

United International University



Submitted To:

Ishrat Jahan

Assistant Professor

School of Business & Economics

United International University

Submitted By:

Sanjida Zahir

ID: 114 201 016

Department: Accounting Information Systems

School of Business & Economics

Date of Submission: 3rd November 2024

Letter of Transmittal

Ishrat Jahan
Assistant Professor
School of Business and Economics
United International University

Subject: Submission of The Internship Report on "The Audit Procedures of Alternative Cash Incentive".

Dear Mam,

I am honored to have had the opportunity to prepare my internship report meticulously under your invaluable guidance. I am pleased to formally deliver the report entitled "The Audit Procedures of Alternative Cash Incentive." This report is the culmination of the practical knowledge I acquired at HAWLADAR YUNUS & CO. Chartered Accountants.

My internship at HYC(HAWLADAR YUNUS & CO.) chartered accountants not only equipped me with practical industry knowledge but also allowed me to work across various departments of a prestigious audit firm. Despite encountering challenges in gathering information attributed to the diverse services provided by HYC, I diligently endeavored to amass pertinent data.

I trust that the report will effectively fulfill its intended purpose, and I earnestly hope that the assessment of the report will take into account the constraints I encountered in accessing certain information.

Sincerely yours,

Sanjida Zahir
ID: 114201016
BBA (Major in Accounting Information Systems)
School of Business & Economics
United International University

Acknowledgement

I wish to express my profound gratitude to Almighty Allah for the unwavering strength, knowledge, and opportunities provided, enabling the completion of this report. I extend heartfelt appreciation to my esteemed supervisor, Ishrat Jahan, Assistant Professor at the School of Business and Economics, United International University, for her consistent support, guidance, and encouragement throughout the preparation of this internship report.

Outlined here is an account of my 3-month tenure at Howlader Yunus & Co. Chartered Accountants, spanning from July 1, 2024, to September 30, 2024. The experience proved to be immensely enriching, and I am sincerely grateful to all my colleagues at HYC Chartered Accountants for their steadfast support and invaluable contributions. Special acknowledgment is due to Mr. Masum Reza (Deputy Manager), my charge of audit engagements, for his unwavering support. The congenial atmosphere at Howlader Yunus fostered a remarkable professional experience, and this report epitomizes the collective diligence of all individuals acknowledged herewith.

My appreciation also extends to my friends whose unwavering support and contributions were instrumental throughout the writing process.

Finally, I express gratitude to United International University (UIU), the UIU Career Counseling Center, and the varied programs that have significantly enriched my university experience.

Declaration

I, Sanjida Zahir, a student pursuing a Bachelor of Business Administration in Accounting and Information Systems (ID: 114 201 016), at this moment, affirm that the internship report entitled “Audit Procedures of Alternative Cash Incentive” at HAWLADAR YUNUS & CO. Chartered Accountants is my original work. This report was completed under the guidance of Ishrat Jahan, Assistant Professor at the School of Business and Economics, United International University, following the conclusion of my internship at HAWLADAR YUNUS & CO. Chartered Accountants.

I confirm that this report is intended for academic purposes only and is a mandatory requirement for completing my Bachelor of Business Administration (BBA) degree at United International University.

I am grateful for the opportunity to craft this report, as it has deepened my understanding of theoretical concepts and has been an enjoyable endeavor.

Sanjida Zahir

ID: 114 201 016

BBA in AIS

School of Business and Economics

United International University

Abstract

This report, titled “Audit Procedures of Alternative Cash Incentive,” is derived from my experiences during a 12-week internship at Howlader Yunus & Co. Chartered Accountants. It integrates the knowledge I gained from my undergraduate studies with practical insights from a professional working environment.

The primary aim of this report is to analyze the strategies and processes utilized by auditors, senior auditors, and supervisors at Howlader Yunus & Co. when conducting audits of alternative cash incentives within the Ready-Made Garments (RMG) sector. The report is structured into six distinct chapters.

In Chapter One, I outline the rationale for preparing this report, its objectives, its significance, and the limitations I encountered. Chapter Two provides a historical overview of the firm, including details about its partners, values, mission, vision, and the services offered.

Chapter Three presents a concise discussion of the theoretical framework of auditing, while Chapter Four includes a relevant literature review. Chapters Five and Six detail the lessons I learned and the critical challenges I faced during my internship.

Additionally, the report explores the dynamics of client engagement, highlighting how clients connect with the firm and how the firm approaches its clients. Based on the identified limitations, I also propose several recommendations for enhancing the audit process.

Table of Contents

Letter of Transmittal	2
Acknowledgement	3
Declaration	4
Abstract	5
Table of Contents	6
Table of Tables	8
Table of Figure	8
Chapter:1	9
Introduction	9
1.1 The Objective of The Project	9
1.1.1. Broad Objective	9
1.1.2. Specific Objectives	9
1.2 Methodology of the Study	10
1.2.1. Data Sources	10
1.2.1.1. Primary Sources	11
1.2.1.2. Secondary Sources	11
1.3 Limitations of the Study	11
Chapter: 2	13
Howladar Yunus Chartered Accountant	13
2.1 A Brief Profile	13
2.2 Partners	14
2.3 Firm's Vision	15
2.4 Firm's Mission	15
2.5 Tactical Objective	16
2.6 Philosophy of Howladar Yunus & Co.	16
2.7 Services by Howladar Yunus & Co. Chartered Accountants	17
2.8 Howladar Yunus & Co. Chartered Accountants' Clientele and Sector	20
Chapter-3	21
Conceptual Structure	21
3.1 Audit	21
3.1.1. Statutory Audit	21
3.1.2. Internal Audit	21
3.1.3. External Audit	22
3.2 Accounting	22
3.3 The Distinctions Between Auditing and Accounting	22
3.4 Auditor	23
3.5 What separates external auditing from internal auditing	23
3.6 Letter of Credit	24
3.7 Freight	24
3.8 Terms of Reference (TOR)	25
3.9 No Objection Certificate (NOC)	25
3.10 Audit Engagements	25

3.11 Engagement procedure in HYC	26
3.12 Reasons behind the Cash Incentive Facility:	27
Chapter - 4	28
Findings and Interpretations	28
4.1 Breakdown of HYC's Alternative Cash Incentive Audit Processes	28
4.1.1. Cash Incentive Audit	28
4.1.2. The Cash Incentive Audit Procedures	29
4.2 The incentive-based audit documents are examined (for the RMG sector)	32
4.2.1. Letter of Bank Forwarding	32
4.2.2. Application Form	32
4.2.3. Back to Back LC	33
4.2.4. Certificate of BGMEA	33
4.2.5. The BTMA Certification	34
4.2.6. Proceeds Realization Document	34
4.3 Export Documents	35
4.4 Documents of Import	35
4.5 Examination of the Cash Incentive Process	36
4.5.1. Procedures for File Checking	36
4.5.1.1. Documents of Export	36
4.5.1.2. Documents of Import	36
4.5.1.3. reconciling differences	37
4.5.1.4. Data Entry, Final and Draft Printing	37
4.5.1.5. Signing of the Certificate	37
4.5.2. Bangladesh Bank Engages External Auditors	37
Chapter-5	38
Learning Experiences	38
Chapter-6	39
Critical Observations	39
Chapter-7	41
7.1 Recommendation	41
7.2 Conclusion	42
7.3 References	43
7.4 Appendix	45

Table of Tables

Table 1: A Brief Profile	13
Table 2 : Partners	14
Table 3: Howladar Yunus & Co. Chartered Accountants' Clientele and Sector	20

Table of Figure

Figure 1: Procedure for Cash Incentive Audit	29
Figure 2: Bank Forwarding Letter	32
Figure 3: BGMEA Certificate	34
Figure 4: BTMA Certificate	34
Figure 5: Documents of Import	35

Chapter:1

Introduction

I underwent a twelve-week internship at Howladar Yunus & Co., an esteemed affiliate of Grant Thornton Bangladesh and a leading Chartered Accountancy firm in Bangladesh. During this internship, I gained practical knowledge of the inner workings of an accounting firm through observation and active participation in accounting and audit methodologies. As an audit trainee at Grant Thornton Bangladesh, I significantly contributed to the Cash Incentive Audit. This report aims to succinctly elaborate on the practical exposure I gained in accounting and audit procedures during the internship, which will be beneficial for my pursuit of a career in Chartered Accountancy.

1.1 The Objective of The Project

The BBA in AIS program at United International University is meticulously designed to equip students with theoretical knowledge of accounting and other essential facets of business. However, real-world work environments often differ significantly from what is presented in textbooks. Thus, students require practical insights that can only be gained through work experience. Internships play a crucial role in completing our undergraduate program.

The objective of the internship is:

1.1.1. Broad Objective

The main purpose is to provide an understanding of "Audit Procedures of Alternative Cash Incentive".

1.1.2. Specific Objectives

1. Establishing the connection in practical settings between theory and practice.
2. Adjusting as a professional to an organizational setting.
3. Learning about the real-world procedures used in corporations, businesses, and nonprofit organizations to carry out audits.
4. To modify the way a CPA firm conducts its auditing business.

5. Make an introduction in a formal setting.
6. To gather a general understanding of the audit procedures that the company follows.
7. To learn more about the government's financial incentive schemes designed to strengthen the nation's export sector.
8. To gain information and firsthand experience with RMG-based companies' exporting and importing operations.
9. To recommend ways to improve the audit methodologies' viability and proficiency.
10. To learn about audit techniques and get experience from banks and other financial and non-financial organizations by Bangladesh Bank (BB) regulations and the Institute of Chartered Accountants in Bangladesh (ICAB).
11. Gaining an in-depth understanding of the cash incentive audit process and determining whether or not the cash incentive facilities help boost Bangladeshi exports.
12. Investigating potential abuses of the cash incentive programs before the implementation of independent cash incentive audits.

1.2 Methodology of the Study

The primary objective of this study is to acquire practical knowledge of auditing procedures through my internship program. My tenure at Howladar Yunus & Co. provided a valuable opportunity to gain insights into the Alternative Cash Incentive audit procedure utilized by the organization. This report is based on the knowledge and insights I have gathered from senior managers, colleagues, and supervisors during my time there. In developing this report, I focused on the processes involved in collecting, storing, and organizing the data, with a particular emphasis on secondary data sources. Additionally, I will outline the methodologies employed for data collection.

1.2.1. Data Sources

In the preparation of this report, I have gathered both primary and secondary data. Given the time constraints typically associated with audit processes, reliance on secondary information was necessary to ensure a comprehensive and timely analysis.

1.2.1.1. Primary Sources

I am currently gathering information from seniors, colleagues, and my supervisor. Additionally, I have collected insights from applicants who are seeking the cash incentive. Relevant information was also obtained during a recent factory visit.

1.2.1.2. Secondary Sources

- Comprehensive information has been sourced from the official website of the Institute of Chartered Accountants of Bangladesh, which serves as a key resource for accounting standards and guidelines within the country.
- Primary data was meticulously collected from original sources, specifically BGMEA (Bangladesh Garment Manufacturers and Exporters Association), BTMEA (Bangladesh Textile Mills Association), and PRC (Policy Research Committee). This data is documented in the cash incentive file, ensuring accurate representation of available financial incentives.
- A detailed checklist was created by Howladar Yunus & Co. Chartered Accountants, designed to facilitate thorough financial assessments and adherence to regulatory requirements.
- Furthermore, extensive research was conducted using reputable internet sources to gather secondary data, complementing the primary findings and providing a broader context for analysis.

1.3 Limitations of the Study

The primary objective of implementing restrictions on access to confidential information within the firm is to safeguard sensitive data from disclosure to external parties, particularly in my capacity as an intern. As a junior student, my responsibilities have been primarily focused on reviewing export document files, which limited my exposure to broader operational insights.

Every assignment has its own set of difficulties and constraints, and this also holds true for the creation of this internship report. Some of the most significant restrictions encountered during this process are listed below:

1. There was not enough time during the internship to address every facet of the subject.
2. Gathering a sizable amount of data in a three-month period proved to be a difficult task.
3. Many internal documents were restricted from sharing due to secrecy requirements.
4. It was difficult to find all pertinent Bangladesh Bank circulars about cash incentives for exporters.
5. Information sharing with third parties was limited by privacy policies in the company's internal systems. As a result, a large portion of the material I collected was not permitted to be disclosed, which made it difficult for me to give a thorough review that included specifics on audit fees and the firm.

Chapter: 2

Howladar Yunus Chartered Accountant

Established in 1970, Grant Thornton International is the parent company of Howladar Yunus & Co. (HYC), one of Bangladesh's leading independent firms in insurance, tax, and consulting. As one of the country's oldest and most respected specialist firms, HYC prides itself on having highly experienced partners.

The firm provides a comprehensive range of services, including audit and assurance, tax advisory, VAT and legal compliance, corporate finance, and outsourcing. With over five decades of experience, HYC is attuned to client needs and consistently aims to enhance the value of its offerings to meet their expectations. In 1985, Howladar Yunus & Co. became a member of the Chartered Accountants of Bangladesh.

2.1 A Brief Profile

<i>Name of the Company</i>	Howladar Yunus & Co. (HYC)
<i>Address</i>	House-14 (4th floor) Road#16/A, Gulshan-1, Dhaka-1212, Bangladesh
<i>Phones</i>	02-9554119
<i>Email</i>	hyc@howladaryunus.com
<i>Web</i>	www.howladaryunus.com
<i>Branch</i>	Gulshan -1

Table 1: A Brief Profile

2.2 Partners

Name	Office	Area of Professional	Position
Dewan Nurul Islam, FCA	Dhaka	• Advisory	Managing Director
Muhammad Farooq, FCA	Dhaka	• Tax • Advisory • Assurance	Managing Partner
Neaz Mohammed, FCA	Dhaka	• Advisory • Assurance • Accounting & Outsourcing	Senior Partner
Al Maruf Khan, FCA	Dhaka	• Tax • Assurance	Partner
Farhana Sultana, FCA	Dhaka	• Compilation of Financial Statements • Assurance	Partner
Jahidur Rahman, FCA	Dhaka	• Advisory • Assurance • Accounting & Outsourcing	Partner
Touhidur Rahman, FCA	Dhaka	• Tax	Partner

Table 2 : Partners

2.3 Firm's Vision

Our aim is to be the preferred choice for clients and professionals. By collaborating with innovative businesses, we seek to promote global growth while enabling our clients and team members to achieve their full potential. Our human resources and culture strategy is dedicated to attracting, motivating, and retaining top talent. We strive to cultivate an environment where employees can clearly understand the impact of their contributions on the world around them each day. Our unwavering global principles serve as the foundation of our operations, embodying our aspirations and guiding us toward the fulfillment of our objectives.

2.4 Firm's Mission

“Affordable and Top-Quality Services for Clients”

We are dedicated to the strategic selection, development, and retention of skilled and innovative professionals who are committed to exceeding our clients' expectations. Our focus on continuous improvement and tailored training programs empowers our employees to enhance their skills and contribute effectively to client satisfaction.

Our firm excels in leveraging creative solutions to guide our diverse clientele—including government agencies, non-governmental organizations, businesses, and private entities—in making informed decisions and delivering superior services. We take pride in offering an extensive range of high-quality inquiries, technical support, and consulting services that are at the forefront of industry standards.

With a robust foundation of experience, we prioritize the unique needs of our clients and significantly impact key development sectors across the nation. Our meticulously crafted services are designed to help our partners achieve their objectives promptly and efficiently while adhering to global best practices. Moreover, the firm boasts an outstanding track record of completing projects within budgetary constraints and adhering to established timelines.

2.5 Tactical Objective

- **Collaboration:** Proactively seek assistance when needed and willingly extend support to others – we understand that our joint efforts yield outstanding results and cultivate a strong sense of teamwork.
- **Leadership:** Exhibit courage in your choices and inspire those around you – we challenge one another to explore our potential and strive for excellence in all our endeavors.
- **Excellence:** Commit to continuous improvement by consistently seeking more effective solutions – we refuse to settle for complacency and are dedicated to pushing the boundaries of what we can achieve.
- **Agility:** Maintain a broad perspective while swiftly adapting to changes and challenges – we perceive change as an opportunity for growth and innovation.
- **Responsibility:** Use your influence thoughtfully and ethically – we take accountability for our actions and their effects on others.
- **Respect:** Engage in active listening and sincerely seek to understand diverse viewpoints while being open and direct in our communication – we aim to foster authentic and trustworthy relationships.

2.6 Philosophy of Howladar Yunus & Co.

- As a member of this organization, HYC is dedicated to its mission alongside Grant Thornton International Ltd, a premier global professional services firm with a network of over 50,000 professionals across more than 135 countries. Their focus is on making a positive impact on clients, colleagues, and communities.
- Grant Thornton Consulting is recognized for its expertise in various fields, underpinned by strong qualifications, exceptional quality, and a diverse talent pool.
- The firm offers services primarily in areas such as transaction advisory, corporate finance, strategy and growth, structured finance, restructuring, risk management and compliance, social policy, human resource management, organizational development, and technology solutions.
- Grant Thornton Consulting Bangladesh is equipped to deliver services of international caliber and leverage the advantages of global networking. (Grant Thornton Bangladesh, 2020)

2.7 Services by Howladar Yunus & Co. Chartered Accountants

Howladar Yunus & Co. Chartered Accountants has proudly offered its esteemed services for nearly 50 years. Our approach is centered on delivering expert consultancy tailored to enhance the Internal Control System (ICS) of our clients' organizations. The primary objective of our services is to improve operational efficiency and add significant value to our clients' businesses. The following services are:

1. Advisory

- Business Consulting
- Business risk services
- Forensic services
- Recovery & reorganisation
- Transactional advisory service
- Human capital (Capacity Building and Training)

2. Assurance

- Financial statement audits
- Financial statement compilations
- Financial statement reviews
- IFRS conversions
- Reporting on controls at service organizations

3. Tax

- Corporate and business tax
- Direct international tax
- Global mobility services
- Indirect international tax
- Private client services
- Transfer pricing
- Tax policy

4. Cybersecurity

- Cybersecurity risk and threat assessments e.g. ISO27001
- Security policy development
- Security process improvement
- Technical assessments
- Third-party cybersecurity assurance
- Compromise assessment. Identifying ongoing or past Cyber intrusions into your network
- Simulating a phishing or general Cyberattack
- Security architecture and design
- Security process design and implementation
- Identity and access management
- Data classification
- Business continuity and disaster recovery
- Penetration testing
- Implementing a strategic plan to transform your organization's ability to defend itself from Cyber-attacks.
- Improving security-related processes e.g. security operations or incident response.
- Selecting and implementing security-related technologies e.g. SIEM etc.
- Raising awareness of cyber risk in your organization.
- Security program strategy and planning
- Security Transformation
- Security governance
- Security awareness

5. Corporate Accounting

- Bookkeeping & financial accounting
- Payroll - an end-to-end solution with the optional employee portal
- Corporate secretarial services
- Business process outsourcing
- Compilation of financial statements
- Human resources consulting
- Tax compliance
- Legal services

6. Payroll and Business Process Outsourcing

- Provide accurate calculations and reports to pay on time.
- Customized Payroll software for errorless outputs.
- Customized reporting system according to your requirements.
- Online Portal Facility for Data Transfer.
- Secured Data Management System.
- Extensive knowledge of local Law to be compliant.
- Compliant with statutory benefits.
- Reduces Manpower cost by up to 80%
- Leverage our experience to optimize your operations.
- Smartly grow your business.
- Regain your focus, Gain agility and flexibility.

2.8 Howladar Yunus & Co. Chartered Accountants' Clientele and Sector

Industry/Sector	Name of The Organizations
Energy & Resources	Bangladesh EcoPower, Green Energy Solutions, Bengal Renewable Resources
Financial Services	Southeast Bank Limited, Agrani Bank Limited, NRBC Bank Limited
Food & Beverage	Bengal Flavor Co., Sundarbans Gourmet, PureHarvest Foods
Hospitality & Tourism	Heritage Bangladesh Tours, Bengal Bliss Resorts, Dhaka Hospitality Group
Not for Profit	(JICA) Japan International Corporation Agencies, (CIDA) Canadian International Development Agencies, (ILO) International labor Organizations
Public Sector	Bangladesh Development Authority, Dhaka Urban Planning Council, National Services Agency
Real Estate & Construction	Bengal Builders & Developers, Dhaka Realty Group, Urban Habitat Solutions
Technology	Tech Innovations Bangladesh, Bengal Digital Solutions, SmartTech Bangladesh

Table 3: Howladar Yunus & Co. Chartered Accountants' Clientele and Sector

Chapter-3

Conceptual Structure

3.1 Audit

Auditing is a process in which a qualified and independent individual examines and evaluates evidence by gathering and analyzing measurable information. This evidence pertains to a specific financial entity, facilitating the assessment of the extent to which the measurable data aligns with established standards or criteria.

3.1.1. Statutory Audit

A statutory audit is typically an annual examination conducted by chartered accountants to verify the accuracy and fairness of an organization's financial records. Through this audit, chartered accountants ensure that the financial statements are free from material errors, misstatements, and fraud. While the primary objective of a statutory audit aligns with other financial audits, its defining feature is the involvement of independent auditors to review the organization's financial statements.

At the conclusion of the audit, the auditors issue a report that certifies whether the financial statements comply with established standards, such as local laws and regulations.

3.1.2. Internal Audit

Internal auditing is an independent advisory function designed to add value and improve an organization's operations by making them more efficient and effective. It plays a key role in enhancing the quality and effectiveness of risk management, control systems, and corporate governance processes. As a result, the scope of internal auditing extends across various aspects of the organization, covering critical areas such as corporate governance, risk management, and internal control systems.

However, internal auditors are not responsible for the actual performance of the company's operations. Their role is to provide recommendations to management, the board of directors,

and other senior authorities on how to enhance operational performance and strengthen the organization's governance and control systems.

3.1.3. External Audit

An external audit involves an independent auditor, typically a third party, who conducts a periodic review of an organization's financial records and other important documents. This review ensures that the records are properly maintained, accurate, and compliant with established standards, regulations, and guidelines. External auditors assess the financial statements of an organization, entity, or company based on predefined rules and standards. They remain completely independent of the organization being audited, ensuring objectivity and impartiality in their evaluation. The primary users of the financial information verified by external auditors include investors, government agencies, the general public, and other stakeholders. These groups rely heavily on the auditor's report to make important decisions regarding investments, regulatory compliance, and other actions.

3.2 Accounting

Accounting is the process of recording, summarizing, analyzing, and reporting financial transactions to both internal and external stakeholders, such as regulatory bodies, tax authorities, and other relevant agencies. The financial statements produced by organizations typically provide a summary of financial activities over a specific accounting period.

3.3 The Distinctions Between Auditing and Accounting

Accountancy is viewed as a systematic framework for collecting and recording financial information, while accounting is the process of documenting those records. Auditing, on the other hand, involves the evaluation or examination of financial accounts by auditors.

The primary objective of accounting is to determine an organization's financial position, whereas the key purpose of auditing is to ensure that financial statements are accurate, reliable, and free from material errors.

While formal education in accounting is not always necessary for maintaining basic financial records, as individuals with fundamental accounting knowledge can manage them, auditors are required to have formal qualifications to assess the accuracy and fairness of these records.

Accounting processes commence after recordkeeping is complete, and auditing begins once the accounting procedures are finalized. In other words, auditing cannot proceed without the foundational work of accounting.

3.4 Auditor

An auditor is an individual authorized to examine and verify the accuracy of financial records, ensuring that businesses comply with tax laws and other relevant regulations. Auditors help organizations prevent fraud by identifying discrepancies or raising questions when material misstatements are detected in accounting practices. In some cases, auditors provide consultancy services, offering recommendations to enhance operational efficiency and providing organizations with sound legal guidance. They may also offer tax consultancy services to assist their clients.

An auditor's responsibility includes determining whether financial statements adhere to Generally Accepted Accounting Principles (GAAP) or other applicable standards, such as International Financial Reporting Standards (IFRS).

There are various types of auditors. Some are employed directly by companies, while others work for external audit firms. An auditor's report can yield either a qualified or unqualified opinion. Their work spans multiple areas, including statutory audits, cash incentive audits, tax audits, and business consultancy, among others.

3.5 What separates external auditing from internal auditing

There are several important distinctions between internal and external audits, with each serving a unique and vital role within an organization:

Definitions and Objectives: Internal audits are primarily conducted to support management in improving the effectiveness and efficiency of operations. They concentrate on assessing internal processes, controls, and systems to pinpoint areas needing enhancement. In contrast, external audits are carried out to provide assurance to stakeholders—such as shareholders, government agencies, financial analysts, and other users of financial information—that the organization's financial statements are accurate, trustworthy, and free from material misstatements or fraud.

Appointment and Oversight: The processes for appointing these auditors differ significantly. External auditors are selected by shareholders and senior management, which

underscores their independent role. In contrast, internal auditors are directly employed by the organization's management, enabling them to engage deeply with the company's operations.

Role within the Organization: Internal audits play a vital role in the organization's internal control systems, aiming to enhance productivity and operational efficiency. They frequently provide tailored recommendations for improvements and best practices. Conversely, external audits act as an independent review, focusing on validating the accuracy of financial statements without providing operational recommendations.

Nature of the Auditor's Position: Internal auditors are typically employees of the company, working under specific terms of appointment that define their responsibilities and limitations. External auditors, however, are independent professionals hired from outside the organization, bringing an objective viewpoint. Their scope of work is also governed by contractual agreements and relevant regulations, ensuring impartiality and compliance.

These distinctions emphasize the unique and complementary roles that internal and external audits play in promoting transparency, accountability, and continuous improvement within organizations.

3.6 Letter of Credit

A letter of credit (LC) is a payment instrument that is widely accepted and utilized in international trade. It offers financial support and guarantees to exporters through a financial institution. Often referred to as "documentary credit," "banker's commercial credit," or "letter of undertaking," it plays a significant role in cross-border transactions.

In the context of global trade, determining the reliability of contracting parties can be difficult. As a result, the letter of credit becomes an essential payment method, with the bank assuming the associated responsibilities. Furthermore, LCs are invaluable for businesses operating in different countries, as they navigate various legal environments.

3.7 Freight

Freight refers to the charge or payment for transporting goods and commodities by land, air, or sea. Products can be shipped on either a prepaid or collect basis.

Under C&F (Cost and Freight) and CIF (Cost, Insurance, and Freight) terms, if the consignor pays the freight, the responsibility for the goods remains with the consignor until the consignee takes delivery upon arrival at the destination.

Conversely, if the consignee pays the freight under FOB (Free on Board) terms, ownership of the goods transfers to the consignee once they are handed over to the carrier against the bill of lading.

3.8 Terms of Reference (TOR)

Terms of reference (TOR) outline the fundamental purpose and framework of a project, committee, assembly, or any collective of individuals or organizations that have agreed to collaborate toward a common goal.

These terms specify how objectives will be defined, developed, and validated to ensure they yield meaningful insights. Additionally, TOR provides documented criteria for future decision-making and fosters a shared understanding of the project's scope among stakeholders with vested interests.

Crafting detailed terms of reference is essential, as it delineates the vision, objectives, and scope that must be achieved. It also includes information about stakeholders and defines the roles and responsibilities of participants. Furthermore, TOR addresses resources, financial aspects, and quality considerations, outlining how these will be achieved. Importantly, TOR should incorporate success factors, including potential risks and limitations.

3.9 No Objection Certificate (NOC)

A No Objection Certificate (NOC) is a type of legal document issued by various entities, including government offices, organizations, institutions, and individuals. This certificate serves as a declaration that the bearer has no objections regarding a particular matter. NOCs are crucial and often required by many government agencies and departments for various procedures.

3.10 Audit Engagements

An audit engagement is considered the initial phase in the audit process, marking the starting point for the audit procedure. The term "engagement" generally signifies the initiation of a

process or association. During this stage, an engagement letter formalizes the relationship between the audit firm and the client, outlining the financial statements that will be assessed.

Specifically, through the audit engagement, the auditor not only acknowledges the client's work and establishes a working relationship but also communicates acceptance of the assessment tasks and clarifies their understanding of the audit's purpose and scope. Moreover, the audit engagement often refers to the written letter, which serves as a formal notification to the clients, indicating that the auditor will accept the engagement and proceed with the audit of the organization.

3.11 Engagement procedure in HYC

HYC conducts its engagement processes with existing clients, new clients, and those who appoint them directly. Before commencing the engagement, several official letters are exchanged between the clients and the firm.

For new clients, specific financial proposals are required from HYC. The firm sends a proposal letter to these clients after reviewing the relevant documentation. Once the client receives proposals from various audit firms, they select the one that best meets their needs, subsequently identifying HYC for auditing purposes. After receiving the proposal letter, HYC provides a confirmation letter detailing the firm's approach to working with the client.

For existing clients, HYC issues a reappointment letter expressing its desire to continue providing audit services. If the client agrees to re-engage HYC, they send an appointment letter indicating their intention to retain the firm's services. HYC then acknowledges the agreement through another formal letter.

If a client expresses interest in working with HYC, they send an agreement letter that typically includes the terms of reference (TOR). All conditions must be favorable for HYC to accept the agreement; otherwise, the firm will decline to provide its auditing services to that particular client. Once all terms and conditions are met, HYC sends a letter confirming acceptance of the role as auditor.

3.12 Reasons behind the Cash Incentive Facility:

Here are several key reasons to consider:

- To enhance the country's export sector, thereby driving economic growth and creating job opportunities for the workforce.
- To establish a reverse link with a specific region, fostering increased collaboration and resource-sharing that can benefit local economies.
- To strengthen foreign currency reserves, which are essential for stabilizing the national economy and supporting international trade activities.
- To prioritize the use of domestic materials over foreign imports, thus promoting local industries and reducing reliance on external sources.
- To develop competitive and recognizable raw materials and finished products within targeted sectors, ensuring that our goods stand out in both domestic and international markets.
- To identify and access new export markets, enabling greater diversification and resilience within the overall economy.

Chapter - 4

Findings and Interpretations

4.1 Breakdown of HYC's Alternative Cash Incentive Audit Processes

4.1.1. Cash Incentive Audit

An audit is a fundamental and formal method employed to identify errors by auditors. For effective auditing, there must be sufficient data, adequate space, and a conducive environment that enables auditors to perform their tasks efficiently.

A cash incentive audit involves the auditor reviewing all relevant files and documents to ensure compliance with cash incentive procedures and the guidelines set by the Bangladesh Bank Circular. After thoroughly examining the files, senior auditors perform calculations to verify alignment with bank records. Ultimately, the decision on whether applicants qualify for cash incentive facilities rests solely with the Bangladesh Bank.

4.1.2. The Cash Incentive Audit Procedures

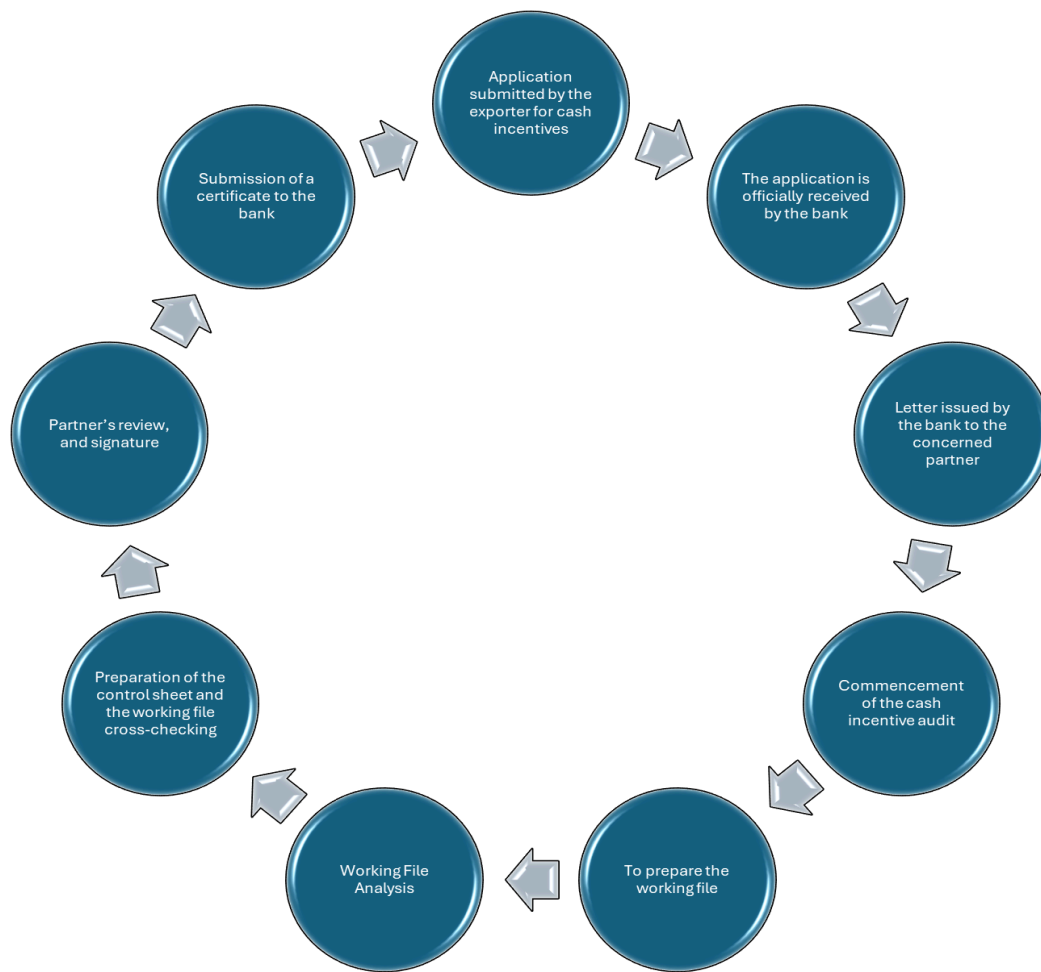


Figure 1: Procedure for Cash Incentive Audit

1. The exporter's application for cash incentives

The exporter submits an application to the export department of their bank, including all necessary details. This application must be filed after the export has been completed and within 180 days of receiving the export proceeds, provided that the export price is earned in foreign currency. Only then is the exporter eligible for alternative cash incentives.

Typically, the application requires authorization along with various documents mandated by different government bodies, including the Government of Bangladesh, the Bangladesh Bank, the Exporters Bank, and auditors. All required documents must be collected, organized accurately, and submitted through the export division of the designated bank. Additionally, all photocopies must be verified and attested by a government official. Failure to comply with

these requirements or to submit any necessary documents may lead to the rejection of the application.

2. The bank has officially received the application

The export division of the designated bank receives the application along with all the necessary documents. The authorized officer of the bank then verifies and attests to these documents, thoroughly checking each submission for accuracy. If the officer identifies any errors, the applicant is informed and must resubmit the application with the necessary corrections and in the proper format as specified by the bank.

3. The bank sent the concerned partner a letter

Once all documents have been checked and verified, the foreign division of the bank's headquarters issues a letter to the relevant audit firm, requesting the completion of the auditing procedure for the Alternative Cash Incentive.

4. Start of the audit for cash incentives

Upon receiving the letter from the head office of the designated bank, the audit firm relays the information to its auditors. The auditor then visits the bank to officially initiate the audit process. Once the designated bank officer completes the attestation of the documents, they forward the file to the auditors, who then begin their work, guided by the Terms of Reference (TOR) outlined by the Bangladesh Bank in FE Circular No. 291.

5. To get the functioning file ready

The auditors' initial task concerning cash incentives is to create and organize a working file for each received application. This marks the beginning of the audit process. To facilitate this, the audit firm provides a standardized format, which the auditors utilize to record information relevant to their auditing objectives.

6. Analysis of Working Files

Senior students completing their articles at audit firms meticulously examine all working files to confirm their originality and accuracy. They validate that the certified amounts are mathematically correct and ensure that the calculations include all pertinent data required by the Bangladesh Bank.

7. creating the control sheet and cross-checking the working files

Once the senior articulated students have thoroughly reviewed the working files, the auditors are responsible for creating a control sheet that summarizes the most critical information from the applications. This control sheet is prepared solely for the audit firm and provides auditors with a comprehensive overview of all applications. Serving as a database, it facilitates systematic management of the working files and application files.

Following this, the senior officer or the individual in charge of cash incentives reviews the control sheet. They cross-check all data, comparing the control sheet against the working files. If any discrepancies or errors are identified, the officer refers to the original file to make the necessary corrections.

8. Review and signing of the partner

After all cross-checking is completed and reviewed by the individual in charge of Cash Incentives, the concerned partners conduct a final review of the entire application. If any partner has questions or concerns, they will ask the in-charge to address the issues and reassess the application. Once the partners agree that everything is accurate and fairly presented, the auditors proceed with preparing the Cash Incentives certificate.

9. delivering a certification to the bank

Finally, after the partners sign the Certificate of Cash Incentive, it is submitted to the head office of the designated bank for the exporter. The certified application file, along with all supporting documents, will also be included in this submission. The head office of the negotiating bank will receive these documents along with the certificate, and if sufficient funds are available at that time, they will authorize the disbursement of the Certified Cash Incentive amount to the applicant.

4.2 The incentive-based audit documents are examined (for the RMG sector)

4.2.1. Letter of Bank Forwarding



The forwarding letter from the bank serves as a declaration by the applicant for the cash incentive related to the total export amount. In these application letters, the applicant specifies the type of market to which the files pertain, such as a new market, composite market, fabrics, or others.

The applicant requests a cash incentive under the circulars issued by the Bangladesh Bank and acknowledges that they are not eligible to claim cash incentives for records where they have already received similar facilities. The applicant also details the number, date, and

value of the Master LC under which the export transactions occurred. Each record generates distinct bank forwarding letters, as the applicant must submit individual applications for different records. These letters are directed to the export division or the foreign exchange division of the respective bank, where authorized bank personnel will verify the documents.

Figure 2: Bank Forwarding Letter

4.2.2. Application Form

The application form is a crucial document for verifying the validity and status of the files. Auditors regard the application form as the foundation for the files, coordinating the information provided within it to confirm the authenticity of the documents.

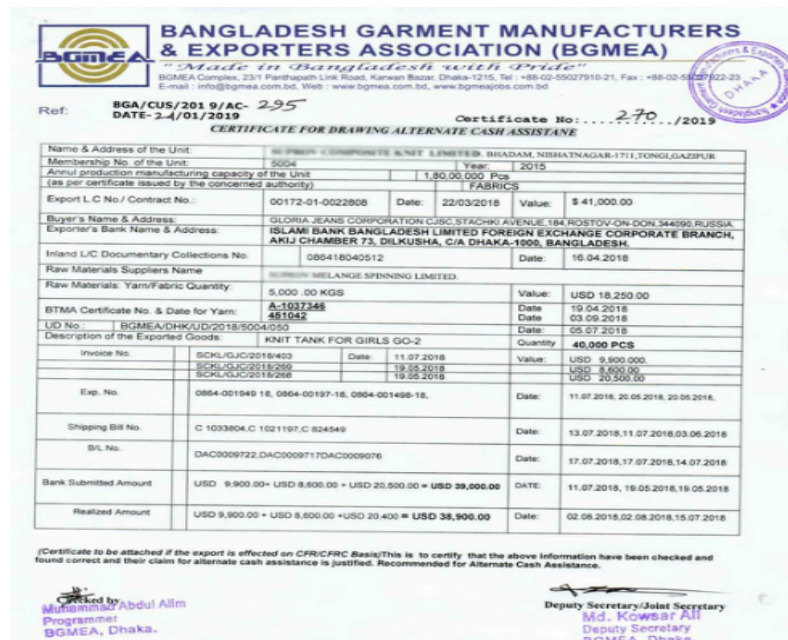
The application form varies according to the type of market being addressed. For a new market, the 'Form KA' serves as the coordinating application form. Conversely, the 'Type KHA' form is designated for the composite sector applications. Additionally, "Form GHA" is utilized to classify exports.

4.2.3. Back to Back LC

A back-to-back letter of credit, which usually facilitates transactions between a buyer and an intermediary seller, combines two or more letters of credit to provide money for a single transaction.

All pertinent back-to-back letters of credit must be sent with the application form by the applicants in order to facilitate this process. The auditors bear the responsibility of confirming the completeness of all records pertaining to the complete back-to-back letter of credit. By comparing specifics like the kind of letter of credit, LC numbers, LC dates, and LC values with the data supplied in the application form, they make sure the documents are accurate.

4.2.4. Certificate of BGMEA



BANGLADESH GARMENT MANUFACTURERS & EXPORTERS ASSOCIATION (BGMEA)
"Made in Bangladesh with Pride"
BGMEA Complex, 231 Panthapath, Lash Road, Karwan Bazar, Dhaka-1215, Tel: +88-02-55027910-21, Fax: +88-02-55027922-23
E-mail: info@bgmea.com.bd, Web: www.bgmea.com.bd, www.bgmeajobs.com.bd

Ref: **BGA/CUS/2019/AC-295**
DATE: 24/01/2019 Certificate No: **270**/2019
CERTIFICATE FOR DRAWING ALTERNATE CASH ASSISTANCE

Name & Address of the Unit:	BGMEAS COMPOSITE & NET LIMITED, BHADAM, NISHATNAGAR-1711, TONGIGAZIPUR.		
Membership No. of the Unit:	5004	Year:	2015
Annual production/manufacturing capacity of the Unit (as per certificate issued by the concerned authority):	1,50,00,000 Pcs FABRICS		
Export L/C No./Contract No.:	00172-01-0022808	Date:	22/03/2018 Value: \$ 41,000.00
Buyer's Name & Address:	GLORIA JEANS CORPORATION CISC SYACHKI AVENUE 184 ROSTOVON DON 344990 RUSSIA		
Exporter's Bank Name & Address:	ISLAMIC BANK BANGLADESH LIMITED FOREIGN EXCHANGE CORPORATE BRANCH, AKIJ CHAMBER 73, DILKUSHA, C/A DHAKA-1000, BANGLADESH.		
Inland L/C Documentary Collections No.:	085418040512	Date:	16-04-2018
Raw Materials Suppliers Name:	SUNSHINE MELANGE SPINNING LIMITED.		
Raw Materials: Yarn/Fabric Quantity:	5,000.00 KGS	Value:	USD 18,250.00
BTMA Certificate No. & Date for Yarn:	A-1037348 451042	Date:	19-04-2018
UD No.:	BGMEA/DHK/UD/2018/5004/050	Date:	03-06-2018
Description of the Exported Goods:	KNIT TANK FOR GIRLS GO-2	Quantity:	40,000 PCS
Invoice No.:	SKL/GJC/2018/403	Date:	11-07-2018 Value: USD 9,900.00
	SKL/GJC/2018/268	Date:	19-05-2018 USD 8,600.00
	SKL/GJC/2018/268	Date:	19-05-2018 USD 20,500.00
Exp. No.:	0854-001949-18, 0854-00197-18, 0854-001498-18, Date: 11.07.2018, 20.05.2018, 20.05.2018,		
Shipping Bill No.:	C 1033804.C 1021197.C 824549	Date:	13.07.2018, 11.07.2018, 03.05.2018
B/L No.:	DAC0009722.DAC0009717.DAC0009076	Date:	17.07.2018, 17.07.2018, 14.07.2018
Bank Submitted Amount	USD 9,900.00 + USD 8,600.00 + USD 20,500.00 = USD 39,000.00 DATE: 11.07.2018, 19.05.2018, 19.05.2018		
Realized Amount	USD 9,900.00 + USD 8,600.00 + USD 20,400 = USD 38,900.00 DATE: 02.08.2018, 02.08.2018, 15.07.2018		

(Certificate to be attached if the export is effected on CFR/CIF Basis) This is to certify that the above information have been checked and found correct and their claim for alternate cash assistance is justified. Recommended for Alternate Cash Assistance.

Checked by: **Muhammad Abdul Ailm**
Programmer
BGMEA, Dhaka.

Deputy Secretary/Joint Secretary
Md. Kowsar Ali
Deputy Secretary
BGMEA, Dhaka.

The Bangladesh Garments Manufacturers and Exporters Association (BGMEA) serves as the regulatory body for the garment sector in Bangladesh. Consequently, obtaining a certificate from BGMEA is essential for applicants seeking cash assistance from the government. The applicant must collect this certificate and attach it to the application file.

The BGMEA certificate provides comprehensive details about the application. Auditors are required to meticulously cross-check each detail in the application files against the information presented in the BGMEA certificate. This includes verifying elements such as LC master numbers, values and dates, back-to-back LC numbers, invoice numbers, bill

numbers, shipping numbers, export values, realized values, dates of realization, dates of shipping, as well as the authorization signatures and seals. Thus, the BGMEA certificate acts as a confirmation of the export process's validity. It is also crucial to ensure that the certificate bears the necessary authorized seal and signature.

Figure 3: BGMEA Certificate

4.2.5. The BTMA Certification



BANGLADESH TEXTILE MILLS ASSOCIATION
Unique Trade Centre (Level 8), 8, Panthapath, Korwan Bazar, Dhaka-1215, Bangladesh
Tel: 9101508, 9130969, 8122563, Fax: 9125338, E-mail: btma@btma.com, btma2@yahoo.com, Web: www.btmadhaka.com

CERTIFICATE OF PRODUCTION

Export LC/Contract No. **123456789** Date **22.03.2018**

Total quantity & items under export LC/Contract **40,000 Pcs** Value **841,000.00**

Back-to-back LC/Documentary Collections No. (for yarn) **0864/304051**

Date **16.04.18** Value **818,250.00**

LC Opening Bank **ISLAMIC BANK BANGLADESH LTD** Branch **FOREIGN EXCHANGE**

Back-to-back LC/Documentary Collections No. (for fabric)

Date

LC Opening Bank

Expiry date of LC **25.05.18** Mashak No. **368** Date **17.04.18**

Description of Yarn	Quantity or Weight	Date of Delivery	Com. Invoice No. & Date
Cash BTMA Certificate			

Description of Fabric	Quantity or Weight	Rate	Date of Delivery

We hereby certify that the above goods which have been produced/manufactured in Bangladesh.

Annual production/manufacturing capacity (as per certificate issued by the concerned authority) of the mill is **8000 MT TONS** and the above goods have been supplied to **COMPOSITE KNT LTD, RS-354, 3ST, VADAM, NICHATNAGAR TONGIGARIPUR**.

Signature: **Seel** Date: **03 SEP 2018**

I, the undersigned, Secretary General of Bangladesh Textile Mills Association (BTMA) Dhaka hereby certify that the above declaration was made before me. As far as it can be ascertained from documentary proof submitted, the above goods have been produced/manufactured in Bangladesh.

Certificate No. **BTMA Yarn Supplied for** **BTMA Yarn Supplied for** **BTMA Yarn Supplied for**

Quantity **11/1** Value **3/012**

(Feroz Ahmed)
Secretary General
Bangladesh Textile Mills Association

Any overwriting, erasing or correction will make this Certificate invalid

Obtaining government cash incentives requires the Bangladesh Textiles Mills Association (BTMA) certificate, which is an essential supporting document. Essential information such yarn quantities, LC export numbers, dates, prices, bank names, department titles, yarn descriptions, net weights, serial numbers, and authorized seals and signatures are all included in this certificate, which is particularly given for yarn suppliers.

Auditors are in charge of carefully examining all data in

the BTMA certificate to make sure it corresponds with the pertinent files that are attached to the application. It is significant to remember that any BTMA certificate will be considered void if it does not have the necessary authorized seal and signatures.

Figure 4: BTMA Certificate

4.2.6. Proceeds Realization Document

A certificate that validates the export procedure in relation to Bangladeshi exports is issued by the Bangladesh Bank. Checking the Proceed Realization Certificate (PRC) with the information on the application form is crucial. For precise reference and document

verification, the PRC's PRC number and date are essential. To ensure an accurate duplicate of the records, these two pieces of information are essential.

4.3 Export Documents

When requesting financial aid, applicants indicate the value of their exports. They have to give evaluators the necessary paperwork so they can examine the records in order to claim this government funding. The following are the essential export documents needed for this process:

- Commercial Invoice
- Packing List
- Bill of Lading
- Export Form
- Bill of Export

4.4 Documents of Import

Raw materials are sometimes obtained by imports from neighborhood producers or from exporters from other nations. In such situations, auditors are required to review it. The following are some vital import records:

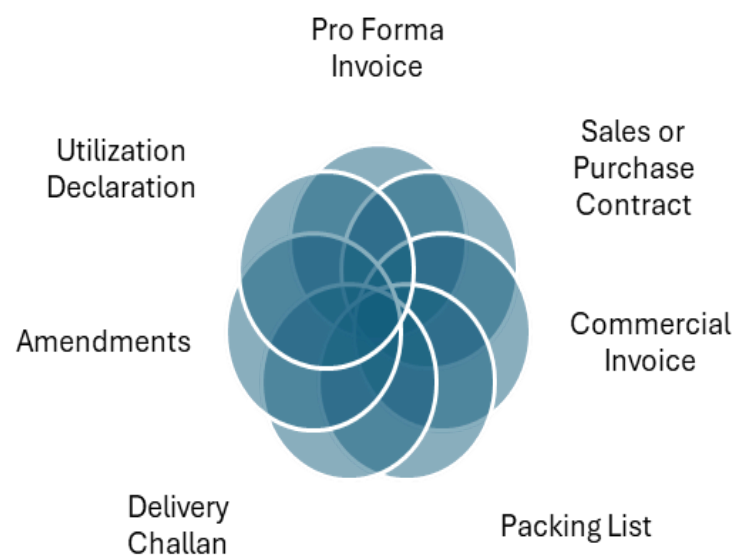


Figure 5: Documents of Import

4.5 Examination of the Cash Incentive Process

4.5.1. Procedures for File Checking

4.5.1.1. Documents of Export

Auditors must stay calm during file reviews, as mistakes can affect certification. Upon receiving an application, they first check the forwarding letter for key details such as application date, bank ID numbers, market type, branch names, export LC number, associated dates, and values. If everything matches, they move on; discrepancies must be reported.

Next, they verify that the Export LC number, date, and values on the application form align with those in the forwarding letter. Any mismatches will be noted. The auditor then examines export documents, including the packing list, bill of lading, commercial invoice, export form, and bill of export, ensuring all information, such as weights, names, invoice values, and LC numbers, corresponds. Discrepancies require corrections; failure to do so prevents certification.

They check quantities, export numbers, and product weight against the application form and the bill of lading, ensuring authenticity by verifying seals and signatures.

Finally, the export form is reviewed for the export number, country of origin, port of destination, invoice value, and required seals and signatures. Documents lacking the Assistant Revenue Officer (ARO) and Revenue Officer (RO) seals will not be accepted unless a No Objection Certificate (NOC) from the applicant's bank is provided.

4.5.1.2. Documents of Import

When auditing import documents, the auditor begins by reviewing the sales contracts, focusing on critical elements such as LC numbers, dates, and values. An essential clause within these contracts specifies which party is entitled to receive cash incentive facilities.

Next, the auditor examines the certificate of origin to ascertain the source of the raw materials and the location of the final product's production. Additionally, the auditor verifies the certificate of the beneficiary to ensure that the applicant has not claimed any bonded warehouse or duty drawback facilities for the raw materials used.

As LC values may fluctuate or be replaced by a master LC, it is crucial for auditors to verify that any changes or replacements are documented in the LC amendments. The auditor meticulously checks these amendments for accuracy. If any modifications are not reflected in

the amendments, they should be detailed in the Utilization Declaration. In the absence of such documentation, the auditor must request a valid explanation for the discrepancy.

4.5.1.3. reconciling differences

At this point, the applicant must correct any problems found after carefully going over all of the export and import documentation. The auditors then carry out a follow-up inspection to confirm that these mistakes have been fixed and that the disparities have been sufficiently addressed. After confirming that everything is in order, the auditors will send the paperwork to the company so that a monetary incentive certificate can be issued. However, the file won't be submitted for certification if any problems aren't fixed.

4.5.1.4. Data Entry, Final and Draft Printing

Upon receiving the file, the firm first inputs the reviewed files into MS Excel to generate a draft cash incentive certificate. This draft is then examined by the auditors for any potential errors. If any discrepancies are identified, they are promptly corrected. Once all necessary adjustments are made, the final version of the Cash Incentive Certificate is printed.

4.5.1.5. Signing of the Certificate

Senior auditors receive the final printed copy after which they thoroughly examine it to make sure the certificate is error-free. The certificate is forwarded to the pertinent partner for signature as soon as they verify that it is error-free. The certificate is then given back to the applicant after being signed. After that, the applicant can complete all the requirements to get the Cash Incentive.

4.5.2. Bangladesh Bank Engages External Auditors

Based on calculations provided by the exporter's bank, the applicant had already received the monetary incentive. However, due to dishonest practices by certain individuals, the matter was referred to a third party (external auditor) to provide a certificate confirming the accurate amount due from Bangladesh Bank. Several businesses submitted applications for funds that were not entirely legitimate, and a particular bank facilitated the disbursement of these funds. This resulted in significant financial losses for Bangladesh Bank. To prevent such manipulation, the audit is conducted with a focus on protecting the interests of the public and the government.

Chapter-5

Learning Experiences

The 12-week internship program at HYC Chartered Accountants was a truly transformative experience that provided invaluable insights into the corporate world. From the very first day, I found myself immersed in a dynamic environment that challenged me to perform under pressure. This experience significantly enhanced my time management skills and underscored the importance of effective task prioritization.

During my tenure at HYC, I gained essential knowledge about client interactions and the nuances of professionalism. Each day presented unique challenges that tested my problem-solving abilities, allowing me to grow more confident and equipped for my future career.

Before joining HYC, my understanding of accountants and auditors was quite limited. However, this internship deepened my insight into the profession. I was introduced to various audit procedures and techniques that were both intriguing and educational. I learned how auditors form independent opinions regarding the transparency and validity of annual reports and other crucial documentation from diverse organizations. This process involved a meticulous review of cash incentive files, where I refined my skills in calculating justified claims and identifying discrepancies. I became proficient in recognizing manipulated documents, requiring a keen eye for detail and analytical thinking, and I learned the necessary actions to take when confronted with falsified materials from clients.

In addition to technical skills, my time at HYC provided a profound understanding of corporate culture. Working in this vibrant environment familiarized me with the essential rules and regulations governing daily operations. I quickly adjusted to attendance policies and disciplinary practices while embracing the collaborative spirit of my colleagues.

Improving my communication skills enriched my interactions with clients, enabling me to address their inquiries with clarity and confidence. This internship was not solely about mastering cash incentive audits in accordance with Bangladesh Bank's regulations; it also emphasized the intricacies of teamwork. One of the most valuable lessons I took away was the importance of maintaining a clear chain of command while fostering a spirit of cooperation. I gained a deeper appreciation for the art of achieving mutual understanding among team members, ensuring that our collaborative efforts were smooth and efficient.

Overall, my internship at HYC Chartered Accountants was a formative experience that equipped me with a comprehensive understanding of the profession, preparing me for the challenges that lie ahead in my career.

Chapter-6

Critical Observations

Based on the case study conducted on six companies whose files were reviewed during the internship period, several observations—both constructive and negative—have been identified. The following remarks, grounded in various standards including BB Circulars, Terms of Reference (TOR), Import Policies, and the Bangladesh Standards and Assurances (BSA), are highlighted:

Significant savings amounting to BDT 1,395,923 have been realized for Bangladesh Bank concerning the files of these six companies.

Traditionally, Bangladesh Bank has accepted the calculations provided by the banks as final payable claims. However, there is often insufficient examination of these files to verify the authenticity of the submitted documentation. As a result, due to factors such as waste and inaccuracies, our calculations sometimes fall below the claimed amounts, thereby reducing Bangladesh Bank's financial exposure to these Cash Incentive Applicants.

After accounting for our audit fees, it is evident that Bangladesh Bank has benefited by BDT 1,395,923, indicating that these clients over-claimed nearly 1.4 million BDT. The engagement of our firm has contributed substantially to these savings for Bangladesh Bank.

It is important to note that significant delays have been experienced during the audit process. In accordance with agreements with negotiating banks, it is required that we review incentive files and submit a list of missing documents, along with any queries, within one week. Unfortunately, due to resource constraints within the auditing department and an increasing workload, meeting this deadline has proven challenging. According to the case study findings, delays ranging from 35 to 65 days have been observed in addressing these queries, when the expected timeline is just 7 days. This extensive backlog has created complications and considerable pressure from clients.

Additionally, there appears to be inadequate emphasis on verifying the authenticity of submitted documents.

As auditors, while we have the capability to verify documents, it is often difficult to ascertain whether these documents have been obtained in compliance with legal and regulatory standards. Consequently, we are positioned to provide only a reasoned opinion concerning the level of Alternative Cash Assistance that clients may be entitled to receive. There is currently no expectation to ascertain definitively the originality of document sources. Nevertheless, we can verify whether any provided documents have been manipulated or falsified.

Techniques exist to evaluate the legitimacy of documents, including export documents and BTMA certificates. However, formal training on detecting such manipulations has not yet been implemented by senior staff or management. Much of the knowledge gained in this area has come from peer interactions and on-the-job experience. It is imperative that our firm prioritizes training initiatives to effectively manage and detect fraudulent activities.

Moreover, insufficient double-checking of potential fraudulent activities by banks and clients has been noted.

Throughout the internship, instances of falsified documents have frequently arisen, often signed and attested by the negotiating bank's authority. This raises concerns regarding possible fraudulent behavior by either the bank or clients who may have misrepresented seals and signatures without the bank's consent. Unfortunately, the comprehensive verification of all documents for each file is seldom conducted due to time constraints.

Such discrepancies are often detected in key documents, such as bank calculations, PRC, and back-to-back bank certificates. Established methods exist to identify these inaccuracies; for instance, visiting the bank to review the PRC and back-to-back LC registers can help uncover inconsistencies between provided documents and the bank's records.

While it may be impractical to thoroughly verify the authenticity of each file in this detailed manner, it is essential that our firm takes proactive steps to minimize the occurrence of fraudulent activities.

Lastly, the verification of the origin of yarn and fabric has not been sufficiently addressed. A critical requirement for receiving Cash Incentives is that the yarn or fabric utilized in Ready-Made Garment (RMG) production must be sourced from local suppliers. However, in an effort to meet foreign buyers' quality standards, applicants frequently resort to using foreign yarn and fabric, subsequently replicating the Certificate of Origin and Beneficiary Certificate of local suppliers while applying for Cash Assistance.

Although factory visits are conducted to ensure the adequacy of machinery and labor resources for the export volume detailed in the applicant's file, there is often a lack of verification regarding yarn and fabric suppliers to confirm whether the materials were procured from them. Given the significance of this prerequisite for receiving Cash Incentives, it is crucial that we enhance efforts to thoroughly verify the origins of these raw materials.

Chapter-7

7.1 Recommendation

There are few frameworks or guidelines that do not encounter challenges. While these issues may not always be immediately visible, recognizing them is essential for enhancing overall efficiency and effectiveness. Below are several recommendations aimed at addressing these concerns:

1. **Establish Clear Timelines:** It is advisable for the firm to include specific clauses within its agreements that outline the exact timeframe for completing audits, as well as when clients should engage with the firm regarding its services. This will help to set clear expectations for all parties involved.
2. **Expand Support Staff:** To expedite the review process, the firm may wish to consider recruiting additional articling students. This strategic initiative would alleviate the workload and enhance both the speed and quality of document examinations.
3. **Utilize Modern Technology:** By integrating contemporary software solutions such as SAP and QuickBooks, the firm can significantly reduce the manual workload on students. The adoption of these tools will streamline operations and make the auditing process more efficient.
4. **Develop Incentive Programs:** Implementing audit programs that offer cash incentives could serve to motivate junior team members. Furthermore, appointing a team leader to manage the audit group will ensure alignment and facilitate cohesive collaboration.

5. **Plan for Adequate Time:** It is crucial to accurately estimate and allocate sufficient time for audit tasks. Rushing this process may lead to oversights and errors, thereby compromising the quality of the reviews conducted.
6. **Request Essential Information:** The firm should actively seek a formal letter from management detailing the necessary information required to complete the audit. It is imperative for management to facilitate cooperation by ensuring timely access to this essential data.
7. **Empower Junior Staff:** Junior team members should be afforded opportunities to engage in internal calculations related to cash incentives, alongside their document-checking responsibilities. This hands-on experience will enhance their skills and contribute effectively to their professional development.

By implementing these strategies, the firm can work towards a more efficient auditing process, ultimately benefiting both its team and its clients.

7.2 Conclusion

The several audit processes that HYC Chartered Accountants uses to provide services to its clients have all been carefully covered in this report by me. After conducting a thorough analysis of the guidelines and policies stipulated by the Bangladesh Bank, in compliance with the BRPD Circular and other regulatory bodies, I have arrived at the conclusion that HYC Chartered Accountants is doing its audit duties with remarkable competence. Considering its significant workload, HYC's performance is still very good when compared to other audit companies, despite the restrictions mentioned in the earlier sections.

HYC's auditors enjoy a strong chain of command, well-functioning internal control system, and structured disciplinary procedures. These elements significantly lessen the possibility of unethical behavior in their dealings with clients, such as deception or double-dealing. HYC has established a solid reputation in the industry because to its steadfast dedication to upholding high ethical standards and maintaining exceptional quality. HYC can get a major competitive edge by partnering with a reputable international regulatory agency and audit firm.

Recent years have witnessed considerable growth in Bangladesh's Ready-Made Garment (RMG) sector, characterized by an increase in the number of textile and spinning mills. This development can primarily be attributed to cash assistance initiatives targeted at the RMG sector, which have effectively strengthened its backward linkages. Such support from the

Government of Bangladesh (GOB) represents a strategic move to enhance the export of RMG goods through the utilization of local raw materials, thereby bolstering the national economy.

Moving forward, these monetary incentives are anticipated to be extremely important to the RMG sector's viability as we move toward a global economy devoid of quotas. Cash incentives and RMG exports have a good association, indicating the importance of these financial mechanisms in helping Bangladesh earn significant foreign exchange revenue. Independent audits of these incentive programs are just as crucial as monetary incentives in terms of increasing foreign exchange inflows. When there is no independent control, there could be situations where worthy exporters lose out on financial incentives and dishonest exporters take advantage of the system to their own unfair benefit. Establishing independent auditing procedures is essential to protecting public funds and guaranteeing fair access to cash incentives.

7.3 References

1. *BB allows 46 CA firms to audit banks, NBFIs. (2024, October 21). New Age.*
<https://www.newagebd.net/article/211501/bb-allows-46-ca-firms-to-audit-banks-nbfis>
2. *Careers. (n.d.). Grant Thornton.* <https://www.grantthornton.com.bd/careers/>
3. *The central bank has imposed conditions on banks on appointing audit firms for auditing applications for cash incentives or subsidies against the exports of goods. (2024, July 8th). The Business Standard.*
<https://www.tbsnews.net/economy/banking/cenbank-imposes-conditions-banks-appointing-audit-firms-export-incentives-895046>
4. *Certificate of No Objection definition. (n.d.). Law Insider.*
<https://www.lawinsider.com/dictionary/certificate-of-no-objection>
5. *Difference Between Internal Audit and External Audit. (n.d.). Key Differences.*
<https://keydifferences.com/difference-between-internal-audit-and-external-audit.html>
6. *Fatmir Mehmeti. (2018). Common Characteristics and Differences in External and Internal Auditing.*
https://www.researchgate.net/publication/330989987_Common_Characteristics_and_Differences_in_External_and_Internal_Auditing
7. *Francine Messier. (2017). The Audit How an Honest Mistake Became a Federal Crime. Strategic Book Publishing.*
https://www.google.com.bd/books/edition/The_Audit/aTQkDwAAQBAJ?hl=en&gbpv=0
8. *Haladar Yunus & Co. Services. (n.d.). Grant Thornton.* <https://www.grantthornton.com/#>

9. *Ideagen. (2024, 30 April Chris Smith). Internal audit vs. external audit: What are the differences?*
<https://www.ideagen.com/thought-leadership/blog/internal-vs-external-audit#:~:text=While%20internal%20audits%20primarily%20focus,reporting%20accuracy%20and%20regulatory%20compliance>
10. *Jahid Hussain. (2020, January 05). Audit Procedure on Cash Incentive- AHKC Chartered Accountants, 21.*
<https://www.slideshare.net/slideshow/audit-procedure-on-cash-incentive-ahkc-chartered-accountants/215520172>
11. *Nataliia Kashchena, Iryna Nesterenko, & Nadiya Kovalevska. (2022). ORGANIZATIONAL AND METHODOLOGICAL ASPECTS OF AUDIT OF INTEGRATED REPORTING OF ENTERPRISE.*
https://www.researchgate.net/publication/365495432_ORGANIZATIONAL_AND_METHODOLOGICAL_ASPECTS_OF_AUDIT_OF_INTEGRATED_REPORTING_OF_ENTERPRISE
12. *Partners. (n.d.). Grant Thornton. <https://www.grantthornton.com.bd/meet-our-people/>*
13. *Shams, M. (2021, October 07). Master circular sought on incentive. The Business Post. <https://businesspostbd.com/back/2021-10-07/master-circular-sought-on-incentive-31010>*
14. *Values. (n.d.). Grant Thornton. <https://www.grantthornton.global/en/Careers/the-grant-thornton-difference/values/>*

7.4 Appendix


Grant Thornton

OFFICE COPY

Mushak - 6.3
 [Rule 40(1)(ga) and (cha)]

Tax Invoice

Name of the registered Person : Howladar Yunus & Co.
BIN of the registered person : 000584291-0202
TIN : 8136-5395-0696
Address of the registered Person : 67, Dilkusha C/A, Dhaka
Invoice No. : 4116/2022
Date : 2-Nov-2022
Invoice Ref. : HYC/NM/Assurance/ITD.JV/2022/10.85
Dated : 2-Nov-2022

Name of the purchaser : ITD-SINOHYDRO JV(CP-02)
Address of the Purchaser : Block I, Sector 15, Uttara, Dhaka 1230, Bangladesh

BIN of the Purchaser : 000557464
E-TIN : 644460910653

Howladar Yunus & Co.
 House-14 (Level 4 & 5)
 Road-16A, Gulshan-1
 Dhaka-1212
 Bangladesh
T : +880 2 58815247

Particulars	Amount (BDT)	Rate of VAT	VAT Amount	Total Amount (BDT)
Being our professional fees for the review of annual reporting package of ITD-SINOHYDRO JV(CP-02) for the period ended September 30, 2022.	100,000	15%	15,000	115,000
Total	100,000			115,000

Thanking you,
 Yours truly,


 Chartered Accountants

The details of Our Bank Account:
Bank Name : The City Bank Limited
Swift Code : Howladar Yunus & Co.
Account No. : 1102000976001
Swift Code : CIBLBDDH
Router No. : 225275357

According to SRO no-240-Act/2021/163-VAT dated 29 June 2021 VAT Amount Mentioned in this invoice shall be deducted by the VAT Withholding entity.

TDS Shall be deducted at the rate of 10% as per section 52AA(1)(2) of Income Tax Ordinance, 1984, on the VAT exclusive amount.

Received
 03.11.22

Chartered Accountants
 Member firm of Grant Thornton International Ltd
 Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered independently by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.com.bd

Appendix-1: Tax Invoice



ITD-SINOHYDRO JV

Dhaka Mass Rapid Transit Development Project
Contract No. CP-02: Construction of Civil and Building Works in Uttara Depot for MRT Line-6

AUDITOR'S CONFIRMATION OF INTERCOMPANY BALANCES

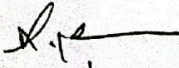
Date: 24 July, 2022

SinoHydro Corporation Limited
No.20, APT 202, Road No. 01, Baridhara, Dhaka-1212 Bangladesh.

Dear Sir (s),

This form is being sent to you to enable the independent auditors of Howladar Yunus & Co. to confirm the correctness of our records.

Our records on **30, June, 2022** showed an amount of **BDT 47,34,990** payables from you. Please confirm that this agrees with your records on that date by signing this form and returning it directly to our auditors Howladar Yunus & Co, Chartered Accountants, House# 14 (4th Floor), Road# 16/A, Gulshan-1, Dhaka-1212. You can send your reply through email at mohsin.alam@bd.gt.com.

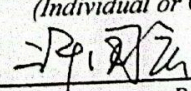

Mr. Songkran Thienniem
Manager- Accounts & Finance
ITD- SinoHydro JV, CP-02.
Sonargaon Janapath Road, Sector-16, Block-1, Diabari, Uttara Dhaka-1230



CONFIRMATION

Howladar Yunus & Co.
Chartered Accountants,
House# 14 (4th Floor), Road# 16/A,
Gulshan-1, Dhaka – 1212.

The above confirmation is correct, except as noted below.

(Individual or Company)
By 
Signature over Printed Name

Position Account & Finance manager Client Name SinoHydro

Date 25-07-2022 Confirmation No. _____



HYC/Intcc/2024/0007

September 30, 2024.

Howladar Yunus & Co.
House-14 (Level 4 & 5)
Road-16A, Gulshan-1
Dhaka-1212
Bangladesh
T : +880 2 58815247

TO WHOM IT MAY CONCERN

This is to certify that Snjida Zahir, Bearing ID: 114201016, United International University, has completed her internship period successfully from Howladar Yunus & Co. ("HYC"), Chartered Accountants, from July 1, 2024, to September 30, 2024.

She was found sincere & hard working during that tenure.

We wish her all the best for her future endeavors.

Tasnia Sharif
Senior Assistant Manager
Human Resource

Chartered Accountants
Member firm of Grant Thornton International Ltd
Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered independently by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.com.bd

Appendix-3: Internship Certificate