



ACNABIN
Chartered Accountants

“Audit procedures of a Chartered Accountant Firm- A Study on ACNABIN”



Internship Report

On

“Audit procedures of a Chartered Accountant

Firm-

A Study on ACNABIN”



Prepared Under the Supervision of

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(Major in Accounting)

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Date of Submission: 24 September 2014



LETTER OF TRANSMITTAL

24 September, 2014

Sayed Farrukh Ahmed

Assistant Professor

Faculty of Business & Economics

Daffodil International University

Subject: Submission of Internship Report

Dear Sir,

With due respect and great pleasure I am submitting my internship report on **Audit Procedures followed by ACNABIN & Co, Chartered Accountants**. Three month internship program was a great experience to me as it provided me with wide exposure to the professional environment. The title of my report is “**Audit Procedures of a Chartered Accountant Firm – A Study on ACNABIN**”. My main focus of the study is to find out the external audit procedure which is followed by ACNABIN. The report is prepared under your supervision and respectfully acknowledges your guidance and help. I will be glad to clarify any queries regarding this report.

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

I, therefore, hope your kind humane and consideration.

Sincerely yours,

.....

Md Jahidul Islam

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BBA, 27th Batch

(Major in Accounting)

Department of Business Administration

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Letter of Approval

This is to certify that Md. Jahidul Islam, ID.103-11-1732, a student of Daffodil International University of BBA program has completed the internship report titled “ **Audit procedures of a Chartered Accountant Firm - A study on ACNABIN**” ,under my supervision. His internship placement was at ACNABIN Chartered Accountant Firm. I am pleased to state that he has worked hard in preparing this report and he has been able to present a good picture of the concerned organization. The data and findings presented in the report seem to be authentic.

I wish his every success in life.

.....

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



ACKNOWLEDGEMENT

First, I would like to express my deepest gratitude to almighty Allah for giving me the strength and the composure to finish the report.

At the very outset, I would like to express my sincere thanks and gratitude towards Mr. Masum Iqbal, Head of department of Business Administration & Mr. Sayed Maruf Reza, Assistant Professor & coordinator of career Development centre, Daffodil International University for allowing me to join “ACNABIN” as an intern.

I am profoundly indebted to my supervisor Mr. Sayed Farrukh Ahmed, Assistant professor, Faculty of Business & economics, Daffodil International University and my supervisor at ACNABIN Chartered Accountant firm is Md. Rokonzaman, FCA, partner, for their kind cooperation. They guided me in the right direction that helped me enormously in preparing this report efficiently. They provided overall guidance, support and assistance to the development of work plan and report outline, data analysis, and writing of this report. Both of them carefully reviewed the draft report and made valuable comments and suggestions that were very helpful for restructuring and finalizing the report. I acknowledge their contribution and thank both of them.

The intelligence, expertise, and labor of all the staff members of ACNABIN worked behind this study and invaluable contribution to its success. I take this privilege to thank them all. Without their support I was not be able to prepare this report. In this regard, I want to thank my in charges of different audit engagements Md. Mahedi Hasan (Deputy Manager), Raju Ahmed Khan and Jhirul Islam for their wonderful support and contributions. All of them extended support towards the successful writing of this report by affording me their valuable time. I owe my profound indebtedness to all of them.

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 above.



EXECUTIVE SUMMARY

This report is titled “**Audit Procedures of a Chartered Accountant Firm – A Study on ACNABIN**” is an outcome of BBA internship program. This report contains the details of the audit practice followed by ACNABIN.

I have divided this report into seven sections. First section contains the background of the study. Section two will depict a clean picture of ACNABIN. In section three I have organized and discussed all my knowledge that I have gathered about auditing during my studies at the Department of Business Administration, Daffodil International University. Section four will provide the details of the overall audit procedures of ACNABIN. In section five, I have made a comparison between the Audit Procedures followed by ACNABIN and Emile Woolf’s Chronological Sequences of Audit Procedures. Section six contains the problems that I have identified to carry out audit engagement in ACNABIN and some recommendations to minimize such problems. In section seven, I have drawn an overall conclusion.



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Section - 1

Study Background



1.1 INTRODUCTION:

In today's world academic education is not adequate to enable a student to compete with confidence and reach his/her goal without having experience with the outside world. In order to have an idea and gain experiences, we, the students of Faculty of Business & Economics, Daffodil International University have to undertake three month internship program at any organization.

As a part of my BBA Program, the three month internship program gave me the opportunity to have a practical knowledge on auditing procedure. The assignment was how a chartered accountancy firm performs an audit and also to gain a knowledge and practical experience on how audit work is performed in corporations, companies and non-profit making organizations.

To face much more complex and challenging business world in the challenging business areas, practical knowledge is essential to expand our theoretical base. To gather this practical knowledge, we were forwarded different organization after completing BBA Program. As I have an intention to become a chartered accountant, I was forwarded to ACNABIN, a prominent chartered accountancy firm in Bangladesh.

This study gave me an opportunity to observe and perform real world knowledge about the audit procedure, which is followed by the chartered accountancy firm. In the internship period I could relate the theoretical knowledge of auditing to practical exposure.

1.2 Origin of the Report:

The internship program is mandatory requirement for the student who are graduating from the BBA program under the faculty of Business & Economics of Daffodil International University.

In the internship program I was engaged in a host firm named ACNABIN & CO. for three month period. I have learned how an audit is conducted. I also learned about the audit procedures of ACNABIN firm and how the engagement is done in case of an annual audit.



As a result I have decided to write a report about the audit procedures of ACNABIN & CO from practical knowledge that I have observed.

1.3 OBJECTIVES OF THE STUDY:

- ❖ To have an overall idea about the audit procedures of ACNABIN & CO.
- ❖ To gain practical knowledge and experience on how ACNABIN & CO performs an audit and how audit work is performed in corporations, companies and non-profit making organizations.
- ❖ To identify about how to accumulate and process evidences to make an audit report.

1.4 SCOPE OF 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:

- a) Background of the host organization and also their position.
- b) Audit procedure, which is followed by the organization for performing any audit.
- c) Nature and importance of it has depicted in this study.
- d) Audit methodology of the firm, which is followed by the organization for performing any audit.
- e) Audit administration of the firm, which is followed by the organization for performing any audit.

1.5 METHODOLOGY OF COLLECTION OF INFORMATION

In order to prepare the assigned project paper I have collected necessary information from two types of source as follows:

- 1) Primary sources information.
- 2) Secondary sources information.



Primary sources information

1. I have collected primary information by working with different audit team.
2. Discussing with engagement partner, audit manager, audit staff and articled student.

Secondary sources information

1. I have also collected secondary information like annual audit report, management audit report, accounting system & audit working papers.
2. The information was obtained from various corresponding files of the firm.

1.6 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 limitation of the study. These limitations are as follows:

- a) Scheduled time span was not sufficient to cover all information.
- b) As an independent audit firm the information of the case study is not adequate for this study.
- c) To some extent the exact audit procedure is not followed due to time and other constrains.
- d) As the internship was the first practical experience, it was not possible for me to know all and everything of audit procedure.



Section - 2

Organization's Profile



Firm’s Profile

2.1 PROFILE OF THE FIRM

Name of the Audit Firm :	ACNABIN Chartered Accountants
Date of Establishment :	15 th February, 1985
Address of the firm, Telephone, Fax & E-Mail:	BDBL Bhaban (13 th Floor) 12, Kawran Bazar Commercial Area Dhaka-1215, Bangladesh Phone: 880-2-8144347-52 Fax #: 880-2-8144353-54 E-Mail: <acnabin@bangla.net> Web site: www.acnabin-bd.com.

2.2 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 six 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.

2.3 ASSOCIATIONS:

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

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

2.4 MEMBERSHIP:

ACNABIN is the member of:

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



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, and
- ◆ Consultancy Services.

2.5 EXISTING PARTNERS AND THEIR AREA OF SPECIALIZATION:

Name	Office	Area of Professional	
		Primary	Secondary
ABM Azizuddin	Dhaka Office	Audit	Consultancy
Mohammad Nurun Nabi	Dhaka Office	Audit	Consultancy
Iftekhhar Hossain	Dhaka Office	Consultancy	Audit
ATMA Bari	Dhaka Office	Tax	Audit
A.S.M Nayeem	Dhaka Office	Audit	Tax
M. Moniruzzaman	Dhaka Office	Audit/Tax	Consultancy
Md. Mominul Karim	Dhaka Office	Audit	Consultancy
Md. Rokonuzzaman	Dhaka Office	Audit	Consultancy
Md. Reajul Islam	Dhaka Office	Tax	
Muhammad Aminul Haque	Dhaka Office	Audit & Assurance	Consultancy

2.6 EXTERNAL ACTIVITIES OF THE PARTNERS

Mr. ABM Azizuddin, FCA, one of the founder partners was the President of The Institute of Chartered Accountants of Bangladesh (1990) and presently a council member and the Chairman of Board of Studies. Three other partners are involved in different committees of the Institutes. MR. Iftekhhar Hossain is now working as administrative partner of ACNABIN.



2.7 ACHIEVEMENT OF FIRMS:

(i) 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.

(ii) 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).

(iii) 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.

(iv) 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.

(v) 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**

2.8 HUMAN RESOURCES:

Sl. #	Personnel	Number
01.	Partners	10
02.	Professional Staff:	
	- Senior Director-Taxation	1
	- Director-Audit & Consultancy (Chartered Accountant)	1
	- Manager-Audit & Consultancy (Chartered Accountant)	2
	- Manager-Taxation & Corporate Affairs (Chartered Accountant)	2
	- Deputy Manager-Taxation & Corporate Affairs	2
	- Deputy Manager-Audit & Consultancy	8
	- Senior Assistant Manager-Audit & Consultancy	4
	- Senior Assistant Manager-Taxation & Corporate Affairs	1
	- Assistant Manager-Audit & Consultancy	3
	- Assistant Manager-Taxation & Corporate Affairs	3
	- Executive and Junior Executive-Audit, Consultancy & Taxation	3
03.	Articled Students	172
04.	Interns	30
05.	Supporting Staff	30
	Total	272

2.9 LOGISTIC SUPPORT:

List of important industries in which the firm has experience

1. Banks,
2. Micro-Finance Institution (MFI),
3. Non-Government Organization (NGO),
4. Donor funded projects e.g. projects funded by USAID, CIDA, DFID, NORDA, SIDA



5. Multi-National Companies.

At present ACNABIN have 120+ audit clients. As one of the top four firms in Bangladesh ACNABIN have audit clients of all type, e.g. public, private, governmental, profit/non-profit organizations. ACNABIN have several clients with international operations.

2.10 SERVICES OFFERED COVER THE FOLLOWING AREAS:

- ❖ Management consultation/development
- ❖ Statutory audit
- ❖ 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.

2.11 ANALYSIS OF TOTAL PRACTICE TURNOVER:

Audit	40%
Accounts preparation (including data processing and book-keeping)	5%
Tax	20%
Financial Advisory Services	20%
Management Advisory Services	15%
Total	100%



Section - 3

Literature Review



3.1 DEFINITION OF AUDITING:

Arens and Loebbecke, 1998 defines Auditing as:

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

This definition includes several key words and phrases. To understand the definition, different terms are discussed below:

- **Competent, Independent Person:**

The auditor must be qualified to understand the criteria used and competent to know the types and amount of evidence to accumulate to reach the proper conclusion after the evidence has been examined.

The auditor must also have an independent mental attitude. It does little good to have a competent person who is biased performing the evidence accumulation when unbiased information and objective thinking are needed for the judgments and decisions to be made. Independence cannot be absolute by any means, but it must be a goal that is worked toward; and it can be achieved to a certain degree.

- **Accumulating and Evaluating Evidence:**

Evidence is defined as any information used by the auditor to determine whether the quantifiable information being audited is stated in accordance with the established criteria.

Evidence takes many different forms, including oral testimony of the auditee (client), written communication with outsiders, and observation by the auditor. It is important to obtain sufficient quality and volume of evidence to satisfy the audit objectives. The process of determining the amount of evidence necessary and evaluating whether the quantifiable information corresponds to the established criteria is a critical task for every auditor.



- **Quantifiable Information and Established Criteria:**

To do an audit, there must be information in a verifiable form and some standards (criteria) by which the auditor can evaluate the information.

Quantifiable information can and does take many forms. It is possible to audit such thing as a company's financial statements, the amount of time it takes an employee to complete an assigned task, the total cost of a government construction contract, and an individual's tax return.

The criteria for evaluating quantitative information can also vary considerably. For example, in auditing a vendor's invoice for the acquisition of raw materials, it is possible to determine whether materials of the quantity and stated description were actually received, whether the proper raw material was acquired considering the production needs of the company, or whether the price charged for the goods was reasonable. The criteria used depend upon the objectives of the audit.

- **Economic Entity:**

Whenever an audit is conducted, the scope of the auditor's responsibility must be made clear. The primary method involves defining the economic entity and the time period.

In most instances the economic entity is also a legal entity, such as a corporation, unit of government, partnership, or proprietorship. In some cases, however, the entity is defined as a division, a department, or even an individual.

The time period for conducting an audit is typically one year, but there is also audits for a month, a quarter, several years, and in some cases the lifetime of an entity.

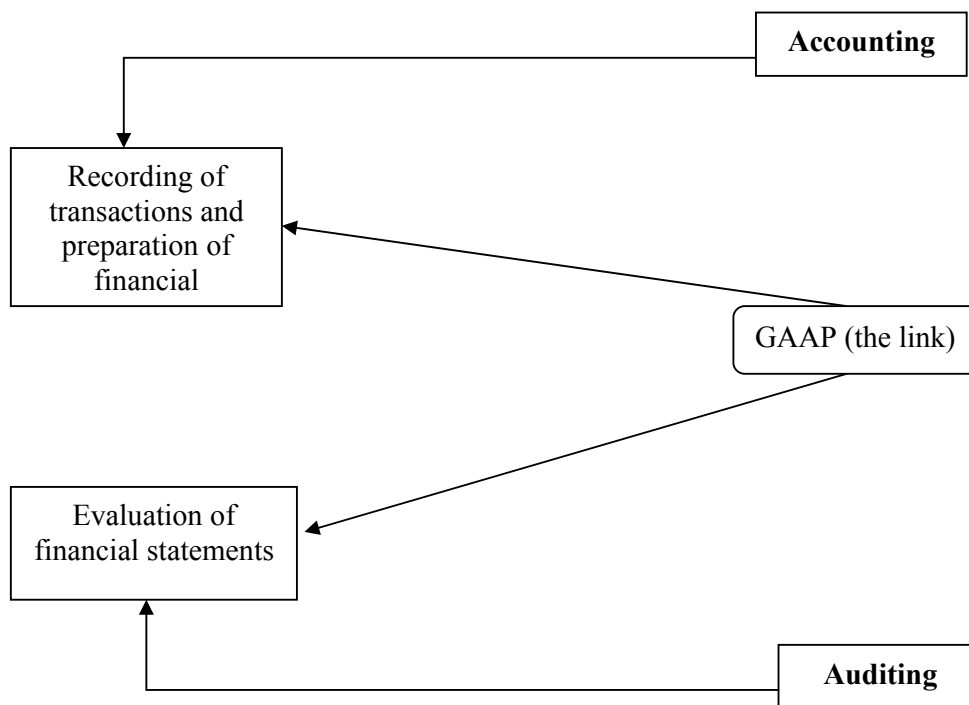
- **Reporting:**

The final stage in the audit process is the audit report – the communication of the findings to users. Reports differ in nature, but in all cases they must inform readers of the degree of correspondence between quantifiable information and established criteria.



3.2 DISTINCTION BETWEEN AUDITING AND ACCOUNTING:

Many financial statements users and members of the general public confuse auditing with accounting. The confusion results because most auditing is concerned with accounting information, and many auditors have considerable expertise in accounting matters. Although auditing and accounting are related, they are distinct from each other.



Accounting and Auditing Contrast

(Larry F. Konarth, “Auditing: A Risk Analysis Approach”)

Accounting involves collecting, summarizing, reporting, and interpreting financial data. Accounting is the process of recording, classifying, and summarizing economic events in a logical manner for the purpose of providing financial information for decision making. The function of accounting, to an entity and a society as a whole, is to provide certain types of quantitative information that management and others can use to make decisions.



To provide relevant information, accountants must have a thorough understanding of the principles and rules that provides the basis for preparing the accounting information. In addition, accountants must develop a system to make sure that the entity’s economic events are properly recorded on a timely basis and at a reasonable cost.

Auditing, by contrast, utilizes the theory of evidence – in much the same way as does the legal profession – to verify the overall reasonableness (fairness) of the financial statements presented. In auditing accounting data, the concern is with determining whether recorded information properly reflects the economic events that occurred during the accounting period. Since the accounting rules are the criteria for evaluating whether the accounting information is properly recorded, any auditor involved with these data must also thoroughly understand the rules. In the context of the audit of financial statements, these are generally accepted accounting principles (GAAP).

3.3 TYPES OF AUDIT:

There are various types of audit. Such as:

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

a) Operational Audit:

Operational Audit refers to the study of business operations for the purpose of making recommendations about the economic and efficient use of resources, effective achievement of business objectives and compliance with company policies.

At the completion of an operational audit, recommendations to management for improving operations are normally expected. The goal of operational audit is to help managers to discharge their management responsibilities and improve profitability.



b) Compliance Audit:

Management often wants to know whether its organizational policies are being complied with or whether external mandates are being met.

The purpose of a compliance audit is to determine whether the auditee is following specific procedures or rules set down by some higher authority.

Results of compliance audits are generally reported to someone within the organizational unit being audited rather than to a broad spectrum of users. Management, as opposed to outside users, is the primary group concern with the extent of compliance with certain prescribed procedures and regulations. Hence a significant portion of work of this type is done by auditors employed by the organizational units themselves.

Compliance audit involves:

1. Examining transactions and detailed records, and
2. Identifying weaknesses.

c) Audit of Financial Statements:

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

An audit of financial statements is conducted to determine whether the overall financial statements – the quantifiable information being verified – are stated in accordance with specific criteria. The financial statements most commonly included are the statement of financial position, income statement and statement of cash flow, including accompanying footnotes.

The assumption underlying an audit of financial statements is that they will be used by different groups for different purposes. Therefore, it is more efficient to have one auditor perform an audit and draw conclusion that can be relied upon by all users than to have each user perform his or her own audit.



d) Internal Audit:

Internal audit is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal audit furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

Internal audit is practiced by auditors employed by an organization, such as a bank, hospital, city government, or industrial company. The Institute of Internal Auditors is the international organization that governs the standards, continuing education, and general rules of conduct for internal auditors as a profession.

e) Interim Audit:

Interim audit refers to the procedures applied prior to the client's year end, primarily for the purpose of lowering the assessed risk level. The interim audit phase consists of resting the client's internal accounting controls and performing substantive tests of transactions. Interim audit procedures performed several weeks or months before the balance sheet date.

In recent years, certain changes in the information processing environment have begun to alter the traditional approach to the interim audit. Instead of testing the internal control procedures during a single interim time period, auditors are applying these tests, along with tests of selected transactions, at frequent intervals throughout the year. This sometimes referred to as Continuous Audit. This type of audit is especially applicable to those clients with sophisticated computer based accounting applications.

f) Performance Audit:

Performance audits address the economy, efficiency, and program results of a reporting unit. Economy and efficiency audits are performed to determine whether management's objectives are being achieved and to identify opportunities and develop recommendations for improvements. Program audit includes determining (1) the extent to which the desired results or benefits established by the legislature or other organizing body are being achieved, (2) the effectiveness of organizations, programs, activities, or functions, and (3) whether the entity has complied with laws and regulations applicable to the program.



g) Governmental Audit:

Governmental audit may be defined as testing and reporting on conformity with laws and regulations relating to recipients of federal financial assistance. Governmental audit refers to the independent auditor’s responsibility for determining compliance with laws and regulations when engaged in audits of state and local governmental units, as well as other not-for-profit entities, that are the recipients of federal finance assistance.

Governmental auditors are employed by various state, local, and federal agencies. The work performed by these auditors’ ranges from a internal audits of a specific agency to audits of other governmental units to audits of reports furnished to the government by outside organizations.

3.4 AICPA GENERALLY ACCEPTED AUDITING STANDARDS:

Auditing standards are general guidelines to aid auditors in fulfilling their professional responsibilities in the audit of historical financial statements. They include consideration of professional qualities such as competence and independence, reporting requirements, and evidence.

The broadest guidelines available are the ten Generally Accepted Auditing Standards (GAAS). These standards were developed by the AICPA in 1947, they have, with minimal changes, remained the same. These standards are not sufficiently specific to provide any meaningful guide to practitioners, but they do represent a framework upon which the AICPA can provide interpretations.

The ten Generally Accepted Auditing Standards are as follows:

General Standards

1. The audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
2. In all matters relating to the assignment, independence in mental attitude is to be maintained by the auditor or auditors.
3. Due professional care is to be exercised in the performance of the audit and the preparation of the report.

Field Work Standards



1. The work is to be adequately planned, and assistants, if any, are to be properly supervised.
2. A sufficient Understanding of the internal control structure is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.
3. Sufficient competent evidential matter is to be obtained through inspection, observations, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

Reporting Standards

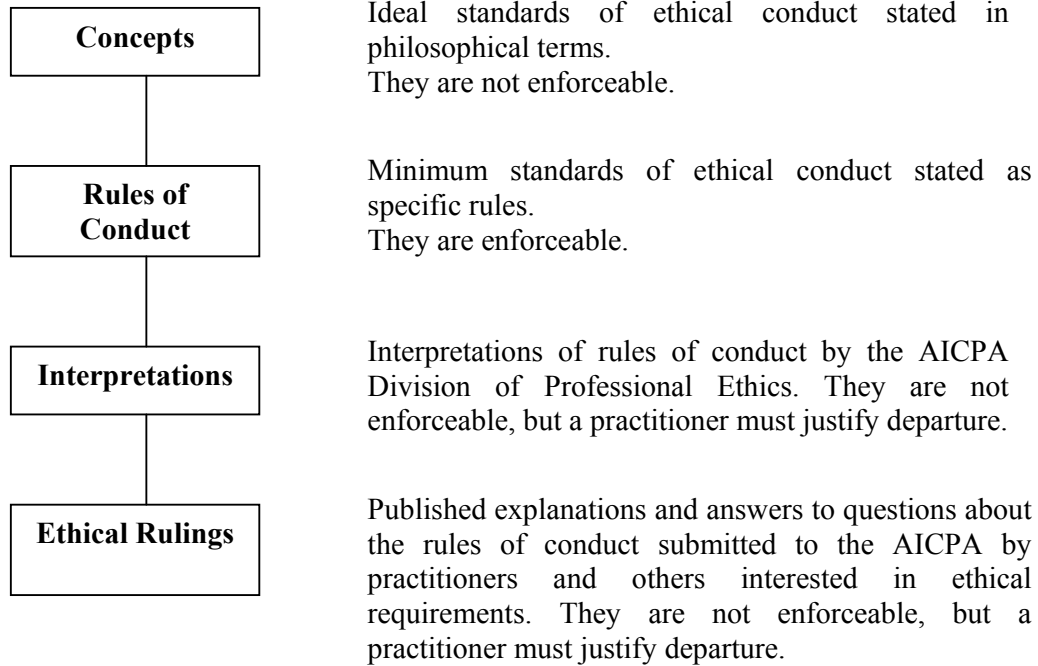
1. The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP).
2. The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.

3.5 PROFESSIONAL CONDUCT:

The AICPA Code of Professional Conduct (the Code) consists of four components. The principles provide the ethical concepts on which the Rules of Conduct are based as well as the standards for meeting the public trust. The principles provide the broadest framework for professional conduct and should be the highest guide for professional action. Auditors should always look first to the principles for professional guidance. The rules are only guides to help accomplish the broad principles of the profession.



AICPA Code of Professional Conduct



3.5.1 AICPA Principles of Professional Conduct:

The principles provide the ethical concepts on which the Rules of Conduct are based as well as the standards for meeting the public trust. The principles provide the broadest framework for professional conduct and should be the highest guide for professional action. Auditors should always look first to the principles for professional guidance. The principles are as follows:

Responsibilities:

In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities.

Public Interest:

Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.



Integrity:

To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

Objectivity and independence:

A member should maintain objectivity and be free of conflicts in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services.

Due care:

A member should observe the profession’s technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member’s ability.

Scope and nature of services:

A member in public practice should observe the principles of the Code of Professional Conduct in determining the scope and nature of services to be provided.

3.6 AUDIT RISKS:

The auditor should obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. The auditor should use professional judgment to assess audit risk and to design audit procedures to ensure it is reduced to an acceptably low level.

Audit risk is defined as “the risk that the auditor may unknowingly fail to appropriately modify his/her opinion on financial statements that are materially misstated”. So audit risk is the risk that the auditor gives an inappropriate audit opinion when the financial statements are materially misstated. Audit risk has three components:

- **“Inherent risk”** is the susceptibility of an account balance or class of transactions misstatement that could be material, individually or when aggregated with misstatements in other balances or classes, assuming that there were no related internal controls.



- **“Control risk”** is the risk that a misstatement that could occur in an account balance or class of transactions and that could be material individually or when aggregated with misstatements in other balances or classes, will not be prevented or detected and corrected on a timely basis by the accounting and internal control systems.
- **“Detection risk”** is the risk that an auditor’s substantive procedures will not detect a misstatement that exists in an account balance or class of transactions that could be material, individually or when aggregated with misstatements in other balances or classes.

3.7 Audit Evidence:

Audit evidence consists of those facts and inferences that influence the auditor’s mind with respect to financial presentation.

The collective purpose of all audit procedures is to gather sufficient competent evidence to form an opinion on the fairness of the financial statements taken as a whole.

Characteristics of Audit Evidence:

It is important that the auditor appreciate the different characteristics of audit evidence and the reliance that can be placed on each type. Audit evidence can be characterized as:

1. Generated and held by the client.
2. Received from outside parties and held by the client.
3. Received directly by the auditor by independent means or from independent or quasi-independent parties.

Means of Gathering Audit Evidence:

Generally evidence gathering techniques can be put into the following categories:

1. Observation
2. Confirmation
3. Calculation
4. Analysis
5. Inquiry
6. Comparison.

For the audit of certain accounts, it is possible that all seven techniques will be used.



Section - 4

Audit Procedures Followed by ACNABIN



4.1 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:**

4 (four) 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:

- i. 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.
- ii. Client sends appointment letter.
- iii. 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.



4.2 AUDIT PROCEDURES FOLLOWED BY ACNABIN

ACNABIN follows BAKER TILLY International 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). ACNABIN also seeks to provide auditing and business consultancy services that are innovative, efficient and most importantly responsive to their 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



BAKER TILLY INTERNATIONAL AUDIT PROCESS

(This is followed by ACNABIN)

IDENTITY OVERALL GOALS				
Efficiency	Opinion on financial statements			Client Value
	Errors	Irregularities	Going Concern	

GATHER & EVALUATE INITIAL INFORMATION	
<input type="checkbox"/> Understand the business <input type="checkbox"/> Consider internal control structure	<input type="checkbox"/> Identify client expectation <input type="checkbox"/> Consider materiality

ASSESS GENERAL RISKS	
<input type="checkbox"/> Consider impact of pervasive factor <input type="checkbox"/> Establish overall audit approach	<input type="checkbox"/> Decide co-ordination and timing

ASSESS ACCOUNT-SPECIFIC RISKS	
<input type="checkbox"/> Identify accounts and transactions to be addressed <input type="checkbox"/> Identify types of financial statement misstatements <input type="checkbox"/> Identify risk indicators	<input type="checkbox"/> Select mitigating controls upon which reliance will be placed <input type="checkbox"/> Develop procedures to test mitigating controls <input type="checkbox"/> Assess remaining risk to be addressed by substantive tests.

DEVELOP EFFECTIVE AND EFFICIENT AUDIT PLAN/WORK PROGRAM	
<input type="checkbox"/> Test of controls	<input type="checkbox"/> Substantive test

CONDUCT AUDIT TESTING	
<input type="checkbox"/> Test of controls	<input type="checkbox"/> Substantive test



4.2.1 IDENTIFY FIRM’S OVERALL GOALS

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

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

❖ **Errors**

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

- a) mistakes in gathering or processing accounting data from which financial statements are prepared.
- b) incorrect accounting estimates arising from oversight or misinterpretation of facts and;
- c) mistakes in the application of accounting principles relating to amount, classification, manner of presentation or disclosure.

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

- **Existence or occurrence.** Assets or liabilities of the entity exist at a given date and recorded transactions have occurred during a given period.
- **Completeness.** All transactions and accounts that should be presented in the financial statements are so included.
- **Accuracy.** Transactions and account balances are accurately recorded.



- ❑ **Valuation.** Assets are stated at realizable value, and liabilities are stated at expected settlement amounts.
- ❑ **Rights and obligation.** Assets are the rights of the entity and liabilities are the obligations of the entity at a given date.
- ❑ **Presentations and disclosure** Particular components of the financial statements are properly classified, described and disclosed.

❖ **Irregularities and other matters**

Irregularities are intentional misstatements or omission of amounts or disclosures in financial statements, including fraudulent financial reporting and misappropriation of assets. So there is always a risk that material irregularities may occur and not be detected. This risk is increased by the possibility of management’s override of internal controls, collusion, forgery, or unrecorded transactions. Thus, while the audit team is required to design the audit to provide reasonable assurance of detection of material misstatements regarding irregularities, the following matters must be considered by the In-charge of the audit team:

- Detection of Material Irregularities
- Detection of Material Misstatements resulting from illegal acts having a direct effect on the Financial Statements.
- Alertness for the Unsupported Transactions.

❖ **Efficiency**

The audit team should design audit procedures that accomplish the overall goals discussed above in the most efficient manner. Performing an efficient audit involves:

- ❑ Performing front-end risk assessment and planning with adequate partner and manager involvement.
- ❑ Designing the combination of audit procedures based on the risk assessment that will efficiently reduce the risk of undetected material misstatements to an appropriately low level.
- ❑ Assigning work to adequately trained and supervised persons with appropriate experience and skill levels.



❖ **Client Value**

It has long been a tradition of our firm to provide enhanced value to clients as an integral part of our audits. This strategy has allowed us to differentiate our approach from that of other firms. Delivering added value as an integral part of an audit and effectively communicating the added value information to top management, directors etc. is a key factor in building and maintaining a sound client relationship.

Most clients and most of our personnel would agree that we achieve differentiation from other firms and communicate the value of ACNABIN audit by consistently stressing the following:

- ❑ Sound working relationship
- ❑ Understanding our client’s business.

4.2.2 GATHER & EVALUATE INITIAL INFORMATION

After involving with the client, our first task is to collect and evaluate the relevant and necessary information related to the client’s business for the purpose of:

- ◆ Understanding the client’s business
- ◆ Considering the internal control structure
- ◆ Identifying client expectation
- ◆ Considering materiality.

❖ **Understand the client’s business**

Before involving in an audit, the auditor should understand the client business properly. Proper planning and designing of an audit is dependent on proper understanding of client’s business. So after appointing by a client, we, the members of an audit team use various sources to gain an understanding of client business. Differences sources which provide us client’s business information are as follows:

- Annual report
- Minutes
- Internal Reports
- Previous year’s audit Work Papers
- Discussion with client.



❖ **Consider internal control structure**

Every business has some kind of accounting system by which transactions are processed, and records of those transactions maintained. That 'system' should incorporate control features and is normally referred to as the system of 'Internal Control'.

The existence of a reliable system of internal control can be a great help to the auditor, because the objectives of the system should be:

- a) ensuring that the records are complete, accurate and properly authorized;
- b) detecting errors and fraud.

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

So our first task in relation to the client's system of internal control is to ascertain record and evaluate it. Then we can use this knowledge of the client's system to plan his audit tests.

We consider the activities of internal auditing and their effect, if any, on external audit procedures. So we try to:

- **Understand and Assess Internal Auditing**

As external auditors, we should obtain a sufficient understanding of internal audit activities of the client that assists us in planning the audit and developing an effective audit approach. During the course of planning the audit, we should perform a preliminary assessment of the internal audit function when it appears that internal auditing is relevant to the external audit of the financial statements in specific audit areas.

- **Evaluate and Test the Work of Internal Auditing**

To use specific work of internal auditing, we evaluate and test the work of internal auditing to confirm its adequacy for the external auditing purposes.

The evaluation of specific work of internal auditing involves consideration of the adequacy of the scope of work and related programs and whether the preliminary assessment of the internal auditing remains appropriate. This evaluation may include consideration of whether:



- ◆ The work is performed by persons having adequate technical training and proficiency as internal auditors and the work of assistants is properly supervised, reviewed and documented;
- ◆ Sufficient appropriate audit evidence is obtained to afford a reasonable basis for the conclusions reached;
- ◆ Conclusions reached are appropriate in the circumstances and any reports prepared are consistent with the results of the work performed; and
- ◆ Any exceptions or unusual matters disclosed by internal auditing are properly resolved.

The external auditor would record conclusions regarding the specific internal auditing work that has been evaluated and tested.

Appendix-1 contains a form that ACNABIN used to evaluate the internal control structure of the client.

❖ **Identify client expectation**

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

❖ **Consider materiality**

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement.

In designing the audit plan, we establish an acceptable materiality level so as to detect quantitatively material misstatements. However, both the amount (quantity) and nature (quality) of misstatements need to be considered.

Materiality should be considered by the auditor when:

- a. Determining the nature, timing and extent of audit procedures; and
- b. Evaluating the effect of misstatements.



Quantifying Materiality

A common rule of thumb for materiality is 5 to 10 percent of pretax income. Items less than 5 percent are considered immaterial, whereas items that are more than 10 percent are material. For items between 5 and 10 percent, judgment is applied

The blank materiality calculation worksheet attached in **Appendix -2** can be used in different audit work of ACNABIN.

4.2.3 ASSESS GENERAL RISKS

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

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

The assessment of risk is accomplished using a “top-down” approach. The audit team focuses initially on high level information. The nature and extent of documentation will vary significantly based on an entity’s size, complexity, ownership characteristics, and level of risk.

Key Factors

Significant background information and business, economic and industry conditions that provide an indication of the level of risk for an engagement are mentioned in items 1-15 listed below:

1. Understanding client business: Can be obtained from various sources, e.g. annual report, minutes, internal reports, previous year audit work papers, discussion with client;
2. Management’s style, outlook;
3. Significant Current Events and Reporting Issues;
4. Results of Financial Performance Review;
5. Industry Conditions and Issues;
6. Management Control Environment;



7. Accounting System – Policy, Procedure & Manual;
8. Materiality Consideration;
9. Limitations of the engagement, if any, e.g. documents lost, post dated appointment, no inventory, no cash count was done;
10. Processing Methods- The processing methods used by the entity for significant accounting applications;
11. EDP control: The audit team should obtain, analyze and conclude on the appropriate control of EDP hardware, software, data management, and access; input and output verification;
12. Audit Inherent Risks: Audit areas likely to cause problems or require unusual attention, e.g.
 - a) Financial Statements items likely to require adjustments;
 - b) Conditions likely to require modification of audit tests, such as related party transaction, going concern problem or possible fraud;
13. Reports: The kinds of reports to be issued, such as
 - a. Filings with regulatory agencies- NGO Bureau;
 - b. Special Reports- FD4, For USAIDS- OMB A-133, A-128;
 - c. Compliance with contractual provision: USAID terms and conditions;
14. Overall audit approach;
15. Coordination and timing;

The significant risks identified in the process should be summarized in the General Risk Analysis Memorandum that is given in **Appendix-3**.

4.2.4 ACCOUNT-SPECIFIC RISK ANALYSIS

Specific Risk Analysis (SRA) builds on information obtained during General Risk Assessment (GRA) and is completed after consideration of the evaluation of the internal control system. SRA is done to design the nature, and extent of substantive tests on account level. SRA includes three functions-

1. Assess Account Specific Risks:



- i. Identify accounts to be addressed
 - ii. Describe the potential risks/ frauds per GRA -Inherent Risk
 - iii. Describe the potential risks as per SRA assessment -Inherent Risk
 - iv. Determine whether the I/C for those accounts are adequate-
Control Risk (EICS)
 - v. Determine whether to perform test of control or not (EICS)
2. Assess the risk of potential fraud
3. Develop Audit Plan
- i. Select substantive audit procedures- Detection Risk
 - ii. Develop work programs
 - iii. Perform engagement administration

4.2.4.1 At the Account Balance and Class of Transaction

For the account balance and class of transaction level risk assessment the following major account heads should be considered:

- a. Cash
- b. Bank
- c. Inventory
- d. Fixed Assets
- e. Accounts Receivables
- f. Accounts Payables
- g. Revenue
- h. Expense
- i. Payroll
- j. Net Assets, Retained Earnings, or Fund balances
- k. Other Assets
- l. Other Liabilities
- m. Investment
- n. Loan.

We generally assess the risks at account balance level in view of the following items:

- Financial statement accounts likely to be susceptible to misstatement
- The complexity of underlying transactions and other events which might require using the work of an expert.
- The degree of judgment involved in determining account balances.



- Susceptibility of assets to loss or misappropriation.
- The completion of unusual and complex transactions, particularly at or near period end.

4.2.4.2 Audit Risks

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

- (a) The nature of substantive procedures,
- (b) The timing of substantive procedures, and
- (c) The extent of substantive procedure.

Illustration of the Interrelationship of the Components of Audit Risk

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

		Auditor’s assessment of control risk is		
		High	Medium	Low
Auditor’s assessment of inherent risk	High	Lowest	Lower	Medium
	Medium	Lower	Medium	Higher
	Low	Medium	Higher	Highest

The shaded areas in this table relate to detection risk.

4.2.4.3 Consideration of Fraud and Error

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

In planning the audit, the in charge of an audit team discusses with other members of the audit team the susceptibility of the entity to material misstatements in the financial statements resulting from fraud or error.



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

- * Assess the risk of potential fraud
- * Design our audit procedures to respond to identified risks
- * We must consider varying the nature, timing and extent of our work in areas with the most potential for manipulation
- * We need to perform our audit with appropriate professional skepticisms and due processional care.

There are many different ways in which financial statements can be intentionally misstated. We generally consider the following four types:

- * Generating and recognizing revenues where none exists
- * Inappropriate acceleration of revenue recognition
 - * Transactions with related parties valued either below or in excess of equivalent transactions with unrelated parties.
- * Understatement of and shifting of costs and expenses.

4.2.4.4 Inquiries of Management

When planning the audit, we make inquiries of management:

- (a) To obtain an understanding of:
 - i. Management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; and
 - ii. Management has put the accounting and internal control systems in place to address such risk;
- (b) To obtain knowledge of management’s understanding regarding the accounting and internal control system in place to prevent and detect error;
- (c) To determine whether management is aware of any known fraud that has affected the entity or suspected fraud that the entity is investigating; and
- (d) To determine whether management has discovered any material errors.



4.2.4.5 Assessment of Inherent Risk and Control Risk

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

4.2.4.6 Assessment of Detection Risk

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

4.2.4.7 Documentation

If during the performance of the audit, fraud risk factors are identified that cause the auditor to believe that additional audit procedures are necessary, the auditor should document the presence of such risk factors and the auditor’s response to them.

4.2.4.8 Management Representations

The auditor should obtain written representations from management that:

- a. It acknowledges its responsibility for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.
- b. It has disclosed to the auditor the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4.2.4.9 Communication

When the auditor identifies a misstatement resulting from fraud, or a suspected fraud, or error, then auditor’s responsibility is to communicate that to management, those charged with governance and, in some circumstances, to regulatory and enforcement authorities.



4.2.5 DEVELOPMENT OF EFFECTIVE AND EFFICIENT AUDIT PLAN/ WORK PROGRAM

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

In ACNABIN, we use work programs for different types of account head. Work programs were developed for different types of business and for different types of account heads. Usually an audit program contains

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

Work programs help the auditors to ensure the quality of the audit tasks as it provides necessary guidelines about how to carry out their audit tasks and how to analyze all the account heads in a proper way. So when a new student is registered as articled student in ACNABIN, it is the responsibility of managers/supervisors to introduce him/her with different types of work programs.

As the audit proceeds, the in-charge may change, modify or develop a new work program due to changes in the following:

- Client accounting procedures
- Client internal controls
- Unexpected results in the testing.

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

At the completion of the work program the auditor



- Uses a red pencil to show where the work is documented in the work paper reference column.
- Uses a black pencil to write initials in the “By” column.

This process is called “Signing off on the work program”.

4.2.6 CONDUCT AUDIT TESTING

After completing work program, the audit team conducts two types of tests which we mentioned in our earlier discussion. Two tests are:

- Test of Controls
- Substantive Test

4.2.6.1 Test Of Controls:

Based on the GRA, SRA and evaluation of internal control system, we decide whether to perform test of control.

The audit team should test any internal controls upon which reliance is placed to reduce the likelihood of misstatements in the financial statements and the reduced substantive test has been decided.

For the effectiveness and efficiency of audit work, we conduct Test of Control at least in the following three major accounting areas, which in turn will cover most of the account level tests in any client.

Type of Test	Account level test covered
1) Cash Receipts Test	Cash, Bank, Sales, Revenue, Receivables.
2) Cash Disbursement Test	Cash, Bank, Inventory, Purchase, Fixed Assets, Payables, Expenses.
3) Payroll Test	Payroll expenses, cash, bank.

Control Outlines

Items included in the three tests of control forms can be modified to include additional items, to delete some non- applicable items and also to customize the test for each and



every different type of client specific procedures. Following groups of Internal controls may be considered while developing the forms for internal control tests.

- **Authorization controls** are prevention-oriented. That is, they are designed to prevent misstatements from occurring as a result of unauthorized or improperly authorized transactions.
- **Transaction processing controls** are also prevention-oriented. They are designed to prevent misstatements from occurring during the processing of transactions and generally consist of a hierarchy of related controls.
- **Substantiation and evaluation controls** are detection-oriented (i.e., they are designed to detect misstatements that have occurred during processing and ensure that they are corrected). They ordinarily address account balances or groups of transactions rather than individual transactions.
- **Physical safeguard controls** are prevention-oriented and consist of segregation of duties and other techniques to limit access to assets, records, forms, and processing areas and procedures.

4.2.6.2 Substantive Tests

Substantive tests are procedures performed to detect misstatements in financial statement balances. We perform the following two types of Substantive Tests:

- Analytical procedures
- Detail Tests
- Analytical Procedures

“**Analytical procedures**” means the analysis of significant ratios and trends including the resulting investigation of fluctuations and relationships that are inconsistent with other relevant information or deviate from predicted amounts.

Analytical Procedures are the testing of financial information by evaluating actual vs. expected relationships among financial and non-financial data, e.g. utilities, rent, payroll. Analytical procedures may be used as a substantive test of balances and for a final review of year end financial statements.



The auditor should apply analytical procedures at the planning and overall review stages of the audit. Analytical procedures may also be applied at other stages.

Analytical procedures include the consideration of comparisons of the entity’s financial information with, for example:

- Comparable information for prior periods.
- Anticipated results of the entity, such as budgets or forecasts, or expectations of the auditor, such as an estimation of depreciation.
- Similar industry information, such as a comparison of the entity’s ratio of sales to accounts receivable with industry averages or with other entities of comparable size in the same industry.

Analytical procedures also include consideration of relationships:

- Among elements of financial information that would be expected to conform to a predictable pattern based on the entity’s experience, such as gross margin percentages.
- Between financial information and relevant non-financial information, such as payroll costs to number of employees.

We generally apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor’s knowledge of the business.

When analytical procedures identify significant fluctuations or relationships that are inconsistent with other relevant information or that deviate from predicted amounts, we then investigate and obtain adequate explanations and appropriate corroborative evidence.

- **Detail Tests**

Detailed tests may include the following:

- a) Confirmation of third parties- Bank, A/P, A/R
- b) Observation of asset - Inventory count, FA, Cash Count, Payroll cheque distribution
- c) Tests of reconciliation- bank reconciliation, inter-co reconciliation
- d) Analysis of account
- e) Vouching



- f) Exception tests
- g) Cut off tests
- h) Inquire
- i) Valuation tests
- j) Reading of FS
- k) Reading of minute of meeting of stockholder, directors and committee.

Confirmations

The audit team should determine whether the use of external confirmations is necessary to obtain sufficient appropriate audit evidence to support certain financial statement assertions. In making this determination, we consider materiality, the assessed level of inherent and control risk, and how the evidence from other planned audit procedures will reduce audit risk to an acceptably low level for the applicable financial statement assertions.

In some situations, audit evidence from external sources is more reliable than audit evidence generated internally, and that written audit evidence is more reliable than audit evidence in oral form. Accordingly, audit evidence in the form of written responses to confirmation requests received directly by the auditor from third parties who are not related to the entity being audited, when considered individually or cumulatively with audit evidence from other procedures, may assist in reducing audit risk for the related assertions to an acceptably low level.

Examples of accounts receivables, accounts payables and bank balance confirmation form that are used by ACNABIN to confirm the client's balance of various accounts receivables, accounts payables and bank are given in **Appendix-4**.

4.2.7 EVALUATE AND COMMUNICATE AUDIT RESULTS

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

- ◆ **External Report** which is commonly known as the “Auditor’s report”
- ◆ **Internal Report** which is known as “Management Letter”.



We therefore have three areas to deal with:

- the unqualified audit report;
- qualifications in audit reports;
- the management letter (also known as letter of weakness or letter of comment).

4.2.7.1 External Report/ Auditor’s report:

◆ Basic Elements

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

- a. Title;
- b. Addressee;
- c. Opening or introductory paragraph
 - i. Identification of the financial statements audited;
 - ii. A statement of the responsibility of the entity’s management and the responsibility of the auditor;
- d. Scope paragraph (describing the nature of an audit)
 - i. A reference to the BSA;
 - ii. A description of the work the auditor performed;
- e. Opinion paragraph containing
 - i. A reference to the financial reporting framework used to prepare the financial statements: and
 - ii. An expression of opinion on the financial statements;
- f. Date of the report;
- g. Auditor’s address; and
- h. Auditor’s signature.

★ Modified Reports

In addition to unqualified or qualified, we sometimes provide modified audit report. An auditor’s report is considered to be modified in the following situations:



i. Matters That Do Not Affect the Auditor’s Opinion

- a) emphasis of matter

ii. Matters That Do Affect the Auditor’s Opinion

- a) qualified opinion,
- b) disclaimer of opinion, or
- c) adverse opinion.

Matters That Do Not Affect the Auditor’s Opinion

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

- i. a material matter regarding a going concern problem.
- ii. a significant uncertainty (other than a going concern problem)

The addition of such an emphasis of matter paragraph does not affect the auditor’s opinion. The paragraph would preferably be included after the opinion paragraph and would ordinarily refer to the fact that the auditor’s opinion is not qualified in this respect. The addition of a paragraph emphasizing a going concern problem or significant uncertainty is ordinarily adequate to meet the auditor’s reporting responsibilities regarding such matters. However, in extreme cases, such as situations involving multiple uncertainties that are significant to the financial statements, the auditor may consider it appropriate to express a disclaimer of opinion instead of adding an emphasis of matter paragraph.

Matters That Do Affect the Auditor’s Opinion

(Qualifications in audit reports)

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

- a. where there is an uncertainty which prevents the auditor from forming an opinion on a matter (uncertainty); or
- b. where the auditor is able to form an opinion on a matter but this conflicts with the view given by the financial statements (disagreement).



The forms of qualification which should be used in different circumstances are shown below:-

Nature of circumstances	Material	So Material, Fundamental
Uncertainty Disagreement	‘Except for’ opinion	Disclaimer of opinion Adverse opinion

- In a ‘Except for’ opinion the auditor effectively disclaims an opinion on a particular matter which is not considered fundamental or auditor expressed an adverse opinion on a particular mater which is not considered fundamental.
- In a disclaimer of opinion the auditor states that he is unable to form an opinion as to whether the financial statements give a true and fair view.
- In an adverse opinion the auditor states that in his opinion the financial statements do not give a true and fair view.

List of Examples

Forms of qualified audit report

Form

Circumstances, Examples

(i) Uncertainty – material but not fundamental;

1. Except for –scope
2. Except for – scope
3. Except for – inherent uncertainty
4. Except for – inherent uncertainty

- No stock count at a branch
- Acceptance of management assurances (small business)
- Going concern
- Major litigation

(ii) Fundamental

5. Disclaimer – scope
- Accounting breakdown



- | | |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. Disclaimer – scope | Inability to substantiate cash transactions |
| 7. Disclaimer – inherent uncertainty | Valuation of long-term construction contracts |
| (iii) Disagreement – material but not fundamental; | |
| 8. Except – departure from BAS | Failure to apply BAS |
| 9. Except – disagreement as to facts | No provision for doubtful debt. |
| 10. Except – non-compliance with legislation | Company omitted information on overseas associated companies and at date of issue of financial statements has not obtained Department to Trade agreement. |
| (iv) Disagreement – Fundamental; | |
| 11. Adverse – departure from Bangladesh Accounting Standards (BAS). | Long-term contracts carried at cost with no provision made for losses in accordance |
| 12. Adverse – disagreement as to facts | Goodwill no longer justified at balance sheet amount. |
| (v) Disagreement – Fundamental; | |
| 13. Adverse – departure from BAS. | Long-term contracts carried at cost with no provision made for losses in accordance |
| 14. Adverse – disagreement as to facts | Goodwill no longer justified at balance sheet amount. |

4.2.7.2 Internal Report/ Management letter

As a value added service to the client ACNABIN & Co. gives a Management Letter to its audit clients. The main purpose of the letter of management is to draw the attention of management to areas of weakness requiring rectification. It is also possible for the auditor



to suggest areas where economies or improved efficiency are possible. Such a letter is, of course, no substitute for a qualification in the audit report. It will usually deal with matters not serious enough to justify an audit qualification.

Purposes of Management Letter:

- i. The principal purpose of a report to management is to enable the auditor to give his comments on the accounting records, systems and controls that he has examined during the course of his audit. Significant areas of weakness in systems and controls that might lead to material errors should be highlighted and brought to management's attention.
- ii. As a secondary purpose, a letter to management may also be used to provide management with other constructive advice. The auditor might, for example, be able to suggest areas where economies could be made or where resources could be used more efficiently.
- iii. A letter to management is also a useful means of communicating matters that have come to the auditor's attention during the audit that might have an impact on future audits.

Contents:

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

- a) weaknesses in the structure of accounting systems and internal controls;
- b) deficiencies in the operation of accounting systems and internal controls;
- c) unsuitable accounting policies and practices;
- d) Non-compliance with accounting standards or legislation.

Management response

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



Basic Elements of the Management Letter

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

- a) Addressee;
- b) Transmittal Letter
- c) Title;
- d) Background Information
- e) Scope of Work, e.g.
 - i. Compliance;
 - ii. Authorization;
 - iii. Accuracy;
 - iv. Monitoring;
 - v. Safeguarding
- f) Findings: Each finding consists of four different sections, as under:
 - vi. Fact (What it is)
 - vii. Effect (What harm was caused by not complying with the criteria)
 - viii. Recommendation (That corrects the cause and the condition as applicable)
 - ix. Management Response
- g. Date of the report;
- h. Auditor’s address; and
- i. Auditor’s signature.

A form of “Audit Findings & Conclusion Summary” that is provided by ACNABIN to the management of the client is given in **Appendix-5**.



Section - 5

Comparison of ACNABIN's Audit Procedures with Chronological Sequences



5.1 COMPARISON BETWEEN BAKER TILLY INTERNATIONAL AUDIT PROCEDURE (THAT IS FOLLOWED BY ACNABIN) AND CHRONOLOGICAL SEQUENCES OF AN AUDIT ENGAGEMENT DESCRIBED BY EMILE WOOLF:

The main purpose of all audit engagement is more or less same – to provide the audit report to the interested parties on the result of the audit investigation. To achieve this objective, the auditor:

- ❖ Collects necessary and relevant information regarding the client’s business to understand the overall business.
- ❖ Examines client’s financial statements to determine whether they are prepared in accordance with GAAP and whether they give a true and fair view of the client’s business.
- ❖ Provides audit report through which he expresses his opinion.

The audit procedures followed by the auditor to conduct an audit largely dependent on the size, nature, type, complexity and circumstances of the client’s business.

Emile Woolf in his book “Auditing Today” describes an extensive audit procedure which covers more or less all the steps followed by the auditor. Although his audit procedure contains eight stages, but there are basically three main functions:

1. Gather information on background and operational systems of client’s business.
2. Consider and evaluate the internal control and overall security structure of the client’s business to determine the strengths and weaknesses of operational system and what the consequences of weaknesses in major operational areas are.
3. Prepare own (or check client’s) detailed year-end financial statements (P & L A/C, Balance Sheet), form an opinion on the basis of the examination of financial statements and express the opinion to the interested parties in the form of audit report.

Now I try to identify the similarities or differences, if any between Emile Woolf’s “Chronological Sequences of an Audit Procedure” and Baker Tilly International “Audit Procedure” which is followed by ACNABIN.



5.2 Similarities

a) Firm’s Overall Goal:

Baker Tilly International’s Audit Procedure focuses on some factors that need to be considered to achieve firm’s overall goal that is to express an opinion on financial statements. The auditor should concern with:

- Errors
- Irregularities
- Going Concern
- Efficiency
- Client Value.

Emile Woolf’s Chronological Sequence of Audit Procedure does not explicitly focus on such factors. But at the time of designing the nature, timing, and extent of the substantive tests, all these factors must be considered by the auditor.

b) Gather Information:

Auditor gathers and evaluates the background and operational system information of the client’s business to obtain an overall knowledge and understanding of the client’s business and operations. This is common for both the procedures.

c) Consider Internal Control System:

The control system which is established by the management of an organization in order to carry out the business of the organization in an orderly and efficient manner is known as the “Internal Control Systems”.

The existence of a reliable internal control system can be a great help to the auditor. It helps the auditor to:

- i. Identify the strengths and weaknesses in major operational areas.
- ii. Determine whether the transactions are properly authorized and classified..
- iii. Determine whether the records are complete and accurate.
- iv. Detect error and frauds.

Both the audit procedures give importance on the proper understanding and evaluation of the internal control system by the external auditor.



d) Prepare and Execute Audit Program:

Audit Program is a list of procedures that are needed to be performed to conduct the audit. The program may also contain the audit objectives for each area.

The purposes of audit program are:

- i. To establish an orderly and planned approach to an audit
- ii. To record an overview of the client’s accounting procedures and the audit procedures to be performed
- iii. To control how the audit plan works during testing.

e) General Risk Assessment:

General Risk Assessment is primarily an Inherent Risk assessment that is the susceptibility of the financial statements to material error, assuming no internal controls. GRA is performed to assess risk at the financial statement level. The auditor should attempt to predict where errors are most and least likely in the financial statements segments. This information affects the total amount of evidence the auditor is required to accumulate. At the time of assessing general risk, the auditor should consider several major factors:

- ❖ Nature of the client’s business
- ❖ Integrity of management
- ❖ Client motivation
- ❖ Results of previous audits
- ❖ Related parties
- ❖ Dollar amount of account balances
- ❖ Initial versus repeat engagement
- ❖ Susceptibility of defalcation etc.

Both the procedures focus on the assessment of risk at the financial statement level that is the assessment of general risk.



f) Account Specific Risk

Account Specific Risk is analyzed to design the nature and extent of substantive tests on account level which is the process of obtaining evidence in support of transactions and balances. Analysis of Account Specific Risk builds on information obtained during General Risk Assessment (GRA) and is completed after consideration of the evaluation of the internal control system.

For the account balance and class of transaction level risk assessment the following major account heads should be considered:

- a. Cash
- b. Bank
- c. Inventory
- d. Fixed Assets
- e. Accounts Receivables
- f. Accounts Payables
- g. Revenue
- h. Expense
- i. Payroll
- j. Loan
- k. Investment etc.

g) Form and Express an Opinion:

At the last stage of an audit engagement, the auditor forms an opinion on whether the financial statements were prepared in accordance with GAAP and other prescribed policies established by the top management of the organization and expresses his opinion to the interested parties through audit report.



5.3 Differences

a) Engagement Procedure:

Emile Woolf’s Audit Procedure describes thoroughly how to involve with a new client. Auditor needs to achieve ethical clearance from the previous auditor before involving in any audit engagement.

Baker Tilly International’s Audit Procedure does not provide any instruction/ suggestion on how to engage with a client (new or existing client). ACNABIN follows some engagement procedure to engage with a new or existing client but its audit procedure does not include anything about such engagement.

b) Management Letter:

In case of Chronological Sequence of Audit Procedure by Emile Woolf, the auditor provides only audit report to the interested parties who make their economic decision on the basis of such report.

In Baker Tilly International’s Audit Procedure, auditor provides not only audit report to the interested parties but also management letter to the management of the organization. The principal purpose of a report to management is to enable the auditor to give his comments on the accounting records, systems and controls that he has examined during the course of his audit. Management letter helps the management to focus on:

- ❖ Significant areas of weakness in systems and controls that might lead to material errors.
- ❖ Areas where economies could be made or where resources could be used more efficiently.
- ❖ Matters that have come to the auditor's attention during the audit that might have an impact on future audits.



Section - 6

Findings & Recommendation



FINDING NO. 1

Involving in an audit engagement without having proper knowledge of client’s business.

Fact:

In most cases, when the firm gets a new client, partner/partners select one of the managers as the supervisor of the audit team. Then supervisor selects some of the students as the members of the audit team for such audit engagement and the most senior student is selected as the in charge of the team. Sometimes supervisor does not give all the members of the team an overall idea of the client, nature of its business, its operation etc. Only in charge is informed about the client and in charge also does not discuss the details of the client’s business and its nature before going to the client.

Effect:

- a. As the members do not know anything about the client, client’s business, they have to give much time to understand client’s business and then they can start their audit tasks. So the audit tasks take much time.
- b. Because of members’ lacking in knowledge about the client’s business, they sometimes fail to deal with the client and they have to depend on their in charge for doing any audit task.

FINDING NO. 2

Work programs are not followed properly.

Fact:

Work programs contain step by step instructions to carry out the audit work. In ACNABIN, we have separate work programs for different sectors of business. Work programs are also developed for different account heads to make our audit tasks easier. But in most of the cases, work programs are not followed properly. In some cases, we just touch each account head but do not go to the deep of the head to save our time.



Effect:

- a. Because of avoiding work programs, we are not able to obtain proper idea about each account head.
- b. We may sometimes miss some important issues to be discussed.

FINDING NO. 3

Lack of supervision.

Fact:

According to the audit standards, all the audit tasks must be supervised properly. Appropriate supervision ensures the quality of the audit engagement. But practically, this does not happen in ACNABIN. In most of the cases, in charge distributes different account heads to different students and gives them some idea about such heads. But later, in charge does not supervise his juniors' works properly.

Effect:

Juniors may do something wrong or may collect some unnecessary documents, may fail to collect necessary/ required documents and that cannot be checked and corrected because of lack of supervision. As a result, when the partner/partners check the working paper files, junior students have to face some problems.

FINDING NO. 4

Limited time to complete an audit engagement.

Fact:

We have to carry out and complete our audit tasks within a limited time period. Sometimes, Client creates pressure to complete the audit and provide the audit report within very limited time as it he/she has to submit the audit report and audited financial statements to the Stock Exchange or Registrar of Joint Stock Companies (in case of private limited companies) within a fixed date. Sometimes, engagement partner of such engagement also creates pressure to complete audit work as early as possible.



Effect:

Because of time limitation, we complete the audit engagement and provide the audit report very quickly. So, it is not possible to ensure the quality of the audit work. Sometimes some account heads may be untouched.

FINDING NO. 5

Difficulties in obtaining required audit evidences.

Fact:

Auditing standard suggests that sufficient and competent audit evidences must be collected and must be analyzed properly. Because of time limitation, it is not possible to test all the transactions. We identify some transactions having significant amounts or we feel significant, and test them and provide our opinion on the basis of such transactions. So, we try to collect all the evidences related to those transactions. But in some cases, management of clients are not interested or do not want to provide all the necessary or required documents because of their lack of knowledge about audit or they want to hide some illegal or wrong works done by them. Sometimes, we have to wait 2/3 days to get our required documents. Sometimes, client lost the documents that are helpful for our tasks.

Effect:

If the client fails to provide the required and necessary documents, it is difficult for us to give or issue an appropriate audit opinion and provide the appropriate audit report.



Recommendations

- 1.** Before going to the client, supervisor or in charge should give some brief idea about the client’s business to all the members of the audit team.
- 2.** Work programs must be properly introduced to the juniors/ new students and must be followed as much as possible in each audit engagement.
- 3** In charge of an audit team must be ordered and properly instructed to supervise the work of his juniors.
- 4.** An audit team should be given appropriate time (neither much nor less) to carry out the entire audit work properly.
- 5.** Higher authority of the client must order or instruct the management to provide Auditors the required documents



Section - 7

Conclusion



CONCLUSION

Baker Tilly International’s Audit Procedure describes the step by step instructions of a financial statement audit. This procedure is sufficient for ACNABIN. If all these steps are followed properly, it is possible to ensure a proper conduct of financial statement audit. But as I stated above, in some cases the auditors of ACNABIN violates some audit standards and not carry out their audit tasks properly. As a result, the quality of audit work cannot be ensured all the time. But if all theses problems can be removed, ACNABIN & Co. will be able to maintain its present status and improve its position to the client. So all the partners and the articulated students of ACNABIN must be conscious about this matter.



ACNABIN & Co.
Chartered Accountants

Appendix-1

Client.....

Audit Year End.....

Internal Control Evaluation

1.Organization: Management has established and used clearly specified delegation of authority and responsibility	Comments/ Descriptions
2. Segregation of duties: The custodian function, recording function and authorization function has been done by three different individuals.	
3. Physical: Safeguard of assets with a policy, procedure and its practice has been ensured.	
4. Authorization and approval: Transaction authorization & approval by a specified authority.	
5. Arithmetical and accounting: Whether the checking of arithmetical accuracy, reconciliation, correct recording has been ensured.	
6. Personnel: Qualification, training, skill & competency of personnel are adequate.	
7. Supervision: Day to day supervision, review, approval of records, reconciliation, transactions by responsible officials.	
8. Management: Budgetary control and internal audit were properly implemented and practiced.	



Overall conclusion:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; padding: 5px;">Signature _____</td> <td style="width: 40%; padding: 5px;">Date _____</td> </tr> </table>	Signature _____	Date _____
Signature _____	Date _____		

Appendix-2

ACNABIN & CO.
Chartered Accountants

Initials Date

Done by _____

Reviewed by _____

Materiality Worksheet

Client Name.....

Balance Sheet Date.....

- | | | |
|----|------------------------------------------------------------------------------------|-------|
| 1. | Unaudited total assets at balance sheet date | _____ |
| 2. | Unaudited total revenues at balance sheet date | _____ |
| 3. | Select the larger of line 1 or line 2 | _____ |
| 4. | Select a multiplier if audit risk is normal, or, if better than normal, select .01 | _____ |
| 5. | Multiply line 3 by line 4 | _____ |
| 6. | Unaudited pretax income (or equivalent if not a for-profit entity)_ | _____ |
| 7. | Select a multiplier if audit risk is normal, or, if better than normal, select .1 | _____ |
| 8. | Multiply line 6 by line 7 | _____ |



ACNABIN & Co.

Appendix-3

Chartered Accountants

Client.....

Audit Year End.....

Client Profile & General Risk Assessment Memo

Planning/ GRA Item	Effectiveness	Confirmed through the steps	Comments/ Remarks
Understanding Client Business:			
Management’s Style, Outlook:			
Significant Current Events and Reporting Issues:			
Results of Financial Performance Review: Significant or unusual variation, changes from prior years or from industry standards.			
Industry Conditions and Issues:			
Management Control Environment:			
Accounting System:- -Policy -Procedures -Manual Whether maintained, updated and followed			
Materiality Consideration: Conclusion as per worksheet attached			
Limitations of the Engagement, if any			

Signature

Date



Planning/ GRA Item	Effectiveness	Confirmed through the steps	Comments/ Remarks
Accounting Processing Method			
EDP control : EDP hardware, software, data management, whether adequate			
Audit Risks: Audit areas likely to cause problems or require unusual attention- going concern, related party transaction			
Reports: The kinds of Reporting environment			
<p>Conclusion: Overall Audit approach:</p> <p>1) Strong IC/ Test of IC System/ Limited Substantive Tests</p> <p>2) Poor or non-existent IC / Minimal Test of IC System/ Extensive Substantive Tests</p>			<p>-----</p> <p>- Signature</p> <p>-----</p> <p>Date</p>
Coordination and Timing:			



Client Letter Head

Appendix-4

Customer Name.....
Address.....

Sub: Accounts Receivable Confirmation

Dear Sir/ Madam,

In connection with the audit of our financial statements, please confirm directly to our auditors ACNABIN & Co., Chartered Accountants, BDBL Bhaban (13th Floor), 12, Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh the amount of your indebtedness to us which according to our records as of (date) amounted to Tk. -----.

If the amount shown is in agreement with your records. Please check “A” below.

If the amount is not in agreement with your records, please check and complete “B” below.

After checking the appropriate response, please sign and date your reply and mail it directly to our auditors in the enclosed envelope. **DO NOT SEND ANY PAYMENTS** to our auditors.

Very truly yours,

[Client’s Authorized Signature]

A----- The balance above agrees with my records.

B----- my records show a balance of Tk.-----

The difference may be due to the following:

[Signed by]

[Date]



Client Letter Head

Name of client’s seller.....

Address.....

Sub: Accounts Payable Confirmation

Dear Sir/ Madam,

In connection with the audit of our financial statements, please confirm directly to our auditors ACNABIN & Co., Chartered Accountants, BDBLBhaban (13th Floor), 12, Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh the amount of our liability to you as of (date). Please attach a statement of our account due. If no balance is due, please attach a statement of our account showing payments made.

Please mail your reply directly to (name of auditors). A stamped, addressed envelope is enclosed for your convenience.

Very truly yours,

Client’s Authorized Signature -----

Our records indicate that a balance of Tk. -----was from (name of client) at (date).

Date: -----

Signature: -----

Title: -----



STANDARD FORM TO CONFIRM ACCOUNT

BALANCE INFORMATION WITH FINANCIAL INSTITUTIONS

CUSTOMER NAME _____

We have provided to our auditors the following information as of the close of business on _____ 20_____ regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below*. If during the process of completing this confirmation, additional information about other deposit and loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return the form directly to our auditors.

1. At the close of business on the date listed above, our records indicated the following deposit balance(s)

ACCOUNT TYPE	ACCOUNT NO.	INTEREST RATE	BALANCE*

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

ACCOUNT NO. DESCRIPTION	BALANCE	DATE DUE	INTEREST RATE	DATE THROUGH WHICH INTEREST IS PAID	DESCRIPTION OF COLLATERAL

(Customer's Authorized Signature)

(Date)

The information presented above by the customer is in agreement with our records. No other deposit or loan accounts have come to our attention except as noted below.

(Financial Institution Authorized Signature)

(Date)

(Title)

EXCEPTIONS AND/OR COMMENTS

Please return this form directly to our auditors:

*Ordinary, balances are intentionally left blank

ACNABIN & Co.
Chartered Accountants
BSRS Bhaban (13th Floor)
12, Kawran Bazar Commercial Area
Dhaka-1215, Bangladesh



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