Internship Report
On
Audit practice in Malek Siddiqui Wali Chartered Accountants

Submitted By:
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Program: Bachelor of Business Administration
Major: Accounting
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Submitted to:
Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of
Bachelor of Business Administration



Sonargaon University (SU)
Dhaka- 1215

Date of Submission: January 05, 2024

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Submitted to:

Mst. Marium Akter
Lecturer
Department of Business Administration
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Letter of Transmittal

January 05, 2024

To

Mst. Marium Akter

Lecturer

Department of Business Administration

Sonargaon University (SU)

Subject: <u>Submission of Internship Report on "Audit practice in Malek Siddiqui Wali, Chartered Accountants".</u>

Respected Madam,

With humble honor and respect, I am submitting my internship report on "**Audit Practice in Malek Siddiqui Wali, Chartered Accountants**". As per partial accomplishment of the requirements for the BBA degree, this internship has been carried out under your supervision. This report is an integral part of our academic courses in completion of the BBA program, which has allowed me to have an insight into the audit procedure practiced by chartered accountancy (CA) firms. I hope this report reflects on the contemporary issues of the general external audit procedure, audit risk assessment, addressing audit risk, performing audits, and compliance with generally accepted audit guidelines & IFRSs that are being practiced by organizations in our country.

In completing the report, I tried my best to blend all my knowledge and imparted every available detail, and also attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely,

_____

Md. Neamot Ullah

BBA2101022022

Department of Business Administration

Sonargaon University (SU)

Student's Declaration

I, Md. Neamot Ullah, hereby declare that the presented report of "Audit Practice in Malek Siddiqui Wali, Chartered Accountants" is uniquely prepared by me while working with Malek Siddiqui Wali as Audit Supervisor.

I also confirm that the report is only prepared for my academic requirement, not for any other purpose. It might not be used with the interest of the opposite party of the corporation.

_____

Md. Neamot Ullah
BBA2101022022
Department of Business Administration
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Letter of Authorization

It is to certified that this Internship report title **"Audit Practice in Malek Siddiqui Wali, Chartered Accountants"** is the bona fide work of Md. Neamot Ullah, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

_____

Mst. Marium Akter
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgement

I would like to express my sincere gratitude to my internship supervisor **Mst. Marium Akter**, lecturer, Department of Business Administration, Sonargaon University. Her patience, enthusiasm, co-operations, and suggestions made me present this internship report to produce in the present form. Her brilliant, skillful supervision enriched this study higher than my expectation. I could not remain any more without giving heartfelt thanks to my supervisor for her painstaking supervision throughout the study period. This research work would not be possible without her stimulation, inspiration and cooperation.

Further, yet importantly, a sense of respect goes to my Supervisor, Md. Jahangir Alom FCCA, Director of Malek Siddiqui Wali (MSW), for his powerful support for helping me to collect information and regular encouragement in every step to make me in the present stage. Similarly, other colleagues are also subject to special thanks for their inspiration and cooperation in my study.

I am also thankful to all other officers and employees of the MSW, whose extended cooperation helped me prepare the report.

I also would like to thank all my respected teachers in the Department of Business Administration who directly and indirectly provide me with inspiration and valuable suggestions during this study.

Executive Summary

This report is based on “Audit practice in Malek Siddiqui Wali, Chartered Accountants”. Malek Siddiqui Wali (MSW in short) began its journey in 1965. MSW has 2 offices in Motijheel C/A & Bashundhara, Dhaka. The main activities of the firm are to carry out external audits, provide other accounting, tax, VAT services to clients. MSW has many government and private clients. The main objective of this report is to get an overview of the audit practice in general and specifically of MSW. The study has covered the audits of different companies performed during 2023. The study has used both the primary and secondary data sources.

The first chapter of this report consists of an introductory part of this report, the second chapter includes an overview of the audit firm where I did my internship i.e. Malek Siddiqui Wali, Chartered Accountants. In the third and fourth chapter, the background of audit work and operating procedure of MSW is shown. The remaining chapter includes a summary of the findings, recommendations and conclusion.

To understand the audit process, data collection was made through interviews with colleagues, studying the audit manual of the firm, visiting ICAB website and learning the standards from books.

The firm should improve its usage of IT and technology more for performing the audits. More training, workshop is needed to be carried out for the audit trainees for the various auditing and accounting standards. Despite having a branch in Bashundhara there are only a few clients in that location for the firm. MSW should take steps to improve marketing in different locations to acquire more clients. MSW should also expand its business in areas of IT audit as the competition is still low in Bangladesh and consultancy services. MSW can set policy to keep team members un-rotated till one audit is fully complete.

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Acronyms and Elaboration

Acronyms	Elaboration
BDT	Bangladesh Taka
FRC	Financial Reporting Council
IAS	International Accounting Standards
ICAB	The Institute of Chartered Accountants of Bangladesh
IFRS	International financial reporting standards
ISA	International Standards on Auditing
MSW	Malek Siddiqui Wali, Chartered Accountants

Chapter One
Introduction

1.1 Prelude

The main purpose of an audit firm in Bangladesh is to provide independent and objective assurance services to clients regarding the accuracy and completeness of their financial statements. This is achieved through a systematic and disciplined approach to examining the financial records, internal controls, and other relevant information of the client's business operations. The ultimate goal of an audit firm is to enhance the reliability and credibility of the financial information provided by the client to stakeholders, such as investors, lenders, and regulatory authorities. In addition, audit firms in Bangladesh also provide other related services, such as taxation, advisory, and consulting services, to assist clients in achieving their business objectives and complying with regulatory requirements.

Audit practice plays a crucial role in ensuring the accuracy and reliability of financial statements. It is an important process that helps businesses to comply with regulatory requirements and build trust with their stakeholders. In Bangladesh, Malek Siddiqui Wali, Chartered Accountants (MSW) is one of the oldest firm and serving the country as chartered accountants since 1985 in the field of audit and assurance services. With a team of highly qualified professionals and a strong commitment to quality, MSW has been providing a wide range of audit services to clients from various sectors for many years. This internship report aims to provide an in-depth analysis of the audit practice of MSW in Bangladesh.

In Bangladesh there are around 170 CA firms in Bangladesh according to the ICAB website. CA firms in Bangladesh need to follow the Bangladesh Chartered Accountants Order, 1973 and also ICAB Bye-laws. Not all CA firms can perform audits of listed companies and banks. MSW is such a firm which is allowed to audit both these as it is enlisted under BSEC and Bangladesh Bank.

The report will cover various aspects of the audit process, including audit planning, fieldwork, evidence gathering, risk assessment, and reporting. Additionally, the report will highlight the challenges and opportunities that MSW faces in the rapidly evolving landscape of audit and assurance services in Bangladesh. Through this report, we hope to gain a better understanding of the audit practice of MSW and its contribution to the development of the accounting profession in Bangladesh.

1.2 Objective of the report

The main objective of the report is to get an overview of the Audit practice in Malek Siddiqui Wali, Chartered Accountants. There are some specific objectives as well of his report which are mentioned below:

- To gain insight the operations of chartered accountancy firms and their audit practices
- To acquire in-depth knowledge of the audit procedures and their implementation
- To develop versatility by working on various tasks and projects
- To understand the performance of fieldwork during the audit process
- To understand proper meaning of Assurance & Audit in practical scenario
- To understand related core activities of a CA firm
- To gain insight on the Chartered Accountancy profession
- To understand financial performance of a CA firm such as MSW in Bangladesh

1.3 Research quantitative and data collection

The preparation of this report is based on the experience gained during the work at MSW, as well as the guidance and assistance provided by senior colleagues and supervisors. The methodology of this study focuses on the sources used to collect the necessary data, which are described below:

Data Sources: The data for this report was collected from both primary and secondary sources.

Sources of Data	
Primary Sources	**Secondary Sources**
• Discussions with audit team while performing audit • Questioning immediate Supervisors and staffs • Audit Practice manual of firm	• Studying International Standards on Auditing • Learning standard audit practice from YouTube tutorials • Newspaper and website • Auditor's report of various companies published online • Various articles online

1.4 Limitations of the study

- Time constraint. Three months is not enough for such a comprehensive study. It is very challenging to collect all information in such a short time.
- Statutory auditors do not disclose any information which they classified as confidential documents. Therefore, I have to conduct a significant portion of the internship research based on the publicly available documents.
- Statutory auditors follow a professional code of ethics. One of the codes is confidentiality. As the internship is conducted on private/public company audit, in some cases I was unable to cite reference of information used for this report.
- I have used information from reports published by various companies. As such, the credibility and accuracy of the reports published by the companies were not conducted.
- Information collected from statutory auditors of various company is qualitative. Therefore, the understanding of the question can vary from auditors to the auditor so can the answers.

Chapter Two

Literature review

2.1 Review of the literatures

According to Kleijn & Leeuwen (2018) “Reflections and Review on the Audit Procedure: Guidelines for More Transparency” auditing is described as the process undertaken by a qualified and independent professional to collect and assess evidence pertaining to measurable information associated with a particular economic entity. The purpose of this process is to evaluate and report on the extent to which the measurable information aligns with predetermined criteria or requirements.

Amalia & F.A. (2019) “Audit Quality: Does Time Pressure Influence Independence and Audit Procedure Compliance of Auditor?” explained that the formulation of auditing policies aimed to establish a clear connection between the assessment of risks and the appropriate implementation of audit procedures, taking into account factors such as timeliness, scope, and other relevant considerations. In the development of additional audit procedures, careful consideration is given to the level of risk associated with the engagement, the probability of material misstatement, the nature of the transaction, account balance, or disclosure involved, and the effectiveness of the entity's specific controls, whether manual or automated. This approach ensures that the audit procedures are tailored to address the specific risks and circumstances of the engagement, promoting the effectiveness and efficiency of the overall audit process.

Ahmi and Kent (2013) “The utilisation of generalized audit software (GAS) by external auditors” stated that the research finds that the utilization of GAS is unusually low among audit firms in the UK. About 73 per cent of external auditors make no use of GAS, due to the perceived limited benefit of using GAS for auditing small clients. While some respondents recognized the advantages of GAS, they were put off by what they believed to be high implementation costs; significant learning curve and adoption process; and lack of ease of use – they showed a preference for using traditional manual auditing methods instead. This is also common in Bangladesh where due to avoiding the GAS, we are lagging behind quality audit. This also makes the audit unnecessarily lengthy.

Baatwah, Salleh and Ahmad explained in their article (2015) “CEO characteristics and audit report timeliness: do CEO tenure and financial expertise matter?” that Several research studies have focused on assessing the efficiency of audits, while limited attention has been given to examining the effectiveness of audit policies. A decision was made to evaluate the success of the audit policy using criteria beyond those outlined in the audit practice

handbook. It was proposed that the criteria should consider factors such as the leadership and organizational structure of the audit firm, the independence of auditors, the importance of the audit to the organization, the expertise of the firm's partners and staff, and the significance of the audit engagement itself. Leadership and policy is very important to set an environment where audit values the proper auditing and not just completing audit for the sake of receiving audit fee.

Students of Chartered Accountancy are the core of audit service. Their quality improvement shapes the performance of the audit. Hamilton (2013) “Exploring professional identity: The perceptions of chartered accountant students” explained about professional identity formation of Chartered Accountant Students through qualitative analysis of their narratives. The study highlights the significance of communities of practice within training organizations in shaping students' professional identity, which has not been extensively studied before. The findings have implications for accounting professional bodies, training organizations, and individuals considering a career in accounting. Understanding this process is crucial for supporting trainees in their professional development and preparing them for their future roles in society.

Fearnley, Beattie and Brandt (2005) “Auditor Independence and Audit Risk: A Re-conceptualization” examines the principles-based regulatory framework for auditor independence in the UK, which identifies threats and safeguards to independence in fact and appearance. Using case studies of interactions between audit engagement partners and finance directors in UK-listed companies, the analysis explores the impact of these threats and safeguards on the outcomes of these interactions. Despite the comprehensive regulatory framework, some interactions do not fully comply with independence requirements. The study reveals inadequacies in safeguards against threats such as intimidation and bullying during the audit process. Additional threats, including urgency and loss of face, are also identified. The study suggests the inclusion of within-firm risks in the audit risk model and emphasizes the need for ongoing improvement in regulatory frameworks. The findings support recent SEC rules on improper influence on audits.

Chapter Three

Organizational Overview of Malek Siddiqui Wali, Chartered Accountants

3.1 Background of Malek Siddiqui Wali, Chartered Accountants

The firm after 55 years walks as Audit firm based on single dimensional approach started working as partnership firm of accountants based on multidimensional activity since 1998 in response to serve the growing and diversified needs of services in the line of auditing and accounts verification, analysis, performance analysis, performance analysis fund use and over all activity management performance of projects implemented by agencies likewise Banks, Insurance, Industry and RMG sector engaged in punters development into a full-fledged and multifaceted service proving and catering agency for the clients and customers in the aforementioned area.

The firm originally was established in 1965 in the name of M. A. Malek & Co. and Siddiqui Wali & Co. was established in 1981. Subsequently it was renamed as M. A. Malek Siddiqui Wali & Co. By merging above mentioned two firms finally in 29 June 2010 the firm renamed as "Malek Siddiqui Wali, Chartered Accountants". The Firm already provided a lot of praise worthy and valued consultancy and professional services for many governmental and non-governmental and private and public sector and earned a well reputation as a dynamic, qualitative professional service-providing agency. Over the years Malek Siddiqui Wali have provided so far many varied nature of services in many fields.

It is mention here by that MSW has been in the business as chartered accountants since 1965 with a very good combination of professionals and sufficient number of students and staff. Further we would like to inform you that we have 53 years of experience in auditing the financial statements in Banking and Non-banking financial institutions, Government & Non-Government Corporation, listed and non-listed companies, Non- Government Organizations (NGO) and different areas of management consultancy and services relating to Registered of Joint Stock Companies (RJSC), Securities & Exchange Commission (SEC) and Board of Investment (BOI) compliance.

Currently Malek Sidddiqui Wali, Chartered Accountants is rated as ''A Category'' firm by independent review of Bangladesh Bank. The MSW are also the listed auditors of Bangladesh Securities and Exchange Commission, NGO Bureau, Microcredit Regulatory Authority and Palli Karmasayak Foundation.

The firm provides opportunity for trainees of various professional bodies such as The Institute of Chartered Accountants of Bangladesh (ICAB), Association of Chartered Certified Accountants (ACCA) to be part of the organization.

Various types of services are provided by the firm including Assurance service (Audit), Tax/VAT compliance & Advisory service, Consulting service (Financial advisory, BPO, Risk advisory, Company affairs).

To provide audit services, the firm usually send team to client location, be it in Dhaka or out of Dhaka. After the field work is done, the work is checked by senior audit members in MSW office in Dhaka. Once the work review is done, clients are sent with draft report to ensure proper report is being issued.

3.2 Vision

Evolve as a leading institution of international standards to be used as a benchmark by our clients and peers for providing professional services.

3.3 Mission

- Provide service to our clients ethically through leadership and collaboration.
- Strive on building relationships and social networks with clients & colleagues.
- Use extensive knowledge of laws and regulations to help our clients comply in areas of their industry.
- Aim to add value to the community & to the nation as a whole.

3.4 Services of the firm

For nearly 55 years, MSW has been providing professional services to a diverse clientele. Leveraging their expertise and experience, the firm offers a range of carefully crafted services that aim to enhance the internal control systems (ICS) of client companies and add value. These services include:

• **Assurance Services**: Financial auditing is a process used to examine an organization's financial records and assess their compliance with established criteria. Auditors are responsible for expressing an opinion and providing reasonable, but not absolute, assurance. After conducting an audit, the auditor must provide an assurance report that details their findings and opinion on the client's operations and overall performance. MSW strictly adheres to guidelines and standards established by ICAB and International Standards on Auditing to provide users with unbiased, informed decision-making.

• **Tax and VAT Services**: MSW assists clients in determining their tax liability, incentives, indirect taxes, and more. This service is offered to individuals and corporations and includes

advice on minimizing tax liability while adhering to legal requirements. The firm also provides compliance services where the various periodical requirements of Tax/VAT are met on behalf of the clients.

• **Consultancy Services**: The firm advises clients on organizational accounting, bookkeeping, and business processes to improve productivity and efficiency. Management consultancy services are also available to help clients enhance their management practices, payroll schemes, and overtime policies. The firm's outsourcing services include accounts payable processing, payroll and payroll tax processing, and human resource support, among others.

3.5 Human resources of the firm

At present, the firm has a total workforce of over 150 staff operating from 2 offices located in Motijheel C/A and Bashundhara Residential Area .

Chapter Four

Theoretical Background of Audit and Audit Process

4.1 General definition of Audit

According to the International Auditing Practices Committee (IAPC) of the International Federation of Accountants (IFAC), an audit refers to "the independent evaluation of the financial information of any organization, whether it is profit-oriented or not, regardless of its size or legal structure, with the purpose of providing an opinion on it." This definition covers financial statements as well as other financial information.

4.2 ICAB and FRC

ICAB stands for the Institute of Chartered Accountants of Bangladesh. It is the national professional accounting body of Bangladesh, established under the Bangladesh Chartered Accountants Order 1973. It was founded on 1 July 1973 under the Ministry of Commerce of the Government of Bangladesh. The ICAB regulates the accounting and auditing profession in Bangladesh, and it is also responsible for developing and maintaining professional standards, ethics, and qualifications for chartered accountants in Bangladesh.

FRC stands for the Financial Reporting Council of Bangladesh. It is an independent regulatory body that oversees the financial reporting and auditing practices of public interest entities in Bangladesh, including listed companies, banks, insurance companies, and non-governmental organizations. The FRC was established under the Financial Reporting Act 2015, which came into effect on 23 November 2015. The FRC is responsible for setting accounting and auditing standards, ensuring compliance with those standards, and enforcing disciplinary action against accounting and auditing professionals who violate professional ethics and standards.

4.3 Who can perform audit in Bangladesh?

In Bangladesh, only practicing Chartered Accountants (CAs) who hold valid practicing certificates issued by the Institute of Chartered Accountants of Bangladesh (ICAB) are allowed to perform audits. The Bangladesh Securities and Exchange Commission (BSEC) and the Central Bank of Bangladesh (Bangladesh Bank) have also issued guidelines and regulations that require audits to be conducted by CAs.

4.4 Audit process

The following is a detailed explanation of the audit process, including the different phases involved:

i. **Planning Phase:** During the planning phase, the auditor conducts an initial review of the client's business and industry, and identifies key risks that could affect the financial statements. The auditor then develops an audit plan, which includes the scope of the audit, the timing of the audit, and the resources required to conduct the audit.

ii. **Risk Assessment Phase:** The auditor conducts a risk assessment to identify and assess the risks of material misstatements in the financial statements. The auditor uses this information to plan the audit and determine the appropriate audit procedures to perform.

iii. **Testing of Controls Phase:** The auditor tests the effectiveness of the client's internal controls. This involves testing the design and operating effectiveness of the client's controls to identify any deficiencies or weaknesses that could affect the accuracy of the financial statements.

iv. **Substantive Procedures Phase:** The auditor performs substantive procedures to obtain evidence about the accuracy and completeness of the financial statements. This includes testing account balances, transactions, and disclosures to verify that they are accurate and complete.

v. **Reporting Phase:** After completing the audit, the auditor issues an auditor's report, which includes the auditor's opinion on the fairness of the financial statements. If the auditor identifies any material misstatements, the auditor will work with management to correct the misstatements, and may also issue a report on internal control deficiencies.

Overall, the audit process is designed to provide reasonable assurance that the financial statements are free from material misstatements. The process involves planning, risk assessment, testing of controls, substantive procedures, and reporting. By following this process, auditors can help ensure the accuracy and integrity of financial reporting, which is critical for maintaining investor confidence and public trust in the financial markets.

4.5 Audit Evidence

Audit Evidence is the information gathered by auditors to support their opinion on the financial statements of an entity.

Auditors use various sources to gather audit evidence, including:

- Physical examination of assets
- Confirmation of account balances and transactions with third parties
- Inspection of documents and records
- Observation of processes and procedures
- Inquiries of management and other personnel

4.6 Materiality and Audit risk

Materiality refers to the magnitude of an omission or misstatement of financial information that, in the auditor's professional judgment, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. In other words, materiality is a measure of the importance of financial information in the eyes of users of financial statements.

Audit risk, on the other hand, is the risk that the auditor may express an inappropriate opinion on financial statements that contain material misstatements. Audit risk is a function of three components:

i. Inherent risk, control risk, and detection risk. Inherent risk is the risk of a material misstatement occurring in the financial statements due to the nature of the entity, the industry, or economic factors.
ii. Control risk is the risk of a material misstatement occurring in the financial statements due to a failure in the entity's internal controls.
iii. Detection risk is the risk that the auditor will not detect a material misstatement in the financial statements even though one exists.

Auditors use materiality and audit risk to guide their audit procedures. If the auditor assesses high inherent or control risk, they will likely perform more extensive audit procedures to obtain sufficient audit evidence to support their opinion. Similarly, if the auditor determines that materiality is low, they may use less extensive audit procedures.

4.7 Audit Sampling

In the audit process, auditors generally rely on audit sampling instead of checking the entire population. This is due to practical considerations such as time, cost, and the difficulty of examining every single transaction or item within a large population.

Audit sampling involves selecting a representative sample of items for testing, based on statistical or non-statistical sampling methods. Statistical sampling methods involve the use of random selection techniques, while non-statistical sampling methods involve the use of auditor judgment to select the sample.

4.8 Fraud and Error

Fraud and error are two types of misstatements that can occur in financial statements. **Fraud** is an intentional act of deception or misrepresentation that results in a material misstatement of the financial statements. **Error**, on the other hand, is an unintentional misstatement of the financial statements.

As part of their audit responsibility, auditors are required to detect and report any fraud or error in the financial statements. They do this by performing the audit procedures mentioned earlier that are designed to identify any material misstatements in the financial statements, whether they are due to fraud or error.

4.9 Future Trends in Audit

The audit profession is constantly evolving, and it is important for auditors to stay ahead of emerging trends and technologies. Below, we will discuss some of the future trends in audit that are likely to shape the industry in the years to come.

a) Impact of technology on audit practice:

Advancements in technology are changing the way audits are conducted. Automation tools and artificial intelligence are being used to streamline audit procedures, improve accuracy, and reduce the risk of errors. The use of block chain technology is also likely to play an increasingly important role in audit practice, as it offers a tamper-proof way of recording and verifying transactions.

b) Changing role of auditors in the business world:

The role of auditors is expanding beyond traditional financial statement audits. Auditors are increasingly being called upon to provide assurance on non-financial information such as

sustainability reporting, cyber security, and data privacy. This requires auditors to have a deeper understanding of these areas and to develop specialized expertise.

c) Opportunities arising from new challenges:

Despite new challenges in the business world, there are opportunities for auditors to innovate and improve their practice. For example, auditors can use data analytics and other technology tools to gain deeper insights into a company's operations and to identify areas of risk. Auditors can also collaborate with other professionals, such as data scientists and cyber security experts, to provide a more comprehensive assurance service.

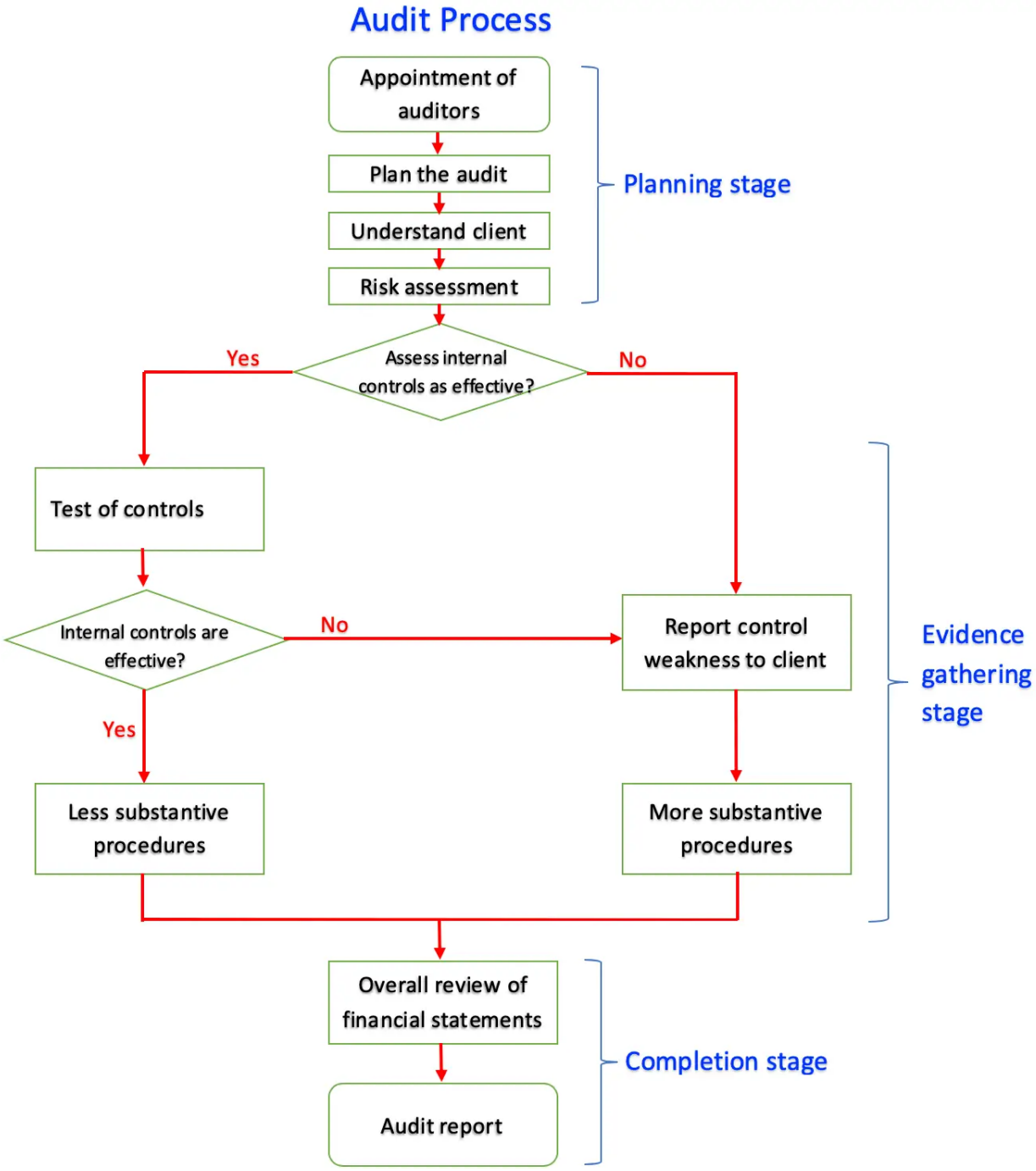
In conclusion, the future of audit is likely to be shaped by technological advancements, changing business needs, and new challenges. Auditors must be proactive in adapting to these changes, and they must continue to innovate in order to provide valuable assurance services to their clients.

Chapter Five

Operating Procedure of Malek Siddiqui Wali, Chartered Accountants

5.1 Audit Sequence

The audit sequence of Malek Siddiqui Wali (MSW) is as follows:



5.2 Engagement/Appointment Procedure

In Bangladesh, the appointment of auditors is governed by the Companies Act 1994. The act requires every company to appoint an auditor or auditors for each financial year to audit the company's financial statements. The appointment of auditors is typically done at the annual general meeting of the company, where the shareholders of the company have the power to appoint and fix the remuneration of the auditors.

MMH also frequently gets appointed by two types of clients. These are:

- Engagement with Existing Clients
- Engagement with New Clients

a) <u>Engagement with Existing Clients:</u>

When MSW is re-appointed by existing client, the process is usually very simple. As long as the law permits the consecutive audit by same auditor and MSW finds no new issue that could lead it to reject the appointment, it asks the client to issue an Appointment Letter. Increase of fee, audit timing etc. are already discussed formally. Afterwards, acceptance is given by MSW through acceptance letter or engagement letter.

b) <u>Engagement with New Clients:</u>

Usually, the client approach MSW directly or publishes circular asking for audit proposals from various audit firms. Therefore, the very first interaction with client by MSW is through the Audit Proposal. However, before sending proposal, MSW performs pre-engagement evaluation on whether to get involved with the client or not. One example is that MSW does not take on external audit of listed companies.

After proposal is accepted by client and appointment letter is sent to MSW, MSW is obligated to obtain “Professional clearance form last auditor”. The purpose of this clearance is to obtain information about any ethical or other issues that may impact the ability of the new auditor to accept the engagement and perform the audit effectively.

5.3 Audit Planning

An audit team is setup once the engagement process is completed. The team is usually supervised by an Audit Manager. The first duty of the team is to create an Audit Planning.

The following are some of the key elements of audit planning carried out by MSW:

a. **Understanding the client's business and environment**: MSW team works to gain a thorough understanding of the client's business operations, the industry in which it operates, and the risks that it faces. This understanding is essential for identifying areas where the audit should focus and for developing an effective audit strategy.

b. **Establishing audit objectives and scope:** MSW then establishes clear audit objectives and scope that are aligned with the client's business and the risks that it faces. This includes determining the areas of the financial statements that are most at risk of material misstatement and developing audit procedures to address these risks.

c. **Identifying key audit risks:** MSW identifies and assesses the risks of material misstatement in the financial statements. This includes both inherent risks (risks that are inherent in the nature of the client's business) and control risks (risks that arise from the client's internal control systems).

d. **Developing an audit strategy:** MSW develops an audit strategy that is tailored to the client's business and the risks that it faces. This includes determining the nature, timing, and extent of specific audit procedures to be performed and the resources required to perform the audit.

e. **Developing an audit plan memo:** At the final stage of initial audit planning, MSW documents the audit plan in an "audit planning memo". The memo includes a summary of the audit objectives and scope, the key audit risks identified, the audit strategy, and the audit procedures to be performed.

The audit planning memo serves as a roadmap for the audit engagement, providing a clear plan of action for the audit team. It also serves as a communication tool between the audit team and the client, ensuring that the client is aware of the audit objectives, scope, and procedures to be performed. The audit planning memo is a critical document that sets the tone for the entire audit engagement. The audit planning memo is reviewed and updated throughout the audit process as and when necessary.

5.4 Audit Field Work

During audit field work, many works are carried out. Few members of the team are assigned to a particular area of the Financial Statement and others in other areas. The Audit Manager keeps track of the work progress and ensures that everything is going according to the initial audit plan. Here are a few steps or works done during the audit fieldwork by MSW:

a) Testing controls: MSW tests the internal controls of the organization to ensure that they are working effectively and efficiently. However, for clients having high control risks, focus is given to substantive procedures instead as the internal control is unreliable to depend upon.
b) Sampling: MSW selects a representative sample of transactions or items to test, rather than reviewing the entire population. Usually for different heads, different samples are selected.
c) Substantive procedures: MSW performs substantive procedures to verify the accuracy and completeness of the financial statements. This is sometimes also referred to as 'Test of details' as here MSW tries to match accounting entries with supporting documents. Tests such as Physical verification, Analytical procedures, Inquiry and confirmation etc. are performed.
d) Documentation: MSW audit team documents all audit procedures performed and their results, including any significant findings or exceptions.

5.5 Audit Communication

MSW team maintains communication using WhatsApp, Microsoft Team, Microsoft Outlook and face to face meeting with clients.

Usually there are at least three types of meeting carried out by MSW with clients:

- Kick-off meeting: A meeting is held between MSW and the client's management team to discuss the audit scope, objectives, and timelines. This meeting sets the tone for the audit and ensures that everyone is on the same page.
- Status updates: Regular status updates are provided to the client's management team during the audit process to keep them informed of the progress of the audit and any issues that have been identified or immediate problems that need solving.
- Exit meeting: At the end of the audit, an exit meeting is held between the auditors and the client's management team to discuss the findings of the audit, any issues that need to be addressed, and the next steps.

5.6 Reporting and Conclusion

At the end of an audit, a partner review or overall audit review is typically performed to ensure that the audit was conducted in accordance with applicable auditing standards and to ensure that the audit evidence supports the auditor's opinion. This review is typically performed by the senior member of the audit team, usually a partner or director, who was not

involved in the day-to-day work of the audit. MSW sometimes exclude director from teams and in that case the engagement partner performs this type of final review.

The partner review or overall audit review includes the following steps:

- **Review of the audit planning and execution**: The partner or senior auditor reviews the audit planning documents and the work performed by the audit team to ensure that it was carried out in accordance with the audit plan.
- **Review of audit documentation**: The partner or senior auditor reviews the audit documentation to ensure that it is complete, accurate, and sufficient to support the audit opinion.
- **Review of significant audit findings**: The partner or senior auditor reviews the significant audit findings and evaluates the appropriateness of the conclusions reached by the audit team.
- **Communication with the audit team**: The partner or senior auditor communicates with the audit team to discuss any significant issues and to clarify any questions or concerns.
- **Finalization of the audit report**: The partner or senior auditor provides input and feedback on the final audit report and approves the issuance of the auditor's opinion.

Finally, the audit report and audited financial statements are issued, waiting to be signed of by client management and audit partner of MSW.

Chapter Six

Findings

6.1 Findings

During my internship at, I discovered that every system has its limitations and obstacles. Through discussions with my fellow interns, seniors, and personal experience, I have identified several shortcomings in the firm's audit procedures. These include:

- Time constraints due to clients waiting until the last moment to contact the firm with documents or information,
- Quick rotation between audit engagements which prevent students from gaining a complete understanding of the audit process,
- Lack of cooperation from clients' employees, who are sometimes unresponsive to audit team.
- Auditors face challenges when issuing an unbiased opinion due to clients trying to influence their opinions and sustain long-term relationships with the firm.
- Very low audit fee structure among all firms which makes it difficult to maintain quality of standard in terms of audit personnel, audit effort and audit time spent by firm.

In Malek Siddiqui Wali, I have seen problems where some of the audit team members had to switch to another audit in the middle of the audit as the firm often faced high urgency from clients to finish the audit.

There were problems of independence where some clients were being served by MSW for many years continuously which often encouraged MSW to avoid any conflict with the client but that is contradictory with the objective of the audit.

The audit fee in general is very low in Bangladesh which led to lower salary of the audit trainees as well. This makes many audit trainees unmotivated to the work and they often try to complete the work without much care. MSW tries to offer higher salary to the high achieving students compared to the standard rates to encourage them.

Chapter Seven

Recommendations and Conclusion

7.1 Recommendations:

The firm should consider the followings:

- The CA firm should estimate the costs of engagement whether it suffices to compensate for the engagement before taking it on. Otherwise, quality cannot be ensured.
- Incorporate clauses of time limitation, compensation and risk of information technology in the engagement letter.
- The audit firms should ensure whether all the related directions/circulars from FRC, ICAB incorporated in the audit program and risk assessment process.
- Because of lack of general knowledge of information technology, some CA firms cannot perform an expected audit of items of financial statements. The firms should arrange proper training for IT and audit software.
- Few companies can have enormous transactions in a financial year. The firms should establish a risk-based audit approach to such audit.
- The firms should increase the number of communications with those charged with governance (Audit Committee) of a company. The auditor should make a timely communication with those charged with governance.

7.2 Conclusion:

An External Auditor conducts the statutory audits of an organization's financial statements with a view to provide reasonable assurance about the reliability of the statements; and also certify whether those are prepared under all applicable accounting, auditing, and reporting standards. External auditor plays an essential role in the regulatory framework; as properly conducted audits raises market confidence and contribute significantly towards greater financial stability. The external auditor must possess resources and level of knowledge, expertise, experience and skills as determined by FRC and ICAB to perform their duties with professional competence in conformity with domestic legal and regulatory stipulations and international accounting and auditing standards. Auditors should possess and maintain a high standard of integrity, honesty & financial discipline, and abide by the Code of Ethics of International Ethics Standards Board for Accountants (IESBA) for the practicing-chartered accountants and its members all the time. Although external auditors are not, by definition, part of the organization being audited and therefore, are not part of its internal control system, they have an important impact on the quality of internal controls through their audit activities, including discussions with management and recommendations for improvement to internal controls. The external auditors

provide important feedback on the effectiveness of the internal control system. The current audit procedures by CA firms for external audit are always getting developed further. Amongst other limitation the local firms need to proof their audit quality. It can be a big challenge for the CA firms to maintain the quality when there are sometimes many external and political factors affecting the audit process as well. The existing auditing standards recommend not accepting an audit, which crosses the limit of certain income threshold. As the audit requires an extensive focus and expertise, the firms should maintain the resources and capabilities of doing such audit.

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