

CHAPTER 1

INTRODUCTION

University is known to be the highest platform for gaining knowledge. It helps to explore the field; a student wants to study in and gives an opportunity to take the experience of that practical field. Practical field knowledge is also known as ‘internship program’ of university. In order to boost textbook knowledge and classroom knowledge, it is necessary to gain advanced Knowledge by researching it. Only textbook knowledge is not enough. In order to collaborate with our textbook and classroom knowledge with advanced and practical knowledge, our respective mentors and university motivate us to take an internship report to complete our degree. This internship report makes an opportunity for me to give a boost to my theoretical knowledge to complete this study. I have always wanted to pursue Chartered Accountancy after completion of my post-graduation. I hope this will be a great source of experience which will help me in future to become a qualified Chartered Accountant.

1.1 Background of the report

This report titled “Financial Audit Procedures in Bangladesh – A Study on Nurul Faruk Hasan & Co. (Deloitte Bangladesh) Chartered Accountants” is an outcome of the MBA internship program. Such programs facilitate us to apply our understanding of theoretical knowledge in the practical field. This report contains the details of the audit practice followed by Nurul Faruk Hasan & Co. (Deloitte Bangladesh) Chartered Accountants. Nurul Faruk Hasan & Co. Chartered Accountants - an independent member of Deloitte International, which is the world’s 1st largest network - was my second experience in the professional world. Nurul Faruk Hasan & Co. (Deloitte Bangladesh) has established a close working relationship with many international and national consulting firms for providing services to clients in Bangladesh.

I wanted to pursue Chartered Accountancy after completion of my post-graduation. Therefore, working in Nurul Faruk Hasan & Co. (Deloitte Bangladesh) has helped me to explore the field before getting into it. This internship report gave me an opportunity to observe and perform the audit procedures.

I joined as an intern of Nurul Faruk Hasan & Co. (Deloitte Bangladesh) and was assigned as an external auditor for the audit of BRAC, Honeywell Automation & Technologies Bangladesh and NETZ Bangladesh.

1.2 Objectives of the study

The main objective of the report is to establish the Financial Audit Procedure in Bangladesh.

There are mainly two objectives behind the preparation of this report such as primary objectives and secondary objectives. They are discussed below:

The Primary Objective:

The primary objective of preparing this report is to fulfill the partial requirements of the post-graduation program MBA in Accounting and Information Systems from Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.

Secondary Objective:

The secondary objectives are given below:

- i. To assess the financial audit procedure in Bangladesh.
- ii. To know the basic process of auditing in Bangladesh, through Nurul Faruk Hasan & Co. (Deloitte Bangladesh).
- iii. To evaluate the International Standards on Auditing (ISA) followed by Bangladesh Standards on Auditing (BSA).
- iv. To measure the Financial Audit Guidelines provided by The Office of the Comptroller and Auditor General (OCAG)

1.3 Scope of the study

This report is prepared for presenting information about the 'Financial Audit Procedure in Bangladesh' by focusing on the financial audit procedure of Nurul Faruk Hasan & Co. Chartered Accountants (Deloitte Bangladesh), International Standards on Auditing (ISA), Bangladesh Standards on Auditing (BSA) and Financial Audit Guidelines provided by The Office of the Comptroller and Auditor General (OCAG).

In my internship period, the scope of the work was as limited as I was assigned to work in Audit & Assurance department at Nurul Faruk Hasan & Co. (Deloitte Bangladesh). I have tried to observe and understand the Financial Audit Procedures in Bangladesh – A Case Study on Nurul Faruk Hasan & Co. (Deloitte Bangladesh) Chartered Accountants and other day to day functions perform in this firm. I also tried to understand different topic from teammates, in-charge, manager and others firm's personnel. 90 days internship program is mandatory to complete the undergrad degree from Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. This report is an outcome of the three-month long internship program conducted in Nurul Faruk Hasan & Co. (Deloitte Bangladesh), one of the reputed CA firms of the country. While working in Nurul Faruk Hasan & Co. (Deloitte Bangladesh), I was assigned to the BRAC, Honeywell Automation and Technologies (Bangladesh) Limited and NETZ Bangladesh. There I have observed and understood procedures and processes of four different concerns of my clients. However, I had to maintain the confidentiality of the client. Therefore, I decided to do my report on the basic mechanism of auditing Procedures of a Chartered Accountancy firm that I have known through Nurul Faruk Hasan & Co. (Deloitte Bangladesh).

1.4 Methodology of the study

This report mainly endeavors to show qualitative data that are relevant to serve the objectives of the report. Data has been gathered from primary source, basically, from Nurul Faruk Hasan & Co. (Deloitte Bangladesh). The data collection and inclusion had been conducted by careful review of relevant documents that are available in Nurul Faruk Hasan & Co. (Deloitte Bangladesh) and permissible for usage. Articles, journals, various study materials, newspaper reports, internet, interviews of managers and clients' staff, discussion with teammates have assisted in preparing this report. Other than this, the Bangladesh Standards on Auditing (BSA), International Standards on Auditing (ISA), The Office of the Comptroller and Auditor General (OCAG), Nurul Faruk Hasan & Co. (Deloitte

Bangladesh) website were used as resources.

1.5 Statement of the problem

One of the main problems of this paper is the lack of quantitative information about general audit procedure & practices of the audit firms. The policies used by other firms are not easily available and cannot be confirmed. Therefore, it was not possible to compare the procedures of different firms. In addition, effectiveness of the audit policy couldn't be backed by substantial data due to the unavailability of information and strict confidentiality.

In my tenure, there were some difficulties that I encountered. Most due to the Senior-Junior hierarchy structure that is strictly followed, which I am not very accustomed to or was aware of. I believe the workload is immense, and since it is "Deloitte" enormous stakes are given to provide the best quality services, so sometimes I felt that there's lot of work and too little people to handle them. Another problem I encountered was distance, the branch office is in Mohakhali which is always packed with traffic and the audit clients were also located in faraway places therefore it often got late for me to get back home from work through my always asked me by my seniors to leave early but I stayed back as strict 9 hours' office hour are maintained and till, I finished my work.

Other than that, I didn't encounter any significant problems to mention. My Supervisor and Co-workers were very helpful and the existence of Articled students as seniors were added bonus, they always cheered me and guided me.

1.6 Limitations

This internship report is covered only the Financial Audit procedure in Bangladesh that is the main limitation of this report. To prepare a report on the achieved practical experience in a short duration is not an easy task. In preparing this report, some limitations have encountered, which are as follow:

- i. This study is conducted only on the Nurul Faruk Hasan & Co. Chartered Accountants (Deloitte Bangladesh).
- ii. This report is completely depended on Financial Audit Guidelines provided by The Office of the Comptroller and Auditor General (OCAG).
- iii. This report does not cover all International Standards on Auditing (ISA) and Bangladesh Standards on Auditing (BSA).

- iv. As an independent audit firm, the information that I have collected is not adequate for this study.
- v. Annual Financial Audit procedures are a confidential documents or objects to the firm, so it is very difficult to present the exact format of annual audit procedures of the firm.
- vi. Time was also a limitation. Gathering a huge amount of information during working for only three months was really a difficult job.
- vii. Firm's Code of Conduct, in order to maintain the firm's secrecy and confidentiality, the firm restricts its information, which did not allow me to provide in-depth information of the firm's audit procedure.
- viii. This is very first time I am preparing an internship report on a CA firm so it was difficult to present all and everything of audit procedures.
- ix. The whole report is based on annual reports and internet information's.

CHAPTER 2

LITERATURE REVIEW

This “literature review” covers audit, financial audit, audit procedure, usage of audit procedure, and factor influencing usage of social media, methodology issues, auditing activities, and audit implementation. According to the Companies Act 1994, chartered accountants within the regulations of the Bangladesh Chartered Accountants Order 1973 must audit accounts of companies registered under this act.

To be clearer, Auditing is the process of producing opinion on the financial statements by an independent auditor. According to the American Accounting Association's (AAA) Committee on Basic Auditing Concepts¹, auditing is defined as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

Arens and Loebbecke, 1998 defines Auditing as: “Auditing is the process by which a competent, independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.”

The International Auditing Practices Committee (IAPC) of International Federation of Accountants (IFAC) defines audit as:

“The independent examination of the financial information of any entity, whether profit oriented or not, and irrespective of its size, or legal form, when such an examination is conducted with a view to expressing an opinion thereon. The term financial information encompasses financial statements”.

The term audit usually refers to a financial statement audit. A financial audit is an objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the transactions they claim to represent.

A financial audit, also referred to as a financial statement audit, is an objective evaluation of

your company's financial statements. They are usually conducted on an annual basis. While financial audits can be conducted internally (by an employee), most of the time, your stakeholders will want an audit from an independent body. As such, you'll probably need to reach out to a Chartered Accountant (CA) firm to conduct your audit. Ultimately, the aim of a financial audit is to ensure that your financial records are an accurate representation of your organization's financial performance.

“The financial audit was conducted in accordance with the Government Auditing Standards (Part I and Part II). These standards are based on ISSAI 100- Fundamental Principles of Public Sector Auditing and ISSAI 200- Financial Audit Principles of the International Standards of Supreme Audit Institutions.”

Auditing is an independent examination of, and the expression of an opinion on the financial statements of an enterprise by an appointed auditor, in accordance with his terms of engagement and the observance of statutory regulations and professional requirements (Dandago, 1999) and (Mainoma, 2007). According to Sec 213(3), the auditor here may mean an individual or firm carrying out the audit of an enterprise. The auditor should be approved and must have personal and operational independence in order to perform his duty effectively.

Akpata (2001) and (Sabari, 2003), classifies audit into four: private, statutory, management and internal audit, even though all the types of audit focus on regulations, which lead to control of expenditure or revenue.

At present, More or less 90% CA firm maintain International Standards on Auditing (ISA) Principals. Before acceptance of the International Standards on Auditing (ISA) by the Institute of Chartered Accountants of Bangladesh (ICAB), detection of errors and frauds, and prevention of errors and frauds were the two important objectives of auditing in Bangladesh. At present, Bangladesh follows ISA guidelines in auditing. The Companies Act 1994, the Banking Companies Act 1991, the Insurance Act 1938, the Securities and Exchange Commission Act 1993, the Securities and Exchange Rules 1987, the Foreign Donations Regulation Rules 1978, and the Co-operative Societies Ordinance 1984 regulate auditing practices.

The main Responsibilities and purpose of company audit is to ensure transparency and accountability in the use of resources in all types of company's management. The objectives of audit work include verification of the statements of accounts and statement of income

and expenditure to determine whether these are prepared truly and correctly; examination of the adequacy of the audited body's financial management systems and internal control framework; making sure that sufficient arrangements have been made to achieve economy, efficiency and effectiveness in the utilization of the entity's resources; examination of the trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary books of accounts with regard to state-owned commercial organizations; and undertaking special studies where necessary to determine if environmental legislation and procedures are being strictly followed.

CHAPTER 3

ORGANIZATIONAL OVERVIEW

3.1 Introduction

“Deloitte” is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit & assurance, consulting, financial advisory, risk advisory, tax and related services to select clients. These firms are members of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”). Each DTTL member firm provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. In Bangladesh, the services are provided by Deloitte Bangladesh Limited, Nurul Faruk Hasan & Co (Nufhas) and Business Consulting Services (BCS) which are Deloitte network entities (“Deloitte Bangladesh”). Deloitte Bangladesh Ltd. is an advisory firm focusing on Consulting, Risk Advisory and Financial Advisory services Nurul Faruk Hasan & Co, Chartered Accountants, is a public accounting firm in Bangladesh engaged in providing Audit & Assurance, Tax services with the license from the Institute of Chartered Accountants of Bangladesh (ICAB). Business Consulting Services (BCS) is an advisory firm focusing on Business Process Solutions including Accounting, Payroll and Company Secretarial services.

3.2 Mission, Vision and Values

➤ Mission

Nurul Faruk Hasan & Co. (Deloitte Bangladesh)’s mission is- “We adhere to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information and the maintenance of trust-demand it. We have built our success on such principles. We do our utmost to earn-and keep-client trust.”

➤ Vision

Vision of the firm is “Making an impact that matters.”

➤ Values

Nurul Faruk Hasan & Co. follows the values of their affiliated network Deloitte. According to their profile manual, it is stated that “Our culture is driven by the Deloitte Internal core values:

- i. To lead by example

- ii. To deliver quality services with integrity
- iii. To communicate openly, to act ethically
- iv. And to foster a community built around civic responsibilities and teamwork.
- v. We are passionate about helping our clients, while at the same time developing our people's potential."

➤ **Integrity**

We believe that nothing is more important than our reputation, and behaving with the highest levels of integrity is fundamental to who we are. We demonstrate a strong commitment to sustainable, responsible business practices.

➤ **Outstanding value to markets & clients**

We play a critical role in helping both the capital markets and our member firm clients operate more effectively. We consider this role a privilege, and we know it requires constant vigilance and unrelenting commitment.

➤ **Commitment to each other**

We believe that our culture of borderless collegiality is a competitive advantage for us, and we go to great lengths to nurture it and preserve it. We go to extraordinary lengths to support our people.

➤ **Strength from cultural diversity**

Our member firm clients' business challenges are complex and benefit from multidimensional thinking. We believe that working with people of different backgrounds, cultures, and thinking styles helps our people grow into better professionals and leaders.

3.3 Organizational Structure

Profile

Name of the firm:	: Nurul Faruk Hasan & Co. (Deloitte Bangladesh) Chartered Accountants
Date of registration:	: 12 March 2008
Mailing Address:	: Vertex Prominent (1st Floor) GA- 16/1 Mohakhali Dhaka, 1212, Phones: +88 096 1100 2202 Fax: +88 02 841 7979 Web: https://www2.deloitte.com Email: infobd@deloitte.com
Corporate Office	: Deloitte Bangladesh Ltd The Glass House (8th Floor) 38 Gulshan Ave Dhaka, 1212 Bangladesh.

Table 1: Name of Partners, their education and qualification

Name	Designation and Qualification
Nurul Haque	Managing Partner B.Com. (Hons). M. Com., FCA
Faruk Uddin Ahammed	Partner, Audit & Assurance B.Com. (Hons). M. Com., FCA
Shamsur Rahman	Partner, Audit & Assurance BBA, MBA, FCA
Baizid Md Faiaz	Partner, Tax BBA, MBA, FCA
Ashik Iqbal	Partner BBA, MBA, CPA

3.4 Affiliation/Association

International Auditing/Accounting Firm Nurul Faruk Hasan & Co. is an independent member of Deloitte International, 1st largest network in the world with independent member firms in 150 countries. Other former relationships with International Accounting Firms are:

Formerly associated with Binder Dijker Otte (BDO) - an international network of public accounting, tax, consulting and business advisory firms which perform professional services under the name of BDO.

3.5 Key Department

Key Divisions/Department of Nurul Faruk Hasan & Co. (Deloitte Bangladesh) Chartered Accountants are the followings: -

- i. Audit & Assurance
- ii. Consulting
- iii. Risk Advisory
- iv. Financial Advisory
- v. Tax

3.6 Key Function Performed

Nurul Faruk Hasan & Co. (Deloitte Bangladesh) provides quality services to a diverse and wide range of clients in the private and public sectors in Bangladesh. It also provides services to international development agencies and expatriate consultants working in different projects. The services are:

Audit & Assurance

- i. Statutory audit
- ii. Internal audit
- iii. Special audit
- iv. Cost audit
- v. Compliance audit
- vi. Forensic audit
- vii. Management audit
- viii. Performance audit
- ix. Interim audit
- x. Review engagement

- xi. NGOAB audit
- xii. Donor audit

Tax and legal advice

- i. Corporate and individual tax planning
- ii. Personal Income Tax
- iii. Deferred tax computation and application
- iv. Indirect tax
- v. Tax investigations
- vi. Capital gain tax
- vii. Designing VAT Management System and Compliance Audit
- viii. Tax compliance and preparation of various tax returns
- ix. Assistance in handling queries & requests for information from tax authorities
- x. Tax assessments and appeals
- xi. Preparation of income tax returns
- xii. Import Duty and Customs cases
- xiii. Inheritance tax planning
- xiv. International tax services
- xv. Tax effective remuneration planning
- xvi. Tax investigations

Advisory

- i. Formation, incorporation, liquidation and winding up of companies
- ii. Preparation and filing of Annual Return
- iii. Preparation of AGM minutes
- iv. Preparation of Directors' minutes
- v. Formation and registration of companies and close corporations
- vi. Maintenance of statutory records
- vii. Conversions of companies and close corporations
- viii. Amendments to and registration of statutory details
- ix. Increase of share capital
- x. Change of company name
- xi. Change of Articles & Memorandum
- xii. Preparation of Special resolutions
- xiii. Advice on secretarial matters relating to the Companies Act.

- xiv. Management of Litigation
- xv. Management of Legal Disputes
- xvi. License Issues;
- xvii. Compliance with Relevant Laws & Regulations
- xviii. IP Rights (Logo, Trademarks, Copyrights)
- xix. Correspondence with Corporate Regulatory Bodies
- xx. Drafting, Reviewing & Providing Opinion on:
- xxi. Agreement, MOU, NDA, Undertaking etc.
- xxii. RFP, PO/WO, LOI etc.
- xxiii. Legal Notice etc.

Consultancy

- i. Management Accounting Services
- ii. Management Consultancy
- iii. Structured financing advisory
- iv. Business planning and project feasibility studies
- v. Standard operating procedures (SOP)
- vi. Fixed assets management
- vii. Accounts receivables management
- viii. Payroll management
- ix. Project appraisal
- x. Inventory Management
- xi. Performance measurement

Outsourcing

- i. Accounts payable processing
- ii. Payroll and payroll tax processing
- iii. General ledger and financial statement processing
- iv. Accounting services
- v. Support in day-to-day Transaction Processing
- vi. Book keeping and preparation of final accounts

Others

- i. Accountancy and management training
- ii. Data processing with computers
- iii. Privatization consultancy (includes pre-privatization review, restructuring, valuation in particular and privatization assistance in general)
- iv. Other accounting ancillary services including investigation

3.7 Financial highlights

As per firms' policy financial information of Nurul Faruk Hasan & Co. Chartered Accountants (Deloitte Bangladesh) is not publicly accessible and that financial information is restricted among partners of the firm. That's why I could not get the financial highlights of NUFHAS but get the Deloitte. provides audit, consulting, financial advisory, risk advisory, tax, and legal services with approximately 334,800 professionals globally. In FY 2021, the network earned revenues of US\$50.2 billion in aggregate. As of 2020, Deloitte is the third-largest privately-owned company in the United States, according to Forbes. Now Deloitte become Number 1 accounting firm among big 4 measured by revenue.

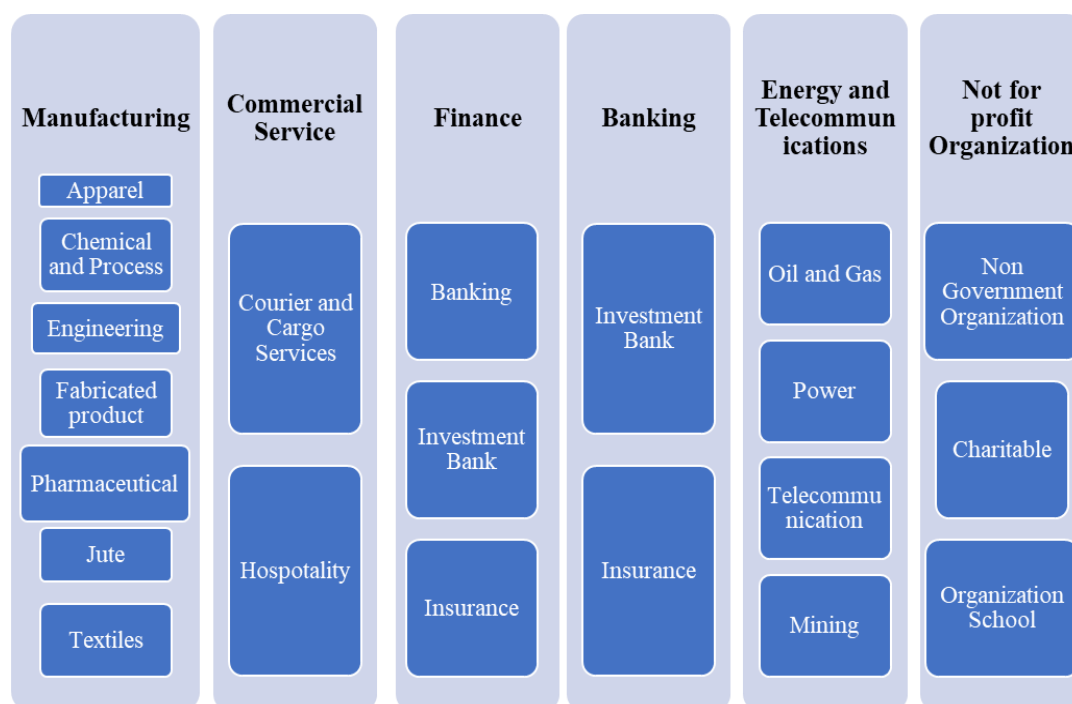


Figure 1: Sectors in which the above services are provided by Nurul Faruk Hasan & Co. (Deloitte Bangladesh):

CHAPTER 4

TOPIC OVERVIEW

4.1 Nature of Financial Audit

Financial audits are attestation engagements. The subject matter of a financial audit is the accounting and related data of an entity, normally presented in the form of financial statements (the latter known as the subject matter information). OCAG as an auditor is required to obtain sufficient and appropriate audit evidence to provide reasonable assurance to the users, in the form of an audit opinion and report, as to whether the financial statements or other forms of presentation of financial information are fairly presented or gives a true and fair view of the entity.

The focus of financial audit thus is the set of financial statements prepared by the responsible entity other than the auditor, pertaining to a particular financial period. The auditor's responsibility is to examine these statements and obtain sufficient and appropriate evidence to enable him to provide an opinion whether the financial statements are prepared in accordance with the applicable financial reporting framework, whether the financial statements present a true and fair view of the state of the entity. The basis of such an opinion is the fact whether the financial statements are free from material misstatements due to fraud or error.

4.2 Authority for Financial Audit

The powers and jurisdiction of CAG are derived from the Constitution of Bangladesh and CAG's (Additional Functions) Act 1974. Article 128(1) mandates CAG to audit public accounts of the Republic and of all courts of law and all authorities and officers of the Government and report thereon. Section 5(1) of the CAG (Additional Functions) Act 1974, empowers CAG to audit any statutory public authority, public enterprise with at least 50% share or interest by Government and local authority.

Neither the Constitution nor the Additional Functions Act specifically mentions types of audits to be conducted by CAG. Any of the three types of audits can be undertaken by CAG as per Article 128(1) and 128 (4) of the Constitution. CAG and OCAG are competent to carry out audit of financial statements of Government, statutory public authorities, public enterprises with at least 50% share or interest by Government and local authorities.

4.3 Financial statements as focus of Financial audit

It is to be noted that all entities and units are not required to prepare separate financial statements. The financial transactions of these entities get reflected in the financial statements of parent entities. For example, the Finance Accounts of Government of Bangladesh reflect all receipts and expenditures incurred by all government entities and units. The financial audit would cover the Finance Accounts even though other agencies are subjected to audit by CAG for the purpose of compliance audit and performance audit.

The significance of financial statements being of the focus of financial audit should be clear from this point of view and marks the difference between financial audit and other types of audit. A set of financial statements need to be handed over to audit for attestation purpose. These financial statements are normally prepared from the accounting records of financial transactions in more than one entity in accordance with the accounting and financial reporting framework. All such entities are also under the audit jurisdiction of CAG but for the purpose of financial audit, the significance of each and every entity may not be material.

4.4 Comparison between Financial Audit and Compliance Audit

Financial audit should not be equated with Compliance audit even though both these audits may examine financial transactions. Broad differences are given below:

Basis of Comparison	Financial Audit	Compliance Audit
Subject Matter	Financial position, financial performance, cash flow or other elements of an entity	Financial and other transactions of an entity not necessarily pertaining to one single financial period.
Subject matter information	Financial statements pertaining to a single financial period.	.
Period of Coverage	Pertains to one financial period.	May cover more than one financial period.
Entity Coverage	Focuses on financial statements.	Focuses on auditable entities.
Reporting	Results in an audit opinion.	Results in an audit report, not an opinion.
Materiality	Material misstatements are the basis of the opinion.	May find irregularities, which may but not in the context of financial statement.

Similarly, during Performance audit financial transactions including financial statements might be examined. However, such audits will also not be considered as financial audit.

4.5 Audit Procedure in Bangladesh

Auditing is a systematic process, which is more or less the same in every country. The basic differences are in the rules and regulations that every country has to follow, not in the steps taken to conduct an audit. There are various types of auditors, for example: internal, external, government and forensic auditor and according to the engagement the works differ.

Auditor has to gather auditing evidence to evaluate the reliability of the accounting records. He has to judge whether the information presented is logical and reasonable. Examples of auditing procedure can be, checking the raw material buying process of the company, how the company maintains the payables and receivables accounts, internal control system of the concerns etc.

4.6 Audit Process by ICAB

Institute of Chartered Accountants of Bangladesh (ICAB) is the regulatory body for the audits in Bangladesh. Audit Practice Manual (APM) is known to be the bible for auditors. Everything is written in the manual and auditors have to follow that. Audit procedure is summarized in a part of APM. It describes four steps. They are discussed below:

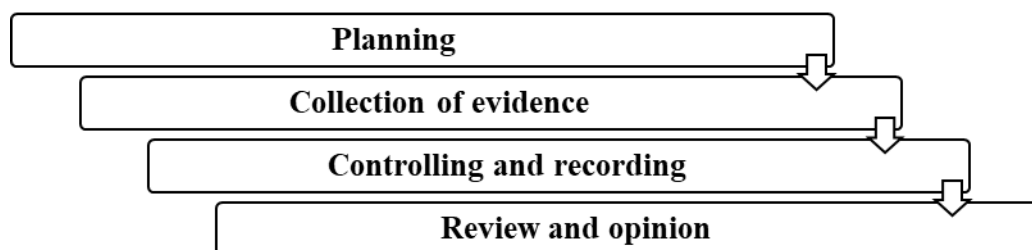


Figure 2: Audit Steps

Planning

Planning is the key factor for audit. Most of the time, auditors forget to do some checking of what they have not planned. Moreover, an audit might take too long to complete if it is not properly planned. According to the International Standard on Auditing 300, audits have to be planned. In Bangladesh, Bangladesh Standards on Auditing (BSA) is followed which has compliance with IAS. According to the Audit Practice Manual of Bangladesh, planning helps the auditor to:

- i. Allocate proper time and budget needed for audit.
- ii. Accurately organize and accomplish the audit engagement by dividing the work among the engagement team members according to their skills and competence.
- iii. Identify audit risks.

Bangladesh Standards of Auditing (BSA) also emphasizes the importance of standard documentation for clients planning memorandum. Planning memorandum is prepared according to the envisaged audit strategy and is based on cumulative audit knowledge and experience as well as important matters, which have been brought to the attention of the auditors. There are other information's also which is provided under planning documentation. Planning document includes about the company and its business.

- i. What the entity does?
- ii. How it conducts its business?
- iii. What are the risks and where?
- iv. How the auditors are going to audit the company?

Reason for planning:

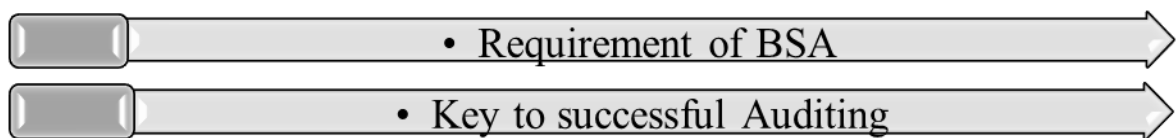


Figure 3: planning reason flowcharts

Factors of planning:

- **Assessment of risk and materiality**

Risk and Materiality is the 1st step of planning. They are the two-principal procedure of planning.

Risk

The two important risks in Bangladesh Standards on Auditing (BSA) are:

- i. **BSA 315:** Understanding the entity and its environment and assessing the risks of material misstatement;
- ii. **BSA 330:** The auditor's procedures in response to assessed risks.

These BSAs are more demanding than the previous standards to understand the depth of client's systems and operation.

The nature of risk

Audit risk may arise from the business environment in which the entity operates. It may arise from the operation of the entity's control system or from the failure of audit procedures including the sampling risk. The third component cannot be eliminated. Sampling risk will always be there. However, the purpose of the manual is to minimize that. There are few types of risks found, which are: Business risk, Audit risk, Inherent risk, Control risk, Detection risk.

Materiality

According to the IASB 'Framework for the Preparation and Presentation of Financial Statements' materiality is, 'Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful'.

Materiality affects audit work in two ways.

- i. It is one of the factors, which influences the nature, and extent of the tests of detail.
- ii. It influences decisions as to whether or not an auditor should seek adjustment for actual and projected errors and for assessing the significance of areas of disagreement on judgmental matters.

Accounts that are free from 'materiality' are considered 'true and fair'. In general, the level of materiality is relative to the size of the business. However, some items might be material by their nature, regardless of magnitude.

So, in this stage of audit process all planning are done keeping the risk and the materiality issue in mind.

- **Analytical review**

Bangladesh Standards of Audit (BSA) 520.2 states that the auditor should apply analytical review procedures as risk assessment procedures to obtain an understanding of the entity and its environment and in the overall review at the end of the audit.

Analytical review may be relevant to three distinct but interrelated stages of the audit:

- The planning stage;
- Extensive analytical review as a substantive test, and
- The final stage – as part of the critical review of accounts.

According to the Audit Practice Manual, these separate stages should not be considered to be mutually exclusive, but part of a continuous process of review.

- **Test of control**

Bangladesh Standards on Auditing (BSA) has made it mandatory to do the test of control. It is required to check the internal control system of the client. For doing a plan, the test controls are also considered. According to Audit Practice Manual the reason for test controls are:

- i. As part of understanding the entity and its environment, it is a requirement to evaluate the design and implementation of all controls relevant to the audit.
- ii. Evaluating the design and implementation of controls requires more than just inquiry; further work such as inspecting documents or tracing transactions through the system is required.
- iii. Testing of the operational effectiveness of internal controls (compliance testing) is mandatory where: the risk assessment includes an expectation that controls are operating effectively, or substantive tests alone do not provide sufficient evidence of their operation.

Collection of Audit evidence

- **Audit Sampling**

According to the Audit Practice Manual, the question of how many items to test has always been a debatable subject. It is far better to design tests directly relevant to the client rather than to merely 'fill in the forms'. Tailoring or drafting of programs using the APM as an aide-memoire is therefore encouraged. Clearly, any sample must be representative of the whole population and it must be sufficiently large to enable credible conclusions to be formed.

The exercise of judgment must ultimately determine the sufficiency of sample sizes. The use of inherent risk factors, materiality and population characteristics may give a useful theoretical starting point but ultimately judgment must prevail. The standard risk model does at least provide a benchmark against which to assess the reasonableness of your judgment.

Evaluation of errors

According to the Audit Practice Manual (APM), Errors found in the performance of audit tests must be evaluated to determine their impact on the population being tested and on the accounts as a whole.

Evidence suggests that, at times, auditors have difficulty in making this evaluation.

Controlling and Recording

This part of audit is nothing but the application of the planning stage. This is the core fieldwork stage where all the assessments and the other aspects are considered. The evidence collected are evaluated based on these assessments and then recorded. The risk assessments and other factors are given below:

- **Assessment of risk and materiality**

Risk Assessments:

There are two types of risk assessments found in Audit Practice Manual. They are:

- **General risk assessment:** General risk mainly comes from the commercial and regulatory environment of the entity. It is affected by the integrity of the management and the business risk too. This assessment should assist in determining the riskiness of the engagement as a whole.
- **Specific risk assessment:** According to the Audit Practice Manual two objectives of the specific risk assessment are:
 - It may be used in the context of the very small company to assess the extent to which the full audit program approach can be foregone in the particular circumstances of the audit in question. This approach must always be documented and justified, not simply applied without reason; and
 - It may be used to pull together the various risks and consider their overall impact on a particular area of the financial statements. This helps to concentrate the audit work on areas of audit significance, ensuring that the bigger picture is not lost through concentration on individual risks.

Determining materiality:

A guide for determining the level of materiality is set out below. It is guideline only. The level of materiality is a matter for professional judgment.

Table 2: Materiality Calculation

TK.	Profit before taxation parameters	Turnover and total assets parameters
0-5 Crores	10%	3.0%
5 Crores 1 to 10 Crores	10%	2.5%
10 Crores 1 to 20 Crores	10%	2.0%
20 Crores 1 to 56 Crores	10%	1.5%
Over 56 Crores	10%	1.0%

Other facts

- **Reliability factor**

According to the APM, the standard model used in this manual can be expressed as:

$$\text{Sample size} = \frac{\text{Population value minus Items above Tolerable error minus Key items}}{\text{Tolerable Error}}$$

i.e.

$$\text{Sample size} = \frac{\text{Adjusted Population Value}}{\text{Tolerable Error}}$$

By using the normal distribution, it is possible to express confidence in sampling results in the form of risk factors. The reciprocal of a risk factor is a reliability factor and these form the basis of the sampling method. When sampling is undertaken, the factor relevant to the particular audit test should be recorded on the relevant sample selection planning form. The reliability factor will then be multiplied by a quotient dependent upon whether tests of detail only or tests of detail plus analytical review and/or compliance tests is to be undertaken. The multiple is also different for balance sheet and profit and loss account testing. Details of the multiplier that affects the reliability factor are given on the sample selection planning forms.

- **Vouching the total population**

According to the Audit Practice Manual, it may be that a total population is tested in the audit of very small companies. For example, it may be that a very small company has 12

invoices a year and that it has been decided to examine all 12.

The inherent risk assessment will not be applied, and would make no difference, in these circumstances. The general risk assessment must still be considered because the vouching of all 12 invoices cannot, on its own, provide all the audit evidence that we require forming a reasonable conclusion that all income has been completely and accurately recorded in the company's accounting records.

- **Accountancy work and audit testing**

According to the Audit Practice Manual, assuming that the ethical issues have been properly addressed, it may be possible to use audit evidence derived from work carried out in the preparation of the accounts. Such accountancy works must have been properly planned with specific audit objectives in mind, been properly controlled and recorded and subjected to adequate review.

In such circumstances it may be that sufficient audit evidence can, in respect of certain assertions, be obtained to obviate the need for further detailed testing.

Remember, however, that such audit evidence will not provide evidence of, for example, completeness, continued existence or title, thus still requiring top up audit work to be done.

Review and opinion

This is the final stage of the audit procedure. Here, the full report is discussed with the management and they give their feedbacks. Some observations might be disclosed because of this discussion. After this, partner of the Chartered Accountants deals with the overall audit and form an opinion. According to the Audit Practice Manual, some examples for checklist can be as follows:

- i. Partner completion
- ii. Audit completion
- iii. Audit standards review questionnaire
- iv. Internal control system questionnaire
- v. Critical review of accounts questionnaire
- vi. Justification of audit report etc.

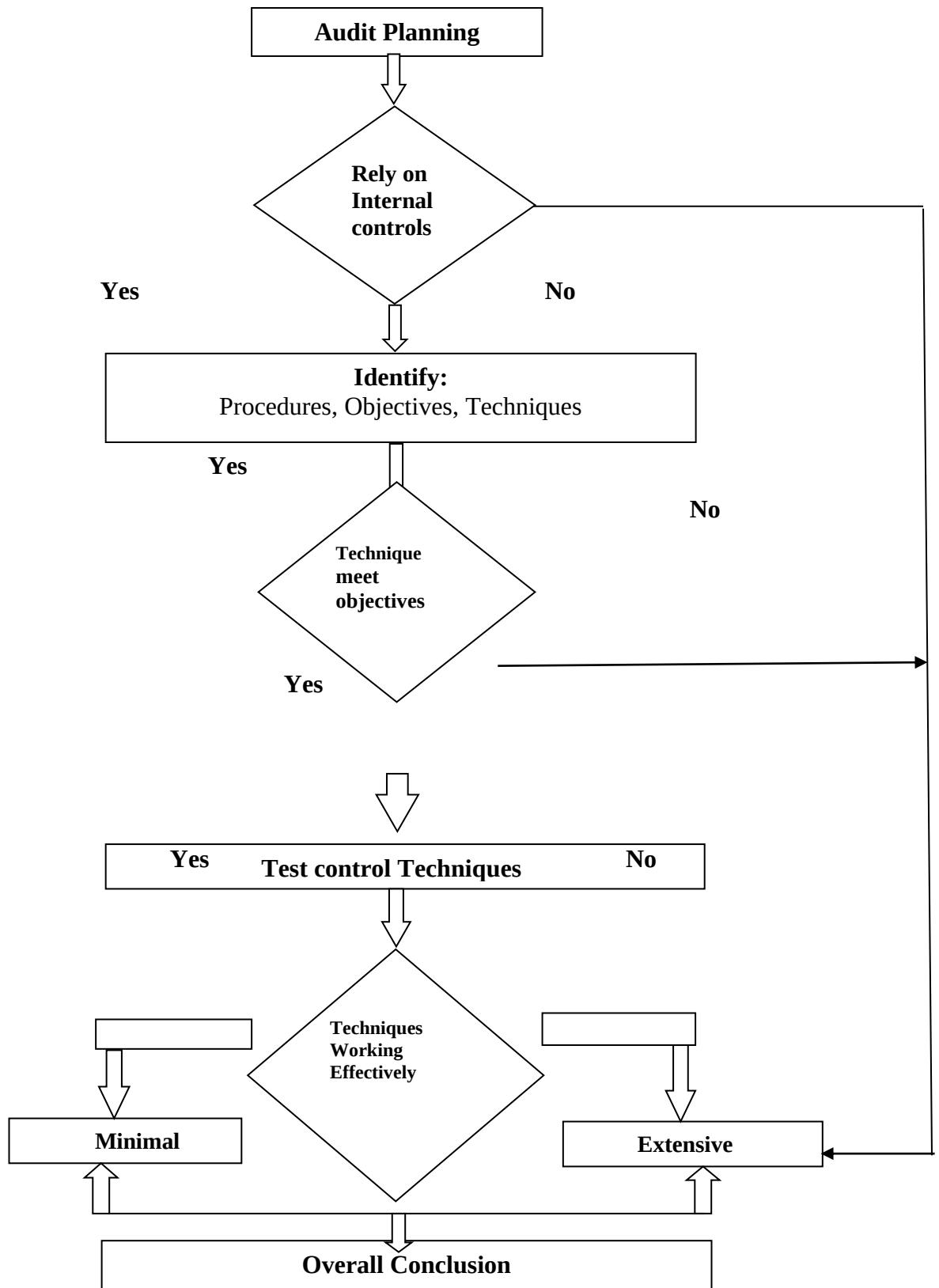
The first task of the auditor is to get answer about the review checklist. If the answers

satisfied the audit team and partners, they may form unqualified opinion about the client. In other cases, they may give opinion other than unqualified opinion.

A conclusion should be drawn for each audit area. This is vitally important. Not only should the summary sheet be concluded upon, but also for each main test within each area, the relevant working paper should state:

- i. The aim of the tests
- ii. The work performed
- iii. The results obtained,
- iv. The conclusion reached

4.7 Nurul Faruk Hasan & Co. (Deloitte Bangladesh) Audit Linkage



4.8 Audit Engagement sequences of Nurul Faruk Hasan & Co. (Deloitte Bangladesh)

Engagement procedure

Before the main procedure starts, it is necessary to know the client types of the firm.

Different clients are there in Nurul Faruk Hasan & Co. (Deloitte Bangladesh). Clients can be new, who are taking service from Nurul Faruk Hasan & Co. (Deloitte Bangladesh) for the first time. Clients can be the existing one, who want to take the services again. Different types of engagements are described below:

Engagement with new clients

There are few stages when it comes to the new clients. The stages are:

Proposal making from Nurul Faruk Hasan & Co. (Deloitte Bangladesh): In case of new client, clients generally give circular for proposal from the firm. Sometime they want direct proposals from the firm. It happens when they choose the firms of their own choice. When they take direct proposals from the firm, Nurul Faruk Hasan & Co. (Deloitte Bangladesh) mentions the cost of conducting the audit and the time needed for the audit. The company describes the area of audit and attaches it.

Proposal letter sent to the client by Nurul Faruk Hasan & Co. (Deloitte Bangladesh): After reviewing the total proposal and finalizing the financial and technical terms, Nurul Faruk Hasan & Co. (Deloitte Bangladesh) sends the proposal letter to the respective client. In addition, it is mentioned that the charges and time is an approximate value, which can vary.

Proposal Acceptance and the letter of contract: In case of circulation, company receives more than one proposal letter and they select one particular firm. However, when directly firm is chosen then after getting the proposal letter, company review the letter and if they have no issue, then finalizes it and sends a letter of contract.

Confirmation Letter: After receiving the letter of contract from the company, Nurul Faruk Hasan & Co. (Deloitte Bangladesh) sends them a confirmation letter.

Engagement with existing client

In case of existing client, the procedure is simpler and easier. They have to send the letter of appointment. In this letter, they show their willingness to take Nurul Faruk Hasan & Co. (Deloitte Bangladesh) again this year. Audit fees can vary from the last time. They also send appointment letter and if Nurul Faruk Hasan & Co. (Deloitte Bangladesh) wants to work, they accept it and send the confirmation letter.

Directly appointed by the clients

Interested clients send appointment letter directly to the firm. They include the terms and conditions in the appointment letter. After reviewing them if Nurul Faruk Hasan & Co. (Deloitte Bangladesh) finds it profitable for them then they accept it and send the confirmation letter to the client.

Audit Procedure

After finalizing the engagement with the respective client, then it comes to the actual process of auditing. Nurul Faruk Hasan & Co. (Deloitte Bangladesh) mainly follows the international standards of auditing, as it is an independent member of Deloitte. However, it follows all the steps followed in Bangladesh. The steps are:

Identify overall goals

Nurul Faruk Hasan & Co. (Deloitte Bangladesh) follows International Financial Reporting Standards (IFRS) and International Auditing Standards (IAS) in forming reports. On the other hand, to check the financial statements and other issues Nurul Faruk Hasan & Co. (Deloitte Bangladesh) follows the Generally Accepted Accounting Principles (GAAP). Identifying the overall goals is the first step for the auditing team. Some issues are considered while identifying the overall goals. They are finding the errors, finding the irregularities and finally the efficiency of the company. The details are discussed below:

Errors:

For providing reasonable assurance, auditors have to find errors occurred in accounts. This is the part of planning from the audit-practicing manual. Unintentional misstatements are considered error here. Material error detection is the first and foremost consideration in identifying overall goals. The audit team has to find out the existence of asset and liabilities. They have to find out the accuracy of recording date, balance. Errors may arise for various reasons. Gathering and processing of the accounting data might be wrong from the financial statements. Accounting estimates can be incorrect and finally errors may occur because of the misapplication of the accounting principles.

Irregularities:

Most important thing in maintaining accounts is to maintain the consistency. Irregularities are related with the risk and materiality of the accounting manual. Any irregularity, which

might be material, needs to be found out in this stage of audit.

Efficiency:

Efficiency is the key element of audit. Auditors have to audit a full year financial statement in a very little span of time. This has to be ensured by this stage. There can be various ways to find out the efficient way of doing the audit. Firstly, for the existing clients some members of the previous team can be sent. Audit team has to be combination of different type of people. Skills should be different but they have to have the mentality to work together for one goal.

❑ Gather and evaluate initial information

Second step of audit is to gather and evaluate initial information. Every detail about client is very important for the auditors. Knowing the basic business, how it is operated and major buyer seller information; these are the very basic to start with. The activities of this stage are given below:

- i. **Understand the business:** Firstly, auditors have to understand the industry of the company and the nature of the company. With this, they will be able to know the objectives, strategies and the related risks too. After that, they will find out the external factors and the financial reporting framework of the company. The measurements, financial performances and the accounting policies will be focused also. Finally, the internal control has to be checked. The risk will be minimum if the internal control is strong. Sample size depends on the strength of the internal control. As per BSA-610, audit team can take help from the internal auditors.
- ii. **Consider internal control structure:** To understand the internal control system it is very essential to understand and assess the internal auditing. For this, auditors had to evaluate and test the work of internal auditing. It needs to be checked if the internal auditors are technically sound or not, their work is properly reviewed and supervised by someone efficient, report consistency etc. The demo questionnaire for the internal control is given below:

4.9 Internal Control Questionnaire (ICQ):

Please complete the following questionnaire by ticking the appropriate box. Where the answer is “No” and where you feel that a “Yes”, “No” or “N/A” does not answer the question adequately, please provide further details on a separate sheet.

Yes, No N/A		
1. ACCOUNTING PRACTICE	Yes	No
(a) Is the system of internal control such that proper accounts are produced?		
(b) Are accurate periodic management accounts prepared?		
(c) Can the accounts be produced simply by extracting figures from the ledgers or is it necessary to analyze and adjust ledger figures?		
(d) Is the basis of accounting consistent with that of the previous year?		
2. CASH & CASH EQUIVALENTS (1)		
(a) Is access to cash area strictly restricted to others?		
(b) Is there a system of periodic surprise cash count? If so how often carried out and by whom?		
(c) Whether Fidelity Guarantee Insurance coverage obtained for Cashier?		
(d) Are Cashiers prohibited from performing bookkeeping duties?		

(e) Does the cashier prepare a Daily settlement Report duly checked and signed by a Managerial Staff?		
(g) Whether recovery of loan in cash used for office expenses without depositing the same into Bank?		
(h) Whether Cash Balance agrees with the balance of General Ledger and checked by responsible officer daily?		
(i) Whether cash is kept under dual control?		
(j) Whether Cash-in-Safe policy has been taken with adequate limit of sum-insured?		
(k) Whether cash-in-transit policy has been taken with adequate limit of sum insured depending on times and level of regular cash carried?		
3. CASH & CASH EQUIVALENTS (2) Yes, No N/A		
(a) Whether all Bank Reconciliation Statements are prepared on a timely basis and properly reviewed by a responsible person not associated in preparation of bank reconciliation statements		
(b) Whether persons responsible for passing entries for bank transaction are restricted to banking correspondences?		

(c) Whether Banking correspondences are directly addressed to Managerial staff?		
(d) Whether jobs related to Bank reconciliation are allocated in such a way that job done by one employee is automatically checked by another staff / officer?		
(e) Whether balance certificates are obtained from the banks of all accounts at least at the year-end?		
(f) Whether all material items shown as being out-standing on the bank reconciliation statements are accounted for or cleared on a timely basis?		
4. INVESTMENTS		
(i) Are purchases and sales of securities approved by appropriate authority of the Bank?		
(ii) Whether security scripts are checked upon receipt of the same and preserved at safe custody of the Corporation?		
(iii) Whether direct control is exercised over physical custody of Investment scripts?		
(iv) Whether a subsidiary ledger is maintained showing full particulars of Investments?		
(v) Whether all documentation for purchases and sales are preserved by the Bank?		
(vi) Whether separate persons are responsible for accounting, physical custody, trading and approval of investments?		
(vii) Whether aggregate balance appearing in Investment Subsidiary Ledger/ Cards are agreed regularly with the balance/balances appearing in General Ledger as a matter of regular practice?		
(viii) Whether periodic reconciliation is prepared for physical existence of Investments and that appearing in General Ledger of the Bank?		
(ix) Whether incomes including original cost of investments are collected in due course or on maturity and properly accounted for?		
(x) Whether responsible officials properly verify ownership / transfer of investments?		
(xi) Whether all income on investments is accrued at the year-end and properly accounted for?		

(xii) Whether adequate provision has been made for decrease in the market value of investments, loss of investments, and non-realization of investments due to introduction of new law?		
(xiii) Whether costs of investment are verified with the market quotations and differences, if any are ascertained at the year-end and properly accounted for? Or properly disclosed in the Accounts?		
5. FIXED ASSETS Yes, No N/A		
(i) Whether the Organization has any established policy in acquisition and disposal of Fixed Assets?		
(ii) Are budgets for capital expenditures approved by the Board of Organization?		
(iii) Are approved budgets communicated in writing to:		
i) Purchase Department?		
ii) Accounts Department?		
iii) Branch offices?		
(iv) Are written authorizations required for incurring capital expenditures for items included in the Budget?		
(v) Is the authority to incur capital expenditures restricted to specified officials?		
(vi) Are purchases of capital items subject to same control measures as are applicable to purchases of stores, etc.?		
(vii) Are receipts of capital items subject to same procedures as applicable to stores etc.?		
(viii) Is there proper check to see that amounts expended do not exceed the amount authorized?		
(ix) Are supplementary authorizations required for excess expenditure?		
(x) Is there an established procedure for moving any capital items from one location to another?		
(a) Is written authority required for		
- Scrapping of fixed assets?		
- Selling of fixed assets?		
(b) Is there authority to permit scrap/sell of fixed assets restricted to specified officials?		
(c) Are limits specified in this regard?		

(d) Are sales of fixed assets subject to same procedures as are applicable to sales of stores, etc.?		
(xi) Are reports issued promptly in respect of		
(a) Units sold?		
(b) Units scrapped?		
(c) Units moved from one location to another?		
(xii) Are fixed assets under construction		
(a) Subject to separate control account in General Ledger?		
(b) Controlled by job number?		
(xiii) Is expenditure on wages, materials and stores charged to capital account on a reasonable basis?		
(xiv) Is there any official responsible for ensuring that allocation of expenditure between capital and revenue is in conformity with accounting policy?		
(xv) Is a register of all fixed assets (including fully depreciated assets) maintained?		
(xvi) Is the register regularly written up throughout the year?		
(xvii) Is the register periodically tatted with the financial account records?		
(xviii) Is the following information available in the register?		
(a) Supplier's name		
(b) Date of purchase		
(c) Cost (including additions, improvements, exchange rate adjustments etc.)		
(d) Location and identification number		
(e) Rate of depreciation and estimated life.		
(f) Accumulated depreciation and depreciation charge for the year		
(g) Estimated salvage value		
(xix) Is there a list of title deeds for the landed properties and buildings?		
(xx) Are title deeds of properties kept in safe place?		
(xxi) If they are lodged as security, are certificates obtained to that effect periodically?		
(xxii) Are registration books of vehicles periodically verified?		
(xxiii) Are fixed assets physically verified periodically?		
(xxiv) Is the ownership of the fixed assets properly checked by a responsible officer of BIWTC		
(xxv) Is there a written procedure for such verification?		

(xxvi) Does the procedure provide for verification/ confirmation of fixed assets with third parties?		
(xxvii) Are reports prepared on such verification?		
(xxviii) Do such reports indicate damaged obsolete items of fixed assets?		
(a) Are discrepancies disclosed by such reports investigated?		
(b) Are the records and financial accounts corrected with proper authority?		
(xxix) Are damaged/obsolete items disclosed by such reports, removed from the records and financial accounts with proper authority?		
(xxx) Is there satisfactory control over the acquisition and write off of such items?		
(xxxi) Are there physical safeguards against theft or loss of tools and other movable equipment?		
(xxxii) Are fixed assets shown at their original cost?		
(xxxiii) Is there a plant register which is periodically agreed with		
(a) Assets on hand?		
(b) Financial accounts?		
6. Insurance Yes, No N/A		
(xxxiv) Are the following risks covered in respect of buildings and machinery:		
a) Fire		
b) Strike, riot and civil commotion		
c) Flood		
d) Earthquake		
(xxxv) Does the official, who decides on the value for which policies are taken, review periodically the adequacy of the insurance cover?		
a) Is there loss-of-profits insurance cover?		
b) Is there machinery-breakdown insurance cover?		
c) If the answer to (a) or (b) is negative, is it due to a specific decision taken by senior officials?		
(xxxvi) Is there an official who decides on the value for which policies are taken?		
(xxxvii) Are the fixed assets insured on reinstatement basis?		
(xxxviii) Are major additions and disposals supported by properly authorized vouchers and tested by you?		
(xxxix) Are you satisfied with the principles followed for depreciation of fixed assets including idle assets?		

(xxxx) For fixed assets other than property, are items in the plant register identified with the actual assets?		
7. OTHER ASSETS Yes, No N/A		
(i) Whether unused stock of stationery and stamps are shown as stocks in Balance Sheet?		
(ii) Are all entries properly approved, recorded and adequately documented?		
(iii) Whether unused stock of stationery and stamps are physically checked at the balance sheet date and properly valued at the latest cost price?		
(iv) Whether clearing entries are cleared promptly and transferred to appropriate Accounts?		
(v) Does the systems provide for periodic review and follow-up by officials of the Bank?		
7a. SECURITY DEPOSITS AND PREPAYMENTS		
(i) Whether a periodical review is carried by Internal auditor as to its status?		
(ii) Whether security deposits are received as soon as its purposes are served?		
(iii) Whether refund of such security deposits is authorized by high officials of the Bank?		
(iv) Whether adjustments of security deposit, if any, are regularly checked and reported upon to Management of the Bank?		
(v) Whether adequate provision is made for doubtful deposits, if any?		
(vi) Are the validity and valuation of prepayments satisfactory?		
8. BORROWINGS		
(i) Are proper recordings made in the relevant books and subsidiary Ledger/Cards maintained in respect of each class of borrowings showing full particulars thereof?		
(ii) Whether proper documentation like sanction letters, disbursement advises, etc. is preserved by the Corporation?		
(iii) Are all documentation in support of conversion of borrowings into equity maintained within the knowledge of higher officials of the Corporation?		
9. PAYMENTS		
(i) Whether vouchers prepared, checking thereof approval and disbursements are done by separate persons?		
(ii) Whether supporting are preserved along with payment vouchers or with ready		

reference for easy tracings?		
(iii) Whether payments made by Branches of the Bank are made as per set rules as to nature of payment and limits?		
(iv) Whether undelivered cheque/PO is lying for unusually long time?		
(v) Whether provisions for acknowledgement are ensured in all cases?		
(vi) Whether higher officials regularly check the payments particularly the large ones and exceptional items?		
(vii) Whether calculation of interest on borrowings is done mechanically and checked by other persons?		
10. INCOME		
(i) Whether calculation of interest on loans and advances is done mechanically?		
(ii) Whether there are provisions for checking of such calculations done mechanically or manually?		
(iii) Whether calculation of interest, checking and accounting thereof are done by separate persons?		
(iv) Whether posting of interest are made to sub-borrower's accounts without delay?		
(v) Whether income receivables particularly from investments are followed up and efforts made for prompt collections?		
(vi) Whether report of income or any receipts are made promptly?		
(vii) Are expenses allowed out of collections on various accounts?		
(viii) Whether commission receivable for various services rendered by the Corporation is consistently followed for all cases and basis is also followed?		

Identify client expectation: External auditor should always keep the client's expectation in mind. They should perform audit according to it.

Consider materiality: There might be small mistakes in accounts. Auditors have to consider if that particular mistake hits the accounts materially or not.

Risk Assessment

- **Assess general risks**

The next step is to assess the general risks of the audits. This is a 'top-down' approach, which focuses on the high-level information. The factors that matter to this step are:

- i. **Consider impact of extensive factors:** After getting the high-level information, the documentation might extend depending on the level of risk. If the company is risky and the transactions are not reliable then the audit should cover extensive area.
- ii. **Establish overall audit approach:** After deciding the area, auditors decide the overall approach needed to complete it. If the area is extensive, it takes more time and budget. On the other hand, opposite situation happens when it is intensive audit.
- iii. **Decide coordination and timing:** Finally, the coordination and the time is set according to the task.
 - Assess account specific risks

In this step, auditors find out the risk related to specific account. With the help of APM questionnaire, audit team does the whole work. Specific tasks for this step are given below:

1. Identify accounts and transactions to be addressed.
2. Identify types of financial statement misstatements.
3. Identify risk indicators.
4. Select mitigating controls upon which reliance will be placed
5. Develop procedure to test mitigating controls
6. Assess remaining risk to be addressed by substantive test

Development Procedure

- **Develop effective and efficient audit plan**

After specifying all the risks, auditor makes the master plan. In this step effectiveness and efficiency is considered the main issues. In this stage, auditors test the internal control system. If the control systems are strong then they do not go for the substantive tests. The more the strong control the more the test of controls occurs. However, the situation is the reverse in case of substantive test.

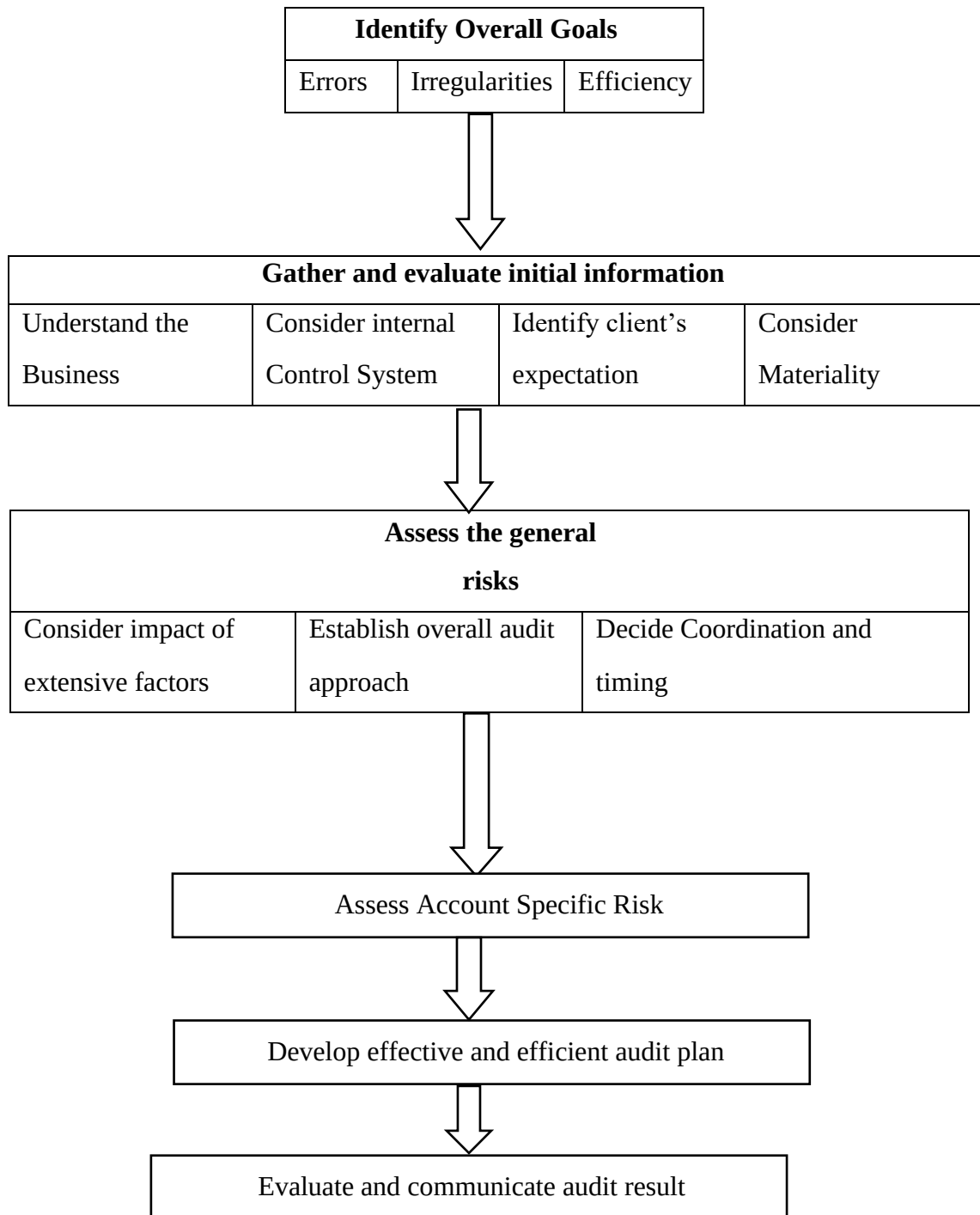
- **Conduct audit testing**

This is known to be the practical work stage where the auditors using proper methods gather all the audit evidences. Different type of audit tests is performed to validate the evidences. The auditor firstly goes through the documents and makes notes. Then the technical compliance tests are taken to verify the IT systems. Accumulation of audit evidences and the papers are the end result of this stage.

- **Evaluate and communicate audit result**

Final stage of doing an audit is to evaluate the result and communicate it with client. Reporting is a very important part of this stage. After collecting all the audit evidence related to the financial statement's auditor starts to compile it as a report. The material misstatements found in the planning stage are considered to evaluate the audit evidences. The auditors check mainly the sufficiency and the appropriateness of the evidences. Most importantly, if those evidences do not help the auditor to justify his point, then they are valueless. If there is not sufficient evidence then some extra steps are taken to get the result. After collecting proper evidences, the auditor starts evaluating the misstatements found. The auditor compares it with the planning materiality figure. Finally, the total misstatements are identified and checked if it causes the financial statements to be misstated materially or not. The issues are discussed with the client and the client gets a chance to defend it and clarify the issue.

4.10 Audit Steps of Nurul Faruk Hasan & Co. (Deloitte Bangladesh) are shown in the flowchart:



4.11 Bangladesh Standards on Auditing (BSA)

Every Chartered Accountants Firms operating in Bangladesh is bound to maintain and follow the standards namely Bangladesh Standards on Auditing (BSA) and Bangladesh Auditing Practice Statements (BAPS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) to conduct the audit activities. All of their standard is maintained by Nurul Faruk Hasan & Co. Chartered Accountants (Deloitte Bangladesh).

There are about 40 Audit Standards which are as follows:

Table 3: Present Title of Bangladesh Standards on Auditing

BSA NO	Present Title (BSA)
120	Framework of Bangladesh Standards on Auditing
200	Objective and General Principles Governing and Audit of Financial Statements
210	Terms of Audit Engagements
220	Quality Control for Audits of Historical Finance Information
230	Audit Documentation
240	The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements
250	Consideration of Laws and Regulations in an Audit of Financial Statements
260	Communications of Audit Matters with Those Charged with Governance
300	Planning an Audit of Financial Statements
310	Knowledge of the Business
315	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
320	Audit materiality
330	The Auditor's Procedures in Response to Assessed Risks
400	Risk Assessment and Internal Control
401	Auditing in a computer Information systems Environment
402	Audit Considerations Relating to Entities Using Service Organization
500	Audit Evidence
501	Audit Evidence-Additional Considerations for Specific items

505	External Confirmations
510	Initial Engagements-Opening Balances
520	Analytical Procedures
530	Audit Sampling and Other Means of Testing
540	Audit of Accounting Estimates
545	Auditing Fair Value Measurements and Disclosures
550	Related Parties
560	Subsequent Events
570	Going Concern
580	Management Representations
600	Using the Work of Another Auditor
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert
700	The Independent Auditor's Report on Complete Set of General-Purpose Financial Statements
710	Comparatives
720	Other Information in Documents Containing Audited Financial Statements
800	The Auditor's Report on Special Purpose Audit Engagements
1000	Inter-Bank Confirmation Procedures
1004	The Relationship Between Bank Supervisions and Banks' External Auditors
1005	The Special Considerations in the Audit of Small Entities
1009	Computer-Assisted Audit Techniques
1014	Reporting by Auditors on Compliance with International Financial Reporting Standards

4.12 International Standards on Auditing (ISA)

International Standards on Auditing (ISA) are professional standards for the performance of financial audit of financial information. These standards are issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB). All of their standard is maintained by Nurul Faruk Hasan & Co. Chartered Accountants (Deloitte Bangladesh).

Currently, International Standards on Auditing have 36 and 1 Quality Control Standard:

- i. *ISA 200: Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*
- ii. *ISA 210: Agreeing the Terms of Audit Engagements*
- iii. *ISA 220: Quality Control for an Audit of Financial Statements*
- iv. *ISA 230: Audit Documentation*
- v. *ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- vi. *ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements*
- vii. *ISA 260: Communication with Those Charged with Governance*
- viii. *ISA 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ix. *ISA 300: Planning an Audit of Financial Statements*
- x. *ISA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- xi. *ISA 320: Materiality in Planning and Performing an Audit*
- xii. *ISA 330: The Auditor's Responses to Assessed Risks*
- xiii. *ISA 402: Audit Considerations Relating to an Entity Using a Service Organization*
- xiv. *ISA 450: Evaluation of Misstatements Identified during the Audit*
- xv. *ISA 500: Audit Evidence*
- xvi. *ISA 501: Audit Evidence-Specific Considerations for Selected Items*
- xvii. *ISA 505: External Confirmations*
- xviii. *ISA 510: Initial Audit Engagements-Opening Balances*
- xix. *ISA 520: Analytical Procedures*
- xx. *ISA 530: Audit Sampling*
- xxi. *ISA 540: Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- xxii. *ISA 550: Related Parties*
- xxiii. *ISA 560: Subsequent Events*
- xxiv. *ISA 570: Going Concern*
- xxv. *ISA 580: Written Representations*
- xxvi. *ISA 600: Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*
- xxvii. *ISA 610: Using the Work of Internal Auditors*

- xxviii. ISA 620: *Using the Work of an Auditor's Expert*
- xxix. ISA 700: *Forming an Opinion and Reporting on Financial Statements*
- xxx. ISA 705: *Modifications to the Opinion in the Independent Auditor's Report*
- xxxi. ISA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- xxxii. ISA 710: *Comparative Information-Corresponding Figures and Comparative Financial Statements*
- xxxiii. ISA 720: *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*
- xxxiv. ISA 800: *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- xxxv. ISA 805: *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- xxxvi. ISA 810: *Engagements to Report on Summary Financial Statements*
- xxxvii. International Standard on Quality Control (ISQC) 1, *Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

CHAPTER 5

FINDINGS

5.1 Findings of the Study

During my internship period, every time I had to converse with the audit managers of Nurul Faruk Hasan & Co. Chartered Accountants and the articled students due to the report purpose. Based on discussion with them I have found out some matters regarding the financial audit procedures of Nurul Faruk Hasan & Co. Chartered Accountants, which are as follows:

- i. In some case auditors cannot thoroughly check the clients' books of account and relevant vouchers due to time limitations as the auditor work on the basis of sampling.
- ii. In some case, Nurul Faruk Hasan & Co. Chartered Accountants don't properly maintain the audit permanent files.
- iii. The logistic support of Nurul Faruk Hasan & Co. Chartered Accountants is not sufficient. As a consequence, sometimes the students cannot prepare the audit reports in the giventime due to shortage of computers.
- iv. In some case, the student of Nurul Faruk Hasan & Co. Chartered Accountants are not given proper orientation about the new client's business. As a result, perform the audit activities without having proper knowledge about the client's business.
- v. Sometimes, the client gives appointment to Nurul Faruk Hasan & Co. Chartered Accountants for a short time period to conduct the audit so the auditor have to perform the audit in a hurry and issue the audit report by checking few documents regarding the financial statements.
- vi. Involvement in an audit engagement without being familiar with the client's business.
- vii. Work programs are not properly followed.
- viii. Lack of supervision.
- ix. Working too faster to complete an audit.
- x. Difficulties in obtaining required audit evidences.
- xi. Management letter to describe the mistakes.
- xii. Prescribed engagement procedure.

CHAPTER 6

SUGGESTIONS AND CONCLUSION

I highly recommend those students that they want to pursue their carrier on chartered accountancy because Nurul Faruk Hasan & Co. Chartered Accountants is a renowned CA firm in our country. They provide paper less audit to their clients and conduct their audit through software. They associated with Deloitte that is the one of them of Big 4 accounting firm in the world.

6. 1 Suggestions of the Study

Based on the findings, I have tried to dictate some necessary suggestion in my report; which are as follows:

- i. The auditor should select at least three quarter of the documents regarding the financial statements to verify so that the chance of material misstatements in the untested documents can be reduced and the audit report will be more reliable.
- ii. They should correctly and strictly maintain the audit permanent files so that adequate information about a clients can be obtained easily.
- iii. Chartered Accountancy Firms in Bangladesh should improve their logistic support so that the auditors can be able to prepare and submit the audit report on due time.
- iv. To get an outline regarding the new client's business, Nurul Faruk Hasan & Co. Chartered Accountants arrange proper orientation for the students so that they can be able to verify the documents and issue the audit report properly.
- v. As it is not possible for the auditors to go all the branches to conduct audit, so they should collect all the papers and documents from the entire branches with the help of the head office.
- vi. Before going to the client, supervisor or in charge should give some brief idea about the client's business to all the members of the audit team.
- vii. Work programs must be properly introduced to the juniors/ new students and must be followed as much as possible in each audit engagement.
- viii. In charge of an audit team must be ordered and properly instructed to supervise the work of his juniors.
- ix. An audit team should be given appropriate time (neither much nor less) to carry out the entire audit work properly.
- x. Higher authority of the client must order or instruct the management to provide Auditors the required documents.

6.2 Conclusion

In this report, I have tried to bring the financial audit procedures followed in this country. From the engagement process to the review and giving opinion, all single steps are tried to cover up here. Chartered Accountancy is a respected profession in this country And Nurul Faruk Hasan & Co. (Deloitte Bangladesh) is a well-reputed firm. This firm follows all the regulations and standards set by Institute of Chartered Accountants Bangladesh (ICAB). However, there are many loopholes in the processes. In this era of rapid changing economy, chartered accountant firms are one of the keys to get success. There should be more firms in our country with great quality. Last but not the least, more students should come and explore this field. Without the support of good resources this field will not be able to get strength and to be economically benefitted it is a must. As an internee of Deloitte Bangladesh, I truly enjoyed my internship. Deloitte Bangladesh is really doing well compared to other players in its industry. Particularly the affiliation with Nurul Faruk Hasan and Co. (NUFAS) and Business and Consulting Services (BCS) in 2018 has been fruitful. Deloitte's on-ground presence has enabled it to offer a diverse range of professional services to clients as it brings together local expertise combined with global best practices. With this affiliation, Deloitte Bangladesh has an existing base of 100+ professionals and highly respected clients, and hopes to grow this team by several times in the next few years. I consider myself to be very lucky to have the opportunity to be able to do my internship in such a renowned firm which has global presence in more than 150 countries and is respected worldwide for its professional practices. I was also fortunate to do my internship in Audit and Assurance department where all the partners and managers are working diligently to provide guidance and due care to implement an effective audit procedure and teach best practices. I am confident that this three months' internship at Deloitte Bangladesh will definitely help me to realize my career in the job market and ambitions.

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