

INTERNSHIP REPORT
ON
AUDIT PROCEDURE IN BANGLADESH: A CASE STUDY ON MASIH
MUHITH HAQUE & CO.

Submitted to

Dr. Mohammad Tariq Hasan

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Submitted by

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Trimester: Summer 2021

Date of Submission: April 23, 2022



United International University

LETTER OF TRANSMITTAL

April 23, 2022

Dr. Mohammad Tariq Hasan
Associate Professor
School of Business & Economics
United International University

Subject: Submission of Internship report.

Dear Sir,

It is a pleasure to hand over the report of my internship program to you "**Audit Procedure in Bangladesh: A case study on Masih Muhith Haque & Co.**"

The internship program learned how to work with Masih Muhith Haque & Co. Chartered Accountants staff, which offered me a valuable insight into the workplace. This was quite beneficial in terms of improving and expanding my practical knowledge.

This task has also helped to learn more about audit firms' activities. A chartered accountant's working procedure is included in the report. It was an outstanding achievement for me to work for a firm still considered one of Bangladesh's top firms.

Sincerely,



Ashiqul Islam Anik
Id: 114 162 017
School of Business & Economics
United International University

DECLARATION

I, Ashiqul Islam Anik, at this moment declare that the hand-over internship report title “Audit Procedure in Bangladesh: A case study on Masih Muhith Haque & Co.” was curiously prepared during and after three-month work at Masih Muhith Haque & Co.

I also confirm that Dr. Mohammad Tariq Hasan, Associate Professor, School of Business & Economics has supervised this report. For my academic purpose, I have prepared this report. I have made an effort my level best to prepare and make this report informative & error-free. The experience & information, I have during my internship at MMH, help me to prepare this report.



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ACKNOWLEDGMENT

First and foremost, I like to express my heartfelt appreciation to Mr. Touhid Hossain, Assistant Manager (Audit & Assurance), Masih Muhith Haque & Co., for all of his help and encouragement in completing this report.

Second, I owe respect and gratitude to Dr. Mohammad Tariq Hasan, Associate Professor, United International University's School of Business and Economics, for all of his support, guidance, and direction from the beginning of my work until the end of this internship report.

Last but not least, I'd like to show my thankfulness to Mr. Abdullah Al Imran, Supervisor (Audit & Assurance), Masih Muhith Haque & Co., who has greatly aided me in the compilation of this report by offering me his precious time and guidance, as well as supervising me during my internship duration. He has provided me with a wealth of information, including my report.

Finally, I did like to fleet my deepest gratitude to Almighty Allah for giving me the opportunity, strength, and knowledge necessary to complete this report.

EXECUTIVE SUMMARY

This report has been written to provide the reader with a clear picture of how an audit firm approaches the concept of the audit procedure. Masih Muhith Haque & Co. is a leading Chartered Accountant firm in Bangladesh, offering a wide range of services including statutory audits, consulting, taxes, and more. Masih Muhith Haque & Co was hired by Fountain Garments Manufacturing Ltd. as a junior auditor throughout the internship program. This report is established based on the results of efforts and information gained through work, training, and personal experience. The report **Chapter One** includes an introduction and a description of the report. The background of Masih Muhith Haque & Co. is presented in **Chapter Two** of the paper. In **Chapter Three**, the work experience is briefly explained and an attempt is made to describe the audit system of Bangladesh, which is followed by Masih Muhith Haque & Co. The audit method of Fountain Garments Manufacturing Ltd. is described and a corporate overview is explained in this section. **Chapter Four**, Attempts have been made to focus on some of the results discovered throughout the internship, and some remedies have been described that will alleviate the problems identified in the research. Recommendation and conclusion in **Chapter Five**, an attempt has been made to give a detailed verdict on the report.

Keywords: Audit Procedure, Internal Audit, External Audit, ICAB, Bangladesh

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LIST OF ABBREVIATION

ISA	International Standards on Auditing
BSA	Bangladesh Standards on Auditing
IASs	International Accounting Standards (IASs)
MMH	Masih Muhith Haque & Co.
FCA	Fellow of Chartered Accountants
ICAB	Institute of Chartered Accountants of Bangladesh
BBA	Bachelor of Business Administration
IFRS	International Financial Reporting Standard
BD	Bangladesh
CA	Chartered Accountants

CHAPTER ONE: INTRODUCTION

1.0 Background of the study

To succeed in the current business environment, theoretical understanding is insufficient. Our institution encouraged us to participate in an internship program to bridge the gap between practical and academic knowledge. Internship programs allow students to learn soft skills in a real-world setting and helpful and professional experience. As a result, we must participate in an internship program at any business.

An internship provides a student with the chance to explore numerous career options. After completing Higher Secondary Certificate, always intended to pursue Chartered Accountancy. Slowly but surely, that goal has been tackled with vision and tried to achieve the objective. After completing graduation from United International University, one of the well-known chartered firms in Bangladesh has the opportunity to do an internship program under "Masih Muhith Haque & Co." The internship program allowed to obtain hands-on experience in how an accounting firm operates in the real world. Furthermore, working in a chartered firm That provides services and serves many clients all over Bangladesh is an excellent opportunity. This study helps to learn about and observe auditing procedures. Masih Muhith Haque & Co. assigned as an audit student was given to audit Fountain Manufacturing Garments Ltd, which MMH gave. This report will describe accumulated knowledge and practical expertise in audit procedures.

1.1 Origin of the report

The internship is a compulsory part of the BBA program. The most important thing is that the university authority has included a three-month internship program in the course curriculum after completing the program. Students must work in any bank, financial institution, small business, or other public or private company related to their particular academic requirements. To meet this criterion, Masih Muhith is an intern at Hawk & Co., where there have been several opportunities to gain practical experience in auditing operations. gaining valuable knowledge and experience with auditing in corporations, businesses, and non-profit organizations.

The title of the internship report, "Audit Procedures of Bangladesh a case study on Masih Muhith Haque & Co." based on the practical knowledge and job experience received from the firm. The topic was chosen with the help of the appropriate supervisor. Masih Muhith Haque

& Co. provided the chance to work on the issue for three months. Respected internship supervisor, Mohammad Tariq Hasan, Associate Professor, Department of Accounting & Information Systems, School of Business & Economics, United International University, accepted the subject and permitted to write this report as part of this internship obligation.

1.2 Significances of the report

Each and every internship report is an indispensable element of the BBA program. Because knowledge and learning are enhanced when academic and practical expertise is combined. Internship programs give the students creating contracts and networks. In our daily lives, contact aids in finding a decent job. Every student prepares for the job market in a certain way. Bangladesh, a low-income nation, has many jobless educated graduates. They have been unable to get professional legal expertise in establishing networking systems due to their lack of internship experience.

1.4 The objective of the report

Internship programs are essential to building practical knowledge by linking it to theoretical information acquired throughout the BBA degree. There is a significant distinction into reality and theoretical knowledge. Theoretical aspects are not always relevant in practice. As a result, working in an organization is necessary to reduce the disparity. Furthermore, an internship is a requirement for graduating from United International University.

The following are the goals of these internship placements:

- Internships provide interns their first taste of professional life
- Internships allow us to connect our academic knowledge with real-world experience.
- Internships assist interns in acclimating to the organization's culture.
- Internships serve to build confidence in interns so they can become great employees.
- Internship allows interns to get a broad understanding audit procedure of Masih Muhith & Co Chartered Accountants.
- Internships allow students to obtain real experience with auditing in corporations, businesses, and non-profit organizations.
- Internships assist in determining how to gather and analyze information to build an audit report.

1.5 Methodology of the report

The concept of the internship report gives partial insight into the “Audit procedure in Bangladesh”. The information is collected from two different kinds of sources:



Figure 1

Sources of Information

1.5.1 Primary sources

- Primary information is collected in a way communication with audit teams. Data was gathered from audit managers, audit assistants, and current firm students.
- Various relevant information has been observed and gathered for the internship report.

1.5.2 Secondary sources

- Information gathered from Masih Muhith Haque & Co. audit working papers
- Data was gathered from several publications, books, files, and the Internet. Bangladesh Auditing Standards (BSA) for example.

1.6 Limitations of the report

The report's key objective was to conduct a detailed evaluation of the independent audit procedure. Throughout the internship there were a number of challenges that had to be overcome effectively and successfully. Furthermore, there were some limitations in completing this report. The following are some of the rules:

Time Constraint: Audit procedure has become a significant subject with many complex elements to comprehend. Attempts have been made to present parts of the internship program that have been taught from MMH intern program. As a result, numerous things may be discussed with sufficient time.

Practical limitations: To be a junior student, they have given minimal responsibilities because significant mistakes can be made in delicate situations. As a result, there was a limited understanding of the full auditing process.

Firm's Code of Conduct: To protect the anonymity of my firm and its clients, sharing specific details about the audit procedure is not allowed. As a result, so it was not possible to write everything.

CHAPTER TWO: ORGANIZATIONAL OVERVIEW

2.1 Profile

“Masih Muhith Haque & Co.” Chartered Accountants is a well-known and respected organizational performance firm offering business audit, tax, and management consultancy services. It is thought as one of the best audit firms in Bangladesh due to its professionalism.

Table 1

Organizational Overview

Name of Audit Firm:	<i>Masih Muhith Haque & Co.</i>
Established	1985
Office Address	Main Office: Level 13, UTC Building, 8, Panthapath, Dhaka 1215, Bangladesh Phone: +88-02-9144357
Branch Office	<p>1. Sylhet Office: Protapgor Niloy Mahmudabad, Amborkhana, Sylhet-3100, Bangladesh Phone: +88-0821-715685</p> <p>2. Dhaka (Paltan Office): Baitul Khair Building (8th Floor), 48/A-B Purana Paltan, House Building Road, Dhaka 1000, Bangladesh</p> <p>3. Chattogram Office: Al Madina Tower (8th Floor), 88/89 Agrabad C/A, Chattogram 4100, Bangladesh Phone: +88-031-717376</p>
Name of Partners	<ul style="list-style-type: none"> ▪ Masih Malik Chowdhury, FCA ▪ Muraheb Malik Chowdhury, FCA ▪ SM Atiar Rahaman, FCA ▪ Md. Nazmul Hussain Siddique, FCA ▪ Krishnendu Deb Roy, FCA
Staff Member of Firm	Manager (Audit & Assurance) - 23 Admin Manager- 03 Course Complete Student-20 Article student- 126 Articled in Probation- 21 The staff of Audit – 05 The staff of Office -04

2.2 History

Since 2015, Masih Muhith Haque & Co. has represented RSM in Bangladesh as an independent member firm. RSM is a worldwide leading firm in accounting and auditing, management consulting, tax services, and one of the six most prominent firms globally.



Figure 2

History of MMH

Masih Muhith Haque & Co. were approved as appropriate auditors to do “USAID project” audits in Bangladesh by the regional inspector general of Singapore in 1998. Masih Muhith Haque & Co. operates as a valued adviser to over 550 clients as a dynamic and highly professional certified public accounting and consulting business, assisting with significant operational and individual problems. Masih Muhith Haque & Co. is uniquely positioned to provide customers with high-quality, cost-effective, and practical assistance, including multinational corporations, non-governmental organizations, private businesses, governmental organizations, development partners, and educational institutions. Due to the needs of their clients, Masih Muhith Haque & Co. has effectively developed its management consulting service. Masih Muhith Haque & Co. employs about 160 skilled professionals and 34 non-skilled employees the partners directly supervise.

2.3 Corporate Vision:

The Vision of “Masih Muhith Haque & Co.” as a leading firm ensures “To have a standard of excellence through the highly respected broad community of stakeholders and client.”

2.4 Corporate Mission:

The Mission of “Masih Muhith Haque & Co.” as a leading firm ensures- "To deliver measurable value to our clients through diversified professionals who bring unmatched depth and width of expertise.”

Operational Chart of Firms:

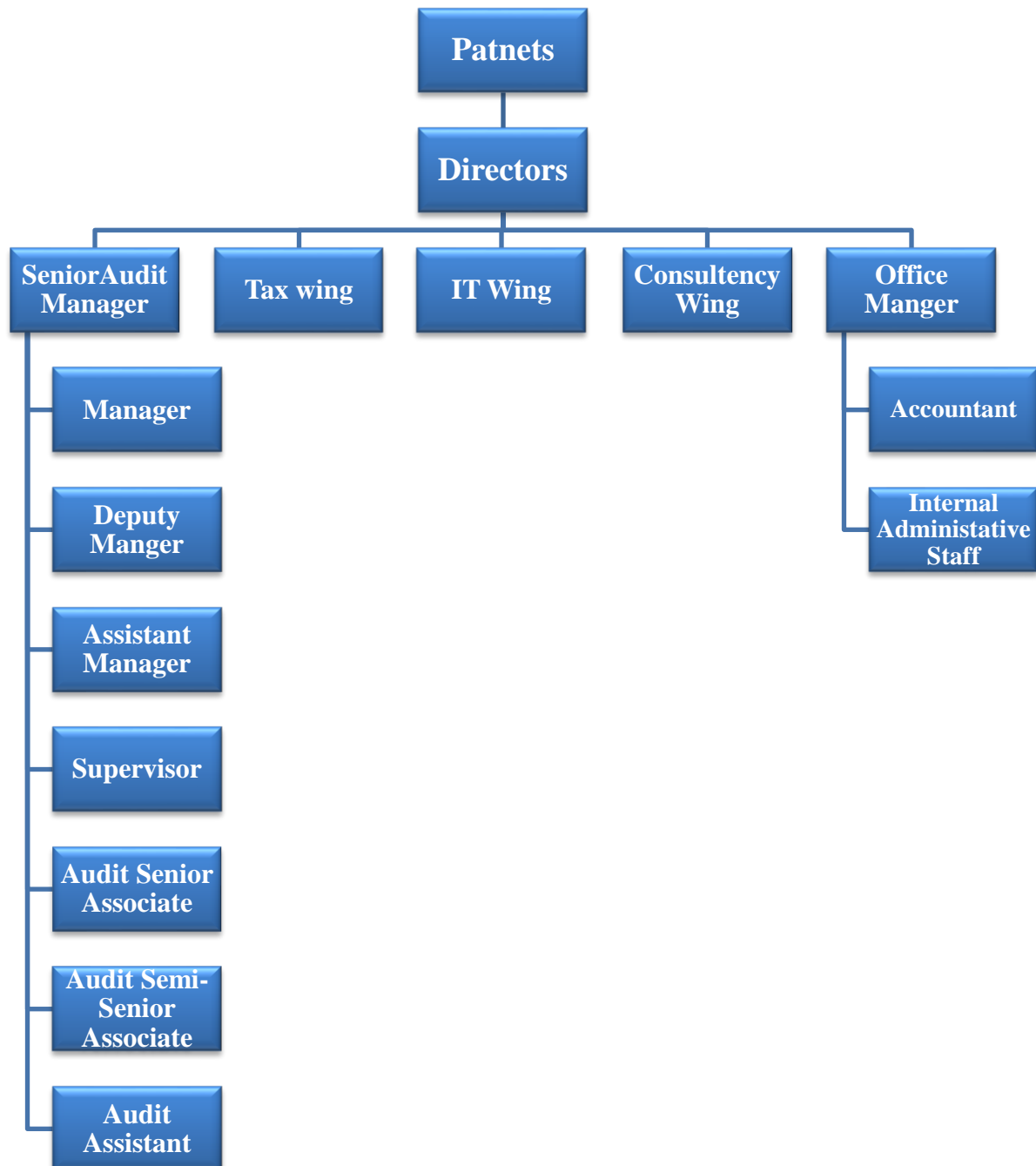


Figure 3

Operational Chart

2.5 Core Value

The firm's devotion to clients is shown in its professional and high-quality service. These fundamental principles reflect our beliefs and the way we do business. We always maintained the following principles in all of our efforts:

- Quality is a must.
- Building competence and confidence for the firm's overall performance;
- Teamwork is an essential aspect of meeting our clients' expectations.
- With everyone, the approach is trusting, respectful, and honest.
- Learning from experience to achieve long-term success.

2.6 Strength

The following are some of the organization's strengths:

- The partners have a combined expertise of more than 20 years in the accounting and consulting fields.
- Staff retention is excellent, while turnover is minimal.
- Professional dedication and morality, and adherence to a code of ethics.
- RSM provides advisory services.
- More than 160 skills combine with specialists from various fields.
- Operating out of three locations, each with its infrastructure.

The following are the operational strengths:

- Understanding the needs and expectations of the customer.
- The partners are in charge of direct monitoring.
- Each job is approached uniquely.
- Complete knowledge of national, regional, international, and professional standards.
- Make use of international standards.
- Training and seminars for continued professional development are provided regularly.

2.7 Core Competence

Masih Muhith Haque & Co. takes pleasure in preserving its integrity and offering customers good value for money services. The key to its success and long-term viability is a solid professional relationship with clients. Masih Muhith Haque & Co. comprises solid academic background and a wide range of expertise earned via international and local exposure. A glimpse of Masih Muhith Haque & Co's strength:

- Extensive corporate governance knowledge combined with social auditing expertise
- LAN assistance from IT
- Dedicated to our profession
- More than 160 professionals from various fields attended.

Masih Muhith Haque & Co. keeps its operations running smoothly by authorizing its staff and promoting cross-functional cooperation, progressive management, continuous process improvement, and workplace diversity.

2.8 Services Provided by MMH

MMH provides a wide variety of services to assist its clients in keeping up with the competitive and fast-paced business environment. Its experience covers various financial, taxes, management, and advising issues. It also assists foreign development organizations and expatriate consultants working on projects in Bangladesh. The following are the most popular service areas:

Table 2

Services provided by MMH

Audit and Assurance	Fiscal and Taxation
<ul style="list-style-type: none">• Statutory/Annual Audit.• Special Purpose Audit/Review.• Agreed Upon Procedures Work.• Negative Assurance.• Interim Review.• Internal Audit.• Operational Audit.• Performance and Compliance Audit.• Corporate Governance.• US GAAP/ UJS GAAS Reporting.• Corporate Governance.• Basel II Implementation.	<ul style="list-style-type: none">• Corporate Tax.• Value Added Tax (VAT).• Other Indirect Tax.• Individual Tax Including Expatriate Tax.• Tax Advisory Services.• Tax Planning & Tax Compliance.• Tax Due Diligence.• Transfer Pricing.

CHAPTER THREE: MY WORKING EXPERIENCE

3.1 Working experience at Masih Muhith Haque & Co.

Masih Muhith Haque & Co had the opportunity to work at on July 15, 2021 to meet the requirements of the bachelor's degree. Got a basic idea of how firm processes work from the start. The manager was kind in providing me with study resources to understand assurance and accounting better. Primary goal was to bridge the gap between theoretical and practical scenarios. It was exasperating for me to study specific books on the first day of job. However, A copy of the annual report of Fountain Garments Manufacturing Limited was provided to try to understand carefully. After carefully reading it, it was discovered that the company had lost money over several years due to high management and administrative costs. However, we could only find one component at first, but we learned a lot more about scanning an annual report as time went on. Went to Fountain Garments Manufacturing Ltd. for an interim audit with two other senior auditors. They help me grasp the company's internal control system. They keep track of their finances using an ERP system. They also tasked me with managing the company's operational and administrative expenses. They also go through everything in detail to do the assignments.

The practical orientation is crucial for the growth and preparation of a person before going into the corporate sector. At Masih Muhith Haque & Co, learned the following thing:

- Meaning of responsibility;
- Accountability to the profession;
- Obligation of commitment;
- Auditing and Reporting responsibilities;
- Working with ethics;
- Working Independently;
- Client dealings;
- Bangladesh accounting standard (BAS);
- International standard of auditing (ISA).
- Punctuality and regularity are essential; and
- Ability to interact with different sorts of people.

3.1.1 Job Description:

From July 15, 2021, till the present, Chartered Accountant Masih Muhith had the opportunity to work as a probationer student entering a chartered accountancy firm called Haque & Co.

3.1.2 Responsibilities:

Since the responsibility of working as a probationary student varies from client to client, responsible only for operational and administrative expenses. As a result, the following are my duties at Fountain Garments Manufacturing Limited:

- From the draft Financial Statements, obtained a schedule of operational and administrative costs compared to General Ledger and Trial Balance.
 - Vertical analysis was completed, and essential spending heads were identified.
 - Vouched with supporting documentation after scanning the ledger for unusual/large transactions (Purchase order, invoice, delivery challan, bank statement, employees' files, and bank payment advice approval statements).
 - TDS and VDS deductions were double-checked.
 - Checked to see whether the cutoff was kept or not.
 - Checked to see whether costs were categorized correctly under the relevant headings
- Kept all of the essential supporting paperwork.

3.2 Audit Procedure of Bangladesh

Every company keeps its internal accounting method. Even notwithstanding they have their accounting system, an independent audit company reviews all of their operations and judgments on the accuracy and fairness of their accounts (Arefin, 2020; Saima, 2020). Furthermore, correctly conducted audits will reveal different issues within the company being audited. Auditors will give an audit report after the audit, indicating whether the firm maintains an honest and fair picture in their reports or not.

3.2.1 Audit process

When auditors examine client records, they follow a set of actions in an organized sequence. The audit process may vary depending on several elements, such as the nature of engagement, the client's audit goals and forms of audit assurance. In addition, the process includes gaining a thorough knowledge of each client's environment, performing the auditing technique and tests, analyzing the audit results, and reporting the findings to self-interested parties (Rahman, 2015).

3.2.2 Audit procedure

An auditor gathers evidence and reviews proof to validate the accounting records' reliability. The inspector has an impact on if the information presented is accurate and consistent. Observing assets to verify their existence and value (e.g., fixed assets), obtaining independent confirmations from external parties (e.g., bank confirmation), evaluating internal control, appraising management's activities, and getting management representations are all examples of auditing procedures. The review program shows the review systems used following an engagement. The work papers show what was proficient throughout the review.

3.2.3 Audit process and procedure standards or guidelines in Bangladesh by ICAB

Institute of Chartered Accountants Bangladesh directed and controlled the firms all over Bangladesh. The ICAB has advised and given the firm various auditing essential subjects. In its Audit Practice Manual, it, like others, has provided auditing processes that an audit company in Bangladesh might follow.

The following summarizes the audit process recommended by the Audit Practice Manual (APM).

1. Planning.
2. Collection of evidence.
3. Controlling and recording.
4. Opinion and review.



Figure 4

Audit Practice Manual

1. Planning:

Before beginning any work, it is critical to plan to achieve goal. However, in professional life, planning is vital. Unless you're fortunate, any job that isn't scheduled will almost certainly go

wrong in some manner. For instance, a project may take too much time to complete without planning, fail to address significant risks, and lack direction among auditors. All audits must be adequately prepared, according to **International Standard Auditing 300**. The principles are also followed in Bangladesh, and they have become excellence rules and regulation for all firms to ensue or create planned calendar ahead of time. The auditor may use planning to:

- Give attention to the audit's most essential areas.
- Classify and handle any problems as soon as possible.
- Accurately arrange and complete the audit engagement in order that it is completed in a timely and productive manner
- Significantly reduce the risk of an audit.
- Select engagement team members with the necessary abilities and knowledge to react to anticipated hazards, as well as the tasks that should be assigned to them.
- Direct and oversee members of the engagement team and assess their performance.
- Co-ordinate the activities of component auditors and specialists.

Bangladesh Standards of Auditing (BSA) further states that unique client planning memorandums shall be documented regularly. This planning memorandum is based on accumulated audit knowledge, experience, and critical issues brought to the auditors' notice. The audit strategy creates it. Furthermore, it is required to understand the organization's functioning, together with how it is run and how accounting and other data are handled throughout the audit. It is worth noting which audit planning is a incessant process, and the master plan and planned audit technique may alter when new guidance comes to the auditor's notice throughout the time of the audit.

The record should guarantee which all key parties' presuppositions are satisfied and that the plan fully considers significant management problems. There is also further information supplied in the planning paperwork. The planning document contains information on the firm and its operations.

- What is the purpose of the entity?
- How does it go about doing business?
- What are the risks, and where do they exist?
- How will the auditors' audit the company?

The answers to these queries should be included in planning document. On the other hand, auditors look for various concerns to answer these questions.

Points for Consideration in Audit Planning:

Audit planning necessitates a lofty level of course of study on the auditor's side. Auditor should address the following issues in connection to the audit engagement to make the planning more meaningful:

(a) In addition to the actual audit job, there is some preliminary work to be done

Inventory, cash count, debtors' circularization, and a review of the past year working documents will all be covered. This will remind of the auditor of any items brought up from the last year and any additional issues that need to be rectified in the current year or potential difficulties. It is vital to review each year's closing balances to prevent fraud. The majority of the time, it has been observed that it does not match the current year's opening balances.

(b) Rules or Auditing Standards or Guidelines Changes

The International Standards of Auditing (ISA) and the Bangladesh Standard of Auditing (BSA) ushered in many improvements in company accounting and auditing procedures. The law must observe such guidelines apply to all enterprises or a specific industrial group. Auditors should ensure that each client they service follows these guidelines while preparing financial statements or reporting obligations for the company.

(c) Analytical Review of Available Management Accounts and Related Management Information

If the auditor does such analytical evaluations, they will learn additional about the accuracy of company financial statements. Consider the calculation of payroll costs based on the number of workers. Later on, a real presentation of a real-life situation will be able to explored.

(d) Changes in the Business or Management

Establishing a new sister concern company or a new product line might impact business. As a result, the audit strategy will be adjusted to the situation. Management changes will also be a source of anxiety since the new leadership will execute new plans.

(e) Changes in the Accounting System

When a company adds significant variations in its operational procedures, the introduction of computers necessitates a review and assessment of the internal control system. Furthermore, the system software may be upgraded, or the organization can purchase new and more advanced accounting software to prepare their financial statements. ERP, SAP, and Tally are just a few examples. As a result, it's essential to go through those new software programs.

(f) Deadlines Established for the Submission of Audit Report

The auditor needs to operate by a client's statutory activities, such as the annual general meeting deadlines. However, there are other components that a company must adhere to, either inside or outside of the accounting standards:

Assessment of risk and materiality

We had to verify the company work in a limited time as auditors. However, the clients' accounts we care about might be monthly, quarterly, or yearly. As a result, auditors had to work quickly and efficiently. By definition, materiality refers to the impact that missing or erroneous data has on the information included in a company's financial statements. It's commonly expressed as a percentage or dollar change in a specific line item or a net effect on reported earnings.

“Information is material if its omission or misstatement could influence the economic decision of users taken based on the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.”

As auditors, we check for accounts that we believe may be connected to essential or immaterial matters. For example, if an account's expenses increase, we generally debit that entry and credit the bank account or payables. However, it is uncommon to discover credited expenses but the bank account was debited. We need to identify what transpired in that specific transaction to verify materiality. The risk, in particular, remains at the center of the BSA's focus on to auditing. As a result, we apply the sampling approach to decide whether or not to verify a transaction.

Analytical review

To better understand the Company and its surroundings, the auditor should use analytical methods like risk assessment procedures (BSA 520.8). When developing an overall judgment on whether the financial statements as a whole are compatible with the auditor's knowledge of the Company ACT, the auditor should conduct systematic processes therewithal at or within close range the end of the audit. Auditor observations on the business's perplexity and riskiness. They look for evidence and cross-check diverse factors to make risk and materiality judgments.

Test Controls

Testing of internal control systems was volitional for auditors under the former Bangladesh auditing standards (BSA) norms. At the same time, it is now required to monitor the client's internal system to ensure that they are correctly compiling accounts by the rules. The auditors may evaluate the efficiency of the client's system and provide a judgment.

- It is necessary to analyze the design and system of the clients' accounts to comprehend the entity.
- Inquiries and document inspections and transaction tracing will offer a detailed system image.
- Where the risk assessment assumes that controls are running effectively, or substantive tests alone do not offer adequate proof of their operation, testing the operational efficiency of internal controls is required.

2. Collection of evidence

The audit program manual explains how to get evidence from clients efficiently. Collecting documentation for the client is a critical responsibility for the auditor since internal administration doesn't always associate with the auditors. There is often a stereotype among management that auditors seek more paperwork, putting them under additional work pressure. However, others argue that it is the responsibility of management to disclose all that an auditor necessity for their Financial Statements to be clear and transparent.

Furthermore, auditors believe that if there is no fault with your system, no misrepresentation, and no fraud, what is the problem with providing all the documentation they need to check?

Auditors seek sample techniques that allow them to work quicker and check more quickly and effectively to reduce their time on the job.

Audit Tests:

A number knows audit tests of names in practice. In general, there are two kinds of audit tests: willingness and substantive tests:

- Compliance tests are used to determine if internal control procedures are being followed as anticipated.
- The legitimacy, correctness, and completeness of numbers presented in financial statements and accompanying notes are substantiated by substantive testing.

The number of transactions to test has always been a contentious issue. As a result, SAMPLING procedures verify transactions to enhance the task. The design of the tests should differ from one customer to the next. It is critical to tailor the procedures or develop programs utilizing the Audit program handbook. Any sample must represent the whole population and be big enough to draw reliable conclusions. The sufficiency of sample sizes must be determined at the end of the decision-making process. The utilization of intrinsic risk factors, materiality, and demographic characteristics may provide an excellent theoretical go-off point, but the choice be compelled to finally be made. At the very least, the conventional risk model provides a baseline against which you may judge the appropriateness of your choice. Furthermore, auditors choose papers that seem suspicious and might be used to commit fraud when sampling (Hasan, Fakir, & Chakraborty, 2011).

Consider internal control structure:

According to BSA-610, the audit team may enlist the assistance of internal auditors. Again, the internal control system gives a comprehensive picture of the risk to be assessed. The audit risk may be decreased if the client has strong internal controls. This, in turn, will have an impact on sample size. However, if the client lacks an internal control system, there is more potential for element misstatement and audit risk, resulting in a larger sample size. An internal control questionnaire is created to verify internal control (Hasan, Molla, & Khan, 2019).

Evaluation of internal control:

A. General:

The auditor must be satisfied that the records and books used to prepare the financial statements may be relied upon. Internal control, bookkeeping systems, and accounting must all be carefully investigated by the auditors. The auditors may determine whether or not a client's internal control system includes sufficient controls by evaluating it. Otherwise, there's a chance the management would defraud and mislead you. Auditors conduct tests on the internal control system to determine its efficacy and efficiency (Hasan & Rahman, 2019; Hasan, Rahman, Sumi, Chowdhury, & Miraz, 2020).

Basic Controls

The fundamental controls are those integrated into the method that is always active in entering transactions, creating general ledger, trial balance, and publishing relevant records in subsidiary accounts.

Disciplines over Basic Controls

This is mainly for management oversight and frequent inventory checks in inventory and several places where one or more senior management may watch their personnel and their job.

Typically, one or more of the following procedures are used to record and analyze the accounting and internal control system:

- i. The combination of a story with a checklist or aide-memoire;
- ii. Flowcharts are used; and
- iii. The completion of an internal control questionnaire that contains questions to determine what the system is and questions to assess the efficacy of the relevant controls, the first two of which are used to record the design and the third to evaluate its effectiveness.

B. Management letter:

Then the auditor has accomplished his amends of the internal controls and the tests to confirm that the suitable internal control procedures are in place. He should inform the client of any internal control inadequacies that have come to his attention, as well as any other operational

matters that he considers relevant at this time. If new issues arise due to the application of actual tests. They should be communicated to the client at a time.

Evaluation of errors:

When errors are discovered, they must be examined to establish what occurred. What effect will it have on the overall accounts? Auditors may attempt to locate the appropriate papers concerning the inaccuracies, but they will indicate this in their observations if they are not discovered. On the other hand, an auditor is not responsible for rectifying any fraud, misrepresentation, or inaccuracy.

3. Controlling and Recording:

Audit Evidence

The auditor must have adequate proof to back up his claims or conclusions. Otherwise, the opinion would be invalid. The auditing rules on audit evidence define what constitutes acceptable audit evidence.

Audit evidence is information gathered by the auditor, either in writing or orally, to support the findings on which his view on the financial statements is based. The client's accounting system and original documents, physical assets, management and other workers, customers, dealers, and other third parties who have interactions with or knowledge about the client's firm are all sources of audit evidence.

Factors influencing the auditor's decision on what constitutes relevant, credible, and adequate audit evidence include:

(a) His understanding of the client's company and the industry in which it operates and his ability to communicate effectively with the client.

(b) The extent to which there is a risk of misstatements due to mistakes or irregularities; this risk may be influenced by variables such as:

- *The nature and importance of the financial statement items;*
- *The auditor's knowledge of the client's management and personnel, as well as its records;*

- *The clients' financial situation;*
- *Possibility of managerial prejudice; and*
- *The evidence's persuasiveness.*

On the other hand, documented evidence is more trustworthy than oral testimony. The auditors look for paperwork that meets his needs, not only what the clients present him. If feasible, it is sometimes required to inspect the transaction physically. For example, auditors don't depend on paperwork; instead, they physically visit warehouses to see if the documentation against inventory is accurate.

Evaluation of the Risk:

Any audit opinion on financial statements carries the possibility of an audit. The following are examples of audit risk:

- Derived from the entity's operating environment;
- The entity's control systems are in functioning; or
- Due to the failure of audit processes, including the possibility of sampling.

General risk assessment

The commercial and administrative context in which the client review operates is "general danger." The element's commercial opportunities and an assessment of the management's honesty are also impacted by the element's commercial prospects. This assessment should aid in determining the overall risk of the engagement. The greater the evident danger, the lower the assessed risk the reviewer is prepared to assume, and the more significant the necessary review confirmation.

Assessment of specific risks

The evaluation of particular risk accomplishes two goals:

- It might be used as part of a small business's connection to assess the extent to which the whole review project method can be predetermined in the particular conditions of the review in question. This technique should be consistently documented and supported, rather than being linked for no purpose; and
- It might be used to bring together the many threats identified.

Vouching for the whole population

The whole population may be tested in the audit of relatively small enterprises. For example, suppose a very tiny business sends out 12 invoices every year and decides to check all of them. The inherent risk assessment will not be used in these cases, making any difference.

Because the vouching of all 12 invoices does not give all of the audit evidence necessary to draw a reasonable judgment that all revenue has been entirely recorded correctly in the company's accounting systems, the general risk assessment must still be addressed.

Materiality

The underlying definition of materiality is emphasized in BAS 320.3, which is drawn from the IASB's 'Framework for the Preparation and Presentation of Financial Statements.' According to the budgetary articulations, 'Data is significant if its exclusion or misrepresentation might influence customers' financial decisions. Materiality is determined by the measurement of the object or error in the context of its exclusion or misquote. Instead of being a fundamental subjective hallmark that data must have to be helpful, materiality serves as a limit or cut-off point in this sense. Records that are "genuine and reasonable" are devoid of "material" errors. As a result, and maybe most significantly, a reliable materiality assessment should be established.

Materiality affects audit work in two ways.

- It's one of the aspects that determines the type and scope of detail testing.
- It impacts whether an auditor should seek correction for actual and expected mistakes and determine the seriousness of areas of dispute on justice issues.

Materiality guideline as per ICAB:

Table 3: Materiality guideline

Range of turnover or gross asset	% of turnover or gross asset	% of profit after tax	Materiality ranges
Tk. 0 - Tk 5 Crores	3	10	Tk 1 - Tk 15 Lacs
Tk. 5 Crores 1 - Tk 10 Crores	2.5	10	Tk15 Lacs -Tk 25 Lacs
Tk 10 Crores 1 - 20 Crores	2	10	Tk 25 Lacs 1- Tk40 Lacs
Tk 20 Crores 1 - 56 Crores	1.5	10	Tk 40 Lacs 1- Tk 84 Lacs
Over Tk 56 Crores	1	10	Over 84 Lacs

Recording

It is necessary to record the excellent recording in double section frameworks to resolve the finest possible exchange recording. It also assists in monitoring if the customer's accounting approach is correct and the repercussions of the offered diaries. BSAs also advise on different methods for recording conversations and handling them according to the situation. It may be possible to utilize audit evidence obtained from work done to prepare the accounts, assuming that ethical considerations have been adequately handled. Such accounting activity was likely lawfully handled based on specific review destinations and adequately managed, documented, and audited. In such cases, sufficient review confirmation may be obtained to recognize particular claims, obviating the need for additional point-by-point testing. However, keep in mind that such review confirmation will not verify completion, existence, or title, implying that more review work must be completed.

4. Review and opinion:

This section explains how partners may assess the audit as a whole and provide an opinion. The Auditing Program Manual includes various checklists that may be used to evaluate the client's overall performance. The following are some examples of lists:

- Completion of the partnership
- Completion of the audit;
- Questionnaire for reviewing auditing standards;
- Questionnaire for the internal control system
- Questionnaire for a critical assessment of accounts; &
- Justification for the audit report, and so forth.

The reviewer's main task is to answer questions concerning the audit checklist. If the reply satisfies the review group and accomplices, they may form wrong assumptions about the customer. In certain circumstances, they may evaluate anything other than an unqualified opinion.

For each audit area, a conclusion should be formed. This is a critical point. Not only should the summary sheet be completed, but the corresponding working document for each preliminary exam within each section should state:

- The tests' purpose;
- The tasks completed;
- The findings, as well as
- The decision has been made.

The following choices are available in the conclusion section:

Planning

Mainly, suppose the audit technique has been heavily customized. In that case, it is critical to confirm that the accomplice has approved the methodology being used to assess the particular segment before work begins. This will also help to improve the audit's efficacy.

Stage of completion

A lot of factors must be confirmed before the conclusion can be reached. This includes confirmation of the following:

- The tasks outlined in the audit program was completed;
- The outcomes have been well documented;
- All relevant information for the statutory accounts production has been gathered, and the goals have been completed, except for any minor issues mentioned on B5 or B8.

A different conclusion

The summary page should indicate clearly how the option conclusion was reached with enough detail for the conclusion to be understood. The alternate decision should be brought to the partner's notice. Before reaching a replacement conclusion, think about if any other audit processes might be performed to help with a satisfying confirmation of the audit purposes to

be supplied. Last but not least, the documents should be accompanied by an audit program. The primary goal of the audit program is to conduct the audit effectively, efficiently, and in a timely way, ensuring that the following:

- i. The Companies Act 1994.
- ii. International and Bangladesh Financial Reporting Standards.
- iii. International and Bangladesh Accounting Standards.
- iv. International and Bangladesh Standards on Auditing.
- v. VAT Act 1991.
- vi. Customs Act 1969.
- vii. Labour Act 2006.
- viii. The Securities and Exchange Rules 1987.
- ix. Memorandum and Articles of Association of the Company.
- x. Various significant contracts and agreements and.
- xi. Other applicable international and local laws and regulations.

3.3 Audit Procedure of Masih Muhith Haque & Co.

MMH's primary goal is to provide the finest solutions to clients in a timely and efficient manner. MMH gives an opinion on financial statements in line with Bangladesh Standards of Auditing (BSA) and International Standards (ISA) on Auditing during any audit engagement. MMH not only offers statutory audit services; it also seeks to provide management consulting services, tax services, and other complex services that are highly adapted to the requirements and desires of its clients. A chartered accounting company cannot audit any organization they choose; there is a process for both sides' agreement. For example, an audit company must evaluate all of a client's requirements before deciding whether to accept or reject a proposal and vice versa. However, after receiving any proposal, more tasks are to be completed behind the scenes, including an audit engagement letter a team meeting, and audit clearance.

3.3.1 Engagement Procedures

Before beginning any preparation or procedure throughout the audit process, the firm exchanges letters with the clients. During the engagement phase a firm often encounters three types of situations:

1. Engagement with the existing clients.
2. Clients willing to appoint MMH.
3. Engagement with the new clients.

1. Engagement with the existing clients:

MMH exchanges engagement letters with its current clients. They are eager to accept additional services this year since they are MMH's loyal customers or appreciate how MMH supplied services to them. The following are the engagement letters that MMH and its existing client exchange:

- Letter of Reappointment Willingness:
Essentially, MMH wants customers to know that they want to continue their services in the current year and may propose additional conditions that they believe are appropriate for them, such as increased audit costs.
- The client submits a letter of appointment:
If the current customers agree to all of MMH's new or old ideas, they may send this letter along with new extra terms if they like.
- MMH accepts the appointment letter:
After receiving the confirmation letter, they accept the idea and complete all relevant documentation.

2. Clients willing to appoint MMH:

Suppose a company or a client wishes to use MMH's services. In that case, they must first submit an engagement letter to MMH's headquarters or one of its current partners, outlining all of the terms and conditions for the services they desire from MMH. The company examines the circumstances and, if they are favorable, approves the suggestions and issues a letter to the clients as auditors.

3. Lastly, Engagements with new clients

Between MMH and new prospective clients, four letters are exchanged. Following is a list of notes:

1. Clients desire a technical and financial proposal from MMH:

When a company needs an audit, it usually advertises in various media or approaches a firm directly. If customers contact the company directly, they will send a letter requesting an estimate for the cost of completing the client's audit. They will also state the deadline for the company to submit their bids and the audit's completion date. Furthermore, they specified the primary areas to be audited and any other services they wanted from the business.

2. MMH sends the customer a technical and financial proposal:

The audit companies provide a proposal letter with cost estimations after examining the client's proposal or circular, considering the period they have been given for completing their audit. Furthermore, the organization emphasizes that the cost is an estimate that may vary owing to project variables. On the other hand, MMH will analyze and estimate its staff expenses and the Institute of Chartered Accountants of Bangladesh's minimum hourly rate (ICAB).

3. A letter of contract stating the client's acceptance of MMH's proposal:

After examining all of the quotes from different firms, the customer chooses the most advantageous one and arranges an audit company to do the audit. Clients will understand the nature of the audit from the letter and they will provide the required access to their internal control system for the audit.

4. Client confirmation letter:

After obtaining the client's acceptance letter, MMH will give essential papers and a confirmation letter that explains the firm's commitment to service the clients by the deeds or agreement between them.

3.3.2 MMH's audit procedure is as follows

MMH is primarily influenced by the ICAB's Audit Practice Manual recommendations. The method outlined in the Audit Practice Manual consists of seven steps:

- A. Identify overall goals.
- B. Gather & evaluate initial information.
- C. Assess general risks.
- D. Assess account specific risk.
- E. Develop an efficient and effective audit plan program.
- F. Conduct audit testing; and
- G. Evaluate and communicate audit results.

A. Identify overall goals

MMH's role in directing an audit is to offer a judgment on whether the Financial Statements have been produced and presented truthfully and fairly. It is also examined to check whether the report adheres to the acceptable standards set out by the Bangladesh Accounting Standards Board (BAS). The audit team, on the other hand, addresses the following duties while preparing an opinion:

- a. Errors;
- b. Irregularities and other problems; and
- c. Efficiently.

Errors:

A company may make accounting mistakes in a variety of ways. A company's financial statements should portray an accurate and fair picture, implying no errors in the accounts. As a result, the audit team must design the audit to reasonably confirm substantial mistake identification. Errors might be made on purpose or by accident. Now, determining whether the mistakes are deliberate or not is entirely dependent on how the auditors assess materiality, and it is also wholly dependent on the auditors. However, it is an audit team's responsibility to confirm the presence of assets and liabilities held by the clients and appropriately stated in the Financial Statements'. Some inaccuracies may occur as a result of:

- Errors in the collection or processing of accounting data;
- Accounting estimations that are incorrect due to omission or misunderstanding of information; and

- Mistakes in applying accounting rules to the quantity, categorization and presentation or disclosure of information.

Irregularities and other problems

An accounting irregularity is a word used in accounting to describe conduct that does not conform to the profession's common laws, procedures, and norms. It has the conscious intent to mislead or defraud. Accounting irregularities may include deleting information needed to be reported or purposefully misstating numbers and other information in financial statements. As a result, there is always the possibility that substantial anomalies may arise and go undetected. Unrecorded transactions by internal employees to deceive the accounts, problems in the internal control system, fraudulent invoices or papers, and other alternative methods to commit fraud may all raise the risk. However, the issue may be mitigated if essential measures against irregularities and mismanagement are adopted.

Efficiently

MMH strives to do their work as efficiently and effectively as possible. However, the work degree should not exceed the audit engagement's budget. The following are examples of accomplishments and efficient auditing:

- Along with partners and management, project risks should be appropriately planned and analyzed.
- If the client is an existing one, the same audit team may be recruited rather than selecting a new one, making the process easier to manage.
- Developing a put down of audit processes based on a risk assessment will effectively decrease the risk of undiscovered material misstatements to an acceptable level.
- Assigning duties to people who have been adequately taught and supervised and who have the necessary experience and skill levels. Typically, the team consists of one senior article student who serves as the team's leader. One junior article student and one provisional student or freshly admitted student to the firm.

B. Gather & evaluate initial information:

Before accomplishing something flawlessly, one must first learn everything about the job at hand. Furthermore, MMH looks for all of the clientele with whom they deal. To perform the audit efficiently and successfully, they first ask the client for basic company information, such as its business. Who are the consumers and suppliers? What is the nature of their business? What accounting software are they employing? Etc. All of these data will aid MMH in comprehending the following issues:

- Understanding the client's activities and operations
- Considering the internal control structure
- Identifying the client's expectations
- Considering materiality

Understanding the client's activities and operations

The data regarding each of the following kinds should be included in the auditor's understanding of the items and their surroundings:

- Industry, administrative, other external elements and the necessary financial reporting framework are all critical considerations.
- The entity's nature.
- Accounting techniques are chosen and used.
- Threats are objective, tactical, and business-related.
- Financial performance is measured and reviewed.
- Internal control of the entity.

Considering the internal control structure.

Internal auditors may seek assistance from audit groups, according to BSA-610. An external auditor may determine the risk of an internal control system and examine it for their advantage. Furthermore, if the client keeps an excellent internal system in place, such risks may be reduced, and vice versa. If internal accounts are not adequately provided accurate and fair picture, material mismanagement and audit risk will be significant, affecting the sample size. The MMH has provided a standard checklist or questionnaires to check the internal control system.

i. Understand and Assess Internal Auditing:

We must sufficiently understand the client's internal audit operations as external auditors to organize and establish a practical audit approach. While preparing audit plan, we should do a fundamental risk assessment of the internal control process which will help us understand the accounts they have established. As a result, a collaboration between external and internal auditors is required to understand particular auditing areas. Furthermore, if the client uses any software, the external auditors should learn as much as possible from the internal auditors so that auditing can be done more efficiently.

ii. Evaluate and test the work of Internal Auditing:

The primary responsibility of an external auditor is to establish that the accounting is true and fair. As a result, auditors must assess the internal auditing system. Furthermore, these jobs are tested regularly to ensure that the internal auditors' records are accurate. It is critical to evaluate the system to see if it is suitable. This assessment may involve determining whether:

- As internal auditors, the task is conducted by a qualified individual with an extensive understanding of accounting systems, and the work is cross-checked, evaluated, and recorded.
- The audit evidence gathered is sufficient to provide a fair foundation for the findings.
- The conclusions made are reasonable in light of the circumstances, and any reports created are consistent with the study's findings.
- Internal auditing uncovers any odd issues, which are effectively resolved.
- Finally, the external auditors would document their findings on the particular internal auditing work assessed and tested.

Identifying the client's expectations

External auditors identify the clients' needs and expectations before designing the audit to fulfill the auditors' requirements.

Considering materiality

Material information refers to the relevance or significance of a quantity, transaction, or discrepancy. If ignored or misrepresented, it may impact the users' economic decisions based on the financial statement. Furthermore, materiality is determined by the quantity of the item

or mistake and hence is assessed based on omissions and misstatements. When the auditor considers applicability, they should:

- Determining the audit procedure's type, timeliness, and scope; and
- Considering the impact of the omissions.

C. Asses general risks

The risk assessment is carried out in a "top-down" approach. The audit team focuses on anomalous state data initially. In light of an organization's size, complexities, ownership characteristics, and amount of risk, the kind and extent of documentation will alter. The ability to recognize, evaluate, and manage risk is often associated with an organization's ability to respond and adapt to change. Risk assessment in this manner enables organizations to detect possible negative occurrences quickly, become more proactive and forward-thinking, and develop appropriate risk solutions, avoiding surprises and the costs or losses associated with business interruptions. The actual usefulness of risk assessment is in preventing or limiting unpleasant shocks while also uncovering fresh possibilities. The more real-time and forward-looking the risk analysis is, the more manageable the attainment of goals becomes. We acquire first audit evidence during audit planning and risk assessment to:

- Assess the underlying risk of possible financial statement misstatements logically.
- Identify warning signs of potential going concern issues, and
- Identify account-specific risks and develop an overall audit strategy to ensure that significant misstatements are detected reasonably.

D. Assess account-specific risks:

The audit team must consider the risk associated with particular accounts in the Financial Statements. In general, the first step is to compare the current year's reports to the prior year's performances to spot any discrepancies among the accounts in a given head. Operating and administrative costs, cash and cash equivalents, other income, and so on are examples. The audit team might use the Audit program manual questionnaire to understand better. Furthermore, auditors examine the head after calculating variance analysis to see whether there

is any materiality among them. How the auditor chooses the significant transactions depends entirely on their abilities and knowledge. However, the wider the differences in the figures, the higher the risk.

E. Develop Efficient and Effective Audit Plan Program:

The Job in Charge creates an overarching strategy for how the audit will be carried out in this stage. The entire audit strategy's goal is to devise a viable solution to the risk of substantial misstatement. To develop an effective and efficient overall audit strategy that appropriately responds to assessed risks, the auditor considers what they discovered in preliminary planning activities such as client acceptance, the audit firm's ethical position, and their understanding of the entity and its environment, including internal control. Through the formulation of the audit plan, the overall audit strategy considers planned audit responses to particular risks. The audit plan also aids the auditor in determining the resources needed for the engagement, such as engagement staffing.

As a result, the following items should be included in the overall audit plan at a minimum:

- Characteristics of the audit appointment that are relevant, such as the reporting methodology utilized to determine the extent of the commitment.
- Dates to keep in mind for reporting and other communications
- Materiality is established.
- Initial risk assessment, as well as whether or not internal controls will be put to the test
- Consideration of available resources and how they will be utilized.

G. Evaluate and communicate audit results:

The fieldwork begins in this phase. During the fieldwork stage, the auditors collect audit evidence by working systematically through the work plan or checklist, interviewing staff, managers, and other stakeholders associated with the client, reviewing client documents, printouts, and information, observing client procedures in action, and checking system safety outlines, among other things. Audit tests are used to verify the authenticity of evidence as it is gathered. Work papers are created to record the tests done during the audit.

Of course, a study of the paperwork is the initial step in the fieldwork. The auditor reviews and notes document relevant to and deriving from the client's (for example, the Statement of Applicability, Risk Treatment Plan, and client's policy). The audit notes are audit working papers, while the audit indications are.

Technical compliance tests may be required to verify that IT systems are set following its information security policies, regulations, and recommendations. Automated configuration checking and vulnerability assessment technologies may improve the speed with which technical compliance tests are completed, but they may also pose security risks that must be considered. This step results in a stack of audit working papers and evidence in the audit files.

F. Conduct audit testing:

Audit reaches the accomplishment phase after the auditor has collected all of the evidence related to the financial statement allegations. The evidence obtained is reviewed first for its sufficiency and appropriateness. The critical judgments the risk of significant misstatement (as indicated during the planning phase) are employed because of determine adequacy and suitability of the evidence obtained. Reach and evaluate a ending on the financial statements' fairness. The auditor must gather sufficient acceptable evidence. Additional substantive procedures may be required if the auditor determines that enough acceptable evidence was not acquired. The completion phase may proceed after the auditor is satisfied with the evidence's sufficiency and appropriateness. The final materiality amount must be determined, and all discovered misstatements must be evaluated. The auditor may accept or reduce the planned materiality number as the final materiality figure. However, the auditor should never raise the planned materiality amount during the completion phase. Auditor adds up all of the misstatements found and evaluates whether they significantly mislead the financial statements.

The customer is given the option to remedy some or all of the discovered misstatements once the list of recognized misstatements is presented with them. If the uncorrected misstatements are deemed serious, the auditor will give an opinion explaining why the financial statements are materially incorrect. MMH may produce a report with an unqualified opinion if unrectified misstatements don't result in the financial statements being significantly misstated. However, if misstatements result in seriously incorrect financial statements, MMH may produce a report that is not unqualified.

3.4 Fountain Garments Manufacturing Ltd audit procedure

During the internship, MMH assigned as a junior auditor to conduct an audit of Fountain Garments Manufacturing Ltd. MMH was assigned to perform an audit with two more members. MMH has been working with Fountain for the last two years. Furthermore, we were directed to research Fountain using financial statement that made public ultimate year. As a result, here's a quick rundown of the company:

3.4.1 Fountain Garments Manufacturing Ltd overview:

Fountain Manufacturing Garments Limited was formed in 1998 under the direction and guidance of visionaries such as Qazi Fazle Alamgir. Fountain Garments Manufacturing Ltd is a pioneer in Bangladesh's garments industry, with two factories: Fountain Garments Manufacturing Ltd and Fountain Garments Washing Ltd. The business has 37 sewing lines with a monthly capacity of 1,200,000 pieces in various product categories. Factories are outfitted with cutting-edge machinery and the most up-to-date attachments. Our overall number of machines in the Group is around 2674, and this figure is growing in tandem with the growth of our business. Given the importance of backward linking in the garment industry, various types of printing and finishing, and the contents and constructions of high-quality fabrics.

- **Embroidery:** We have four embroidery machines with a total of 40 heads that can be set up in the minimum amount of time.
- **Screen Printing:** All of our screen printing is done by an allied firm, Union Accessories Ltd.
- **Sample Room:** We have a separate sample area that is completely equipped. Aside from that, each factory/Zone has a sample-making unit.
- **CAD Section:** Our facility has a Gerber system for quick fabric consumption calculations and the most pleasing possible marking configuration. We also use a computer maker for our production facilities, which is supplied constantly by the CAD section.
- **Washing:** Our washing plant includes 15 drums and 14 dryers and a hydro extractor with three sample drums. There are seven hundred thousand units per month in various wash kinds (Garment wash, Bleach wash, Enzyme wash, Stonewash, Rinse, etc.). We also have a variety of dry processing capabilities. A fully operational Effluent Water Treatment Plant is also available at the property (ETP).

3.4.2 Audit procedure of Fountain

Identify the firm's fundamental goals in consideration of Fountain:

Fountain Garments Manufacturing Ltd collaborated with MMH to perform an audit and provide a desire on in case the financial statements generated by Fountain Garments Manufacturing Ltd present an accurate and fair picture in line with Bangladesh Accounting Standard (BAS). MMH used BAS guidelines to draft an opinion that considered Fountain Garments Manufacturing Ltd.'s misstatements, mistakes, and irregularities.

Collect and assess preliminary data:

Fountain's office in 63 Alliance Building, Pragati Sarani, was visited by an audit team. Our initial duty was to get a thorough understanding of their corporate operations and internal control system, as well as their goals and demands. Furthermore, we learn that they are now officially associated with ESLA businesses and that they are in charge of the building work while Fountain handles everything else.

Assess General risk of Fountain:

Obtaining initial audit evidence during audit planning and risk assessment allows:

- Effectively assess the inherent risk of potential financial statement misstatements,
- Identify indicators of possible going concern problems, and
- Identify account-specific risks and design an overall audit approach to provide reasonable assurance of detecting material misstatements.

Property and plant, depreciation, cash and cash equivalents, inventory, receivables, payables, loan interest, and tax are all examples of real risk that a firm may face. These are the significant areas in every firm where any danger may be located. However, the supervisor as a junior did not allow such problems to be dealt with; Instead, he helped keep track of costs. The following is an example of a dangerous area that discovered when monitoring "**Operating and Administrative expenses**":

Salary expense:

- a) Previous year (2021) salary may record or given in current accounting period.
- b) More than 15000 Taka salary may be paid in cash.
- c) No bank statement may not be found.
- d) Over/ underpayment might record or provide.
- e) TDS / VDS may not deduct.
- f) Undisclosed employee may get payments.

Steps did to check Salary expenses:

- a) Checked the account closing balances and opening balances.
- b) Checked the transactions on a test basis.
- c) Checked the various agreement of salary from personal files.
- d) Checked payments procedure with a walkthrough test.
- e) Checked list of employees.
- f) Obtained BOI approval of foreign employees.
- g) Checked VDS and TDS.
- h) Documented necessary papers for evidence.

Assess Account-Specific Risk:

At that stage entails inspecting each head to determine the risk involved. Our team adheres to and seeks assistance from the Audit program outlined in the Auditing Practice Manual to fully be aware of the requirements. Auditors estimate how much risk is associated with a given head, such as payroll, payments cycle, sales, receivables, payables and so on based on the answers to the questionnaire.

Develop an Efficient and Effective Audit Plan Program:

The team's leader created an audit plan that details how the audit will be carried out. This is a plan for dealing with the material danger we discovered during our first screening. The client's acceptance agreement, the MMH's ethical stances, internal control evaluations, business pattern tests, analytical inspection, double-dealing risk and other subjects are all included in this strategy.

Evaluate And Communicate Audit Results:

Supervisor produces overall audit opinion after collecting all evidence relevant to the Financial Statements, especially head by head. The evidence and observations of each head are first assessed to see if they are warranted. The auditors then consolidate all of the significant misstatements and other findings and, if satisfied, produce a judgment on the financial statement's fairness. Additionally, the audit team has completed its work and has informed its concerned manager of all findings. Following that, MMH and Fountain addressed the results and significant misstatements. They were given a chance to correct all of the errors discovered by the auditors. The auditor will offer an opinion based on this, stating in case the financial statements are significantly misrepresent or not. As a result, MMH will either produce a report with an unqualified opinion or a qualified one.

Conduct Audit testing:

This is the point at which the real work begins. Many auditors, it is said, are incapable of conducting appropriate audits and instead vouch for a significant number of papers. Trained auditors will endeavor to comprehend every transaction from beginning to end, and they will use their analytical skills in auditing. We may get information from management in a variety of ways. It is not an excellent indicator to depend only on paperwork since records might be faked. As a result, auditors will sometimes attempt to converse with the concerned individual to see his facial expression. On the other hand, documents are a fundamental aspect of evidence. Auditors need put on record anything; they may do so by photocopying the appropriate papers. Furthermore, if the required documents are not accessible or if anything new is discovered during the audit, the auditor makes a note or observation. Audit tests are run to verify the evidence obtained, and all work is then combined into one file with a top sheet. The total sheet is where the auditor records his work, observations, variation analysis, and options for each head.

The observation of operating and administrative expenses:

- Misclassification of expenses:

We have observed that expenses incurred during the period 1st January 2021 to 30th June 2015 are not recorded in the proper head. Rather we have found some expenses have recorded in the wrong head.

- Cutoff for expenses is not maintained properly.
- No entries are provided against Audit fee and Insurance expenses.
- We have observed that VAT and TAX are not properly recorded. We found the company calculates TDS on VAT. Moreover, TAX & VAT on source has not been deducted.

An example of vouched List:

GL Code	Accounting Head (Expenses)	Voucher No	Party Name	Nature of expenses	Amount	TDS (Amount)	VAT (Amount)	Remarks
410302	Electricity Bill	RP-14-5024	DESCO	Electricity				Documented the bill of November & December 2014 was accounted in the month of January 2015.
410302	Electricity Bill	JV-15-3007	Etsa Construction (Reimbursed)	Electricity				Ok
410302	Electricity Bill	BP-15-4083	DESCO	Electricity				Ok
410304	Internet	RP-15-1031	AAMARA NETWORKS	Internet				Documented
410304	Internet	RP-15-4014	Braconet Ltd	Internet				Ok
410304	Internet	RP-15-6047	AAMARA NETWORKS	Internet				Ok
410305	Mobile Bill	BP-15-1021	GrameenPhone	Mobile Bill				Ok; the bill of December 2014 was accounted in the month of January 2015.
410305	Mobile Bill	RP-15-5008	EXCEL Telecom	Mobile Bill				VAT & TAX not deducted
410305	Mobile Bill	BP-15-5071	Employee	Mobile Bill				Ok
410308	Printing	RP-15-2001	Supreme Technology	Cartridge and Toner				Ok
410308	Printing	RP-15-5004	Supreme Technology	Cartridge				Ok
410308	Printing	RP-15-6012	Supreme Technology	Toner				Documented
410308	Printing	RP-15-6029	Mahim Enterprises	Cartridge and Toner				Documented VAT overstated by Tk 512
410309	Stationery	RP-15-4019	Tonoy Books &	Stationery				Ok
410309	Stationery	RP-15-5016	Tonoy Books &	Stationery				Documented
410318	Office Supplies	RP-15-3013	Mayer Das General Store	Office Supplies				Ok
410318	Office Supplies	RP-15-5019	Mayer Das General Store	Office Supplies				Documented

Figure 5

Voucher List

CHAPTER FOUR: ANALYSIS AND FINDINGS

4.1 Analysis

In the analysis of audit activities, we focus on accounting manual, HR policy, Cash transection, Expense & property plant & equipment and document.

The positive point of the compass of the company:

This company maintain proper process and document for sell/purchase property, plant & equipment. In this company has maintain accounting manual, HP policy and procurement policy. Accounting manual is very important for fair presentation of financial statement and to ensure effective bookkeeping.

The observation of the company:

FMGL incurred significant number of transactions exceeding Tk. 50,000 that were paid in cash rather than in crossed cheque. Some examples are provided below:

Table 4

Cash Transaction

SL. No	Date	Voucher No	Particular	Party Name	Amounts
1.	18-03-2020	CPV-'20/66	Machine Purchase	GSM Instrument	190,000
2.	17-05-2020	CPV-20/98	Whisker & Hand Sanding	M/S. Shakib Hand Blasting	100,000
3.	21-05-2020	CPV-20/101			100,000
4.	16-06-2020	CPV-20/120			127,998

We observed that FMGL did not deduct tax at source from most applicable expenses:

Table 5

Tax

Name of Supplier	Purpose	TDS deductible amount	TDS Rate	TDS amount
Denim Solutions Ltd.	Chemical Purchase	6,342,171	4%	253,687
Multichemi Bangladesh (Pvt.) Ltd.		11,113,303	5%	555,665
Water Science & Technologies		16,825,000	5%	841,250
MRH International	Repair & Maintenance - Factory	60,670	2%	1,213
M/S. Shakib Hand Blasting	Sub-contract expenses	935,759	2%	18,715
Samvar CNG & Filling Station (SRO No. 08.01.0000.030.07.008.15/192, Gas is purchase for the purpose of car not for the factory use from filing station then the TDS need not be deducted)	Gas (CNG) Bill	47,599,372	5%	2,379,969

The company did not report sales revenue completely in the monthly VAT returns filed in the year. Details are as follow:

Table 6

VAT

SL. No	Date	Voucher No	Particular	Party Name	Amounts
1.	18-03-2020	CPV-'20/66	Machine Purchase	GSM Instrument	190,000
2.	17-05-2020	CPV-20/98	Whisker & Hand Sanding	M/S. Shakib Hand Blasting	100,000
3.	21-05-2020	CPV-20/101			100,000
4.	16-06-2020	CPV-20/120			127,998

4.2 Findings of the study

“Every side of a coin has another side ~Myron Scholes.” The purpose of audit processes is to discover significant misstatements in financial statements. The ICAB is developing standards for auditing. There is also an auditing practice handbook named "Auditing practice manual." Furthermore, even if specific problems with the system impair the distinguished profession of

Chartered Accountancy, auditors are unquestionably adept in their roles. Now we did like to talk about some of the loopholes we ran across while working as an auditor. This study also wants to provide some suggestions in regards to those drawbacks. The loops which are discovered is discussed with a few seniors and the manager, and most of them agreed with findings:

- Our team was constrained by time since we assumed we knew everything about the client's company at the first screening, but we were subsequently proven incorrect. We spend a significant amount of time simply comprehending their whole operations process, mostly accounting. As an auditor, we had to cram a lot of material in a short amount of time.
- When conducting an audit, an auditor should follow the methods outlined in the ICAB's Auditing Program Manual. However, we have seen that most of the recommendations are neglected for various reasons. As a result, the auditors are not following the regulations correctly, which means the auditors may overlook certain severe flaws intended to be disclosed in the financial statement.
- Several auditors employ various sampling methodologies to represent the whole population. Some people like to employ weighted percentage methodologies, while others use discrepancy analysis to ordain which head to look at. Furthermore, the fundamental brief in sampling techniques is utilized to reduce the numeral of transactions, be cost-effective, be time-efficient, and represent the whole population. On the other hand, the auditors can miss an essential fact in the financial accounts.
- After finishing the audit at Fountain Garments Manufacturing Ltd., We discovered that most auditors feel audit evidence is more convincing than conclusive. As auditors, we have observed that we gather as many papers as possible as proof. As a result, the pieces grew in size. However, it is both inefficient and ineffective. As auditors, we must recognize that only those transactions with issues need documentation at the end of the day. That is to say, if an auditor noted in his observation that a client placed rent charges under fuel expenses, only the supporting papers are required since auditors may be called upon to defend their conclusions.
- We learned a lack of cooperation between management and auditors throughout the auditing course at United International University. We also understood that the administration is under a lot of pressure as the auditors try to get information from them. Furthermore, management intimidates auditors by refusing to provide relevant

documentation or delaying them. Attempts have been made to apply what has been taught in the university during the audit. Some of the staff, in opinion, are delaying the delivery of the papers that we have requested. Legally, they must produce the records we asked for, but they prefer to postpone or ignore the auditors when management feels overburdened.

CHAPTER FIVE: RECOMANDATION AND CONCLUSION

5.1 Recommendation

- It would be much simpler to comprehend the client's system fast in the field. The company offered us a little training session on it. They gave a general notion of their financial accounts but not enough information regarding their systems.
- Auditing is a process of continuous learning. That seniors were at one time juniors and preferred to pursue their seniors. As a result, if the seniors ignore anything, the juniors will adopt the same approach. Furthermore, to break free from typical practice businesses, juniors must fully comprehend the relevance of the audit manual for the audit to be farther dependable and efficient.
- There should be unique sampling strategies that will result in unified sampling efficiency. Furthermore, it would be preferable to do as much testing as possible from the samples selected from the total population.
- Before bringing juniors into auditing, the business should set up a training program. The training should impart information about how to successfully gather evidence and, most importantly, provide examples of documentation. As a result, students will identify or understand how the papers seem.
- Bringing papers from management or staff, according to some, is an art. Because it requires patience and the use of selected approaches. There should be a welcome session when auditors and management get to know one another, which will assist in bridging the gap that they generally build. Furthermore, the clients' responsibility is to examine their control to provide the relevant documentation. As a result, if senior management receives input from auditors regularly, the issue may be resolved.

5.2 Conclusion

The chartered accountant profession is one of the most prominent in the world. This profession necessitates upholding norms and processes while doing audit consulting, taxes, and other related tasks. International auditing standards give the essential criteria that chartered accountants must follow. Apart from the auditing methods prescribed by International Standards on Auditing (ISAs), each Chartered Accountant firm has some authority in their audit procedures, which varies based on the status of the country and the type of the customers.

In this report attempted to present the audit techniques Masih Muhith Haque & Co. used to perform their audits to the best of knowledge. In most circumstances, Masih Muhith Haque & Co. follows the ICAB audit processes, except for areas where professional judgment is required. Throughout time at Masih Muhith Haque & Co., it has come to the attention that Masih Muhith Haque & Co. doesn't correctly accompany the standard of audit processes in various areas. Since its inception, Masih Muhith Haque & Co. has played a significant role in guaranteeing the transparency of financial accounts presented by different companies in Bangladesh's diverse businesses. If standard audit processes are correctly implemented, Masih Muhith Haque & Co. will continue to be one of Bangladesh's top Chartered Accountant firms.

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Appendix-A

TO WHOM IT MAY CONCERN

This is certify that **Ashiqul Islam Anik** S/O- Md. Sirajul Islam and Selina Akter, a student of BBA in Accounting and Information Systems, United International University, United City, Madani Avenue, Badda, Dhaka 1212, Bangladesh has successfully completed 03 (Three) months (From 15th July, 2021 to 14th October 2021) long internship program at Masih Muhith Haque & Co. Chartered Accountants, during the period of his internship program with us he found punctual, hardworking and inquisitive.

I wish him all the success in future.



Masih Muhith Haque & Co.
Chartered Accountants

