# Sonargaon University

## Internship Report

## On

## Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co. Chartered Accountants.


**Submitted by**

**Md Rahul Alam**

ID No: BBA2001019167

Semester: Fall 2023

Program: BBA (Major: Accounting)

**Submitted to**

Department of Business Administration

Sonargaon University (SU)

Dhaka-1215


(Submitted for the partial fulfilment requirement of the degree of Bachelor of Business Administration)

**Date of Submission: 05th January, 2024**

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**Supervised by**

**Mst. Marium Akter**

Lecturer

Department of Business Administration

Sonargaon University (SU)


(Submitted for the partial fulfilment requirement of the degree of Bachelor of Business Administration)

**Date of Submission: 05th January, 2024**

# Letter of Transmittal

Date: 05/01/2024

To

**Mst. Marium Akter**

Lecturer

Department of Business Administration

Faculty of Business

Sonargaon University (SU).

**Subject: Submission of Internship Report on "Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co."**

Dear Madam,

With humble honour and respect, I am writing to formally submit my internship report titled "**Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co**." as a partial fulfilment of the requirements for my BBA degree. It has been an honour and a privilege to undertake this internship under your esteemed guidance. Throughout the duration of this internship, I have had the opportunity to explore into the intricacies of accounting and auditing practices within Shameem Khaled Salahuddin & Co. This report, an essential component of my academic journey, sheds light on the fundamental aspects of the topic and serves as a testament to my dedication to the BBA program.

In crafting this report, my aim has been to provide a comprehensive overview of the contemporary financial and accounting practices, auditing Procedures, financial statement analysis and reporting adopted by organizations in our country. I believe this document serves not only as a record of my internship but also as a contribution to the broader understanding of finance-related matters in our business landscape.

Once again, I express my sincere gratitude for your invaluable guidance and support throughout this internship. Your mentorship has greatly enriched my understanding and experience in the field.

Thank you for your time and consideration.

Sincerely Yours,

_____

**Md Rahul Alam**
ID No: BBA2001019167
Program: BBA (Major: Accounting)
Department of Business Administration
Faculty of Business
Sonargaon University (SU).

# Letter of Authorization

I hereby confirm that the project report titled "**Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co**." is a genuine effort by Md Rahul Alam. The research was conducted under my guidance. I also affirm that, to the best of my knowledge, the content presented in this report has not been included in any other project report or dissertation that led to the award of a degree to any candidate earlier, whether in the same context or a different one.

**Mst. Marium Akter**

Lecturer

Department of Business Administration

Faculty of Business

Sonargaon University (SU).

# Student's Declaration

I, the undersigned, a student of Business Administration Department of BBA program, Major in Accounting of Sonargaon University do hereby declare that the internship report on "**Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co**." is the original one and has been prepared by myself and has not been submitted anywhere for any degree, diploma, title, or recognition.

The report was prepared under the supervision of **Mst. Marium Akter**, Lecturer, Department of Business Administration of Sonargaon University.

Yours Sincerely

**Md Rahul Alam**

ID No: BBA2001019167

Program: BBA (Major: Accounting)

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

# Acknowledgement

At first, I want to sincerely thank the Almighty, the most compassionate, for granting me the capability to successfully complete this report. My heartfelt appreciation extends to my supervisor, **Mst. Marium Akter**, Lecturer in the Department of Business Administration at Sonargaon University. Her constant encouragement, diverse guidance, valuable suggestions, and advice during my internship were pivotal in shaping this report. Her support was invaluable, and without her direction, completing this work on time would have been challenging. She provided unwavering assistance and the necessary insights to analyse the industry and achieve my objectives. I would like to thank my mentor Md. Abu Hanif and Rajib Biswas with their unconditional and continuous support.

In conclusion, I wish to express my gratitude to all the esteemed teachers of the Department of Business Administration. Their consistent inspiration and assistance have been a guiding light throughout my academic journey.

# Executive Summary

The internship report, titled "**Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co.**," explores into the world of auditing. During my internship, I focused on learning how chartered accountants conduct audits and the techniques they use to ensure that financial information is accurate and follows the rules. In the report, we explore various aspects of auditing, such as how audits are planned, the assessment of risks, testing procedures, and the reporting of findings. This systematic approach to auditing helps maintain trust and reliability in financial reporting. Additionally, we look closely at assurance practices. Assurance means making sure that financial information is correct and complete, which gives confidence to the people who rely on that information. We observed various techniques, like substantive testing and analytical review, being used to achieve this. The report also covers the process of forming an audit team. It explains how teams are put together, with different members taking on specific roles and responsibilities. Teamwork and coordination are essential for conducting effective audits. Throughout my internship, I had the opportunity to learn from experienced chartered accountants. They shared their expertise in audit techniques and compliance standards, which are crucial for maintaining the accuracy and reliability of financial statements.

In conclusion, this report is a valuable resource for those interested in auditing. It provides real-world insights into how a reputable audit firm, Shameem Khaled Salahuddin & Co., conducts audits and ensures the integrity of financial information.

| Acronyms and Elaboration | |
|---|---|
| | |
| **Acronyms** | **Elaboration** |
| ISA | International Standards on Auditing |
| IAS | International Accounting Standards |
| Co. | Company |
| CA | Chartered Accountants |
| P & L | Profit and Loss |
| BL | Balance Sheet |
| PPE | Property, Plant, and Equipment |
| GAAP | Generally Accepted Accounting Principles |
| GL | General Ledger |
| COGS | Cost of Goods Sold |
| ICAB | Institute of Chartered Accountants of Bangladesh |
| LC | Letter of Credit |
| DV | Debit Voucher |
| CV | Credit Voucher |

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# CHAPTER: 1
# INTRODUCTION

## 1.1 Introduction

Internships are a fundamental component of the BBA (Bachelor of Business Administration) program, offering students a hands-on experience that goes beyond theoretical knowledge. While academic learning is essential, its true value is realized when applied practically. This is where the significance of internships lies, as they provide a platform to bridge the gap between classroom learning and real-world application. Within the curriculum of BBA at Sonargaon University, an internship program is included, allowing students to immerse themselves in various sectors of work and gain invaluable practical insights.

A recent chapter in my academic journey materialized in the form of an internship at Shameem Kaled Salahuddin & Co. This crucial stage extracted profound insights into the complicated tapestry of auditing systems and their profound ramifications within a nation's economic framework. Auditing, positioned at the intersection of fiscal transparency and accountability, occupies a pivotal role. Beyond the mere verification of financial statements, its significance vibrates in instilling trust and assurance across stakeholders. The dynamic interplay of audit practices serves as a bulwark against the Specters of fraudulent activities and management biases, safeguarding the veracity of financial disclosures.

Elevating its stature beyond the confines of financial analysis, the modern audit firm emerges as an essential in societal progress. By catalysing economic development, it assumes the covering of policy architect, weaving a fabric that upholds the doctrines of integrity, objectivity, and independence. The symbiotic relationship between a nation's financial ecosystem and audit firms is undeniable, accompanying in a harmonious interaction between economic growth and ethical strength.

## 1.2 Rationale of the Study

Internship is a necessary part of the BBA program. What is important is that the university has made it a must to do a three-month internship as part of the course. This happens after we finish our studies. During this time, we must work in places like banks, financial institutions, small businesses, or other public or private companies related to what we have learned. To meet this need, I joined Shameem Kaled Salahuddin & Co. as an intern. This gave me a great chance to learn about how auditing really works, like all the steps involved. I got to see how audits happen in different types of organizations, like companies and non-profit groups.

With the hands-on learning and experience I got from Shameem Kaled Salahuddin & Co.; I picked a topic to write about: "Audit Practices and Techniques: A Study of Shameem Khaled Salahuddin & Co." I got help from my supervisor to choose this topic. My internship supervisor, Mst. Marium Akter, who is a Lecturer in the Business Administration Department at Sonargaon University, agreed with my choice and told me to write this report as part of finishing my internship.

### 1.3 Significances of the Study

The study's significance lies in its contribution to knowledge, practical application, personal growth, and its potential to influence both academic and professional spheres related to auditing and chartered accountant practices.

- **Practical Application**: This study bridges the gap between theoretical learning and practical application. It showcases how the knowledge gained during the BBA program can be directly applied in real-world scenarios, particularly within the realm of auditing.
- **Insight into Audit Procedures**: By delving into the audit procedures at Masih Muhith Haque & Co., the study provides a comprehensive understanding of the inner workings of a chartered accountant firm. This insight is valuable not only for academic purposes but also for anyone interested in pursuing a career in auditing.
- **Enhanced Understanding**: The study sheds light on the specific audit practices, methodologies, and protocols employed by the firm. This depth of understanding can contribute to improved practices within the firm and offer insights to other similar organizations.
- **Contribution to Knowledge**: The report adds to the body of knowledge related to auditing procedures within chartered accountant firms. It can serve as a resource for future students, researchers, and professionals seeking insights into this area.
- **Academic Fulfilment**: As a requirement for internship completion, this study fulfills an essential academic obligation. It showcases the practical skills and knowledge gained during the internship period, highlighting the application of classroom learning in real-world scenarios.
- **Professional Development**: The study demonstrates the intern's commitment to professional growth and development. It showcases the intern's ability to analyze, document, and present a detailed account of audit procedures, enhancing their profile as a potential asset to future employers.

- **Institutional Value**: The study reflects positively on both Sonargaon University and Masih Muhith Haque & Co. It illustrates the university's commitment to producing graduates with practical skills and experience, while also showcasing the firm's involvement in nurturing future talents.
- **Guidance for Future Studies**: The findings and insights of this study can guide future research endeavours in the field of auditing and related subjects. It can offer a starting point for more in-depth explorations and comparative analyses.

### 1.4 Objectives of the study

**Main Objective:**

The primary aim of undertaking an internship at Shameem Khaled Salahuddin & Co. Chartered Accountants is to diminish the disparity between theoretical knowledge attained during the completion of the BBA program and its practical application. This internship serves as a pivotal bridge, connecting academic learning to real-world scenarios prevalent in the professional domain of chartered accountancy.

**Specific Objectives:**

Hands-On Experience Synthesis: To immerse oneself in a practical work environment, leveraging this opportunity to amalgamate theoretical insights gained from academic studies with the day-to-day operations within the chartered accountancy firm. This integration aims to enhance comprehension and practical application of theoretical concepts.

Comprehensive Familiarization with Audit Procedures: To meticulously comprehend and navigate through the intricate audit methodologies employed at Shameem Khaled Salahuddin & Co. This includes a comprehensive understanding of how audits are conducted across diverse organizational structures encompassing corporations, companies, and non-profit entities. The focus lies on acquiring comprehensive insights into the firm's distinct audit approaches and techniques.

### 1.5 Research quantitative

I have prepared this report based on my experience, knowledge which I gathered from my senior manager, colleagues, and supervisors. Here I mainly covered how can I have collected, stored, and

accumulated the data. To prepared this report I have prioritized the secondary data. Here I will be discussing how the data are collected.

**Data Sources**: To prepare this report I have collected both the primary and secondary data. An Auditor do not have enough time to collect data from primary sources. So, secondary information is used to prepared this report.

**Primary sources**:

- Some information I collecting from my senior and colleagues and my supervisor.
- Information collected through audit managers, audit assistants and existing students of the firm.
- During my work I observe and collected various information's that are related with my report
- And some information I got from at the time of factory visit.

**Secondary Sources**

- Information collected from audit working papers from Shameem Khaled Salahuddin & Co.
- Information collected from various publications, books, files, and Internet. Example: Bangladesh Standards of Auditing (BSA).
- Studied various accounting books and journal

### 1.6 Limitation of the study

The main objective of the report was to make a thorough study of external audit procedure. Throughout my internship period I have faced different obstacles which I had to handle efficiently and effectively. Moreover, during wiring my report I also had faced some limitations. Some of the limitations are shown below:

**Time Constraint**: Audit procedure is a huge concept and quite difficult to master it's all aspects. I tried to project those aspects that I learned throughout my internship program. Hence, many aspects can be discussed if there was enough time.

**Limitation in Practical atmosphere**: As a junior student, I was given very limited responsibility to fulfil as I may make huge mistake in sensitive issues. Thus, the scope was limited for me to understand the whole process of auditing.

**Firm's Code of Conduct**: I was not authorized to provide several information regarding audit procedure because to maintain confidentiality of my firm and its client. Thus, I was not able to write everything in details which I wanted to.

# CHAPTER: 2

# LITERATURE REVIEW

## 2.1 Review of Literature

Michael C. Jensen explored that the evolution of audit from a financial check to a multidimensional process signifies its pivotal role in ensuring organizational transparency, governance, and accountability. Despite its challenges, the incorporation of technology and the broadening of audit scopes reflect the resilience and adaptability of the profession.

Robert K. Mautz (1998) argued that auditors should maintain an unbiased stance, free from any undue influence, to provide reliable and credible assessments of financial statements. This notion of independence has remained a cornerstone of auditing principles and regulations.

Mautz (2001) advocated for the idea of auditing as a means of reducing information risk for stakeholders. He emphasized the role of auditors in enhancing the reliability of financial information, thereby increasing the confidence of investors, creditors, and other users of financial statements.

Hassan and Mautz delved into the economic principles and motivations behind auditing. One of their key contributions was examining the demand for audit services, emphasizing the societal need for assurance and reliability in financial information. They explored how auditors serve as intermediaries, providing credibility to financial statements and reducing information asymmetry between management and stakeholders.

Hassan also delved into the concept of information risk in auditing. He highlighted the importance of auditors in mitigating this risk by ensuring the accuracy and reliability of financial information. Their work emphasized that auditors play a crucial role in enhancing transparency and trust in financial reporting, thereby benefiting various stakeholders in the business environment.

Schilder emphasized the importance of high-quality auditing in fostering confidence and trust in financial markets. He advocated for the adoption and implementation of robust international auditing standards to ensure consistency and comparability in audit practices across various jurisdictions. Schilder believed that harmonized standards would not only enhance the reliability of financial reporting but also facilitate cross-border investments by providing stakeholders with consistent and trustworthy information.

Schilder stressed the significance of auditor independence, objectivity, and ethical conduct. He emphasized the need for auditors to maintain a high level of professionalism, integrity, and scepticism in their work to uphold the credibility and reliability of audit opinions.

# CHAPTER: 3

# ORGANIZATIONAL OVERVIEW

### 3.1 Overview of Shameem Khaled Salahuddin & Co.

Shameem Khaled Salahuddin & Co is an emerging Chartered Accountancy (CA) firm based in Bangladesh. Despite being new to the scene, this firm brings together a team of highly competent professionals with a shared commitment to delivering exceptional financial services. At Shameem Khaled Salahuddin & Co, they take pride in our fresh and innovative approach to financial matters. They believe that every client's needs are unique, and their dedicated team is geared towards tailoring solutions that best suit those needs. Their emphasis on staying up-to-date with the latest industry trends and regulations ensures that their clients receive the most relevant and accurate advice.

Although our firm is young, our team boasts a wealth of experience and knowledge in the field of Chartered Accountancy. Led by Shameem Khaled Salahuddin himself, a seasoned professional with a proven track record, our team is composed of individuals who excel in various areas of finance. This diversity allows us to offer a comprehensive range of services, from audit and taxation to financial consulting.

### 3.2 Ownership/legal entity of the firm

This is a partnership firm that is registered with The Institute of the Chartered Accountants of Bangladesh as required by the Bangladesh Chartered Accountants Order 1973. This firm is also under the jurisdiction of Partnership Act 1932. Partners of the firm are owner who are authorized by the Institute of Chartered Accountants of Bangladesh to carry on this business.

### 3.3 Firm vision

Shameem Khaled Salahuddin & Co, their envision being a reliable pioneer in financial services. Their goal is to steer businesses and individuals towards success using their skilled team and inventive methods. They aspire to establish higher benchmarks in the field while fostering honest and excellent long-term connections.

### 3.4. Firm mission

Their mission is to offer meticulous financial guidance and tailored solutions to both businesses and individuals. They are devoted to leveraging our expertise and unwavering commitment to assist clients in navigating the intricate landscape of finance, enabling them to make enlightened decisions

and realize their aspirations. Through their transparent and client-centric approach, they strive to play a pivotal role in fostering the advancement and success of their valued clients.

### 3.5. Office Location

The firm is located at House # 27, Road # 12, Block # F, Niketon, Gulshan-1 Dhaka-1212, Bangladesh. This is a prime area of the capital city which is famous for nearby location of all business facility. Firm location itself also offers an easy communication benefit for the clients from any corner of the Dhaka City. Total office space is 1200 sft. which is well furnished with latest office equipment.

### 3.6 Serving areas of the firm

To offer in full range of services to the clients in the following areas:

3.6.1 Audit & Assurance

3.6.2 Taxation Advisory

3.6.3 Business Management Consultancy

3.6.4 Internal Auditing

3.6.5 Secretarial issues

3.6.6 Accounts preparation

3.6.7 Due diligence

3.6.8 Assets valuation

### 3.7 Quality control policies

A set of established policies to maintain and uphold the quality of the professional services. To work in the public interest by safeguarding entrepreneurs' resources. The set of firm quality control policies includes:

a) Use and upgrade the firm's audit practice manual;

b) Organizing in-house training;

c) Weekly student training;

d) Participation in the training organized by the other institution;

e) Holding in-house knowledge sharing sessions.

### 3.8 Human resource of the firm

| S.l No. | Particulars | No. of person |
|---|---|---|
| 01 | Partners | 02 |
| 02 | Audit/Office Manager | 03 |
| 03 | Articled Students/ACCA Students | 05 |
| 04 | Apprenticed for Articled ship | 03 |
| 05 | Office Staffs | 02 |
| | **Total** | **15** |

### 3.9 Processes of acquiring clients of the firm

a) Personal promotion
b) E-tender
c) Local procurement (Tender participation)
d) Client's recommendation

### 3.10 Client serving individuals (Team Composition)

a) Engaged partner
b) Team Manager
c) Senior Auditor
d) Junior auditor

# CHAPTER: 4

# AUDIT & ASSURANCE

# TECHNIQUES AND PRACTICES

### 4.1 Auditing Procedures of Shameem Khaled Salahuddin & Co.

While certain assessment procedures for both the prospective and existing clients would be common, however, they may assume additional importance in case of a new client.

**Prospective client identity and source** (considers following questions) Whether the client is one of the following: -

- Listed Entity
- Non listed entities which are financial institutions, Insurance,
- NBFCs and DFIs.
- Economically Significant Companies (ESC) as defined under the prevalent laws or standards.
- What has been auditor's experience with the client or member of the same group?
- Has the work been referred by a long-standing professional contact?
- What are the significant risks associated with accepting the client?

**Background information on the business** (consider following questions)

- What is known about the prospective business client?
- What is the business reputation of the prospective client, its owners/those charged with the governance, and its management?
- How capable is/are the management/those charged with the governance? Review qualifications and business experience.
- What is known about the integrity of the principal owners/those charged with the governance and management?
- Is there a dominant Chief Executive?
- Whether the auditor can meet with the Audit Committee freely and without the Executives present?
- What is known about entities bankers and lawyers?
- What is the financial status of the prospective client (particularly liquidity and viability)?
- Whether the management has a significant personal financial interest in the financial result?

### 4.2 Auditor's association with the prospective client

At Shameem Khaled Salahuddin & Co. to associate with any engagement with prospective client they assess the followings:

- Whether the preconditions for an audit are present, that is, the use by management of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management or those charged with governance to the premise on which an audit is conducted.
- Whether any limitation of scope is likely that would result in a disclaimer of opinion?
- What is the need to accept the audit even where the limitation on scope is or likely to be imposed by the management?
- Are there any relationships that may impair auditor's objectivity or ability to meet any relevant independence requirements?
- Is there any potential conflict of interest affecting auditor's ability to accept the engagement? For example, providing audit and accountancy services to the same client. If there is a conflict of interest whether the interest conflicting with audit removed or safeguards available that reduces the risk to an acceptable level?

### 4.3 Know your client in Detail (understanding business and its activities)

a) Client Overview

- Client History and Background
- Client Profile

b) Client Business Objectives and Related Business Strategies

c) Client Business Components

- Major Markets
- Major Products and Services
- Major Customers
- Major Competitors
- Alliances (including suppliers) and other relationships

d) List of Authorized Signatories

e) Notes of Meeting with Client

### 4.4 Control Overview

Control overview includes understanding control environment and control activities.

- Control environment—Includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment is a component of internal control.
- Control activities—Those policies and procedures that help ensure that management directives are carried out. Control activities are a component of internal control.
- Control risk—The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's internal control.
- Internal control—The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of internal control.

### 4.5 Using the Audit Practice Manual

#### 4.5.1 Introduction

APM incorporates all the documentation needed to enable compliance with Bangladesh Standards on Auditing (BSA).

The manual is very flexible, allowing you, through the planning, to decide the best approach to auditing each of the relevant sections. This enables you to comply with all the relevant standards as efficiently and effectively as possible.

#### 4.5.2 Referencing system

All working papers generated during the audit or documents filed on the audit working paper file should be referenced and cross-referenced to facilitate review

### 4.5.3 Forms

The forms in the APM have been designed to facilitate and encourage review and conclusions.

### 4.5.4 Accounts

The A section should contain the final draft of the accounts and all subsequent journals, up to the final accounts.

### 4.5.5 Completion

- Audit standards questionnaire
- File completion questionnaires
- Justification of audit report
- Cleared audit queries

## 4.6 Planning

### 4.6.1 Planning summary

This schedule is effectively a sign-off sheet to evidence:

- approval of the planning by the engagement partner;
- reading of the audit plan by the engagement team, and
- final review of the planning at the completion stage.

### 4.6.2 Acceptance procedures

This form is designed to demonstrate that adequate consideration has been given to independence in accepting appointment/reappointment for the audit. It also demonstrates that the firm has adequate resources and the appropriate technical knowledge necessary to carry out the audit properly.

### 4.6.3 Audit planning checklist

This checklist should be completed as a control over the planning of the audit. It will ensure that all initial steps are properly taken. It will guide users through completion of the risk assessment and internal control evaluation forms.

### 4.6.4 Systems and internal controls summary

BSA 315: Understanding the entity and its environment and assessing the risks of material misstatement requires a much deeper understanding of the client's procedures and systems of internal control than was the case previously.

- to guide users through the completion of the relevant forms to document that deeper understanding, and
- to record the conclusions in relation to internal controls at the planning and completion stages.

### 4.6.5 Understanding of the company

BSA 315.20 requires the auditor to obtain an understanding of the company and the environment in which it operates. This includes:

- industry, regulatory, and other external factors, including the applicable financial reporting framework;
- nature of the entity, including the entity's selection and application of accounting policies;

### 4.6.6 Detailed risk assessment

This detailed risk assessment serves three main purposes:

- as an aide-memoire for identifying specific risks affecting the client that may require further action;
- a means of formally documenting the approach to issues where the risk is assessed as low and which may as a result not require specific additional testing, and
- a means of determining an overall risk assessment for the client.

### 4.6.7 Materiality summary

Since this is a planning document, figures for the accounts being audited will on occasions not be available. Where this is the case the anticipated figures for the current year (perhaps based on VAT or sales records) and, if appropriate, the figures for the previous years should be used. The materiality figure established sets the overall materiality to apply to the audit. BSA 320: Audit Materiality requires the auditor to consider the level of materiality throughout the audit.

### 4.6.8 Planning schedules

- Accountancy work planning
- Sample size planning
- Assignment planning timetable
- Budget and performance summary
- Job progress report

### 4.6.9 Extensive analytical review

Where it is considered that useful audit evidence can be derived from an extensive analytical review, this approach can be adopted. It is often very cost effective. For extensive analytical review to be effective it must be targeted, the results must be corroborated with independent data and it must be undertaken by a suitably senior and experienced individual.

### 4.6.10 Audit Risk Summary

BSAs 315 and 330 require the auditor to document:

- the identified and assessed risks of material misstatement at the financial statement level and at the assertion level, and
- the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures, the linkage of those procedures with the assessed risks at the assertion level, and the results of the audit procedures.

### 4.6.11 Audit risk checklist

- firstly, it acts as a guide through the various stages in assessing risk and determining the responses to those risks, and
- secondly it is a checklist to help ensure that all those stages are followed

### 4.6.12 Risk assessment

'The auditor should identify and assess the risks of material misstatement at the financial statement level, and at the assertion level for classes of transactions, account balances, and disclosures. For this purpose, the auditor:

- identifies risks throughout the process of obtaining an understanding of the entity and Its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures in the financial statements;

- relates the identified risks to what can go wrong at the assertion level;
- considers whether the risks are of a magnitude that could result in a material misstatement of the financial statements, and
- Considers the likelihood that the risks could result in a material misstatement of the financial statements.'

### 4.7 Additional planning schedules

- Accountancy work planning
- Sample size planning
- Assignment planning timetable
- Budget and performance summary
- Job progress report

### 4.8 Audit Evidence

**Audit objectives**

BSA 500.2 requires that the auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion.

a) Assertions about classes of transactions and events for the period under audit such as:

- **occurrence** - transactions and events that have been recorded have occurred and pertain to the entity;
- **completeness** - all transactions and events that should have been recorded have been recorded;
- **accuracy** - amounts and other data relating to recorded transactions and events have been recorded appropriately;
- **cut-off**- transactions and events have been recorded in the correct accounting period; and
- **classification** - transactions and events have been recorded in the proper accounts.

b) Assertions about account balances at the period end such as:

- **existence -** assets, liabilities, and equity interests exist;
- **rights and obligations** - the entity holds or controls the rights to assets, and liabilities are the obligations of the entity;

- **completeness -** all assets, liabilities and equity interests that should have been recorded have been recorded; and
- **valuation and allocation** - assets, liabilities and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

c) Assertions about presentation and disclosure such as:

- **occurrence and rights and obligations** - disclosed events, transactions and other matters have occurred and pertain to the entity;
- **completeness** - all disclosures that should have been included in the financial statements have been included;
- **classification and understandability** - financial information is appropriately presented and described, and disclosures are clearly expressed; and
- **accuracy and valuation** - financial and other information are disclosed fairly and at appropriate amounts.

### 4.9 Audit conclusion

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

- the aim of the tests;
- the work performed;
- the results obtained, and
- the conclusion reached.

#### 4.9.1 Completion stage

The conclusion requires confirmation of several different things. This includes confirmation that:

- the work detailed in the audit program has been carried out;
- the results have been adequately recorded;
- all necessary information has been collected for the preparation of the statutory accounts, and

- subject to any minor matters highlighted on B5 or B8, the objectives have been met.

### 4.9.2 Alternative conclusion

The summary sheet should state clearly the alternative conclusion reached, with adequate explanation for the conclusion to be understood. Before reaching an alternative conclusion, consideration should be given to whether there are any additional audit procedures that could be carried out to enable a satisfactory confirmation of the audit objectives to be given.

## 4.10 Register of Laws and Regulations

The Register of Laws and Regulations is, as the name suggests, a form for recording all significant laws and regulations which affect the client company. BSA 250: Consideration of laws and regulations in an audit of financial statements requires the auditor to:

- obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry and how the entity is complying with that framework (according BSA250.15);
- obtain a general understanding of the procedures followed by the entity to ensure compliance with that framework (according BSA 250.15.1);
- perform further audit procedures to help identify instances of non-compliance with those laws and regulations where non-compliance should be considered when preparing financial statements (according BSA 250.18).

# CHAPTER: 5

# PRACTICAL EXPERIENCE AS AN INTERN

## 5.1 Introduction

During my internship at Shameem Khaled Salahuddin and Co., I had the opportunity to work as an article student. My primary role involved visiting ABC Company to prepare and analyse financial statements and assist with auditing processes. This experience was both challenging and rewarding as it allowed me to apply my theoretical knowledge to real-world situations.

## 5.2 Role and Responsibilities

As an article student, I was responsible for several key tasks throughout my internship:

### 5.2.1 Financial Statement Preparation:

My internship responsibilities began with assisting in the preparation of financial statements for ABC Company. This task involved gathering financial data from various sources within the company, including income statements, balance sheets, and cash flow statements. I was responsible for organizing and presenting this data accurately using accounting software and tools. This hands-on experience helped me become proficient in using accounting software such as QuickBooks and Excel for financial statement preparation.

### 5.2.2 Financial Statement Analysis:

Alongside financial statement preparation, I was actively engaged in financial statement analysis. This phase required a thorough understanding of financial concepts and critical thinking skills. My responsibilities involved examining financial trends, calculating financial ratios, and identifying any unusual patterns or discrepancies. This analysis aimed to provide valuable insights to the senior auditors and help in making informed decisions regarding the company's financial health.

### 5.2.3 Audit Assistance:

I had the opportunity to work closely with the audit team during my internship. This involved conducting substantive testing, verifying financial transactions, and ensuring compliance with accounting standards and regulations. It was a hands-on experience that allowed me to gain a deep understanding of auditing procedures.

### 5.3 Challenges and Learning

Throughout my internship, I encountered various challenges that helped me grow both personally and professionally. Some of the key learning points include:

#### 5.3.1 Time Management:

Balancing multiple tasks and adhering to strict deadlines was a significant challenge I faced during my internship. However, this experience taught me the importance of effective time management, setting priorities, and maintaining a disciplined work schedule.

#### 5.3.2 Communication Skills:

Collaborating within a team of experienced professionals demanded strong communication skills. I learned how to articulate my ideas clearly, ask pertinent questions, and seek guidance when needed. Effective communication was crucial to ensure that audit findings and financial analysis were accurately conveyed.

#### 5.3.3 Attention to Detail:

The auditing process reinforced the importance of meticulous attention to detail. I learned to scrutinize financial documents and transactions thoroughly, identifying any inconsistencies or potential areas of concern. This skill is indispensable in the field of auditing.

#### 5.3.4 Accounting Software Proficiency:

Throughout my internship, I gained proficiency in using various accounting software tools, which is an essential skill for any aspiring accountant. These software platforms facilitated the efficient preparation of financial statements and data analysis.

To sum up, my internship experience at Shameem Khaled Salahuddin and Co. provided me with a comprehensive and hands-on understanding of accounting, financial statement preparation, and auditing. It was an invaluable opportunity to work alongside seasoned professionals and learn from their expertise. This internship has significantly enriched my knowledge and skillset, and I am confident that the lessons learned will be instrumental in my future career as an accountant. I am grateful for the guidance and support I received during this internship, which has laid a strong foundation for my professional journey in the world of finance and accounting.

# CHAPTER: 6

# FINDINGS

## 6.1 Findings

### 6.1.1 Time Constraints and Client Communication

Audit firms often face challenges due to last-minute communication from clients. This hampers the audit process, leading to time constraints in completing procedures and preparing comprehensive audit reports. The pressure to meet deadlines might compromise the thoroughness of the audit.

### 6.1.2 Rapid Rotation of Junior Staff

The quick rotation of junior auditors between different audit engagements can impact the continuity and depth of understanding required for a particular client's operations. This rapid turnover might affect the quality and consistency of audit work, as staff members might not have sufficient time to grasp the complexities of each client's operations.

### 6.1.3 Limited Time Allocation for Tasks

Insufficient time allocated for specific audit tasks can hinder the comprehensive examination of financial records and processes. This time constraint might compromise the thoroughness and accuracy of audit procedures, potentially leading to oversight or inadequate analysis.

### 6.1.4 Challenges in Obtaining Audit Evidence

Auditors might encounter difficulties in obtaining the necessary audit evidence. This could be due to limitations in access to certain documents, unavailability of relevant information, or complexities in verifying specific transactions or balances, impacting the completeness and reliability of the audit.

### 6.1.5 Threats to Auditor Independence

Instances where clients attempt to influence audit opinions pose a significant risk to auditor independence. Pressure from clients to sway the audit opinion might compromise the objectivity and integrity of the audit process, raising concerns about the credibility of the final audit report.

### 6.1.6 Pressure to Avoid Qualified Opinions

Partners within audit firms might face pressure to refrain from issuing qualified opinions, potentially compromising professional judgment. This pressure, driven by the desire to maintain client relationships or avoid negative implications, might result in issuing modified but unqualified audit reports that lack critical disclosures.

# CHAPTER: 7

# RECOMMENDATIONS AND CONCLUSION

### 7.1 Recommendations

- All transaction test is not possible, so auditor identifies some transaction for the appropriate test and they give their opinion based on such transaction. Due to client negligence sometimes, they do not provide us the document in due time.
- Because of quick rotation from one audit engagement to another, it is not possible for students to involve with the audit engagement from the beginning to the end. Students fail to follow the overall audit procedures followed by Mushi Muhith Haque & Co. Supervisor of an audit engagement should try to include unoccupied students in his audit team.
- For time limitation we finish the audit engagement and provide audit report very quickly. That reason maintaining quality of audit work is tough.
- Auditors and audit firm must face difficulties if fail to issue an appropriate and adequate audit opinion. When the client faces some legal problems, then the audit firm is also considered as responsible for it. Auditors must avoid the influence of the client and must ensure independence in mental attitude while issuing an audit opinion. Partners of our firm must be strict in issuing an appropriate audit opinion and audit report
- Establish clear communication channels between audit firms and clients. Encourage clients to provide information in a timely manner, avoiding last-minute requests. Set expectations for the timeline of audit engagements upfront to manage deadlines effectively.
- Implement training programs that ensure juniors have sufficient exposure and continuity in specific audit engagements. Consider longer rotations or mentorship programs to enhance their understanding of client operations. Encourage knowledge sharing among audit teams.
- Review workload distribution and allocate adequate time for each audit task. Empower auditors to request extensions when necessary to ensure thoroughness in examinations and verifications. Consider revising project timelines to accommodate comprehensive audits.
- Develop robust procedures for obtaining audit evidence. Improve collaboration with clients to access required documents and information. Implement protocols for managing complex transactions or information gaps to ensure completeness of evidence.
- Reinforce independence guidelines within audit firms. Provide training and support to auditors to recognize and resist undue influences from clients. Encourage a culture that prioritizes professional judgment and integrity over client pressures.

### 7.2 Conclusion

Concededly, my internship experience at Shameem Khaled Salahuddin and Co. provided me with valuable insights into the practical world of accounting, financial statement analysis, and auditing. During my time as an article student, I had the opportunity to work on various aspects of financial reporting and auditing processes.

Through this internship, I learned that effective time management, attention to detail, and strong communication skills are essential in the accounting profession. I also gained proficiency in using accounting software, which is a crucial skill for accountants in today's digital age.

The experience of preparing and analysing financial statements for ABC Company and assisting in the auditing process allowed me to apply the theoretical knowledge I had acquired in my academic studies to real-world scenarios. It was both challenging and rewarding, and I am grateful for the guidance and support I received from the professionals at Shameem Khaled Salahuddin and Co.

As I move forward in my career, I am confident that the skills and knowledge I gained during this internship will serve as a solid foundation. I am also thankful for the opportunity to make recommendations for the improvement of ABC Company's financial health, which is an essential part of the auditing process.

Overall, this internship has been a valuable learning experience, and I look forward to applying what I have learned to contribute positively to the field of accounting in my future endeavours. I am thankful for the support and mentorship provided by Shameem Khaled Salahuddin and Co. during my internship journey.

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