United International University
QUEST FOR EXCELLENCE

Internship Report

On

“Howladar & Yunus Co.: The Internal Audit Framework”.

Submitted To

MS. Ishrat Jahan
Assistant Professor, School of Business & Economics (Sobe)

Submitted By

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Letter Of Transmittal

Date: 3rd November, 20204

Ms. Ishrat Jahan

Assistant Professor, School of Business & Economics (SoBE)

United International University

Subject: Submission of Internship Report on **“ Howladar & Yunus Co.: The Internal Audit Framework”.**

Dear Ma'am,

It is with great satisfaction that I submit my internship report titled **“ Howladar & Yunus Co.: The Internal Audit Framework”.** This report is a key requirement for completing my bachelor’s degree in accounting at United International University. The primary objective of this study is to offer insight into the audit process in Bangladesh and demonstrate how a chartered accountancy firm carries out audits within organizations.

I have made every effort to gather pertinent data and prepare a report that is as thorough and analytical as possible. The internship has greatly enhanced my understanding of the challenges and intricacies involved in the field of auditing. I would appreciate it if you could kindly review the report and offer your critical feedback, considering its constraints. Lastly, I would like to extend my gratitude for your continuous support and guidance throughout this process.

Regards, yours Regards,

Zabin Tasnim Mity

ID: 114 201 014

Department: BBA-AIS

Acknowledgement

First and foremost, I would like to express my deepest gratitude to Almighty Allah for granting us the strength and wisdom to successfully complete this report. I am also incredibly thankful to my esteemed supervisor, Ms. Ishrat Jahan, for her unwavering guidance, support, and careful attention to detail throughout the development of this internship report. Her leadership and encouragement have been a continuous source of inspiration for me throughout this process.

I am truly thankful to our valued instructor for sharing the knowledge that made it possible for us to complete this report. The past twelve weeks with Howladar Yunus & Co. have been an enriching experience, filled with countless learning opportunities. I would also like to acknowledge the contributions of the other educators whose teaching, advice, and support were instrumental in the preparation of this report.

I sincerely appreciate the collaboration and encouragement of my classmates, as their support was invaluable in completing this work. I also want to extend my gratitude to my friends and family for their constant support throughout this journey.

Finally, I would like to thank United International University for giving me the opportunity to grow both personally and professionally through this internship experience.

Abstract

The objective of this study is to analyze the internal auditing practices and procedures of Howladar Yunus & Co. This report marks the conclusion of my internship experience. The study is structured into eight distinct chapters, and since I did not use quantitative data, a qualitative approach was adopted to explore their internal audit process. The report also details the types of data used, the sample size, and the methodology employed. Through this analysis, I identified both similarities and differences in their auditing practices, with the latter being influenced by local customs. Howladar Yunus & Co. is recognized as one of the leading firms in Bangladesh, known for maintaining high standards of professionalism in their internal auditing procedures. I had the opportunity to observe their collaboration with Consumer Testing Laboratories Ltd.

While writing this report, which primarily focused on their internal audit process, I encountered both challenges and opportunities. The literature review includes an evaluation of various researchers who have conducted extensive studies on the subject, along with their analyses and findings.

The results section of this report outlines the similarities and differences between the internal auditing methods of Emile Woolf and Howladar Yunus & Co. Additionally, I have provided several recommendations for enhancing their internal control activities to help streamline their audit processes.

Content

Chapter 1

Introduction

An internal audit serves as a crucial mechanism for uncovering mistakes, detecting fraudulent activities, and improving operational effectiveness. Often described as a financial statement "audit," it involves an unbiased evaluation to ensure that the goals for which the audit was conducted are met. Key elements of an internal audit include its preparation and scope, which can quickly expand when dealing with intricate systems and processes. Therefore, it is vital that the audit team is equipped to respond swiftly and effectively to any issues that may arise, potentially impacting scalability.

Financial statement audits validate that the reports have been created and presented according to established standards. Conversely, compliance audits assess whether clients have followed regulations and directives from higher authorities. An operational audit evaluates the appropriateness and effectiveness of a company's current policies and procedures, with executives typically seeking suggestions for enhancing operational processes after such audits.

While financial audits confirm adherence to specific criteria, compliance audits check if the organization has abided by the rules set by governing bodies. Operational audits focus on evaluating the efficiency and relevance of existing business practices. Maintaining objectivity and independence can be challenging in smaller organizations. In contrast to larger firms that may have internal audit teams reporting directly to the company being audited, internal auditors in smaller businesses often report to the board of directors or an external auditor.

During my research, I had the chance to observe the auditing processes at Howladar Yunus & Co. firsthand. This practical experience enabled me to apply my theoretical understanding of audit procedures to real-world scenarios.

1.1. The Organization's Biography

Howladar Yunus & Co. stands out as a well-respected chartered accounting firm in Bangladesh, employing approximately 150 professionals, which includes two directors and eight partners. The firm collaborates with Grant Thornton Consulting Bangladesh Limited, acting as a representative of Grant Thornton in the country. Known for its high-quality professional services, Howladar Yunus & Co. benefits from the advisory support provided by Grant Thornton Consulting, which offers both operational and transactional guidance.

The origins of the firm trace back to 1970, when Mr. Noor Mohammed Howladar FCA and Mr. MD Yunus FCA formed a partnership after establishing their respective public accounting practices in the early 1960s. Today, Howladar Yunus & Co. is integrated into a global network that encompasses 140 countries and employs over 56,000 professionals who specialize in assurance, taxation, and consulting services. For more than a century, the firm has played an essential role in assisting forward-thinking companies in achieving their strategic objectives.

Ranked among the top five firms worldwide, Grant Thornton empowers organizations like Howladar Yunus & Co. to unlock their full potential through its advisory services and substantial experience with multinational enterprises. Additionally, Grant Thornton provides valuable insights into professional practices across various countries.

Company Name: Howladar Yunus & Co.
Address: House No: 14, Road No: 16/A, Gulshan, Dhaka
Phone: 02 9554119, 02 9551872
Email: hyc@howladaryunus.com

Firm Registration

The Institute of Chartered Accountants of Bangladesh (ICAB) is the top authority for registering chartered accounting firms in the country. Howladar Yunus & Co. Chartered Accountants Firm was registered with ICAB in the year 1985.

Howladar Yunus & Co. acts as the correspondent firm for Grant Thornton International (GTI), one of the world's leading organizations in the fields of independent assurance, tax, and advisory services. With a workforce of over 50,000 employees, GTI has a presence in more than 150 countries. The firm is dedicated to maintaining its excellent reputation by distinguishing itself from other accounting firms through high-quality service.

The corporate headquarters of Grant Thornton International (HYC) is located in Dhaka, Bangladesh, and comprises four primary service divisions to support various aspects of business operations. These divisions include:

- Advisory
- Assurance
- Taxation
- Corporate Accounting & Outsourcing

HYC Organ Graph

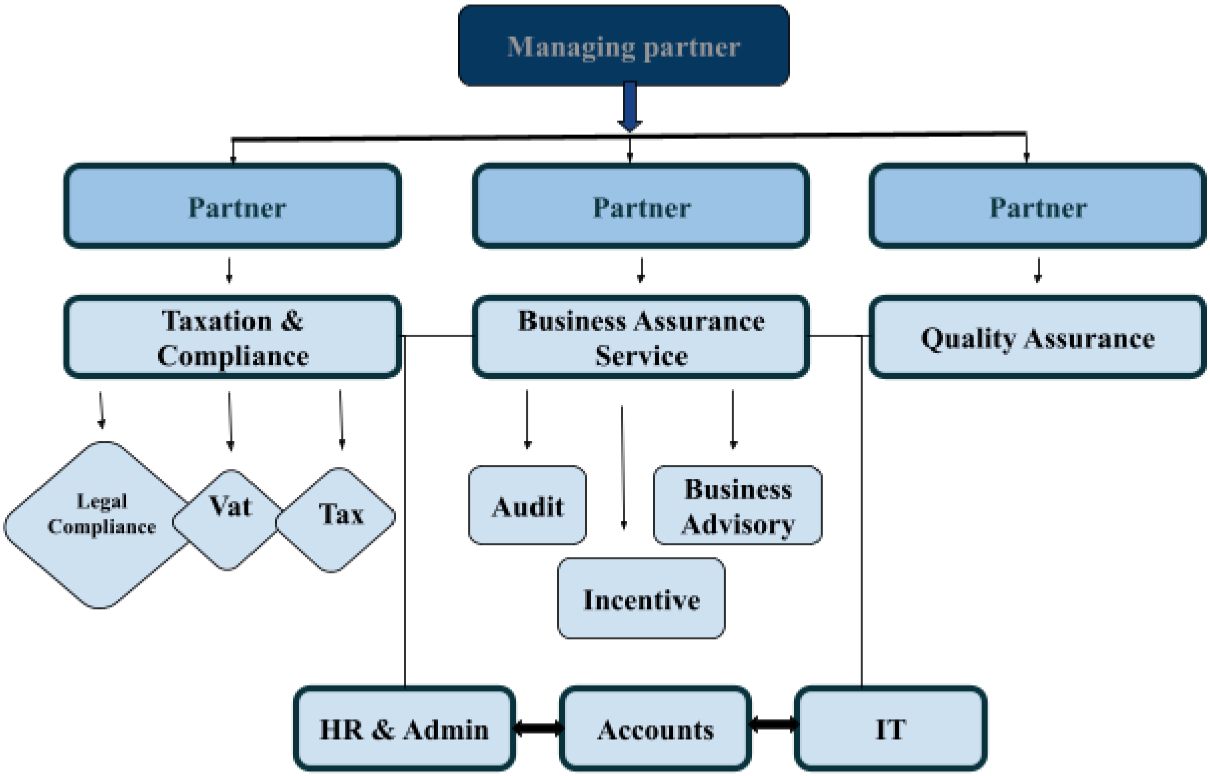


Figure: Organizational chart

1.2. A concise overview of the relevant area

The qualifications, expertise, and education provided by the Institute of Chartered Accountants of Bangladesh (ICAB) are recognized internationally. Their role includes overseeing and enhancing large-scale investment reporting and auditing within Bangladesh, as well as promoting and improving professional accounting skills and raising the profile of the accounting sector throughout the economy. Highly regarded auditors from around the globe assist in strengthening business practices, corporate governance, and ongoing improvements in Bangladesh's business landscape.

The ICAB currently has a total of 164 firms registered, which includes 72 partnerships and 92 sole proprietorships. Howladar Yunus & Co., a significant chartered accounting firm, was established in 1970 by two founding partners. Initially, the firm operated with two partners, a skilled professional, three employees, and five highly effective staff members. Today, the firm provides a comprehensive range of auditing services to a variety of businesses.

1.3. Rational of the report

In today's world, students need to grasp both theoretical concepts and practical applications to succeed in their chosen fields. To thrive in a competitive free market and keep pace with the rapidly changing environment, students must possess both academic knowledge and hands-on skills.

To gain practical experience and a foundational understanding of contemporary business operations, all business and economics majors at United International University are required to undertake a three-month internship at a reputable organization.

As part of my Bachelor of Business Administration (BBA) program, I had the chance to explore Howladar Yunus & Co.'s internal auditing practices during this three-month internship. The article covers the methodologies and procedures of internal audits performed by a certified accounting firm, as well as the approaches taken by both profit and quasi-profit organizations in managing their internal audits.

The vast array of global business sectors, each characterized by its unique set of business data, poses a challenge in broadening our theoretical frameworks and gaining practical experience. Our BBA program enables us to readily access the latest workplace data from various firms. I joined Howladar Yunus & Co. in pursuit of my chartered accounting certification. This well-regarded, professionally qualified accounting firm ranks among the top four in Bangladesh. My understanding and observation of the internal auditing process have deepened through this experience, as I relied heavily on my theoretical knowledge of audit methodologies throughout my internship.

1.4. Background of the study

It is widely recognized that the significance of any academic discipline lies in its practical application in the real world. To truly benefit from our theoretical knowledge, we must effectively implement what we have learned. Engaging actively in a particular field allows us to utilize our theoretical insights, leading to a more rewarding experience.

Howladar Yunus & Co. (HYC) articulates its identity and operational philosophy through its core values. These values facilitate collaboration and reflect the essence of their mission. One of HYC’s fundamental principles is to deliver excellence in customer service. As a third-party provider, they aim not only to meet but also to surpass client expectations by achieving high standards across all their services.

HYC's greatest strength lies in their extensive experience and expertise in auditing both banking and non-banking financial institutions. Since their inception, they have been involved in auditing banks, non-banking financial firms, and insurance companies. Furthermore, they actively participate in the financial audits of numerous private and corporate entities. Additionally, they possess substantial experience in providing secretarial services to their key clients.

1.5. The study's objectives:

- **Broad Objective:**

  The primary aim of this report is to conceptually analyze the entire internal audit process at Howladar Yunus & Co. This analysis will enhance my understanding of business auditing, which I will apply during my three-year articleship.

- **Specific Objectives:**
- To develop a thorough understanding of internal auditing prior to conducting an audit.
- To gain knowledge and expertise related to the audits performed by Howladar Yunus & Co. on various companies, profit-oriented entities, and quasi-organizations.
- To gain insights into the types of evidence and methodologies utilized by Howladar Yunus & Co. in their internal auditing practices, enabling the creation of a reliable internal audit report.

1.6. Limitations of the Study

Howladar Yunus & Co. is a prominent firm in Bangladesh with a significant market presence. My internship lasted for only three months, which makes it nearly impossible to cover every aspect of the company's operations. The internal audit process is extensive and requires the collaboration of a full team. In a large organization like Howladar Yunus & Co., tasks are assigned based on the skills and expertise of team members. During my internship, I was given specific responsibilities. Consequently, it was not feasible to address every task. Notably, Howladar Yunus & Co. is recognized for its commitment to client confidentiality, which enhances the audits through findings from various case studies conducted with their clients.

Chapter 2

Methodology

2.1. Introduction:

This chapter outlines the methodology employed in the internship report, covering aspects such as sample design, data design, and the analytical tools used in the study. To compile the report, I gathered information from both primary and secondary sources. The methodology applied in this analysis is detailed below.

2.2. Data design

To outline this report **" Howladar & Yunus Co.: The Internal Audit Framework"**, I gathered information from both primary and secondary data sources. Primary data refers to information that the researcher collects directly for a specific research purpose or study. In this report, the primary data sources include manager-articled students, client review files, and case studies. On the other hand, secondary data is information obtained from sources other than the primary user. For my data collection, a book titled "Auditing Today" served as a secondary source.

The sources of information are detailed in the table below:

Table: Sources of Information

Primary sources	Secondary sources
Collecting Data from ➢ **Managers,** ➢ **Articleship students,** ➢ **Client review files,** ➢ **Case study**	**Collecting data from** ➢ **The book named "Auditing Today",** ➢ **Bangladesh Standards on Auditing,** ➢ **The accounting journals and books.**

2.3. Sampling techniques:

In this research, I employed qualitative data to illustrate the internal audit system of Howladar Yunus & Co. I gathered information from secondary sources. Purposive sampling, also known as subjective or judgmental sampling, is a quasi-sampling method where the researcher selects data based on their personal judgment. My selections were guided by my understanding, knowledge, and professional insight, as well as the information that was available.

2.4. Analytical tool

As I collected qualitative data from examples, books, and various sources, I did not perform any analysis using bar charts, line graphs, or other equations. The evaluation of the data was conducted using Microsoft Office Word, and specific tables were created to compile the report.

Chapter 3

Literature review

3.1. Introduction

The purpose of this study is to investigate the internal auditing process at Howladar Yunus & Co. Before delving into their internal audit procedure, we will examine various prior studies related to audit processes. This chapter will cover the theoretical foundations of the internal audit procedure.

3.2 Audit plan

The audit planning phase consists of formulating both an audit strategy and an audit plan. The ninth standard established by the Public Company Accounting Oversight Board (PCAOB) outlines the auditor's responsibilities and the criteria for audit planning. According to this standard, the planning, location, timing of risk assessment procedures, tests to be conducted, and other elements of the planned approach must conform to PCAOB guidelines.

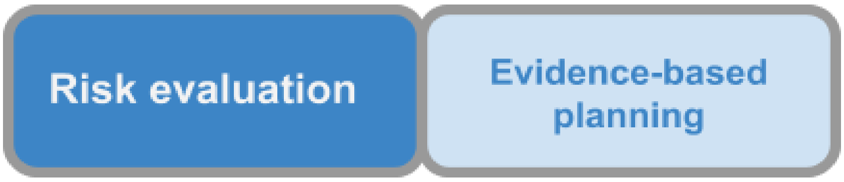
In the context of internal auditing, auditors are expected to follow the principles outlined by the Institute of Internal Auditors. The initial step in audit planning involves identifying the objectives and scope of the audit. To carry out an effective and thorough audit, the auditor needs to have a comprehensive understanding of the client's business operations and the specific characteristics of the functional area(s) being audited. Adequate planning provides numerous benefits for the financial statement audit, including:

- Assisting auditors in pinpointing key areas of focus for the audit and ensuring they receive appropriate attention.
- The auditor should promptly recognize and address any potential challenges.
- The auditor is responsible for organizing and managing the audit engagement effectively.

- Forming a team for the engagement, where each member possesses the necessary skills for their responsibilities.
- Providing guidance and evaluating the performance of each team member.

Recent studies have explored various aspects of the internal audit process. According to Etheridge (2011), an effective internal audit plan is crucial for its success. He states, "Planning underscores essential audit areas such as significant account balances and high-risk situations and shapes the auditor's strategy and responses to these issues" (p. 83). The author further notes that planning begins even before the auditor enters the field, typically starting with defining the audit's scope and then reviewing the audit plan.

Mock and Wright (1999) suggest that an internal audit can be structured in two phases, which are detailed below:



The researchers argue that both approaches are essential for creating an audit plan, as a lack of factual preparation would leave the accountant unable to manage risks, while the auditor would struggle to address potential consequences. Risk assessment is crucial; without it, the auditor might not be aware of possible hazards within the process. Although scholars have explored audit plans from various perspectives, there is a consensus that all audits must be tailored to account for risks (Bechar et al., 2012). According to Hammersley (2011), the risk of uncovering fraud can significantly affect the initial planning phase of the audit. Vandervelde (2006) also emphasizes the need for risk-related adjustments in audit plans.

Bechara and Kapoor (2012) indicate that traditional audit plans often focus on flawed inspection procedures that are generally assumption-based and aimed at management. This conventional approach has proven ineffective both before and after the financial crisis. Thus, these authors highlight the importance of developing a risk assessment strategy that allows for the identification of potential dangers.

Noel and Patterson (2003) note that formulating an audit strategy is challenging because auditors can encounter fraud in various forms. The authors suggest that the likelihood of these fraudulent activities is influenced by several factors.

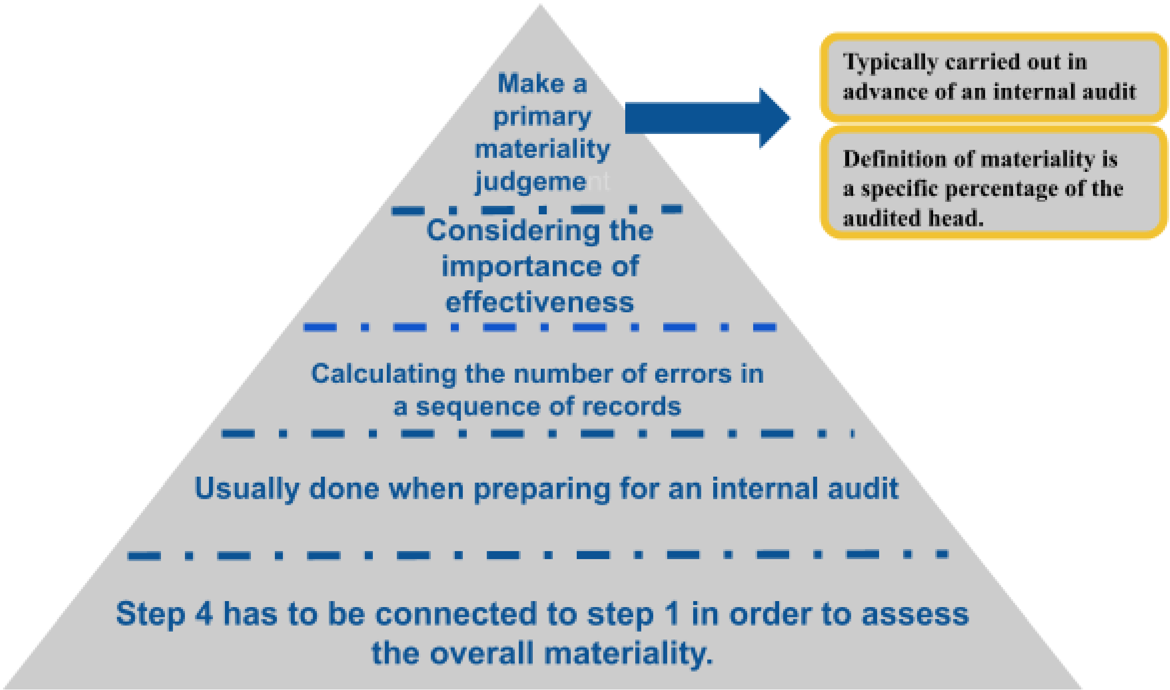
Credit risk factors, such as cash flow, efficiency, and management, significantly impact audit strategic planning, whereas governance issues appear to exert a lesser influence (Fukukava, Mock, & Wright, 2006). In government audits, several concerns must be addressed, including the possibility that the audited government entity may not comply with established auditing standards (Meinhardt, Moraglio, & Steinberg, 1987).

There are instances when management exerts pressure on employees, even when all policies and regulations are followed. This increased pressure on auditors can diminish the likelihood of producing a reliable and objective financial statement.

3.3. Risk & Materiality

Materiality stands as one of the essential principles for auditors. A significant omission occurs when a notable misrepresentation impacts the decisions of users regarding the financial statements, either on its own or in combination with other factors. Materiality includes both qualitative and quantitative elements.

The following are five important stages to consider when evaluating qualitative materiality:



Materiality encompasses both qualitative and quantitative dimensions. Key considerations include whether the organization is adhering to its own policies and if the auditor is providing accurate information. A significant challenge for auditors lies in determining the audit focus and efficiently utilizing internal audit resources. Therefore, auditors must assess the risks associated with each audit area. The aim of this preparation is to pinpoint and analyze areas that present the highest risk.

Risk is defined as any event, whether stemming from internal or external sources, that could adversely affect an organization's success. Critical risks are those that, when properly managed, can assist the organization in achieving its objectives, while improper management can lead to detrimental outcomes.

Inherent Risk: Inherent risks are those that exist before any mitigation measures are implemented. Residual risk refers to the risk that remains after strategies to reduce or control risks have been enacted.

Given that inherent risk lies beyond their influence, auditors are primarily concerned with residual risk. According to Cormet (2012), two critical criteria in audit planning are audit risk and materiality. Over time, scholars have reached a consensus on a unified definition of materiality. It is understood as the auditor's obligation to assess whether the financial statements are materially misstated and, if so, to communicate the associated risks to the auditee.

Conversely, Etheridge (2012) describes audit risk as the process of identifying potential misstatements and taking steps to mitigate them. Grejadan, Joldos, and Stanciu (2012) emphasize that materiality is a relative concept, suggesting that what is deemed significant for one organization may not be relevant for another. Socol (2008) asserts that the primary aim of the auditing process is for the auditor to express an opinion on whether the report adheres to an established reporting framework and whether all pertinent elements have been considered.

Using the Enron and Parmalat financial scandals as case studies, Jankuanite (2007) illustrates the challenges posed by significantly misstated financial statements.

Fogarty, Graham, and Shubert (2006) reference Statement on Auditing Standards (SAS) No. 107, which outlines audit risk and materiality as key components that define the overarching goal of an internal audit: to provide a substantial, though not absolute, level of assurance that the financial information is free from material misstatement (p. 44).

3.4 Summary

The preceding discussion underscores the vital significance of an internal audit plan, as well as the concepts of risk and authenticity within the auditing framework. The International Standards on Auditing (ISAs) equip independent auditors with the necessary guidelines to mitigate inherent risks. By adhering to these standards, auditors can obtain sufficient and relevant data to effectively reduce intrinsic risk and formulate well-founded conclusions.

ISAs advocate for the implementation of a risk-based approach in conducting internal audit engagements. This methodology allows auditors to systematically identify potential risks embedded within their clients' financial statements.

Chapter 4

Internal Audit procedure in Howladar Yunus& Co.

4.1. Engagement Letter

4.1. Engagement Letter

Prior to delving into the auditing process of Howladar Yunus & Co., it is important to discuss their approach to client interactions. Howladar Yunus & Co. utilizes three distinct types of engagement systems.

The auditing procedures at Howladar Yunus & Co. commence by establishing communication with clients through correspondence, which involves the exchange of four letters, acknowledging receipt, and taking the necessary actions thereafter.

New Client: After the initial outreach, a sample proposal letter is forwarded to the potential client. This letter provides an overview of Howladar Yunus & Co.'s services along with pricing details that align with the standards set by the Institute of Chartered Accountants of Bangladesh (ICAB). The firm clarifies that fees may fluctuate due to various factors. Once the client reviews all proposal letters, they choose one engagement letter and contact the selected firm. The specifics of the partnership are discussed in detail, and the client is expected to furnish a thorough evaluation of their internal controls to the internal audit team. Following this, Howladar Yunus & Co. issues a clearance letter confirming their readiness to start working with the client.

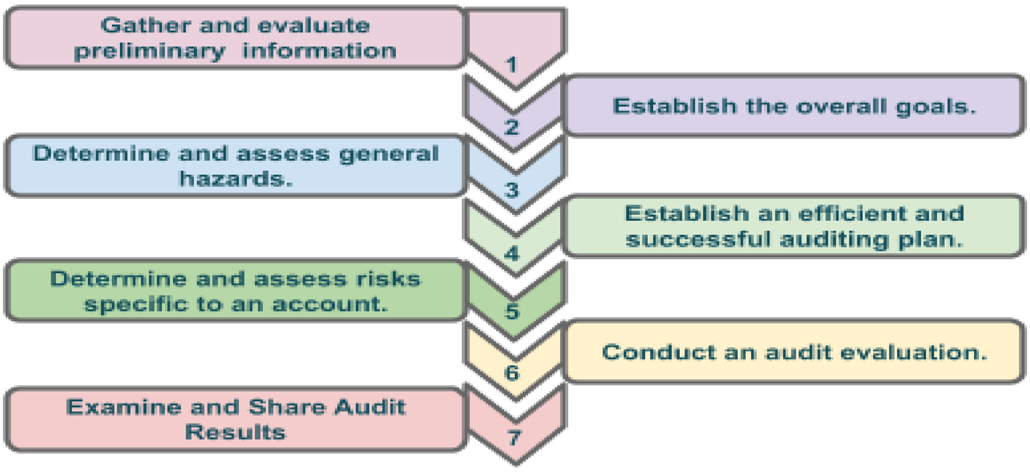
Returning Client: For clients returning to the firm, a willingness letter is provided if they choose to proceed with the audit for the current year. This letter might also include a request for an increase in the engagement fee or changes to other terms. The client then replies with a letter of appointment, allowing Howladar Yunus & Co. to accept the audit assignment.

Howladar Yunus & Co. stands as a notable firm in Bangladesh, requiring a clear agreement with clients before moving forward. Many businesses show interest in collaborating with Howladar Yunus & Co. To begin this partnership, a firm must submit an engagement letter. If the firm expresses interest, they will proceed with the engagement.

4.2 Internal Audit Process

The main goal of Howladar Yunus & Co. during the internal audit process is to deliver an opinion based on financial statements that comply with International Standards on Auditing (ISA). Additionally, the firm seeks to identify new and innovative services such as consulting and auditing.

The audit process at Howladar Yunus & Co. is carried out in seven stages, which are outlined below in order of execution.



Gather and evaluate preliminary information	
➢ **User Knowledge, Corporate Knowledge** Distinguish between user knowledge and corporate knowledge. ➢ **Examine the Internal Audit Function** Study the internal audit function.	➢ **Categorize Customer Requirements** Group the requirements of customers into categories. ➢ **Assess Inclusion and Materiality** Evaluate the principles of inclusion and materiality.

Establish the overall goals.				
Efficiency	**Evaluate Financial Statements**			**Client's Satisfation**
	Error	**Irregularities**	**Going concern**	

Determine and assess general hazards.	
➢ Analyze the Effect of a Shared Element ➢ Create a Comprehensive Audit Approach	➢ Formulate a Plan for Coordination and Timing

Establish an efficient and successful auditing plan.	
➔ Samples were assessed.	➔ Substance screening

○ Determine and assess risks specific to an account.	
➢ Find which accounts require resolution. ➢ Think about the many kinds of financial statement mistakes. ➢ Think about the likelihood of an audit.	➢ Controls may need to be modified if required. ➢ Create plans for mitigating test control's effects. ➢ Determine the residual risk in order to identify important tests.

Conduct an audit evaluation.	
➢ Standards are subjected to rigorous testing.	➢ Constructive assessment

4.2.1. Gathering and Assessing Preliminary Information

The auditing team focuses on collecting information according to the audit strategy, taking into account the organization's activities, internal control systems, client requirements, and the materiality threshold for misrepresentation.

Howladar Yunus & CO. is a well-respected chartered accounting firm based in Bangladesh, recognized for its strong reputation in the business community. Therefore, before embarking on any audit assignment, Howladar Yunus & CO. prioritizes understanding the specific needs of the client. A lack of clarity regarding the client's operations can lead to significant concerns and harm the firm’s reputation. This understanding is crucial for effective risk assessment and for formulating the audit plan. Financial statements, meeting minutes, audit documents from previous years, and official reports serve as valuable sources of information that enhance the auditing firm's insight into the client's business operations.

To establish the framework for the control environment, each organization engages in numerous transactions. To manage these effectively, they implement a management system. Every company has its own controls and procedures, which are essential for maintaining this system.

Howladar Yunus & CO. initiates its auditing process by examining the client’s control procedures, as these describe the internal structure and functioning of the business. Therefore, gaining insight into the company's internal controls is critical, as it facilitates the auditing process. Many large firms adopt a similar approach.

The impact of internal audits extends throughout the entire organization. A company is considered to operate effectively and efficiently when it possesses adequate internal controls, which can also indicate potential growth. This understanding reflects the current organizational framework of the client, which is why the auditing firm seeks to comprehend the inner workings of the client’s business. This insight can significantly influence the conclusions and outcomes of the audit, allowing the auditing team to conduct assessments more seamlessly.

To assess and examine the internal auditor's activity report, it's crucial to understand that internal control influences every aspect of the organization. These controls are vital for various functions, prompting Howladar Yunus & CO. to carefully evaluate their effectiveness. As a result, the findings from the internal management review can significantly affect the overall audit results.

Howladar Yunus & CO. places a strong emphasis on internal audits due to their importance and reliability in various contexts

- **The decisions have been made on a solid foundation due to the gathered reliable evidence.**
- **The audit group member must conclude the assessment with an excellent result.**
- **Making any mistakes or strange problems visible helps audit work to address them successfully.**

As an independent auditor, Howladar Yunus & CO. identifies client needs through classification, which assists in formulating an effective audit strategy. Materiality refers to the misrepresentation of data that can impact stakeholders' investment decisions. Companies recognize a specific level of material misstatement, often referred to as the threshold of materiality. Given the volume of transactions businesses engage in, tracking every single one can be a daunting task. Therefore, they often sample transactions based on their materiality.

Typically, between 5% and 10% of individuals take materiality into account, which is influenced by the scale of the client's operations. In Bangladesh, the typical percentage range for materiality falls between 5% and 10%. If a misstatement is deemed not to affect the audit's conclusions, approximately 5% is viewed as insignificant. Conversely, any percentage above 10% is considered significant. Nonetheless, the determination often aligns with the 5% to 10% range.

The organization develops an audit plan focused on identifying quantitative misstatements. However, it's essential to account for all types of errors. The audit committee defines what is considered material, while the auditing firm assesses the time required to complete the auditing tasks. The internal auditor must also consider the implications of any identified errors or misstatements when evaluating materiality.

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4.2.2. Establishing Overall Objectives

Howladar Yunus & Co. is committed to providing an opinion that aligns with generally accepted accounting principles (GAAP). These principles represent a set of codified accounting standards. By integrating these GAAP guidelines into their accounting practices, the firm is equipped to express informed opinions. In forming these opinions, the consulting firm carefully considers various principles and is particularly vigilant about identifying potential issues, including:

- Misconduct and related concerns
- Errors or deficiencies
- Operational efficiency
- Client satisfaction

4.2.2.1. Misconduct and Related Issues

Irregularities, characterized by intentional misrepresentations or omissions, are among the most common forms of financial misconduct. Instances of fraudulent transactions can also be reflected in financial reports, potentially leading to significant anomalies that may go undetected. With the administration's focus on internal procedures, there exists an increased risk of fraud, collusion, or transactions that are not properly recorded. To address these concerns, the consulting firm must devise a strategy for detecting anomalies and providing an adequate level of assurance. The lead internal auditor is tasked with several responsibilities, including:

- Identifying contradictions within the narratives.
- Pinpointing any prohibited transactions.
- Determining critical errors that may impact the financial statements.

4.2.2.2. Errors or Deficiencies

Errors may arise when a client fails to report certain funds or makes mistakes in their annual financial statements, including incorrect estimates, misinterpretation of data, or misunderstanding accounting principles.

To identify significant errors, Howladar Yunus & Co. develops a comprehensive audit framework aimed at providing robust evidence. The person leading the audit team is responsible for ensuring that the following elements are evaluated during the audit:

- **Accuracy**: Confirm whether the recognized debts occurred within the specified time frame as presented in the financial report.
- **Completeness**: Ensure the existence of every entity referenced in their claims.
- **Rights and Responsibilities**: Assess ownership and obligations related to assets and liabilities.
- **Presentation and Disclosure**: Ensure that each component is properly identified, classified, and included in the statements.

4.2.2.3. Operational Efficiency

The consulting firm should formulate an audit strategy that effectively meets these overarching objectives in the most efficient manner possible. The audit process involves several components, where the supervisor and partner collaborate to design the risk analysis methodology. Based on the risk assessment, they will create an audit strategy aimed at minimizing the risk of unrecognized misrepresentations to an acceptable level. Tasks will be assigned to qualified and experienced personnel to ensure thorough monitoring and execution.

4.2.2.4 Client Appreciation

At Howladar Yunus & Co., efficiency is at the heart of everything they do. From day one, their mission has been to deliver exceptional value to their clients. They take pride in their ability to stand out in a crowded marketplace by enhancing the quality of their clients' work, even though achieving this isn’t always easy.

Most clients agree that Howladar Yunus & Co. offers something unique compared to other businesses in Bangladesh. The key factors that set them apart include:

- Creating a strong and professional impression on clients.
- Gaining a deep understanding of each client’s specific business needs.

4.2.3. Identifying and Evaluating General Risks

When it comes to gathering preliminary evidence, independent auditors follow essential procedures to identify potential risks:

- The auditing team skillfully mobilizes resources to tackle evident threats.
- They spot various operational challenges that could arise.
- An audit plan is carefully crafted by the internal auditor to assess risks and any potential misrepresentations.

Using a "top-down" approach, the auditing firm focuses on crucial industry information from the leaders of the audit team. They consider vital factors like the organization's size, management style, type of operations, and market share.

Some of the most important aspects include: Internal auditors rely on historical data for their risk assessments, taking into account:

- A solid understanding of the client's industry.
- The corporate governance structure within the organization.
- Events that may affect how the firm operates.
- Insights gained from internal management's working paper assessments.
- The current state of the corporate landscape.
- The effectiveness of internal management practices.
- The system in place for recording data, along with the policies and procedures for data collection.
- The relevance of specific situations.
- The availability of background information.
- The firm's operational policies and control over electronic data processing (EDP).
- Evaluation of inherent risks.
- The total number of documented incidents.

4.2.4 Identifying and Evaluating Account-Specific Risks

As part of their overall risk assessment, the auditing firm conducts a thorough hazard analysis after reviewing the productivity of internal management. The SRA plays several key roles, including:

- Keeping specific risks front and center. The identification of transaction accounts ensures compliance, assesses underlying risks, and reviews letters of credit (L/C) associated with those transactions.
- Collecting evidence of potential fraud, which raises serious concerns for internal auditors.
- The internal auditor formulates an audit plan based on established criteria.

4.2.4.1 Audit Risk

Audit risk is shaped by the structure of specific requirements and the duration of internal audits. Before diving into any audit activities, the audit team's primary responsibility is to gauge potential damages. At Howladar Yunus & Co., they consistently assess their possible losses, understanding the importance of maintaining their professional reputation. The auditor carefully considers the nature, timing, and scope of substantive testing.

A diagram will illustrate the evaluation of risks and relationships carried out by internal auditors.

Table: Risk estimation

Audit Risk		Assessment of control risk		
		High	Medium	Low
Assessment of inherent risk	High	Low	Low	Medium
	Medium	Low	Medium	High
	Low	Medium	High	High

4.2.4.2 Consideration of Inaccuracies and Fraud

In businesses, the most common source of financial fraud stems from unusual or omitted financial information. It is the audit team's responsibility to investigate discrepancies and omissions that could lead to misrepresentation.

During the internal audit process, the responsible auditor collaborates with colleagues to investigate any detected fraud. Howladar Yunus & Co. routinely identifies potential fraud during their auditing procedures. To detect fraudulent activities, the following essential steps are taken:

- Assess the likelihood of fraud and human error.
- Formulate an audit plan aimed at uncovering potential risks.
- Consider the complex dynamics surrounding the issue.
- Complete the auditing process in conjunction with external auditors.

Clients may distort financial data in various ways; however, Howladar Yunus & Co. evaluates three primary types of misrepresentation:

- Fabricating a non-existent source of income.
- Misrecognizing actual income.
- Engaging in transactions with related parties.

4.2.4.3 Management-Related Questions

Howladar Yunus & Co. is granted authority by management to conduct an internal audit. The following points are vital to note:

- The internal auditor continuously assesses the potential for fraud.
- The organization implements internal controls to prevent corruption.
- A deep understanding of the organization is necessary for the internal auditor to identify errors within the client's internal processes.
- Ensure that employees are informed about specific misconduct that could jeopardize their involvement in an audit.
- Confirm whether the client has disclosed any material fraudulent activities.

4.2.4.4 Assessment of Underlying Risk and Risk Mitigation

Typically, an internal auditor devises a strategy to evaluate and manage risks, which significantly impacts the auditing process. If a risk exists and goes undetected by the internal auditor, it could adversely affect the organization, harming its reputation. To gain deeper insights into the client, the internal auditor should conduct thorough investigations. This enables them to gather more information regarding the company's internal controls and operations, thereby assisting in identifying any areas of misrepresentation risk.

4.2.4.5 Identification and Assessment of Risks

Internal auditors design procedures aimed at minimizing the likelihood of being exposed to risks. As these procedures are established, investigators evaluate the factors contributing to fraud risk.

4.2.4.6 Overview

While conducting an audit, the internal auditor actively searches for indicators of risk. However, to support their findings, they must document these characteristics. This documentation serves as evidence that certain risk factors are present. Additionally, it provides valuable insights for other audit teams, such as external auditors and advisory teams, who may conduct future audits.

4.2.4.7 Interaction

When an auditing firm uncovers misconduct, the client has the right to be informed and to have the opportunity to rectify the situation. One of the primary objectives for clients is to verify identities within their organization.

4.2.5 Establishment of an Effective and Efficient Auditing System

The procedures that auditors must follow during the evaluation phase are outlined in the auditing process, commonly referred to as the internal audit framework. The auditing firm compiles a comprehensive list of all necessary procedures required for the engagement.

Howladar Yunus & Co., a prominent auditing firm in Bangladesh, is highly regarded for its professionalism. They are committed to conducting audits with expertise and diligence. The primary aim of their approach is to ascertain the ownership of accounts by categorizing various account heads. This checklist typically includes:

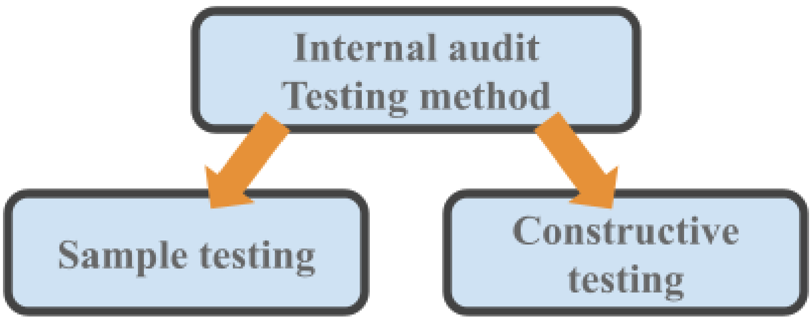
- Details about the employer's business.

- The purpose of the audit.
- The development of an audit plan.
- The results derived from the auditing methodology.
- A description of the auditing tasks.

Howladar Yunus & Co. ensures that the audit program remains current, as it is essential for the effective completion of the engagement. It provides guidance to auditing staff on how to execute their responsibilities, the next steps to take, and other relevant details. Such determinations are made by the supervisors at Howladar Yunus & Co. Additionally, the reasons for conducting the annual audit may be adjusted by the audit authority if deemed necessary.

4.2.6 Implementation of Auditing Protocols

During internal audits, Howladar Yunus & Co. conducts two distinct types of tests.



4.2.6.1 Sample Testing

Howladar Yunus & Co. adopts a testing approach based on GRA, SRA, and EICS. The internal auditors are responsible for evaluating internal controls to uncover any misrepresentations that could indicate fraudulent activity. This task is of significant importance for the internal auditor. To verify the proper functioning of these internal controls, Howladar Yunus & Co. performs rigorous tests. The testing strategy includes the following elements:

- **Sample Testing Method:**

Type of Examination	The test at the consolidated level has finished.

Test using the receivables	**Cash, creditor, income, revenues, and debtors**
Examining the monetary distribution	**Purchase, capital assets, cash, lender, expenses, and stocks.**
Examination of payroll	**The bank, cash, and payroll expenses.**

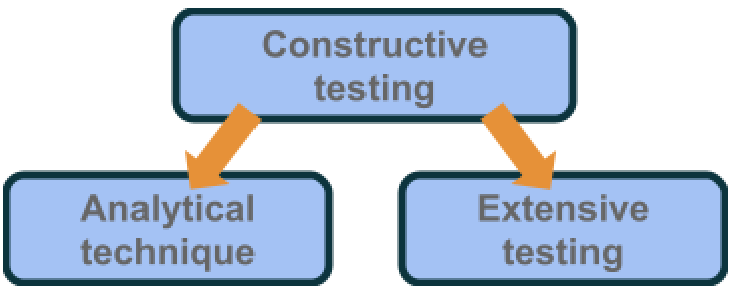
Regulatory Overview:

Howladar Yunus & Co. routinely refreshes their compliance checklist according to client needs, taking into account factors like quantity, volume, and quality. Additionally, the following elements are evaluated during this update:

- To detect and verify fraudulent transactions, Howladar Yunus & Co. implements evaluation and rationalization controls.
- Furthermore, the firm employs payment processing controls to mitigate the risk of fraud during payment transactions.
- Howladar Yunus & Co. also utilizes authentication controls to uncover fraudulent activities involving misrepresentation.

4.2.6.2 Testing in a constructive manner

Constructive testing methods are utilized to identify falsified financial reporting balances. We employ two distinct types of constructive testing, as outlined below



Analytical Technique

Navigating the complexities of analytical techniques in auditing can be quite challenging, especially when it comes to justifying patterns and ratios. To tackle this, auditors use a method known as analytical procedures, which allows them to estimate total amounts by comparing actual results with what was expected. This approach not only connects economic and non-economic claims but also significantly influences the financial data of clients. Here are a couple of key applications of this technique:

- **Estimating Financial Performance:** Auditors often forecast potential financial outcomes for clients based on historical performance and emerging trends. This helps clients understand what to expect in the future.
- **Comparative Analysis:** By looking at data from previous quarters, auditors can identify discrepancies and trends, shedding light on potential issues or opportunities.

This analytical method encompasses a variety of subjects, reflecting both economic and non-economic factors, and it integrates various components of financial reporting. Clients can trust the expertise of auditing teams like those at Howladar Yunus & Co., which provide a comprehensive overview of their operations. Typically, audit teams adhere to this process to ensure they gather enough data and evidence to support their findings.

Verification

At Howladar Yunus & Co., the emphasis on solid evidence is paramount, and the firm is committed to making all necessary clarifications. When assessing risk, they consider materiality and categorize risks into two main types: fundamental risk and regulatory risk. To keep audit risk to a minimum, Howladar Yunus & Co. frequently references findings from other audit teams as supplementary evidence. Effectively managing audit risk is essential for the firm's overall integrity.

Moreover, Howladar Yunus & Co. sometimes prioritizes insights from external sources over internal factors, as internal variables may not always yield accurate results. This practice can raise questions about the reliability of the audit team’s conclusions. To counter this, the firm adopts a cross-referencing strategy, comparing data from multiple sources. This thorough approach not only supports independent auditors in delivering well-founded assessments but also enhances the overall quality of the audit process.

4.2.8. Audit Report:

Internal audits are essential for evaluating an organization's corporate governance, accounting practices, and internal controls. These audits not only help ensure compliance with legal requirements but also facilitate the collection of timely and accurate information critical for effective financial reporting. To communicate the outcomes of these audits, organizations generally provide two main types of reports: external and internal audit reports, each tailored for different audiences.

External Report

Foundations:
A typical structure for an audit opinion may include several key elements:

- The title of the report along with the name of the recipient organization.
- A summary outlining the main issues at hand.
- An overview of the audit's scope.
- A reference to the International Standards on Auditing (ISA).
- A detailed description of the auditor's work.
- Relevant information that could influence decision-making.
- The date of the audit, the locations of the businesses involved, and the signatures of the responsible parties.

Updated Reports:
Howladar Yunus & Co. produces various updated reports that address two main areas of concern:

1. Information that may be considered irrelevant to the audit findings.
2. Data that could potentially impact the evaluation.

These reports can take various forms, including:

- A clearly defined opinion.
- A positive assertion of views.
- A qualified opinion that includes disclaimers related to disclosures.

Internal Report

In addition to external audits, Howladar Yunus & Co. offers its clients an Operational Statement as an added-value service. This report follows a standard format designed to highlight areas of weakness that require strategic focus. The auditor may also suggest potential cost-saving measures or ways to improve efficiency. Generally, this report addresses issues that aren't significant enough to necessitate an audit certification but are still important for overall operations.

The primary purpose of the Operational Statement is to provide the accountant with a platform to express their insights while offering the client valuable guidance. It aims to evaluate the client's transactions and assess their future implications.

Appendices

Here are some common topics that might be included in management messages:

- Acknowledgment that internal auditing is not foolproof.
- Concerns about the effectiveness of client governance processes.
- The potential overuse of accounting standards, guidelines, and protocols.
- Issues related to regulations and guidelines concerning internal controls.

Management Response Letter

Typically, Howladar Yunus & Co. encourages their clients to address any findings that emerge during the audit. It seems that Howladar Yunus & Co. waits for the client to respond, confirming that they acknowledge the report and agree with its contents.

Chapter 5

Outcomes of this study

5.1 Outcomes of the Firm's Objectives

Emile Woolf emphasizes that an effective audit approach should concentrate on key elements that align with the organization’s main goal of providing a clear opinion on its financial statements. These key components include:

- **Misconduct and Related Issues:** Identifying any irregularities or unethical behavior within the organization is crucial for maintaining integrity.
- **Deficiencies or Impurities:** Spotting areas where there are shortcomings or lapses in processes and controls can help drive improvements.
- **Efficiency:** Evaluating how effectively resources are utilized ensures that the company operates smoothly and maximizes its potential.
- **Client Appreciation:** Understanding client satisfaction and trust in the services provided helps foster long-lasting relationships.

In a similar vein, Howladar Yunus & Co. prioritizes these critical factors in their audit practices. As discussed in Chapter 5, their procedures closely mirror Emile Woolf’s auditing methodologies, highlighting a shared commitment to quality and thoroughness.

5.2 Results of Collected Information

The literature underscores the importance of an internal auditor in gathering and analyzing background information about a company’s operations. This step is essential for gaining valuable insights and developing a clearer understanding of how the business functions.

In keeping with this approach, Howladar Yunus & Co. actively collects corporate data to enhance their comprehension of their clients’ activities. By doing so, they ensure they are well-prepared and informed when conducting audits.

5.3 Overview of the Engagement Process

Emile Woolf's auditing framework offers valuable guidance for engaging with new clients. Before starting any internal audit, it is vital for auditors to obtain ethical consent, establishing a mutual understanding of how to work together effectively.

However, Howladar Yunus & Co. takes a slightly different path. Instead of strictly adhering to every aspect of this framework, they choose a more selective approach, utilizing only the engagement strategies that best fit their operational style. This allows them to maintain flexibility while still delivering high-quality audit services.

5.4 Outcomes of the Integrated Control System

Emile Woolf highlights that management implements an internal monitoring system to effectively execute their responsibilities. A sound corporate governance framework can significantly benefit auditors.

Howladar Yunus & Co. underscores the importance of assessing the governance structure, which contributes in the following ways:

- **Advantages**:
  - Strengthens organizational accountability.
  - Enhances transparency in both operations and decision-making processes.
  - Improves the quality of financial reporting, thereby lowering the risk of fraud.
- **Disadvantages**:
  - Implementing effective governance practices may demand considerable time and resources.
  - Complex governance frameworks can result in operational inefficiencies.

Furthermore, it is essential to:

- Determine which transactions have been categorized and which ones have been authorized.
- Identify and report any discrepancies or fraudulent actions.

5.5 Finding on the Executive Letter

According to Emile Woolf, an accountant simply provides a statement to the client, who then relies on that assessment to inform their financial decisions. In his auditing methodology, Woolf does not mention the use of a management letter.

In contrast, Howladar Yunus & Co. includes a management letter along with the audit opinion sent to the client. The primary purpose of this management letter is to convey the accountant's observations regarding the overall operations of the company. It is also advantageous to focus on areas where the management system may be lacking.

5.6 Conclusions on Internal Auditing Practices

Emile Woolf’s textbook *Accounting Today* emphasizes that overall effect assessments are strictly utilized for evaluations at the analysis level. It is advisable for auditors to anticipate which areas of the income statement are more or less likely to contain errors.

This analysis focuses on the auditing procedures implemented by Howladar Yunus & Co. In their risk assessment process, Howladar Yunus & Co. evaluates a variety of factors, including the nature of the business, affiliations with related parties, prior audit findings, and additional pertinent considerations.

5.7 Results of the Impact Assessment Overall

In Emile Woolf's textbook *Accounting Today*, it is stated that overall effect assessments are applied exclusively for evaluations at the analysis level. It is recommended that auditors try to anticipate which segments of the income statement are more or less prone to errors.

This discussion centers on the audit procedures employed by Howladar Yunus & Co. When assessing risk, Howladar Yunus & Co. considers various elements, such as the nature of the business, relationships with related parties, previous audit results, and other relevant factors.

5.8 Work related acitvites

During my internship, I had the valuable opportunity to engage in the auditing process at CTLL, where I discovered several challenges related to the audit procedures. Here’s a summary of my findings:

After a client’s proposal is accepted, an associate from Howladar Yunus & Co. typically selects one or two managers from the firm to oversee the audit. The appointed manager takes on the crucial role of managing the entire auditing process and serves as a supervisor for the audit team. Subsequently, the manager chooses a few articled students from the firm, designating the senior students as lead auditors. However, it’s important to note that the audit plan is primarily discussed internally by the manager, rather than collaboratively with the internal auditors. As a result, internal auditors often join their colleagues without a comprehensive understanding of the client's operations. While there is some shared knowledge of auditing between the manager and senior auditors, it often does not provide a complete picture of the client's unique context.

The auditing process involves several sequential steps that must be carried out in the correct order. These steps are tailored to suit the specific characteristics of the business, alongside relevant legal requirements and other factors. Howladar Yunus & Co. designs its audit procedures with careful attention to these elements to ensure the delivery of high-quality services. However, internal auditors frequently struggle to complete the auditing process due to time constraints. Consequently, their interactions with the accounting manager tend to be limited, which can impede their ability to conduct thorough audits.

Throughout my internship, I undertook various tasks that contributed to the preparation of the audit report. The firm offers a diverse range of services that utilize various software and management tools, including SAP software, Microsoft applications, and topsheets to facilitate their operations. This approach aligns with recognized best practices in auditing. Nevertheless, the monitoring of auditing procedures, as stipulated by auditing standards, has not been effectively implemented in practice.

While the audit manager may assign tasks to colleagues, they often lack the capacity to supervise their progress, leading to potential delays in accurate evaluations. Given the time constraints auditors face, they frequently encounter pressure from clients to expedite the audit process. In some instances, clients may withhold critical information related to the auditing process, subsequently pressuring auditors to complete their inspections swiftly. Additionally, partners within the firm may also exert pressure on internal auditors to finalize the audit as quickly as possible.

Chapter 6

Conclusion & Recommandation

6.1 Conclusion

The primary objective of my internship is to compile a comprehensive report. Throughout this academic semester, I have acquired substantial practical experience. My internship has provided me with invaluable insights into the organizational dynamics, audit methodologies, and various related aspects of the field. I have gained a deeper understanding of how an accountant approaches a business engagement. Typically, a corporation will initiate the process by submitting a proposal for assessment to an accounting firm or by issuing a public notice.

In the case of Howladar Yunus & Co., the firm carefully evaluated the client’s letter of inquiry before providing an estimate. Their response outlined all the requisite criteria established by the Institute of Chartered Accountants of Bangladesh (ICAB). Following this, Howladar Yunus & Co. formally accepted the request by issuing an acceptance letter to the client.

I firmly believe that our Bachelor of Business Administration (BBA) program would greatly benefit from incorporating more experiential learning opportunities, such as internships, as these experiences are essential for equipping us with the skills and knowledge needed for our future careers.

6.2 Recommendation

- To effectively assess the client's business activities, it is crucial for the internal auditor to be adequately informed.
- New team members should be oriented on the internal auditing process.
- The manager should formulate a supervision plan for the internal audit team.
- Management must implement a strategy to oversee the internal auditors.
- Furthermore, it is necessary to calculate the time required to complete the audit.
- The business should send a memo to management explaining what information must be provided in order for the inspection to be completed. Paying staff to create the necessary documents for internal auditors is the responsibility of the administration.

Chapter 7

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