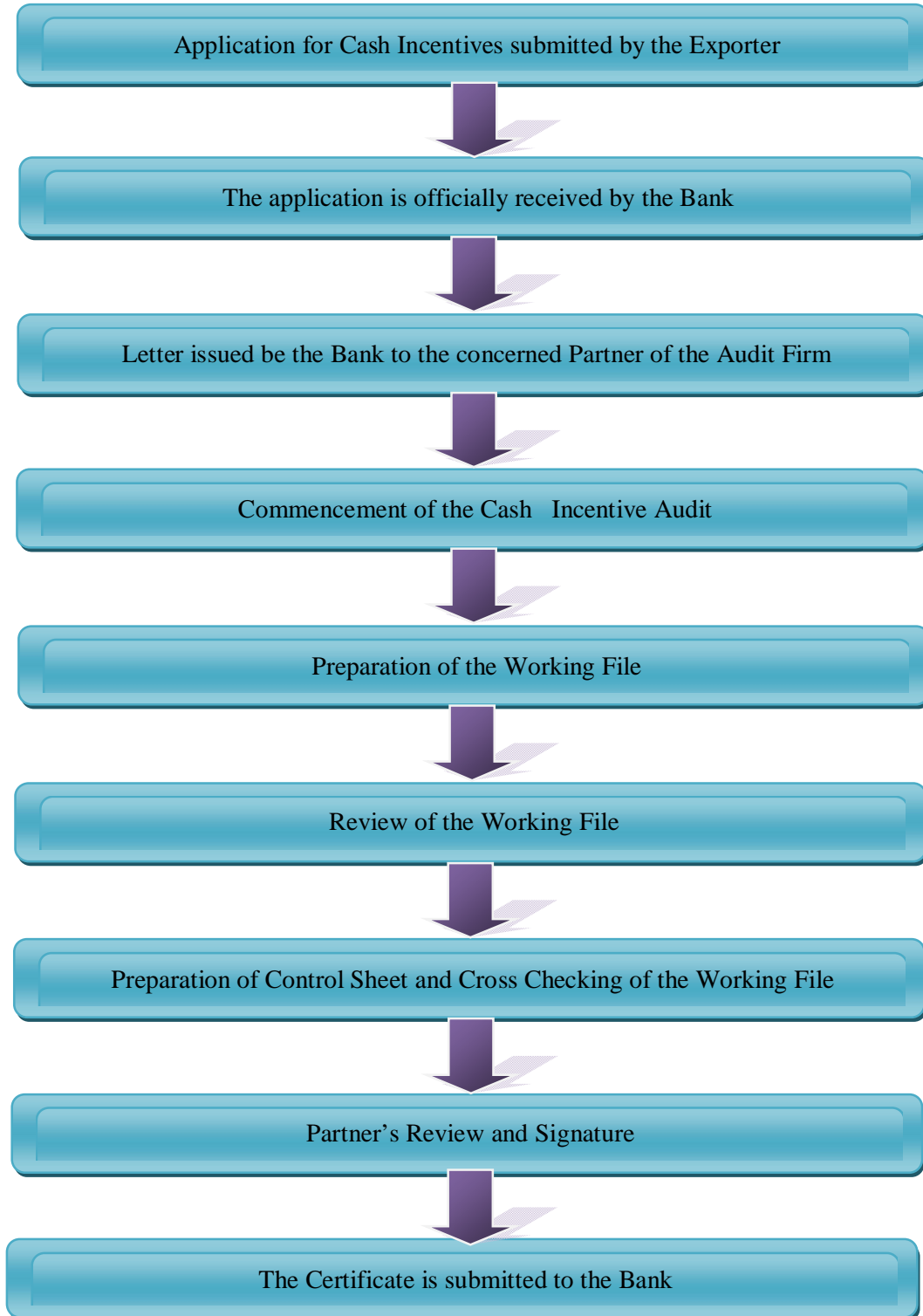
Se. No.	Particular Product	Percentage
1.	Readymade Garment (Composite) alternative provided cash incentive	5%
2.	Readymade Garment (Fabrics) alternative provided cash incentive	5%
3.	Agro sector alternative provided cash incentive	20%
5.	Jute product sector alternative provided cash incentive	
	® Jute products	10%
	® Jute thread	7.5%

Chapter-4

Theoretical Part

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

Audit procedures for executing Cash Incentive Files are shown below the following diagram



4.2 Application for Cash Incentives

Application for cash incentives is submitted by the exporter along with all necessary documents to the export division of the bank. It is done only after the date of the proceeds realization since it is the proceeds of the exported goods, in receipt of that 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. Firstly, all those documents are filed with the application properly and then submitted to the export division of the bank. All photocopies must be attested in those files.

4.3 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 with necessary documents. Then the authorized officer of the concerned branch of the bank needs to attest those particular documents. Before making the attestation, authorized officer checked all the documents that was submitted to the bank. If bankers find any error or incompleteness, the applicant must fulfill them and make the file in the form and manner required by the bank.

4.4 Letter issued by the Bank to the Concerned Partner of the Audit Firm

Then the International Division of the head Office of the bank issues a letter asking the Audit Firm to complete audit work regarding the application for alternative cash incentives files.

4.5 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 the work as per the Terms of Reference (ToR) recommended by Bangladesh Bank.

4.6 Preparation of the Working File

As an auditor, first work regarding cash incentive audit files is to prepare a working file for each file of that application. It is the first-hand work of such audit. For this purpose, auditors have prepared standard format according to Bangladesh Bank's Circular. A specimen copy of this format is given in the annexure. Information regarding the application file in this format is relevant to audit purpose. Information that, working format from different documents (like KA, KAH, GA/GHA) is presented chronologically in the following section:

◆ Application

- ® Name of the applicant
- ® Date of application
- ® Office address
- ® Factory address
- ® Applied amount (both in US Dollar \$ and in Taka)
- ® Value of the Production (From the cost break up submitted with the application by the Applicant):

In the “applied amount” column the application, the applied amount kept in it as cash incentive (and calculated) by the applicant as per the applicable rate at the date of shipment (e.g. any shipment date on after FY – 2012-2013 composite 5%, fabrics 5% jute product 10%, jute thread 7.5% ,agro product 20% and new market 2%). But most of the cases, this amount remains incorrect. So it is needed to calculate the appropriate cash incentive payable amount later. Sometimes, it could be found that the date of application is absent. In such, the applicant is asked to put it in the application. It ensures that this date is always a date after the date of proceeds realization and not otherwise. In converting the US \$ figure into taka, the exchange rate that used was effective on the date of proceeds realization. For this purpose, it was asked banker to provide Rate Sheet and OD sight exchange rate of US\$. If there is more than one date of proceeds realization, all the effective rates were taken. For numerous different dates, we calculated average rate.

◆ **Master L/C or Contract (Attested copy)**

- ® L/C No & date of issue
- ® Goods exported
- ® Quantity (in pieces)
- ® Term (FOB / C&F)
- ® Commission (if any)
- ® Original amount of the L/C (in US \$)
- ® Transferred amount of the L/C (in US \$)
- ® Notifying Party

Sometimes the original amount of the L/C 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 amendment along with the L/C. In that case, it is required to put down every applicable amendment’s amount and quantity in the working papers and finally sum those up. If the term is C&F (freight is prepaid by the exporter), it is needed to ensure that proper freight certificates are submitted with the application. In the Notifying Party column, the name of the agent is put down appointed by the importer to receive and safely bring the goods to the importer’s premises. In this L/C, the transferred amount shown in the “Transfer” column is much important for us.

◆ **Back to Back L/C (Attested Copy)**

- ® L/C No
- ® Date of the L/C
- ® Beneficiary of the L/C
- ® Items
- ® Quantity
- ® Amount in L/C (in US\$)
- ® Master L/C No.
- ® Name of the incentive receiver (the exporter)

Sometimes the name of the cash incentive receiver is found in the amendment of the L/C. If it is absent in the L/C or in amendment the application will not be eligible for any incentive. The quantity of this L/C is found in the pro-forma Invoice of the Back to Back L/C.

◆ **Import (Attested copy)**

- ® L/C No
- ® Date of the L/C
- ® Quantity (in kg)
- ® Amount (in US \$)
- ® Master L/C 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 uncommon.

◆ **BTMA Certificate (For Cash Incentive Purpose)**

- ® Certificate No
- ® Date of the Certificate
- ® Export L/C number / contract number
- ® Date of the Export L/C / contract
- ® Back to Back L/C number
- ® Date of the back to back L/C
- ® Items
- ® Quantity
- ® Commercial Invoice number and date
- ® Date of Delivery

If any of the above information is missing or inconsistent with other documents, the certificate must have to be changed to the effect. The gate pass date must be on or before the date of delivery. To ensure the gate pass date, it is needed to check this date of BTMA certificate with the date of Challan attached with the certificate, and if there is any inconsistency, the exporter is asked to correct it.

◆ **Proceeds Realization Certificate (Original Copy)**

- ® Reference No. of the certificate
- ® Export L/C number / contract number
- ® Date of the Export L/C / contract
- ® PRC No. and PRC Date
- ® EXP. NO.
- ® Date of realization
- ® Realization 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 copy must be submitted as early as possible, otherwise the audit firm will not issue cash incentive certificate for that application.

◆ **Export invoice / Commercial Invoice/ Packing list**

- ® Export invoice / Commercial Invoice No.
- ® Date of issuing the export invoice / Commercial invoice
- ® Quantity / unit (In pieces, tons)
- ® EXP. No.
- ® Gross amount (\$)
- ® Net amount (\$)
- ® Commission (If any)
- ® Gross weight (from the Packing list)
- ® Net weight (from the Packing List)
- ® Export L/C No.

In the above list, it is easy to get all the information except the gross and net weight directly from the export invoice. From the gross and net weight it is needed to check the packing list attached with the invoice. These weights should ensure the gross and net weight of the entire piece shown in the quantity column. Sometimes, part of the total unit's weight is shown in the Packing List. In that case, the exporter is asked to correct the list so that it can show the gross and net weight of the total quantity.

◆ **Bill of lading (B/L)**

- ® B/L No. No.
- ® Date on which the goods were shipped on board
- ® EXP. No.
- ® Freight (if prepaid, from freight certificate)
- ® Gross weight
- ® Master L/C 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, decision will be taken regarding the rate of cash incentive applicable for the exporter. Important information is the freight is prepaid; it is immediately needed to find out the freight certificate.

◆ **Bill of Export**

- ® Master L/C no. and Date.
- ® EXP. No.
- ® Short Shipment
- ® Quantity / Unit
- ® Gross Weight
- ® Net Weigh
- ® Name and address of the notifying party

In the quantity of this document is less than the quantity shown in the export L/C, 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 L/C date is absent in this document.

Review of the Working Files

Senior articulated student reviews the working files to ensure that it is true & fair. Students also ensure the mathematical accuracy of the certified amount. It is also verified that the certified amount is calculated considering all relevant items mentioned in the Bangladesh Bank Circulars.

Preparation of Control Sheet and Cross Checking of the Working File

At this stage, here is needed 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. It acts as a database which facilitates the systematic controlling of the working files and the application files. After this, it is cross-checked by the in-charge of the cash Incentive Audit. The control sheet is compared with the working files and if there is found any discrepancy, the original files come to the sight to sort and correct the discrepancy.

Partner's Review and Signature

Finally, the concerned Partner takes one final check of the whole matter. If in the opinion, everything is in conformation, then it is required to prepare the certificates of cash incentives. If the partner, on the other hand, has any queries, Partner asks the in-charge to resolve the matter.

After all those steps, the final copy of Alternative Cash Incentives Certificate is prepared as per Bangladesh Bank's Circulars. For every single application, a separate certificate is prepared. Finally the concerned Partner of the firm issues those Cash Incentive Certificates by duly signing on it. The format of Alternative Cash Incentives Certificate as per the attachment "KA, KHA, GA, GHA" as follows:

Certificate

Applicant M/S _____ exported through export L/C number _____ dated _____ for USD _____ vide EXP number _____ of AB Bank Limited, Principal Branch, Dhaka, containing export value of USD _____ against which USD _____ has been repatriated on USD _____ and cash incentive claim is Tk. _____

Amount repayable as per ToR after audit is Tk. _____ only which is hereby certified to be true and fair.

Signature :

Date :

Name of the Partner :

Name and Address of the Audit Firm:

The Certificate is Submitted to the Bank

After that, 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 certified amount will be paid to the applicant provided that sufficient fund is available.

Audit fees provided cash Incentive each file's by bank:

Particulars	Audit Fees (TK)
Application amount till take 5,00,000	4,000
Application amount above taka 5,00,000 to till taka 10,00,000	5,000
Application amount above taka 10,00,000	7,000

Chapter-5

Analysis of the study

5.1 Matters and documents Checked by the Auditors

Auditor must have to examine the following matter objectives before issuing certificate to the applicants of cash incentive:

- ◆ Verify whether the fabrics are produced by yarn collected from the BTMA member against any back to back L/C documentary collection.
- ◆ Observe whether the name of cash incentive recipient exists in the Back to Back L/C.
- ◆ Whether the documents submitted for availing cash incentive support the information shown in the Utilization Declaration (UD) of the company.
- ◆ Whether the information disclosed in the application of cash incentive facility is as per the documents submitted for cash incentive purpose.
- ◆ Verify whether the Proceeds Realization Certificate (PRC) is certified by the authorized persons of the negotiating bank duly.
- ◆ Verify whether the value received as per Proceeds Realization Certificate (PRC) disagrees with the Export Value as per the Export Invoices submitted for cash.
- ◆ Incentive purpose.
- ◆ If it disagrees, ensure that the difference is not more than 10% of the Export Value.
- ◆ If the difference is more than 10%, we have to qualify the case.
- ◆ Verify the correctness of the value and quality of exported goods and check them against the production capacity of the production unit.
- ◆ Verify whether the applied within the specific time and according to all the conditions required by the Bangladesh Bank Circulars applicable for that time to be fulfilled.
- ◆ Ensure that the amount applied for as cash incentive is calculated using the appropriate rate that was effective on the date shipment of the export.

- ◆ Verify whether all the documents, certificates, etc.; which are stated in the various sections of the application are attached with the application and whether they are valid.
- ◆ Factory visited by auditors ensure the physical existence of the machineries that were mentioned in the “List of Machineries” submitted with the application.
- ◆ In the Factory Visit, the auditor can observe the production register to evaluate the production capacity of the factory, take a physical count of different machineries operating in the production process, go through different bills (Telephone, Electricity, Gas) to confirm the “Ownership” of the factory.

5.2 Bangladesh Bank’s saving by the Appointing External Auditors

The cash incentive scheme was first introduced in 1986 as “Cash Compensatory Scheme” (CCS). At that time there was no requirement of the 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) to the negotiating bank. Here the audit work was done by the Bangladesh Bank appointed the auditor’s in the negotiating bank to audit the cash incentive cases.

In this section, nine companies were shown how much cash incentive collects by both bank-client and another audit fees:

Composite Sectors:

1. Auto Tex Fabrics Ltd.
2. Iren Knitwear Ltd.
3. Knit Asia Limited
4. M.P.L Wear Limited

Auto Tex Fabrics Ltd.

5-Suzat Nagar, Pallabi, Mirpur-12, Dhaka-1216.

S. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation(TK)	Certified by Audit (TK)	Audit Fees (TK)
1	M180534	16100	48611	47605	4,000
2	99210DL25955504	39317	118552	118552	4,000
3	99210DL25955505	65669	199266	199266	4,000
4	00347MA009650	36006	109756	109756	4,000
5	DCTA0211253	104338	318590	318590	4,000
6	00051011095975	173448.47	439881	439881	4,000
7	99210DL259969195	145320	349237	349237	4,000
Total =			1583893	1582887	28,000

Irene Knitwear Ltd.

13, Dailla, Demra, Dhaka

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation(TK)	Certified by Audit (TK)	Audit Fees (Tk)
1	43CR269594	48846.50	139740	139051	4000
2	DKC/IKL/001/2013	1360959.36	1262613	1262613	7000
3	958CIM7004286	30661.80	47493	47493	4000
4	009831543863	27029.25	84848	84848	4000
5	315011795676-L	101259.18	286640	286640	4000
6	H4807CI000468/13	71005.74	111668	74621	4000
Total =			1933002	1895266	27000

Knit Asia Limited

Shafipur, Kaliakoir, Gazipur.

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation(TK)	Certified by Audit (TK)	Audit Fees (Tk)
1	5473557318	238590	415134	414347	5000
3	DCHMN312893	22504.20	43785	25648	4000
4	00180010017011A1	259260	622103	622103	5000
5	KAL-2/2013/001/TEX-ASS	206616.51	360016	357810	4000
Total =			1441038	1419908	18000

M.P.L Wear Limited

Kendua, Kanchon, Rupgonj

Narayangonj, Bangladesh.

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation(TK)	Certified by Audit (TK)	Audit Fees (Tk)
1	DC HT0312623	93337.52	224970	176151	4000
2	092653LI00270	326441.55	612177	466853	5000
3	OSHKHOS/MASCO/001/13	188218.85	273656	268288	4000
Total =			1110803	911292	13000

Jute Sectors:

- i. M/S. Afil Jute Weaving Mills Ltd.
- ii. M/S. Rupali Bangla Jute Mills Ltd.

M/s. Afil Jute Weaving Mills Ltd.

Sharsa, Jeasore.

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation(TK)	Certified by Audit (TK)	Audit Fees
1	Cont: PC/MIXL/AJWML/SAC/FT/EXP-340/12	148000	712620	712620	5000
2	LC-121014LCS	113680	728248	728248	5000
3	MIXL/BBMB/ECPJ-278/12	860000	577200	577200	5000
4	SLP/141112/5	265300	315583	315583	4,000
5	AEC/IMAF/23/12-13	36907.5	294405	294405	4,000
6	MIXL/BBMB/ECPJ-318/13	860000	456136	456136	4,000
Total =			3084192	3084192	27,000

M/S. Rupali Bangla Jute Mills Ltd

Rabipur, Birol, Dinajpur

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation(TK)	Certified by Audit (TK)	Audit Fees
1	ADX-RBJ/009/13	403200	765312	765312	5000
2	ADX-RBJ/001/Y/13	10950	61856	61856	4000
3	ADX-RBJ/008/13	324000	821142	821142	5000
4	00308010025857	41760	318988	318988	4,000
5	ADX-RBJ/009/13	403200	611635	611635	5000
6	ADX-RBJ/009/13	403200	305433	305433	4,000
Total =			2884366	2884366	27000

Fabrics Sector:

- i. Shanta Expressions Ltd.

M/s. Shanta Expressions Ltd.

Kakil Shatish, Mudafa, Badam

Road, Tongi, Gazipur.

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation (TK)	Certified by Audit (TK)	Audit Fees (TK)
1	LCI13060758	319830	684640	684640	5,000
2	LCI13050591 & LCI13050624	109350 &128625	478488	247163 & 231325	4,000
3	LCI13070916 & LCI13070925	143100 &143910	737519	626561	5,000
4	LIN/SEL/01/2013	149675	282423	95568 & 129824	4,000
Total =			2183070	2015081	18,000

Agro Sector:

- i) Danish Foods Limited.
- ii) Monsur General Trading Company Ltd.

Danish Foods Limited

Shimrall, Narayangonj, Bangladesh.

Sl. No.	TT No.	L/C Value (USD)	Bank Calculation (TK)	Certified by Audit (TK)	Audit Fees (TK)
1	PON/126118821; PON/127654892 & PON/128130715	20570;5000; 5000 &10570	295261	295261	4,000
2	PON/124660515 & PON/122895156	15161; 10161 & 5000	196090	196090	4,000
Total =			491351	491351	8000

Monsur General Trading Company Ltd.

21, Madan Saha Lane

Sutrapur, Dhaka-1100.

Sl. No.	L/C No. Contract No.	L/C Value (USD)	Bank Calculation (TK)	Certified by Audit (TK)	Audit Fees (TK)
1	01/2013	1000000	448922	448922	4000
Total =			448922	448922	4000

Bangladesh Bank provided by certified audit amount and client AB Bank Ltd. Pay audit fees:

Sl. No.	Company Name	Certified by Audit (TK)	Audit Fees (TK)
1.	Auto Tex Fabrics Ltd.	1582887	28,000
2.	Iren Knitwear Ltd.	1895266	27000
3.	Knit Asia	1419908	18000
4.	M.P.L Wear Limited	911292	13000
5.	Afil Jute Weaving Mills Ltd.	3084192	27,000
6.	Rupali Bangla Jute Mills Ltd.	2884366	27000
7.	Shanta Expressions Ltd.	2015081	18,000
8.	Danish Foods Limited.	491351	8000
9.	Monsur General Trading Company Ltd.	448922	4000
Total =		14733265	170,000

5.3 Audit Delay in Carrying out Cash Incentive Work

Audit delay is the most common phenomena in Cash Incentive Audit. At the beginning of audit, audit firm gets a forwarding letter from the particular bank. After that, audit work will have to complete within seven days (as per Bangladesh Bank circular). If the firm cannot accomplish audit within seven days then it will be called audit.

Audit delay does not occur because of the negligence of the auditors. It is because of insufficiency of necessary documents given by applicants. Auditor firstly verify the document and given queries list if there is any (Appendix-1, 2, 3) missing of documents.

Generally applicant makes delay to submit the documents written in the queries list. As a result auditors take time to provide certificate.

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

- Ø Certificate of Cash Assistance by BTMA (Bangladesh Textile Mills Association), BJMC (Bangladesh Jute Mills Association), *Bangladesh Frozen Foods Exporters Association* (BFMEA), BKMEA (Bangladesh Knitwear Manufacturers & Exporters Association), BPFMEA (*Bangladesh Pet Flakes Manufacturers & Exporters Association*)
- Ø Bill of lading
- Ø Bill of Entry (commercial invoice) etc.

In case of the selected nine companies, Audit delay has been occurred in different time duration and all of the cases, clients are the liable for that.

Rate of Wastage:

According to Bangladesh Bank BRPD Circular no. 3 dated 24 January, maximum wastage rate would be 16%. Wastage verification is very much important for the auditor because exporter sometimes sells the produced garments\fabrics locally those are shown as wastage. Bangladesh Bank does not allow the exporter selling the produced goods in the local market.

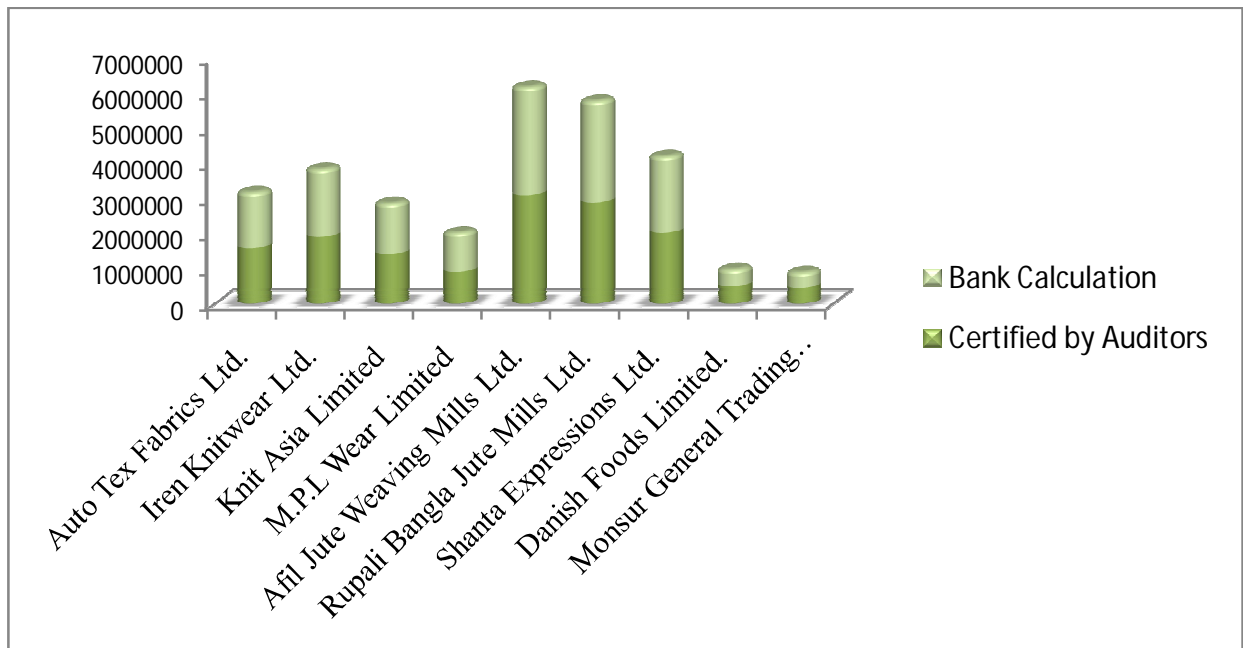
Rate of Wastage in Different Sector

Sector	Rate of Wastage
Composite	16%
Fabrics	7%

Comparison Bank Calculation with Audited Amount

Name of Companies	Bank Calculation (1)	Certified by Auditors (2)	BB's Save 3 =(1-2)	Audit Fees (4)
Auto Tex Fabrics Ltd.	1583893	1582887	1006	28,000
Iren Knitwear Ltd.	1933002	1895266	37736	27000
Knit Asia Limited	1441038	1419908	21130	18000
M.P.L Wear Limited	1110803	911292	199511	13000
Afil Jute Weaving Mills Ltd.	3084192	3084192	0	27,000
Rupali Bangla Jute Mills Ltd.	2884366	2884366	0	27000
Shanta Expressions Ltd.	2183070	2015081	167989	18,000
Danish Foods Limited.	491351	491351	0	8000
Monsur General Trading Company Ltd.	448922	448922	0	4000
Total	15160637	14733265	427372	170,000
BB's Net Save (Loss) (3-4) = 257,372				

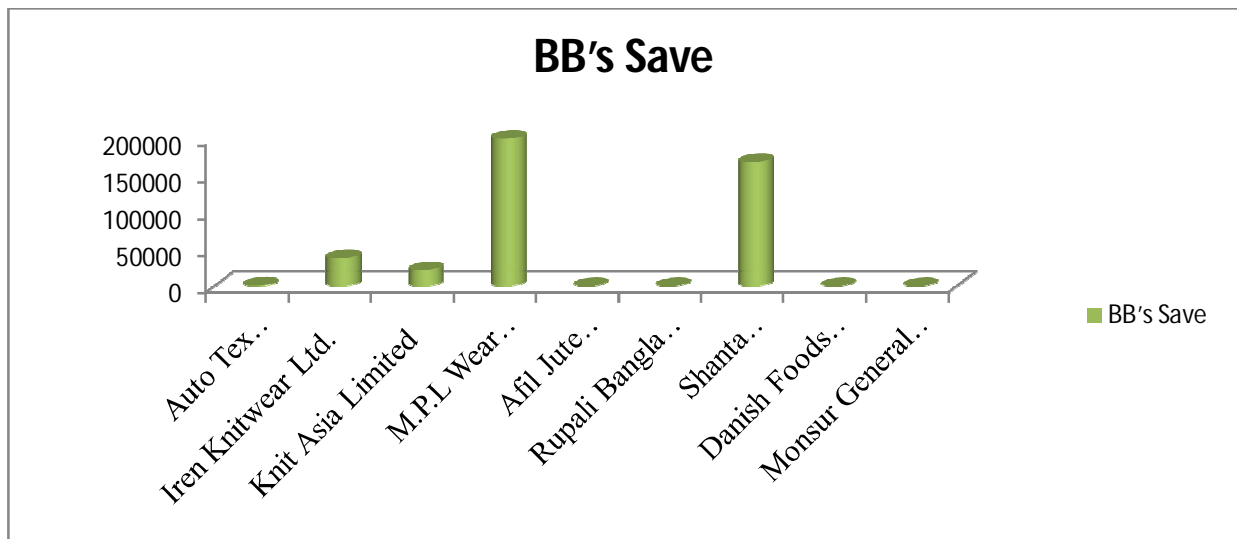
The cash incentive amount comparison bank with auditor



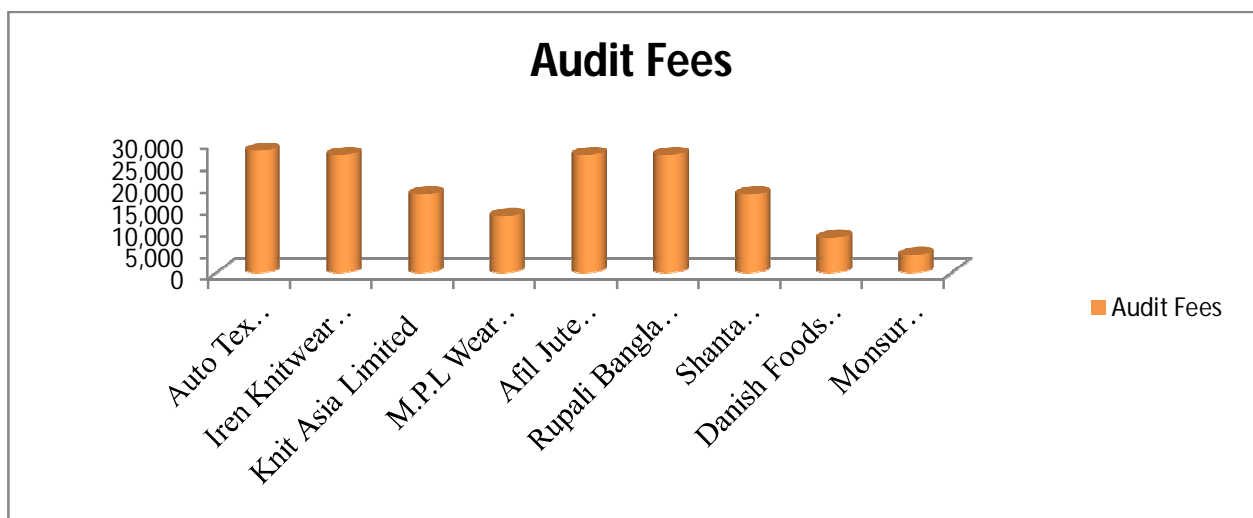
According to the above bar diagram, most of the bank calculations are the same as audited calculations. Unfortunately, bank calculations, in case of Irene Knitwear Ltd, M.P.L Wear Ltd., and Shanta Expressions Ltd. are higher than audited calculations. Auditors can save public money in case of the above reasons. Auditor’s calculations cannot be higher than bank calculations.

Comparison between BB’s Save and Audit Fees

Graph: 01



Graph: 02



BB's Save in Irene Knitwear Ltd., Knit Asia Ltd., M.P.L Wear Ltd., Shanta Expressions is higher than other companies. On the other hand, audit fees are very lower than BB's Save for those companies. Remaining respective companies, audit fees are higher than BB's Save. After that, Auditors can save BB's Money.

Most of the cases, BB's Save is higher than audit fees or summation of all the savings are greater than the audit fees

Chapter-6

Concluding Part

6.1 Findings

Internship program provided many opportunities to learn many things from different situations in join with ACNABIN. As a result, much learning was learnt from internship program. At the eleventh hour of the report, some observations are discussed below

1. It is found that the papers provided by the client are not always appropriate.
2. At times, auditor has to check the files according to the client's choice.
3. It is also found that external auditors are contributing a lot to protect the mistreatment of government money.
4. For this study, nine companies have been taken as sample that results in Tk. 257372 Savings of Bangladesh Bank.
5. ACNABIN follows the rules and regulation of Bangladesh Bank Circular in case of Cash Incentive Files.
6. The auditors are sometimes biased by their clients to furnish the incentive files according to the client's calculation amount.
7. Auditors go for factory visit after fixation of a date.
8. Although auditors are not complying 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 those issues do not provide any evidence that the applicants are getting more benefits for the cash assistance.

6.2 Recommendations

Cash incentive files audited by independent auditors play an important role to promote export and to protect the misuse of public money. Cash incentive audits are not free from problems. All of those problems can be solved by the Bangladesh Bank through various circulars and sincerity of Auditors, Banks and beneficiaries. Many problems during the study period were faced and those can be solved in the following ways:

- ◆ Sometimes, the client of the bank provides inappropriate documents. It wastes valuable times of auditors. So, the applicants should deliver appropriate documents.
- ◆ In a few cases, auditors are to check all the cash incentive related documents in case of authoritative client. But, it should be avoided by an auditor.
- ◆ Sometimes, the auditors are biased by the clients to equip the incentive files according to the client's calculation amount. As per audit rules, auditors should drop out of those client's files.
- ◆ Auditors should not visit exporters' factory by fixing date with the exporter. If they do so, it can help the exporters to manipulate their documents and information.
- ◆ Delay audit can assist beneficiary to make false documents for cash incentive. In that case, auditors should confirm from the bank whether all the documents submitted by the applicants are true or not. After getting conformation, auditors should start audit work in order to execute audit work within 7 (seven) days.
- ◆ Exporter's bank should not be given the power for everything because bank always wants to retain its existing clients and also try to attract new clients. Moreover, it sometimes attests all the documents of the client without checking its legality.

6.3 Conclusion

Cash incentive is the assistance in the form of “cash” given to any party on its fulfillment of certain conditions. It plays an important role in our economic development. It is a matter of joy that a remarkable change has been seen in the composite, jute, fish sector and other different sector of Bangladesh. Number of mills and factories has increased. However, a lot of spinning mills & jute mills have been established recently even though Bangladesh is not a product of cotton. All of those progresses are results of cash incentive. In view of above mentioned facts, it can be comparatively said that cash incentive is a fair as well as a rewarding venture of GOB for promoting the export of that particular sector.

It can be conjectured that cash incentive, in the quota-free world may act as a channel in the global market. In this regard, RMG Sector contributes vastly other than sectors. The association between cash incentive and export of composite is greatly positive signifying apart from few misuses. Independent external auditors are considerably reducing that mistreat of Government Fund.

Auditing for cash incentive files is needed to save public money. In the absence of independent audit of cash incentive files, deserving exporters will be deprived of taking cash incentive in which bogus exporters will enjoy the benefits of cash incentive.

Exports from Bangladesh are increasing enormously day by day. On the other hand, cash incentives are not increasing according to the export growing. It is known to all that now Bangladesh’s economy depends on industries advancement. In that case, BB should concentrate in cash incentive for growing exports. So Bangladesh Bank, Auditors, Bankers and all other associated personnel who are related in this aspect have to extend the helping hands for solving it.

6.4 References

1. Karmaker. S.C. (2004) Impact of cash incentive Scheme of Bangladesh Government on export promotion: An assessment. The Journal of Cost and Management Accountants (December-2004): 22 to 29 pages.
2. “The importance of Cash Incentive Audit in the Composite Sector: A Study on ACNABIN, Chartered Accountants Firm” – Maria Khanam.
3. “Cash Incentive Audit in the Garments Sector of Bangladesh: Lessons from ACNABIN (Chartered Accountants Firm)” – Airin Jahan
4. [Www. Bangladesh-bank.org](http://www.Bangladesh-bank.org)
5. [Www. Acnabin-bd.com](http://www.Acnabin-bd.com)

6.5 Appendices

Appendix-1

Checklist for Alternative Cash Assistance Files (form KA)

Serial no	Description	Remarks (Yes/No)
1.	Applied in the right form	
2.	Applied within 180 days of realization	
3.	Attested copy of master L/C or contract	
4.	Attested export invoice, bills of lading, EXP form, bill of entry	
5.	Export amount, EXP no, L/C no confirmed from export invoice	
6.	Freight certificate – if prepaid	
7.	Original PRC issued for cash assistant purpose	
8.	Confirmed that realized amount is not less than 90% of the export amount	
9.	Check PRC register	
10.	Certificate of Association	
11.	Capacity checked	
12.	Physical verification of the factory is done	
13.	OD sight rate checked	
14.	Bank calculation checked	

Appendix-2

Checklist for Alternative Cash Assistance Files (form KHA)

Serial No	Description	Remarks (Yes/No)
1.	Applied in the right form (KHA)	
2.	Applied within 180 days of realization date	
3.	Attested copy of master L/C or contract	
4.	In case of transfer of L/C, the transfer has been authorized by beneficiary and its bank	
5.	Attested export invoice, packing list, shipping bill, bills of lading, EXP form bill of export found	
6.	Export amount, EXP no, L/C no confirmed from export invoice	
7.	Short shipment certificate if any	
8.	Freight certificate – if prepaid	
9.	Original PRC issued for cash assistant purpose from Bank	
10.	Attested copy of BTB L/C opened against master L/C	
11.	Beneficiary certificate of yarn supplier	
12.	BTMA certificate for cash assistance/GSP purpose	
13.	Confirmed that the date of delivery is not before the date of GP-2 in BTMA	
14.	Confirmed the date of delivery in BTMA in that of in BTMA	
15.	150 Stamp given by party for cash incentive	
16.	BKMA/BGMA certificate for yarn	
17.	Wastage checked	
18.	All the documentation as mentioned in application form is found and checked the authentication	
19.	Cash incentive payable has been calculated correctly, considering the instruction given by BB	
20.	OD sight rate checked	
21.	Bank calculation sheet	
22.	Party declaration for taking cash incentive	
23.	Forwarding given by party to the bank	
24.	Proforma Invoice	

Appendix-3

Checklist for Alternative Cash Assistance Files (form GA/GHA)

Serial No	Description	Remarks (Yes/No)
1.	Applied in the right form	
2.	Applied within 180 days of realization	
3.	Attested copy of master L/C or contract	
4.	In case of transfer of L/C, the transfer has been authorized by beneficiary and its bank	
5.	Attested export invoice, bills of lading, EXP form bill of export found	
6.	Export amount, EXP no, L/C no confirmed from export invoice	
7.	Short shipment certificate	
8.	Freight certificate – if prepaid	
9.	Original PRC issued for cash assistant purpose	
10.	Confirmed that realized amount is not less than 90% of the export amount	
11.	Check EXP from BB return	
12.	Check PRC register	
13.	Attested copy of BTB L/C opened against master L/C	
14.	Cash incentive receiver's name found and confirmed in BTB L/C	
15.	Beneficiary certificate of yarn supplier	
16.	BTMA certificate for cash assistance purpose	
17.	Confirmed that the date of delivery is not before the date of GP-2 in BTMA	
18.	Confirmed the date of delivery in BTMA in that of in BTMA	
19.	Obtained composite certificate	
20.	Capacity checked	
21.	Wastage checked	
22.	All the documentation as mentioned in application form is found and checked the authentication	
23.	Physical verification of the factory is done	
24.	Cash incentive payable has been calculated correctly, considering the instruction given by BB	
25.	OD sight rate checked	
26.	Bank calculation correct	

Appendix-4

Bangladesh Bank circular in 2012-2013 provided by that type of percent cash incentive below:

Se. No.	Particular Product	Percentage
1	Readymade Garment (composite) alternative provided cash incentive	5%
2	Sugar wastage & Hogla pata alternative provided cash incentive	15 to 20%
3	Agro product and agro process product alternative provided cash incentive	20%
4	Bone powder export alternative provided cash incentive	15%
5	Light engineering product alternative provided cash incentive	10%
7	100% Hallal meat export alternative provided cash incentive	20%
8	Frozen shrimp & other fish export to alternative provided cash incentive	7.5%
9	Lather type product alternative provided cash incentive	15%
10	Ship export alternative provided cash incentive	5%
11	New market exploration alternative provided cash incentive(outside USA, Canada, EU)	2%
12	Textile Sector Small and medium alternative provided cash incentive	5%
13	Potato export sector alternative provided cash incentive	20%
14	Pet Bottle & Flakes sector alternative provided cash incentive	10%
15	Jute product sector alternative provided cash incentive	
	Jute Product	10%
	Jute Thread	7.5%

Appendix-5



AB Bank Limited Cash Incentives

Party Name : M/s.
Office :
Factory :
Branch Name :

Check List of Physical Visit of Factory

SL #	Description	Yes	No	Remarks
1.	Factory Ownership documents			
2.	Factory Signboard			
3.	BTMA Membership Certificate			
4.	Bank Account Holder			
5.	Factory Inspection Certificate(Authority)			
6.	BKMEA Membership Certificate			
7.	Frozen Foods Association Certificate			
8.	Board of Investment (BOI)			
9.	FIRE License			
10.	Trade License			
11.	Certificate of Incorporation			
12.	VAT Registration Certificate			
13.	MRR (Material Receiving Report)			
14.	Daily Production Register/Report			
15.	Machinery List			
16.	Bond License			
17.	Gate Pass (GP) Register maintain in storekeeper			
18.	TIN Certificate			
19.	GAS and Electricity Bill			
20.	Environment Certificate			
21.	Export Status			
22.	IRC Certificate			
23.	ERC Certificate			
24.	Knitting Machine List if any			
25.	Dyeing Machine List if any			
26.	Composite Certificate			
27.	Deed (Rent)			

SL #	Particulars	Yes	No	Remarks
1.	Machineries are set up in proper place			
2.	Existence of machineries are compare with certificate of BOI			
3.	Daily production capacity compare with machine capacity			
4.	Percentage of weaving capacity of respected exportable items			
5.	Existing machineries are workable			
6.	Partial production of exportable items			
7.	Composite Garments			
8.	Readymade Garments			

Signed by Auditor

Signed by Authority

Appendix-6

Abbreviations

BB	Bangladesh Bank
BGMEA	Bangladesh Garments Manufacturers and Exports Associations
BOI	Board of Investment
BRPD	Banking Regulatory Policy Department
BSA	Bangladesh Standards on Auditing
BTB	Back to Back L/C
BTMA	Bangladesh Textile Mills Association
C & F	Clearing and Forwarding
EPB	Export Promotion Bureau
ERC	Export Registration Certificate
FE	Foreign Exchange
GOB	Government of Bangladesh
LC	Letter of Credit
PRC	Proceeds Realization Certificate
RMG	Readymade Garments
TIN	Tax Identification Number
TOR	Terms of Reference
UD	Utilization Declaration
VAT	Value Added Tax