

GUIDANCE FOR MEMBERS IN PRACTICE



Letter of Appointment
Professional Clearance
Letter of Engagement
Formulate Audit Plan
Assessment of Control Mechanisms
Draw up Audit Programme
Assessment of Risk
Substantive Tests
Check Regulatory Compliance
Compliance of Policies
Review of Report and Documentation
Letter of representation
Draft Financial Statements & ML
Exit Meeting with Management
Final Report & Management Letter

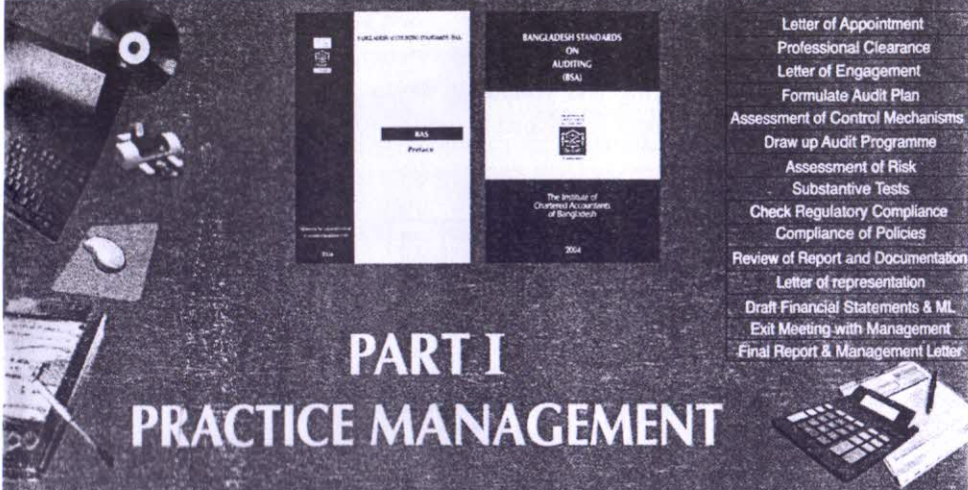
PART I PRACTICE MANAGEMENT



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF BANGLADESH

2004

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The Institute of Chartered
Accountants of Bangladesh



FOREWORD

With increasing attention being focussed on adoption and enforcement of auditing standards, the role of ICAB as a regulatory body has increased manifold. So too the responsibilities of our practicing members. As you are aware, ICAB has recently launched the latest Edition of Bangladesh Standards on Auditing (BSA) which have been made mandatory for all our practicing members. While promulgating these standards, the Institute also acknowledges that the practicing members need assistance and guidance in proper implementation of these standards and intends to provide this technical assistance through a series of technical guides, seminars and workshops.

Practice Management, the first publication of the **Guidance for Members in Practice** series, provides a detailed and suggested sequence of steps from starting an audit to signing an opinion. It also contains useful tips on running a practice which will be useful to our members. It supports critical thinking and methods so that professionals can apply, adopt and develop their operational skills in running their practice so as to achieve a healthy bottom line, efficiency, control over time management and excellent relationship with clients.

Practicing chartered accountants provide a vital role in our society in providing assurance to stakeholders, investors, regulatory agencies and third parties. In the context of our legal and social obligations, it is essential that our professional standards are raised to the level expected of us. I thank the Committee members for the efforts put in by them for issuing this publication and look forward to more publications of this series.

Akhtar Sohail Kasem FCA
President, ICAB

Dated: 20 November, 2004



The Institute of Chartered Accountants of Bangladesh



PREFACE

At the outset, I would like to thank the members of the Technical and Research Committee for the laudable efforts made by them this year in publication of the Bangladesh Accounting Standards (BAS) and the Bangladesh Standards on Auditing (BSA). We live in an age of globalization and the need for uniform accounting and auditing standards is of paramount importance. The standards adopted by us are based on pronouncements of the international standard setting bodies like IASC and IFAC.

However, it is not enough to merely set standards. Our goal should be to ensure proper application of these standards. **Practice Management** attempts to assist practicing members in proper performance of an audit. Step by step, it leads the members from the start of an audit to its final completion. It also provides useful tips on managing the practice. These are suggested steps and firms can have their own procedures also.

I thank the Council of ICAB for the support and guidance provided to the Committee and look forward to similar cooperation in the future.

Showkat Hossain FCA
Vice President, ICAB
&
Chairman
Technical & Research Committee

Dated: 20 November, 2004



The Institute of Chartered Accountants of Bangladesh



MESSAGE

I am pleased to know that the Technical and Research Committee (TRC) of ICAB is publishing the first book "Practice Management" as a part of the series "Guidance for Members in Practice". As a signatory to the WTO Document, Bangladesh is bound to oblige relevant WTO regulations in business- trade, financial and professional services. The emerging world trade scenario poses challenges and offers opportunities. Strengthening the Chartered Accountancy profession has therefore become a sine-quo-non for Bangladesh's effective participation in the economic globalization. Practice Management, draws together information and knowledge to help the members in practice to make them aware of the global best practices.

I hope this publication will help the members to optimize their efforts to ensure qualitative audit. I am confident that members will find this publication of immense use and help in serving the society in an effective manner.

I once again thank the TRC for their efforts and activities in strengthening the profession.

Nasir Uddin Ahmed FCA
Vice President, ICAB

Dated: 20 November, 2004



The Institute of Chartered
Accountants of Bangladesh



MESSAGE

It is indeed a great pleasure that the Technical and Research Committee (TRC) of ICAB is publishing a series of "Guidance for Members in Practice". This first publication in the series "Practice Management" attempts to elucidate on the sequence and steps from starting an audit to signing of the audit report.

The impact of globalization has imposed subtle governmental, social and ethical pressures to increase accountability and transparency in the accounting profession. There is a clear and growing demand around the world for high quality audit. It is a great achievement that this year ICAB has been able to release Compendiums of Bangladesh Accounting Standards (BAS) and Bangladesh Standard on Auditing (BSA). Together with these two publications I hope the series of "Guidance for Members in Practice" will provide the practicing Chartered Accountants useful tips on running a practice and providing good quality audit.

I once again thank the TRC for their brilliant achievements of this year.

C R Mazumder FCA
Vice President, ICAB

Dated: 20 November, 2004

GUIDANCE FOR MEMBERS IN PRACTICE PART I PRACTICE MANAGEMENT

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CHAPTER 1

INTRODUCTION

- 1.01 Since many of the practicing Chartered Accountants in Bangladesh are concentrated in proprietorship and small partnership firms, the day to day management including client servicing is handled by the same individual. This is particularly so since the size of the organization may not permit additional sharing of responsibilities. Organization and management of firms is key to the success of any public practice.
- 1.02 However, with the ever increasing emphasis on quality service and the importance placed on audit engagements including the number of standards to be followed while executing such engagements, the way the practice is managed becomes the driving criteria for public confidence in the engagements performed by chartered accountants.
- 1.03 To maintain the standards of the profession laid down by the Institute of Chartered Accountants of Bangladesh (ICAB) with the ultimate objective of ensuring public confidence, the practice management of a chartered accountants firm has to be within the framework prescribed by the ICAB.
- 1.04 While managing the practice, the practicing chartered accountants need to have proper quality control policies and procedures, manage people and administration efficiently, perform engagements to the desired level of professional competence and maintain policies and procedures in acceptance and continuance of clients and managing client relationships.
- 1.05 In the following chapters, each of the key aspects involved in managing the practice are discussed and for reference, suggested forms have also been provided that may be relevant under certain circumstances.

CHAPTER 2

ACCEPTANCE AND CONTINUANCE OF CLIENTS

2.01 Policy and Selectivity

2.01.01 Policy

To reduce the chance of association with an enterprise whose management lacks integrity and to avoid the possibility that a firm undertakes an assignment without the necessary degree of independence, firms should establish policies and procedures for deciding which entities to accept or continue with as clients.

2.01.02 Selectivity

Firms should be selective in accepting new clients and accordingly following procedures (a) to (d) should be undertaken in all instances:

- a. Ascertain the name of the prospective client's present or former auditors and inquiring as to the reason why such auditors are being replaced.
- b. Make reasonable enquires to determine that nothing adverse is known about the business reputation of the prospective client.
- c. Obtain evidence of the identity of the prospective client's beneficial or ultimate owners, and of those ultimately responsible for its control, if different.
- d. Check whether there is any relationship between the owners identified in (c) and any partner/equivalent or professional personnel of the firm.

In addition, the following procedures should be considered where appropriate :

- e. Visit the premises of the prospective client and meeting with management.
- f. Find out why the prospective client is interested in the firm's services.
- g. Inquire about the specific needs of the prospective client.
- h. Determine whether the prospective client has unusual problems in financial reporting or auditing.

- i. Evaluate the competence of the prospective client's accounting and tax personnel, the condition of its accounting records, and the effectiveness of its system of internal control.
- j. Determine if the prospective client has securities listed with any regulatory body or is planning to list.
- k. Ascertain if the prospective client has, or contemplates having, foreign operations and, if so, to what extent.
- l. Determine whether the prospective client recently merged with or acquired any other companies or contemplating a merger or acquisition.
- m. Ascertain whether the prospective client files reports with any regulatory body.
- n. Obtain copies of, or excerpts from the prospective client's financial statements, tax returns and if applicable recent reports filed with regulatory agencies.
- o. Inquire about recent or pending litigation, investigation, examinations, complaints, or enforcement proceedings.
- p. Discuss with the prospective client's management any special problems or plans known or contemplated.
- q. Obtain the name of the prospective client's legal representative, bankers, and principal creditors and request permission to contact them.
- r. Obtain credit and other financial information from independent sources, and
- s. Obtain such other information as might be necessary to permit the firm to evaluate the prospective client.

2.01.03 Documentation

Investigatory procedures should be documented as evidence of compliance with the firm's client acceptance policies. Any doubt or material questions that remain as a result of performing these procedures must be resolved or answered satisfactorily before the client is accepted.

2.01.04 *Conditions precedent to performing Service*

A firm should not agree to perform services unless it has the required competence to execute the assignment and the engagement is not prohibited by law or professional Code of Ethics. In this context, competence means having the required expertise or having the ability to acquire the necessary expertise.

2.02 *Ethical standards*

2.02.01 The success of the profession of accountancy depends on the existence of self imposed code of ethics so as to command the confidence of general public. A client, before engaging the service of a professional is required to be assured that he has the required competence and that he is a person of character and integrity.

2.02.02 *Compliance*

The Institute of Chartered Accountants of Bangladesh has established codes of conduct that constitute ethical standards. Firms should comply with both the form and substance of these codes and should recognize the public interest that underlies them. Toward this end, firms should declare the following standards of practice:

- a. Each firm must maintain its integrity and objectivity. Accordingly, each professional must remain independent of any self-interest which might impair or appear to impair his/her judgment.
- b. Engagement in a business or occupation outside the practice of public accountancy should be permitted only to the extent permitted under ICAB Bye Laws. Further, it should be ensured that such business or occupation does not give rise to a conflict of interest and is disclosed to fellow partners.
- c. No firm should render professional service without an awareness of, and compliance with, the applicable legal, technical and ethical standards. Each firm must keep abreast of professional developments which may be applicable to a particular service being rendered.
- d. Engagements should not be undertaken unless the firm has the competence to render high quality service. Competence is construed as the technical ability to perform and engagement satisfactorily or the ability to acquire by study, research, or

consultation with other practitioners which is necessary to deliver the requested service.

- e. It is considered as an act discreditable to the profession and to the name of firm to be a party to, or to condone:
 - a failure to reveal a material fact known to the firm which is not disclosed in the financial statements but the omission of which renders the financial statements misleading;
 - a failure to report any material misstatement known to the firm which appears in the financial statements;
 - a failure to acquire sufficient information to warrant the expression of an opinion in accordance with the applicable standards; or
 - any illegal act.
- f. In recognition of their dual responsibility to their clients and to the public, firms should:
 - act with professional care and skill for their clients' best interests, provided however, that their behavior is consistent with their responsibility to the public.
 - strive to be unequivocal to the clients on any issue of significance; and
 - hold in strict confidence any confidential information obtained in the course of their professional engagement unless the client consents to the divulgence of such information, or the firm is otherwise bound to make known such information by reason of professional standards, by legal or regulatory order, by court order, or by a duly constituted investigative or disciplinary body.
- g. A firm may be associated with a forecast of future transactions; provided the following are observed:
 - full disclosure is made of the sources of the information used and the major assumptions made in the preparation of the statements, the character of the work performed by the firm, and the degree of responsibility taken; and

- whenever the firm expresses the nature of its participation in the forecast, such expression shall not contain a statement, or otherwise imply that the firm vouches for the forecast being achievable.

2.02.03 Confidentiality

- a. All personnel must appreciate that they have access to secret and confidential information and that clients have implicit reliance that this information will not be disclosed to any unauthorized person.
- b. Information which comes to the knowledge of a person in the course of his/her duties must not be disclosed to any person, including any member of staff, unless essential for the affairs of a client, or the client consents to the divulgement of such information or, a firm is otherwise bound to make such information known by reason of professional standards, by court order, or by a duly constituted investigative or disciplinary body.
- c. Personnel should also be careful not to discuss the affairs of clients amongst themselves where their conversation may be overheard in such places as trains, aero planes, lifts and public rooms in hotels, nor to expose files in these places in such a way that the name of a client can be seen by the public.
- d. Improper use or disclosure of information which a firm regards as sensitive, confidential or of a proprietary nature can provide unfair advantage to competitors and place the firm at an actual or apparent disadvantage with respect to current or future business activities. All such uses and disclosures of privileged information should be prohibited until such time as the information is made available to the general public.

2.02.04 Computer Security

- a. Firms rely heavily upon their computer systems to meet their operational, financial and informational requirements. It is essential that these systems be protected from misuse and that both computer systems and the data that they process be maintained and used in a secure environment.
- b. The use of all owned or leased computer systems must be for officially authorized purposes only. The use of computer

systems for unofficial purposes should be prohibited without prior written approval of a partner of the firm.

- c. All computer programs and data in computer systems and data libraries should be for the sole use of the firm. All computer programs and data developed for a firm by consultants or employees are the property of the firm and may not be copied or released without written authorization.
- d. Passwords and other EDP security procedures should be protected at all times from disclosure and unauthorized use.
- e. Employees or contractors whose services are terminated should return all property and equipment used in connection with a firm's computer systems. Such items include keys, identification cards and badges, portable computer and communication equipment, manuals, documentation and computer listings and other materials. Such material should be returned prior to the last day of active service.

2.02.05 Affirmations of Secrecy

Each person joining the professional staff of a firm should execute an "Affirmation of Secrecy" whereby they acknowledge that any information of which they become aware in the course of their professional duties will be treated as confidential.

A specimen form of the Affirmation of Secrecy is contained in Appendix 1.

2.03 Risk Factors Associated with Engagements

2.03.01 Client Acceptance Forms

Firms should appropriately document acceptance of new clients so as to ensure that necessary background check has been done and all the factors were considered prior to accepting new clients. The documentation may be done by using standard Client Acceptance Forms, the draft of which can be referred in Appendix 2 to 4.

2.03.02 Periodic Client Evaluation

Periodically, firms should evaluate its relationship with each client to determine whether such relationship should be continued. Conditions that may lead to a decision to terminate a relationship include a major change in one or more of the following:

- a. Management
- b. Directors
- c. Ownership
- d. Legal representative
- e. Financial condition
- f. Litigation to which the client may be a party
- g. Client's business, and
- h. Engagement scope, particularly client imposed restrictions.

Whenever a major change in management or ownership of a client occurs, a firm should re-evaluate its continued association with the client in light of any information gathered concerning the prior business history and the views and objectives of the new management or ownership.

Any question concerning the integrity of new management or new owners must be satisfactorily resolved before a new engagement letter is submitted.

Whenever an engagement partner believes that the ability to provide services at the highest professional level is impaired because of independence, conflicting client attitudes, management integrity, litigation or any other reason, the engagement partner should discuss the matter with the Managing Partner the Partnership to evaluate whether resignation is appropriate.

2.04 Regulatory Issues

2.04.01 Predecessor auditors

The Code of Ethics of the Institute of Chartered Accountants of Bangladesh set out the procedures which must be observed before accepting a nomination or an appointment involving professional work hitherto carried out by another accountant or accepting an appointment when another accountant is already carrying out work for the same client. Each firm must observe these procedures.

- 2.04.02 Each firm should ensure compliance with specific regulatory provisions applicable with respect to professional engagements. For example, Companies Act, 1994 provides for the requirements which an auditor appointed in respect of a company should satisfy himself about, before he accepts the appointment.

2.05 Engagement Letters

- 2.05.01 For all new engagements, a letter confirming the terms of the engagement should be obtained. A new engagement letter should ordinarily be prepared whenever there is a significant change in management or in ownership of the client or there is a major change in the scope of a continuing engagement.

2.05.02 Engagement Letters- General

- a. The letter places on record with the client the respective responsibilities of the management and auditors for the preparation and fairness of financial statements submitted to owners, and to define any other work that the management require the auditors to undertake.
- b. It aims to ensure that the client is fully aware of the broad audit objectives, to confirm any special assignments to be conducted during the course of the audit which do not form part of the normal audit routine and to clearly define the responsibilities of all concerned.

Appendix II shows a specimen of an Engagement Letter.

2.05.03 Engagement Letters- Contents

- a. The form and content of an audit engagement letter may vary for each entity, but would generally include reference to :
 - the objective of the audit of the financial report
 - management's responsibility for the financial report
 - the scope of the audit, including reference to applicable legislation, regulations, and the pronouncements of the ICAB.
 - the form of any reports or other communication of results of the engagement.
 - an explanation as to the extent to which an audit can be relied upon to detect material misstatements
 - unrestricted access to whatever records, documentation and other information is requested in connection with the audit.
 - a request for the client to confirm the terms of the engagement by acknowledging receipt of the engagement letter.

- b. Consideration should be given to include in the letter:
- arrangements regarding the planning of the audit
 - expectation of receiving from management written confirmation concerning representations that may be made in connection with the audit.
 - description of any other letters or reports to be issued to the client.
 - basis on which fees are computed and any billing arrangements.
- c. When relevant, the following points could also be made:
- arrangements concerning the involvement of other auditors and experts in some aspects of the audit
 - arrangements concerning the involvement of the audit committee, internal auditors and other client staff
 - arrangements to be made with the predecessor auditor (if any) in the case of an initial audit.
 - any restriction of audit liability when such possibility exists (e.g. non-statutory audit)
 - a reference to any further agreements with the client.

2.05.04 Recurring Audits

- a. On recurring audits consideration should be given as to whether circumstances require the terms of the engagement to be revised, and whether there is a need to remind the entity of the existing terms of the engagement.
- b. The following factors may make it appropriate to send a new letter.
- * any indication that the entity misunderstands the objective and scope of the audit;
 - * any revised or special terms of the engagement;
 - * a recent change of senior management, including governing body, or ownership;
 - * a significant change in the nature or size of the entity's business; and
 - * legal requirements

2.05.05 Audits of components

When in addition to being the auditor of a parent entity a firm is the auditor of a subsidiary branch or division (components) consideration should be given to the following factors in deciding whether to send a separate engagement letter to the component:

- who appoints the auditor of the component
- whether a separate audit report is to be issued on the component
- legal requirements
- the extent of any work performed by other auditors
- degree of ownership by parent

2.05.06 Acceptance of Change in the Terms of the Engagement

- a. Whenever, before the completion of an engagement, a request is received to change the terms of the engagement to one which provides a lower level of assurance, consideration should be given to the appropriateness of doing so and this should only be done when there is reasonable justification.
- b. The new terms of engagement should be agreed with the client. If a firm is unable to agree to a change of terms and is not permitted to continue the original engagement, the firm should withdraw and consider whether there is any obligation, either contractual or otherwise, to report to other parties, such as the governing body or shareholders, the circumstances necessitating the withdrawal

CHAPTER 3

QUALITY CONTROL POLICIES AND PROCEDURES

3.01 Control Over Practice

Through various policies and procedures, firms should establish control over the quality of its practice. ('Policies' refer to the firm's objectives and goals for implementing the various elements of quality control; 'Procedures' refer to the steps to be taken to accomplish the policies adopted.)

3.02 Elements of Quality Control

3.02.01 The quality control policies and procedures comprise these five elements:

- a. Independence, integrity and objectivity
- b. Personnel management
- c. Acceptance and continuance of clients
- d. Engagement performance
- e. Monitoring

3.02.02 Common Objectives

The size of the firm practice, the degree of operating autonomy appropriately allowed to its personnel, the nature of its practice and its administrative controls will have a bearing on the procedures by which it implements the quality control policies.

3.03 Responsibility and Management

3.03.01 The partner should be responsible for the maintenance of professional standards within the office. Larger offices may designate a person to oversee the implementation of quality control policies and procedures. The partner or the person designated responsibility for implementation of professional standards should be responsible for:

- a. maintaining liaison with the person responsible for professional standards within an organization;

- b. keeping abreast of professional development and disseminating technical information within the office;
- c. serving as counsel to others in the office;
- d. bringing matters that should be the subject of policy making to the attention of the Partners.

3.04 Working Papers:

3.04.01 Why prepare working papers?

Working papers are all the documents that contain information relating to the audit of a client's financial statements. This may include schedules prepared by the client for auditors use.

There are three main reasons for us to prepare or obtain them :

- i) to support the audit opinion
- ii) to record problems, responses and conclusions
- iii) to help carry out a methodical audit.

3.04.02 What should a working paper contain?

As a minimum, any working paper should contain the following:

- i) a heading showing the client's name, the accounting period being audited and the subject area
- ii) the initials of the preparer and date prepared or received from the client (if client prepared) together with the initials of the reviewer and date reviewed
- iii) a conclusion or cross reference to where a conclusion has been drawn from the information recorded
- iv) cross referencing to other related schedules
- v) working papers should be written in ink.

Where appropriate, working papers should also have last year's comparative figures. This allows the reader to get a feel for changes in that area.

3.04.03 Organisation of file sections

Audit files should be of 2 types-Current Audit Files (CAF) and Permanent Audit Files (PAF).

Current audit files are organised into sections, rather like chapters of a book. There should be a standard way of dividing up the file that should normally be used. An example could be:

- A Certificates and correspondences
- B Planning
- C Share capital
- D Creditors
- E Tax
- F Fixed assets
- G Subsidiary and group company investments
- H Other investments
- J Stocks
- K Debtors
- L Bank and cash
- M Control assessment
- N Reporting to management
- P Profit and loss testing
- Q Trial balance and adjustments
- R Supplementary statements to accounts

3.04.04 Permanent Audit File

The papers and documents which should be kept in this file are as following:

- 1 Memorandum and Articles of Association,
- 2 Important agreements and minutes e.g Trust Deeds or Partnership Agreements, Managing Agency Agreement Long term Loan Agreements, Royalty/Technical Assistance Fee Agreement, Joint Venture Agreement have Agreement etc.
- 3 General Client Information
- 4 Audit Strategy

- 5 Detail Record of Accounting Systems
- 6 Evaluation and Testing of Internal Controls
- 7 Permanent Information relating to Substantive Tests
- 8 History of Reserves & Consolidation Adjustments
- 9 Record of Accounting Policies
- 10 Management Letters
- 11 Matters for the Attention of Partners
- 12 Miscellaneous

The Permanent audit file (PAF) has to be updated every year in the following way:

- (a) New relevant papers/documents have to be inserted in the proper sections and the related index has to be updated.
- (b) Obsolete documents e.g expired lease or loan agreements etc, have to be taken out of PAF and on the index, to mark them as 'Removed.' However, these papers are not to be thrown away. These have to be filed in that year's (while doing the updating) CAF Section Q.

3.0405 Types of ticks and symbols to be used

The following ticks or symbols may be used during the conduct of an audit

- γ = posting or cast. In the case of casts carried forward to the next page the tick should be placed over the top of the amount on the next page and transfer ticks are not to be used. For detailed comparison of cash book and bank statement the tick is to be placed behind the amount in the cash book. When used for casts the tick is to be placed underneath the amount.
- \sphericalangle = transfer tick, placed in front of the item which is being traced forward and behind the item brought forward.
- \times = 'cross' cast: the second tick being made through the tick already placed below the total for the "down" cast.
- β = balance.

\mathcal{C} =	calculation
\mathcal{C} =	contra
\mathcal{R} =	receipt for money
\mathcal{I} =	invoice
o/s =	outstanding (cash book to bank statement)
p/c =	paid cheque
d/n =	debit note
c/n =	credit note
\emptyset =	"nil" tick. placed in front of an item to indicate that it had been crossed out or otherwise deleted at the time of examination.
\checkmark =	vouching/checking tick
\backslash =	addition and subtraction tick
T =	tracing
\checkmark =	confirmation

CHAPTER 4

HUMAN RESOURCE MATTERS

4.01 Hiring Policies and Procedures

4.01.01 Policies and procedures should be established to provide reasonable assurance that those employed possess the appropriate characteristics to enable them to perform competently.

4.01.02 Each firm should:

- Maintain a program designed to obtain suitable personnel by planning for personnel needs, establishing hiring objectives, and setting qualifications for those involved in the hiring function.
- Establish procedures for the guidance and control of recruiting, employment and orientation of professional personnel.
- Project its personnel needs based on existing clientele, anticipated growth, personnel, individual advancement and retirement.
- Establish qualifications including academic background, personal achievements, work experience and personal interests. Employment, education and other background investigation should be completed prior to commencement of employment.

4.02 Personnel Management

4.02.01 The following is a list of some of the matters which should, where appropriate, be covered in a firm's policies and procedures:

- Determination of salary/allowance ranges for each classification of personnel
- Holidays
- Personal illness
- Expenses:
 - Conveyance and Travel
 - Accommodation
 - Meals expenses, etc.



4.02.02 The above list is not exhaustive and is intended as a guide only as to the items which should be covered.

402.03 Each firm should formally document the policies and procedures established and care should be taken that they reflect the requirements of ICAB regulations.

4.03 **Assigning Personnel to Engagements**

4.03.01 Policies and procedures for assigning personnel to engagements should be established to provide reasonable assurance that work will be performed by persons having the degree of technical training and proficiency required in the circumstances.

4.03.02 Each firm should take steps to achieve the following:

a. Establish the firm's approach to assigning personnel, including the planning of overall firm and individual office needs and the measures employed to achieve a balance of engagement manpower requirements, personnel skills, individual development and utilization.

- Each client should be assigned a partner or equivalent, to be primarily responsible for proper execution of the engagement in accordance with the firm's standards and the standards of the profession.

- Where appropriate, each engagement may have an assigned manager or a supervisor whose responsibility for the engagement is secondary to the engagement partner.

b. Designation of an appropriate person or persons to be responsible for assigning personnel to engagements.

- When assigning personnel, an attempt should be made to maintain a degree of continuity on engagements. This continuity is desirable not only to provide individuals with sufficient training to assume in-charge responsibilities later, but also to provide familiarity with client peculiarities and problems.

- When assigning inexperienced personnel to engagements, careful attention should be given to assure that they are placed with experienced personnel who will provide the training and supervision required.

- Assignments should be made only after consideration of possible independence problems and conflicts of interest.



c. Provision for approval of the scheduling and staffing the engagement by the persons with final responsibility for the engagement.

4.04 **Professional Development and Advancement**

Professional Development

4.04.01 Firms should recognize their continuing obligation to maintain competence and to establish policies and procedures to provide reasonable assurance that personnel have the knowledge required to enable them to fulfill responsibilities assigned. In developing these policies and procedures, firms should seek to provide personnel with the means to develop professionally, as well as to execute the tasks assigned to them.

4.04.02 Firms should:

a. Establish guidelines and requirements for the firm's professional development program and communicate them to personnel:

- The firms should assign responsibility for the program to a partner or equivalent, and the person so selected should be given appropriate authority and resources to accomplish the identified goals.

- Audit Programs developed by the firm should be updated periodically, as necessary, and reviewed by qualified individuals prior to their use in continuing professional education activities.

- All newly employed personnel should be given an orientation program to familiarize them with the firm's quality control policies, the responsibilities of the different levels of personnel, and the opportunities available to them.

- All professional personnel should be required to participate in adequate and acceptable continuing professional education activities. Adequacy shall be determined by the firm, in accordance with the professional requirements of CPE, issued by the ICAB. Continuing Professional Education activities that are acceptable must have the reasonable potential of improving an individual's professional competence.

- The firm's professional development program should be monitored. Participants should be encouraged to evaluate firm prepared programs, and qualified individuals should review programs periodically.
- b. Make available to personnel, information about current developments in professional technical standards and material concerning the firm's technical policies and procedures.
- c. Provide or make available, to the extent necessary, programs to fill the firm's needs for personnel with expertise in specialized areas and industries.
- d. Provide on the job training.

Advancement

4.04.03 Policies and procedures for advancing professional personnel should be established to provide reasonable assurance that those selected for advancement will have the qualifications necessary for fulfillment of the responsibilities they will be called upon to assume.

4.04.04 Firms may follow the following procedures:

- a. Identify the different levels of responsibility and the duties ascribed to each level. Performance of those duties should be used as a guide for making advancement decisions.
- b. Specify the criteria to be considered in evaluating individual performance and proficiency. Those criteria should include technical knowledge, analytical and judgmental abilities, communicative skills, leadership and training skills, client relations and personal attitude.
- c. Evaluate performance of personnel and periodically advise personnel of their progress.
- d. Maintain personnel files containing documentation relating to the evaluation process:
 - A personnel file should be established for each professional employee. Among other information, this file should contain written evaluations, a record of personal interviews and a record of advancement with the firm.
 - At least annually, all professional employees should be

interviewed by a partner or equivalent, where the employee's progress and strengths and weaknesses should be discussed. Each professional should then be counseled concerning future development. A record of the interview should be prepared by the reviewer and included in the personnel file.

4.04.05 Assignment of responsibility for advancement decisions- The managing partner in the firm should assign responsibility to designated persons for making advancement and termination decisions, conducting evaluation interviews with persons considered for advancement, documenting the result of the interviews, and maintaining appropriate records.

4.05 Training

4.05.01 Professional Development (PD) Staff

- a. Each firm should appoint a Staff to be responsible for the direction of PD activities within the firm.
- b. The training needs of all levels of personnel within a firm should be analyzed by the partner and an appropriate PD program drawn up.

4.05.02 Induction of new professional staff

Professional staff newly recruited should undertake suitable induction courses to familiarize themselves with the firm's quality control policies, the responsibilities of the different levels of personnel, and the opportunities available to them. The PD Staff in the firm should be responsible for organizing such induction sessions.

4.05.03 Technical updating

- a. Each PD staff should be responsible for ensuring that personnel within his or her firm are encouraged to engage in self-development activities and are provided with the means of:
 - keeping up-to-date with current development in professional technical standards, and
 - obtaining expertise in specialized areas and industries.
- b. In this respect the PD staff should:

- promptly distribute within the office technical advises and material relevant to the profession; and
 - where necessary, arrange for the holding of technical update sessions.
- c. Each PD staff should:
- i. provide personnel with professional literature relating to current developments in professional technical standards, including :
- material of general interest, such as relevant national and international pronouncements on accounting and auditing matters
 - pronouncements on relevant regulations and statutory requirements in areas of specific interest, such as company securities and taxation law, to persons who have responsibility in such areas
- ii. provide, to the extent necessary, programs to fill the firm's need for personnel with expertise in specialized areas and industries and:
- organize suitable courses to develop and maintain expertise in sepcialized areas and industries.
 - encourage attendance at external education programs, meetings, and conferences to acquire technical or industry expertise
 - encourage membership and participation in organizations concerned with specialized areas and industries
 - provide technical literature relating to specialized areas and industries

4.05.04 *Compliance and CPE requirements*

- a. Partners and qualified professional employees should comply with the Continuing Professional Education (CPE) requirements set by the ICAB. Each partner and qualified professional staff member has the responsibility to ensure compliance with these continuing education requirements.
- b. Each partner and qualified professional staff member should be responsible for maintaining his or her own PD records and each year should be required to submit a copy of his or her record to

the PD Partner.

- c. A standard form for the reporting of CPE activities is contained in Appendix 5.

4.05.05 *PD programs*

- a. Each firm's PD program should:
- set out particulars for each course:
 - title and general description of contents
 - objectives
 - levels and numbers of participants
 - duration
 - location and date (s)
 - describe the induction program planned for new professional staff
 - describe the program adopted to fill the firm's needs for personnel with expertise in the specialized areas and industries
- b. The PD program should be completed by an internally decided due date (say 30 November of the preceding year).
- c. The PD Staff of the firm should be responsible for ensuring that copies of the PD program are sent to the Partners.

CHAPTER 5

MANAGEMENT MATTERS

5.01 Organization Structure and Responsibilities

5.01.01 Firms should formally structure the hierarchies in the organization. This would lay down clear roles and responsibilities of people involved at each level and would also provide a clear path for individual growth and advancement.

5.01.02 The organization structure may be based on service lines for a fairly large firm. A partner may be designated as the Service Line Head for each area of services offered by the firm. A typical organization structure for a firm may include following service lines:

a. Audit Services

- Statutory Audit
- Internal Audit

b. Tax and Business Advisory Services

- Direct tax services
- Indirect tax services

c. Management consultancy services

5.01.03 Firms should define roles, responsibilities, etc. for each job title in the organization for respective service lines. For each individual job title following should be defined :

- a. Role
- b. Reports to
- c. Scope of authority
- d. Supervision exercised
- e. Scope of job (key areas of responsibility)
- f. Job specification
- g. Personality traits and skill set

5.01.04 As a part of human capital management [which is the most important asset for accountancy professional], firms should have policies on the following :

- a. **Careers-** the endeavor should be to create great opportunities in line with each individual's aspirations. Job Descriptions should be created across levels and service lines
- b. **Career path-** career paths should be drawn out to help individuals chart their own career growth.
- c. **Performance evaluation-** to ensure that merit is the only criteria for growth in the organization a performance evaluation process should be carried out each year.
- d. **Training-** training policy should be linked with the performance and career development objectives of individuals. Personnel should be empowered to take charge of their own professional development by requesting for a training programme.

5.01.05 Firms should lay down administrative policies with regard to the following:

- a. Dress code
- b. Working hours
- c. Public holidays
- d. Attendance
- e. Time reports
- f. Leave (Examination, medical and others)
- g. Use of mobile phones
- h. Business travel policy

5.01.06 Firms should have separate policies for terms and conditions relating to articleship, in conformity with ICAB guidelines, like tenure of articles, office timing, leave, etc.

5.02 Key Strategic Issues

5.02.01 Contact management

Firms should have formal systems in place for all contacts available within the organization, which would be necessary for business

development. The details that may be included in such a contact management system may include the following :

- a. Name, address, telephone/mobile/fax numbers, e-mail address and all other personal information that would be available of the contact
- b. Organization to which the contact belongs
- c. Whose contact
- d. Importance of contact- this may be categorized into A, B, C, D
- e. Industry to which the contact belongs

5.02.02 Best practices

Firms should consider having formal document of best practices to be followed by its professionals so as to instill confidence in its clients and portray a professional image. Few examples on best practices could be:

- a. Switching off mobile phones during client as well as internal meetings
- b. Distribution of presentation material at the end of the presentation so as to ensure focus of the audience on the presentation rather than on the material
- c. Policies for maintaining client related matters in public places
- d. Avoid displaying firms/clients documents/ files and other property in public places
- f. Client Service Teams may be formed for large clients with multiple service needs. Such client service team should be led by a relationship partner, the engagement partner and key members of the engagement team.

5.02.03 Knowledge Management

Knowledge management is a very potent practice development tool. Firms may consider the following for knowledge management:

- a. Assign responsibility to a designated person in the firm who would be in-charge of knowledge management
- b. A separate knowledge management section may be created with easy referencing facilities. This may be manually maintained or through separate software



- c. Depending on the size of the firm software support may be obtained to upload all the knowledge available in the organization which would also facilitate easy access to people. Software support would also enable easy search facilities thereby saving on time of professional staff
- d. Install processes to ensure that all the relevant updates and changes/amendments in subjects of professional interest are immediately available in the knowledge management
- e. Data in the knowledge management should be conveniently grouped. For example the following groups may be created in the knowledge management:
 - Counsels' opinion
 - Legal references
 - Technical Knowledge
 - Deliverables made by the firm
 - Standard drafts to notes, qualifications, etc
 - Web resources
 - Discussion forum
 - Frequently Asked Questions (FAQs)

5.03. Forms and Documents

5.03.01 Client listing

Each firm should maintain a listing of all engagements indicating for each engagement, the name of the manager or supervisor assigned to the engagement. This listing should be updated continuously as new clients are added, as clients are terminated, and manager or supervisor responsibilities are changed, so that, at all times, a current list of recurring engagements and related executive responsibility is available.

S.No.	Name of the Company/Audit Assignment	Registration Number	Date of Appointment	Date of Acceptance
1	2	3	4	5

Firms should also consider maintaining client register indicating separately the revenue earned from the different revenue streams from individual clients.

5.03.02 Time reports

The most important constraint for professional firms is time which is sold to clients. Therefore, firms should have a system of obtaining time reports from each professional staff, including the partners, at least on a fortnightly basis. There should be systems in place to compile all such time reports so as give the management of the firm, MIS with respect to job inventory for all ongoing jobs, time spent on completed jobs, etc. Such a system would enable the firm to plan its staff properly, analyze time cost on engagements and discuss for fee increase wherever required.

Such time report should also facilitate in identifying the nature of work done by article/audit trainee.

5.03.03 Further, firms should maintain following forms/registers as a matter of good office procedures and control over administration :

- a. Attendance register
- b. Staff leave form
- c. Staff leave cards/register
- d. Compensatory off forms
- e. Library catalogue
- f. Reimbursement claims of staff register/petty cash register
- g. Register for client wise out of pocket expenses for billing to them

5.04 Office Administration and Infrastructure

Office Administration

Firms should have an adequate office administration system in place which supports the staff in executing the various jobs and in maintaining the necessary records. The administration system should be designed in a manner to provide the member with the relevant information on a timely basis. Some of the key aspects of office administration are:

- a. Firms should have a procedure for record retention like the period for which the records are to be retained, how the records are stored, the security and fire protection measures and insurance coverage over damage/destruction of records.
- b. Firms should maintain records into different files classified into Permanent Audit Files and Current Audit Files. Permanent file should normally include those documents which are of continuing importance and all working papers related to current period audit should be placed in current audit file.
- c. All correspondence with clients by way of letters, emails, etc must be filed in a 'duplicate' file in chronological order.
- d. Current working paper and permanent files for each client should be separately maintained. Income tax related files must be maintained for the period prescribed under the statute. All files of clients should be maintained for a minimum period of ten years.
- e. The office should maintain a library containing books and all publications, such as technical and other publications, standards, guidance notes and the Code of Ethics. The library should also contain books relating to the core areas of practice. i.e. company law, taxation, auditing and accounting.

Office Infrastructure

Sufficient infrastructure facilities should be provided for efficient functioning of an office. Adequate infrastructure facilities are a prerequisite for quality service. Following are certain suggestions on office infrastructure facilities:

- a. The office premises should be of sufficient floor space to meet ICAB requirements. The reception area should be near the entrance with a proper reception desk. Separate work areas should be designated for visitors, staff workstations, cubical/cabins for managerial staff and partners, and filing area. There should be separate meeting rooms for small meetings and conference room for bigger meetings. The design and layout should provide for efficient movement of people and stimulus work environment besides providing a pleasing look to all.



- b. Desktop computer should be provided at each workstation and sufficient number of laptops should be kept for staff on move.
- c. Internet browsing facility should be provided in the office for keeping update on development and facilitating research. E-mail facility should be provided to staff with their own e-mail address.
- d. Secretarial support staff should be available for staff in general and partners and senior managerial personnel in particular.
- e. The stationery used like letterheads, envelopes, visiting cards, complimentary slips, client circulars etc. should be of common design and layout so that standard front is presented before all the people dealing with the firm.



CHAPTER 6

ENGAGEMENT PERFORMANCE MANAGEMENT

6.01 Staffing of engagements

- a. Depending upon the size and nature of the engagement a manager or supervisor should normally support the engagement partner and be responsible to the partner for significant aspects of the engagement.
- b. Irrespective of the seniority or previous record of the staff member to whom work is assigned, the engagement partner is not justified in relying absolutely on that person and must personally undertake the following:
 - i. review and approval of the terms of the engagement
 - ii. approval and signature of all reports and correspondence issued in relation to the engagement
 - iii. review and clearance of all matters raised by senior members of staff
 - iv. review and approval of financial statements and reports

6.02 Supervision and control

- 6.02.01 The work executed by each person should be reviewed by a person senior to the preparer to determine whether it is adequately performed and to evaluate whether the results are consistent with the conclusions to be presented in the auditor's report.

The responsibility for each audit should be given to a designated partner who utilizes appropriately qualified and experienced staff under his or her supervision to complete the various facets of the audit.

At each level of supervision, a critical review of the work done and the conclusions reached should be made by those participating in the audit. No engagement can be considered complete without this critical review.

To maintain the quality of work and reports:

- a. tests and procedures must be properly applied by competent persons;
- b. findings and conclusions must be based on an objective evaluation of all pertinent facts;
- c. factual statements and conclusions in reports must be documented and supported by information obtained or developed during the audit;
- d. detailed audit work and reporting procedures must conform with the standards set out by the firm; and
- e. a critical review must be performed at every level of supervision of the work done and the conclusions reached by those participating in the audit.

6.02.02 Firms should establish policies and procedures for the conduct and supervision of work at all organizational levels to provide reasonable assurance that the work performed meets the firm's standards of quality.

6.02.03 In determining the level(s) of supervision required for a particular engagement each firm should address the following :

- a. Complexity of the subject matter
- b. Qualifications of persons performing the work
- c. Extent of consultation available and used
- d. Degree of authority delegated to assistants on an engagement
- e. Performance of personnel assigned to an engagement, and
- f. Risk inherent in the engagement.

6.02.04 Direction and supervision

- a. Supervision is a continuous undertaking having a direct bearing on the quality of the work performed and the efficiency with which it is accomplished. All those in supervisory roles are expected to :
 - instruct assistants,
 - keep informed of significant problems encountered;

- review work delegated ;
- act as mediator when there are differences of opinion among firm personnel

b. Supervisory staff should instruct assistants on their responsibilities and on the objectives of the procedures they are to perform. Assistants should be cautioned not to commence work unless they understand their responsibilities and the objectives of the work assigned to them.

c. Work executed by assistants should be reviewed to determine whether it has been adequately performed and to evaluate whether the results are consistent with the conclusions to be presented in the audit report.

d. Sections of audit assignments should be delegated to staff members having appropriate qualifications and experience. All work performed by staff must be adequately supervised and reviewed. The audit engagement partner has the ultimate responsibility for the audit engagement.

e. The audit engagement manager is responsible to the engagement partner for all aspects of an audit allocated to him. Although the manager retains the overall responsibility, audit tasks will be delegated to other staff members, as will be responsibility for the control and completion of certain "on the job" aspects of the field work. The manager is responsible to the engagement partner for the planning, conduct, review and completion of the audit.

f. Where work is delegated to another staff member, the person who delegates the work is responsible for the supervision and satisfactory completion of the work delegated.

6.02.05 Work performed by assistants in computerized environment

Persons responsible for delegating audit work performed in a computerized environment should have sufficient knowledge of the systems, to either:

- a. direct, supervise and review the work of assistants with computers skills; or
- b. to obtain reasonable assurance that the work performed by experts with computer skills is adequate.

6.02.06 Budget and time analysis

For each audit engagement a budget and time analysis should be prepared. Ordinarily this analysis provides a summary of budgeted and actual hours incurred on each engagement, distributed by personnel and by work category (e.g. sundry debtors, inventories, etc.)

6.02.07 Client assistance

Each engagement should be planned so that client personnel are utilized to the maximum extent practicable and reasonable to prepare schedules, listings, and account analysis and to perform such clerical tasks as are appropriate. Care must be taken to ensure that documentation prepared by client personnel is clearly identifiable as such.

6.02.08 Review of audit documentation

- a. The review is more than a series of perfunctory questions as to the performance of particular procedures. It is a searching analysis of the facts developed in the courses of the engagement. It correlates the working papers with the financial statements, assesses whether adequate evidential matter has been obtained, and determines whether significant matters or problems have been properly considered and resolved.
- b. All working papers must be reviewed by a person senior to the preparer. An initial and date on the working paper by the reviewer is evidence of this review.
- c. Working papers prepared and conclusions reached by the engagement manager must be reviewed by the engagement partner.
- d. On engagements where a firm has referred work to another firm, review by the referring firm of the working papers prepared by the other firm should be done.

6.02.09 Manager or supervisor review

On each engagement to which a manager or supervisor has been assigned, the manager or supervisor reviews the working papers, financial statements, audit report, management letter and other data prepared by staff personnel. The extent of this review varies according to the problems and complexities of the engagement, the

condition of the financial statements, and the experience and competence of the staff personnel. As evidence of this review, the manager or supervisor should prepare necessary documentation or where in existence, completes and signs the appropriate section of the audit completion check list.

6.02.10 Review responsibilities

- a. The partner should conduct such review of the working papers, financial statements, audit report, management letter, and other data prepared, as is necessary to ascertain that all significant questions arising from the engagement have been resolved satisfactorily and that the engagement has been properly executed. The resolution of significant questions by the partner must be documented in the working papers by the partner.
- b. Before arriving at a decision concerning the issue of the audit report, it is necessary for the partner to undertake a sufficient review of the audit documentation to be satisfied that :
 - the work performed complies with the firm policies and procedures
 - the work performed is in accordance with the Bangladesh Standards on Auditing (BSA)
 - conclusions reached are properly documented in, and adequately supported by, the working papers.
- c. Depending on the size and nature of the audit assignment, an audit manager or audit supervisor should support the engagement partner and will be responsible to that engagement partner for all aspects of the audit from preliminary planning to the submission of financial statements for review. Also depending on the circumstances and the size of the office, certain aspects of this work may be carried out by the engagement partner.
- d. The audit manager (or supervisor undertaking the manager's role in a particular assignment) must responsibly and effectively carry out his/her obligations and, although the partner is entitled to expect this professionalism, he/she is not justified in relying absolutely on that person, irrespective of that person's seniority or previous record, and must undertake the enquires and review referred to in the following paragraphs.

e. The nature of the assignment and /or the size of the firm will determine the extent of the work undertaken by the engagement partner but, in any event, will include :

- participation in the planning of the audit
- approval of the audit plan and programs
- review all working papers prepared by the manager/supervisor
- review of the audit file for satisfactory evidence of completion and the testing of working papers to ensure the standard of preparation is satisfactory and there is adequate evidence of manager review
- review and clearance of all matters raised by the audit manager or supervisor
- following discussions with the manager/supervisor and senior, discussion of all contentious matters and problems with management
- review of financial statements
- approval and signature of management letters, reports and correspondence issued in relation to the audit.

When considering the extent of the engagement partner's review of the audit working papers, regard should be had to the degree of complexity of the engagement and the problems encountered, whether the client is new to the partner and/or to the firm and the relative involvement of the partner and the manager/supervisor.

f. Evidence of involvement

The working papers must clearly record the work undertaken by the engagement partner.

g. Location of review

- Wherever possible, the review by the engagement partner should be undertaken at the client's premises, not only to minimize interruption, but to involve the partner more closely with the client and to demonstrate this involvement.
- The partner's visits should coincide with completion of each stage of the filed work.
- It is the responsibility of the manager to ensure that suitable arrangements are made with the engagement partner for the reviews.

6.02.11 Timing of visit to audit clients

The timing of visits to audit clients will depend on the size of the client, the complexity of the problems and the closeness of contact between the partner and/or manager and the client. The following visits are likely to be required for major clients :

- a. pre-audit planing review
- b. interim audit review
- c. pre-balance sheet date meeting
- d. final audit review

Other visits may be necessary from time to time to meet with directors and management to discuss matters arising from the audit including the clearance of points raised in management letters.

6.02.12 Tax review procedures

All audit clients should be assigned a tax specialist who conducts a review of the tax accounts before the audit report is signed. The person assigned as tax specialist for this purpose should possess the skill, knowledge and experience necessary to carry out the review function effectively. Criteria to be used in the appointment of tax specialists are :

- a. size of client and degree of public involvement
- b. complexity of tax problems envisaged
- c. specialist client business knowledge required
- d. existing involvement with client including tax return preparation and / or tax planning
- e. availability to meet audit deadlines.

In some cases and particularly for audits of smaller entities, the engagement partner or manager may possess the skill, knowledge and experience to act as the tax specialist.

6.02.13 Report processing

Each audit report to be processed for release to a client should, be accompanied by an audit report processing checklist to monitor the partner authorization, typing, checking, reading, review and release of such report

6.02.14 Consultation

Policies and procedures for consultation should be established to provide reasonable assurance that personnel will seek assistance to the extent required, from persons having appropriate levels of knowledge, competence, judgement and authority. All partners and professional employees should be encouraged to discuss openly with one another any matter of professional concern and to seek the advice of others. In fact all professional personnel should be instructed to regard it as their duty to seek and obtain consultation whenever, in their judgement, such consultation is necessary to satisfy themselves that their proposed solution to a problem is proper.'

6.02.15 Each firm should take steps to achieve the following :

- a. Identify areas and specialized situations where consultation is required, and encourage personnel to consult with or use authoritative sources on other complex or unusual matters.

Situations or areas which ordinarily call for consultation should be decided based on the needs of their practices.

- b. An adequate reference library should be maintained to facilitate research. The library should be easily accessible to professional staff, and at the minimum, include copies of all applicable official pronouncements to which professional personnel are expected to adhere. Other reference material should include, as appropriate, information covering specialized industries in which the firm has one or more clients; accounting texts; auditing texts; tax services; periodicals; and news summaries.
- c. Designate specialists to serve as authoritative sources, and define their authority. Provision should also be made for resolving differences of opinion between engagement personnel and specialists.
 - The process by which an individual seeks consultation should be free of rigid procedures, which might discourage consultation or impede resolution of the matter for which consultation is sought.
 - Appropriate lines of communication should be maintained with other accounting firms, professional organizations, and private enterprise to deal with questions which the firm lacks the necessary resources to resolve.

- d. The documentation necessary for consultation in those areas and other specialized situations where consultations is required should be established by the firm.

6.02.16 Identification of situations where consultation is required

Situations or areas which ordinarily call for consultation are decided based upon the needs of the firm practices. The following situations will ordinarily require consultation:

- a. when it is proposed to issue a qualified audit report
- b. a continuing engagement with a history of recurring disagreements over major matters, or reporting issues
- c. a continuing engagement for a client involved in litigation in which it has been formally charged with issuing misleading or false financial statements
- d. an engagement for a new client in a industry or industries where the firm handling the account has no prior expertise.
- e. a new or existing client contemplating a public offering of one kind or another
- f. a special engagement for a third party to provide expert advice or to serve as an expert witness.

6.03 Performance and Evaluation

6.03.01 Evaluation guidelines

Firms should ensure that :

- a. the criteria to be considered in evaluating individual performance and expected proficiency are appropriate to the level of the individual being evaluated. Such criteria may include :
 - technical knowledge
 - analytical and judgmental abilities
 - communicative skills
 - leadership and training skills
 - client relations
 - personal attitude and professional bearing (character, intelligence, judgement and motivation)

- b. advancement policies and procedures are communicated to personnel
- c. personnel are instructed on the objectives of personnel evaluation
- d. suitable forms are used for evaluating the performance of personnel
- e. evaluations are reviewed with the individual being evaluated
- f. evaluations are reviewed by the evaluator's superior
- g. evaluations have been completed on a timely basis

6.03.02 Firms should periodically review the systems and related documentation of personnel evaluation and counseling to ascertain that :

- a. procedures for evaluation and documentation are being following on a timely basis
- b. requirements established for advancement are being achieved
- c. personnel decisions are consistent with evaluations
- d. appropriate recognition in advancement decisions is given to the quality of work performed
- e. recognition is given to outstanding performance
- f. individuals meeting stated criteria are assigned increased degrees of responsibility

6.03.03 Firms should have system of job evaluation of each member of the team at the end of each engagement and an annual performance review program.

6.03.04 The annual performance review program can be based on both self appraisal and then evaluation by the appraiser. Such evaluation should be fully discussed between the appraiser and appraise and well documented and signed off. In case of differences, the matter may be referred to the higher authority.

6.03.05 **Partner performance counseling**

- a. Of all the ways of improving a professional firm's success, partner performance counseling is one of the most powerful. Therefore performance review and evaluation should equally be applicable to the partners.

- b. Generally, reviews tend to focus overwhelmingly on the "look back" appraisal function (in order to serve as an input to reward decisions) and contain only a minimal "look ahead" counseling component. Such should not be the case. The performance counseling process can (and should) be designed to help partners, creating the opportunity for them to :

- Reflect on and learn from the past year's accomplishments
- Receive constructive feedback, positive or negative
- Receive personalized advice on how best to advance their career
- Receive guidance in setting realistic but stretching personal goals for "growing their asset" and making a contribution to the firm

- c. Following processes may be designed to accomplish the above goals.

- Specifying performance criteria- the key performance indicators could include the following six categories :

- Profitability of work supervised
- Client satisfaction on work supervised
- Coaching on work supervised
- Contributions to practice development
- Contributions to the success of others
- Personal growth (career strategy)

- Designing the counseling process- for self evaluation, the process should begin with the firm sending to each partner the quantitative information it keeps on partner performance (preferably including financial and non-financial scorecards) with a request to prepare a self evaluation of his accomplishments for the year.

- Implementing the process - at this stage the partner should meet with the counselor. In a small firm, all partners could be counseled by a single compensation committee chosen for the purpose. In larger firms, the counseling must be done by practice leaders - those in charge of a discipline, an office, or a practice area.

6.03.06 If the firm uses a structured form for counseling sessions (in general, a good idea), it can be productive to include a section which rates not only accomplishments but specific skills. For example, the form could include the following skills:

- a. Communications skills (ability to express thoughts in a logical, fluent, and concise manner)
- b. Counseling skills (tact, the ability to explain, to persuade others in a non confrontative style, see the other person's point of view, keeping client informed, listening well, etc.).
- c. Creativity and innovativeness
- d. Planning and organization (ability to get things done)
- e. Leadership (motivation of subordinates, effectiveness in delegation)
- f. Cooperativeness and team play
- g. Drive, self- motivation

6.03.07 An overall evaluation category should be included on the form. This is a reasonable expectation for a partner to have and is needed to ensure that on misperceptions remain about what the performance review implies for the remainder of the compensation setting process. It should serve to reduce (but never eliminate) the number of "surprises". (Great performance review, no compensation increase!)

CHAPTER 7

CLIENT RELATIONSHIP MANAGEMENT

7.01 Delivering Quality Service


7.01.01 We are in the profession of providing services. However, you need to distinguish between quality of work and quality of service. Quality work doesn't mean quality service. It is important to note that while goods are consumed, services are experienced. Firms should be as much in the business of managing the client's experience with respect to professional services as in the business of executing technical tasks.

7.01.02 When dealing with clients following conditions should be borne in mind and followed:

- a. Ask intelligent questions about symptoms, try to come up with an informed guess as to the scope of the problem. Do not say, "Leave it with us and we'll get back to you."
- b. Do not make them feel as if their problem was just one more job to be done, instead convey the impression that you consider them to be a valuable client.
- c. Deal with them with an appropriate mix of respect and friendliness
- d. When complications arise, make strenuous efforts to contact them, inform them of developments, and involve them in the decision as to what to do next.
- e. Provide advice as to how to prevent recurrence of the problem, or to avert other potential problem detected in the course of the problem solving


7.01.03 It is necessary to service not only the problem through proper solution, but also the client. Indeed, it may be more important to excel at servicing the client.

7.01.04 In choosing professionals, the clients may pay more attention to the quality of service received than the quality of work performed- which, of course, is not the same thing. Clients know that any



number of professionals can fix the problem, and rather than seek out the most highly qualified (and probably most highly priced) professional in town, these intelligent clients will appraise providers along a number of dimensions, including responsiveness, attitude, and other non-technical "service" criteria. The client may think that the service provider did a good technical job at dealing with the professional matter, whereas he/she is not an expert. However, with the unfolding of time he/she will learn more as his/her legal contracts do or do not result in problems, as his/her tax arrangements do or do result in financial benefit, as his/her merger attempts are successful, and so on.

- 7.01.05 The question a client generally asks himself is how do I appraise my service provider? And the firms should always be available to provide an answer. Most clients come to focus more heavily on the quality of service than on the quality of work. Therefore, the personal relationship between the client and the firms takes on great significance. When the client finds a firm whom he trusts, in whom he can have confidence, and who provides him with peace of mind and reassurance, the client will tend to remain with that firm. Indeed, on most technical or professional matters outside his area of expertise, the client is as much shopping for trust, confidence, peace of mind, and reassurance as he is for "cold" technical expertise.
- 7.01.06 If the client perceives service at a certain level but expected something more (or different), then he or she will be dissatisfied. Firms should manage not only the substance of what they do for clients but also to manage clients' expectations and perceptions. A pleased client is easier to keep pleased than one who is in a state of annoyance and impatience.
- 7.01.07 Firm should adept at projecting a caring image and back the image up with a substantive reality. This will do well in the marketplace. Clients are almost by definition in a state of anxiety and nervousness: They need to be confident that they are in good hands.
- 7.01.08 Client expectations should also be managed by vigorous efforts at keeping the client informed as to developments, progress, and discretionary decisions. The professional must discover each client's style preferences and work to communicate the appropriate attitude.
- 7.01.09 The importance of client service should be well understood by professional firm. Firms should acknowledge the critical distinction



between technical quality (how good is the work?) and service quality (what kind of experience does the client have with the firm?) All firms should acknowledge the importance of service quality in determining client satisfaction.

7.02 Practice Development - Existing Clients

- 7.02.01 By staying within the regulatory boundaries of ICAB with regard to soliciting businesses, firms can look for additional business opportunities. The existing clients represent the most probable (and often the most profitable) source of new business.
- 7.02.02 Firms should always try to bring in new type of work which would give the firm the opportunity to stretch and build its skills. It is in the existing client base that firms are most likely to find the opportunity to conduct the type of work that not only contributes to the bottom line, but adds to its capability to earn more (and higher) fees in the future: to make a contribution to the firm's intellectual capital, and not just exploit its existing capabilities.

7.03 Obtaining Client Feedback

- 7.03.01 Firms should listen to clients regularly, and obtain feedback on services. Listening-soliciting clients' evaluation of current services and getting them to describe their unfulfilled needs-has two interrelated purposes: one, improving the competitiveness of current services and two, identifying opportunities to develop new services.
- 7.03.02 Some of the ways in which the client feedback could be obtained are:
- a. **Meeting with clients-** This is the most common form of listening to clients. The virtues of this practice include not only quality assurance but also the opportunity to converse on longer-term issues.
 - b. **Engagement team debriefings-** At the end of each engagement, the engagement leader should sit down with the client to obtain the client's feedback on what went well, what less well, and how the engagement might have been improved. These conversations, are often the source not only of good ideas for improvement, but often highlight additional unresolved issues that represent immediate new business for the firm.



- c. **Systematic client feedback** - The firm may adopt a mandatory policy of sending a questionnaire to key identified clients at the end of each engagement or say once a year, inviting client to evaluate the firm. The questionnaire is an institutional mechanism and helps accomplish the goal of firm wide quality assurance as well as providing a means for the firm to systematically track its quality performance, watching for trends, and hence opportunities of improvements.



APPENDIX 1

**AFFIRMATION OF SECRECY
(SPECIMEN LETTER)**

To (Partner)

[Firm address]

I hereby declare that I will treat as confidential, information regarding the affairs of the firm of its clients which, I become aware of in the course of my employment and professional duties and that:

- (a) I acknowledge that I have read and fully understood the policy statements of the firm relating to confidentiality;
- (b) I know compliance is mandatory and is a condition of continued service with _____ <<name of the firm>> ; and
- (c) I agree to abide by the policy statements in all respects.

Name: _____ Title: _____

Signed: _____ Date: _____

Witnessed: _____

Note: Any breach of the rules relating to confidentiality would, in the firm's view, be a breach of confidence, and make the member of the staff liable to instant dismissal (and loss of discretionary benefits available on leaving the employment of the firm).



APPENDIX 2

CLIENT ACCEPTANCE FORM - SUMMARY

Name of Prospective Client : _____
Locations(s) : _____
Nature of business : _____
Structure of Business : Bank/Insurance _____ Financial Institution
Non-profit _____ Publicly Listed _____
Public Sector _____ Privately Held _____
Beneficial/ Ultimate Owners: _____
Members of Governing Body: _____
Present/Former Accountants: _____

Table with 4 columns: Questions, yes, no, Comment. Contains 6 numbered questions regarding client acceptance criteria.



prospective client's accounting records or internal controls are of such a condition as to make the financial statements either not auditable or require services beyond those contemplated by the fee arrangements (not applicable to review and compilation services) ?

- 7 Is there any reason, based upon discussion with the previous auditor that the engagement should not be accepted?
8 Is there any other reason to questions acceptance of the prospective client?

A 'Yes' response to any of the above question precludes acceptance of the client until the conditions indicated by the yes response are cured. The Managing Partner of the firm concerned or the Partnership must approve the acceptance of any client that generated a yes response to any of the above questions.

Signature of person responsible for form preparation _____ Date _____

Partner's Approval _____ Date _____

The Client Acceptance Form Summary should be completed prior to submission of a proposal to a prospective client. Necessary approvals may be verbal, but are required to be followed up with a completed form as soon as possible (no later than commencement of preliminary planning procedures).

Other client Acceptance Forms :

Previous Auditors (Appendix 3) [Check if used]
Background Information (Appendix 4)



APPENDIX 3

CLIENT ACCEPTANCE FORM - PREVIOUS AUDITORS

ATTACH CORRESPONDENCE WITH PREVIOUS AUDITORS TO THIS FORM

Inquire of the prospective client as to:

1. The name and address of the previous or other auditor, including the name of the engagement partner:

2. The services rendered by the other auditors. How long have they been associated with the prospective client?

3. Any unpaid fees to the previous auditors?
Yes _____ No _____
Explain a yes answer. Indicate amount and reason:

4. The reason for changing auditors:

5. Any disagreements with the previous auditors as to accounting principles, auditing procedures, disclosure, reporting, or other significant matters?

Title and name of individual with whom discussed _____

Date: _____

Discuss with the previous auditors:

1. Their understanding of the reasons for change in auditors.
2. Disagreements with management as to accounting principles, auditing procedures, disclosure, reporting, or other similar significant matters.



Explain any differences between management's and the previous auditor's response to these inquiries:

3. Any facts and situations that might question the integrity of management.

4. Whether or not their response is in any way limited. If so, explain:

5. Whether or not we will be given unrestricted access to their work papers. If not, explain:

6. In situations where the previous auditor was engaged to perform compilation or review services, did the prospective client cooperate in providing any necessary additional or revised information requests?

7. Whether they know of any reason why we should not accept the engagement? If yes, explain:

Based on the specific facts and circumstances, consider whether additional inquiries will assist in determining whether to accept the engagement. Describe any such additional inquiries and the responses.

Title and name of individual with whom discussed _____

Date: _____

APPENDIX 4

CLIENT ACCEPTANCE FORM - BACKGROUND INFORMATION

1. **Type of Engagement** **Estimated fee**

_____ Audit from	To	_____
_____ Review of financial statements		_____
_____ Compilation of financial statements		_____
_____ Prospective financial statements		_____
_____ Others- describe		_____
_____		_____
_____		_____
_____		_____

yes _____ no _____

2. Does the engagement involve work in connection with the raising of funds (debt or equity) ?

If yes describe: _____

3. If the engagement does not involve the raising of funds, what is your understanding of the prospective client's need for the proposed services ?

 (Example: requirement of prospective client's banker).

4. Describe the nature and size of the business:

5. Identify and obtain the following information regarding key management, owners and directors:

Name	Ownership %	Title or position	Other Company Affiliations
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

6. Identify the following How long
Associated

a) Lawyers _____

b) Bankers _____

c) Previous auditors (if any)

d) Underwriters (if any)

7. Consider the need to conduct a search using the various data banks and/or industry publications, etc, to identify and review matters that may have a bearing on the acceptance of the prospective client (i.e. recent or pending litigation, tax examinations and, if applicable, complaints or other enforcement proceedings.)
 Attach a copy of each search conducted.

Information obtained and attached.

Indicate information obtained from the above searches that may have a negative bearing on the acceptance of the proposed engagement:

8. Obtain and review the following financial information to the extent applicable.

	Reviewed	attached
a) Annual financial statements to the extent available		
● Audited	_____	_____
● Reviewed	_____	_____
● Other (describe)	_____	_____

- b) Most current interim financial statements _____
- c) Tax returns _____
- d) Most current regulatory filings: _____
 - i Director's Report _____
 - ii Stock Exchange Filings _____
 - iii Others (describe) _____
- e) _____
- f) _____

If we have reviewed the information noted above a copy should be attached to this form. In those circumstances where we are unable to obtain a copy, significant information should be excerpted.

9. How and by whom were we contacted or approached concerning the prospective client?
Describe: _____
10. Do we have the requisite expertise to properly service the client?
Yes _____ No _____
- a) If yes, indicate the names of other related clients in the same industry serviced by the firm.

 - b) If the response to 10 (a) above is no, indicate the partner who has the experience, where the experience was obtained and on what clients.

 - c) If the responses to 10 (a) and 10 (b) above were no, explain other arrangements to obtain sufficient knowledge.

11. a) Are you aware of any accounting or law firm declining to service the prospective client?

Yes _____ No _____

Explain a yes answer: _____

12. Is the prospective client part of a group of related entities or subject to significant related party transactions of affiliations?

Yes _____ No _____

If yes, attach explanatory data discussing the entities and relationships involved, the participation of other auditors, etc.

13. Are we being asked to re-audit or review any periods reported on by other auditors?

Yes _____ No _____

Explain a yes answer: _____

14. Are there any unusual or special considerations relating to accounting principles, auditing procedures, reporting, presentation or disclosure, regulatory matters, or tax matters?

Yes _____ No _____

Explain a yes answer to any of the above: _____

15. Are we being asked to provide litigation support services?

Yes _____ No _____

If yes, provide information regarding the nature of the proposed services, our past relationship with the client and if a new client, how we were contacted by the prospective client.

APPENDIX 5

PERSONAL RECORD OF CPE ACTIVITIES

PERIOD: _____ NAME: _____
 OFFICE: _____

Date	Description Title of Course / activities	Hours										Total
		1	2	3	4	5	6	7	8	9	10	
	Total											

APPENDIX 6

SUGGESTED TIME SHEET

Name of Client: Name of Staff Member/Student:

Time sheet period ended Date:	BUDGET	Sat	Sun	Mon	Tue	Wed	Thu	Sat	Sun	Mon	Tue	Wed	Thu	Total	B/F	C/F
PLANNING & ADMINISTRATION																
Planning																
UNDERSTANDING OF SYSTEM																
Payments																
Production																
Revenue																
EVALUATION OF SYSTEM																
Financial controls																
Payments																
Production																
Revenue																
VOUCHING TESTS																
Preparing/updating																
Completing - Payments																
- Production																
- Revenue																
VALIDATION PROCEDURES																
Capital & reserves																
Liabilities																
Taxation																
Fixed assets																
Investments																
Stock and W.I.P.																
Debtors and prepayments																
Bank balances and cash																
Profit and loss account																
MANAGEMENT LETTER																
Interim																
Final																
OTHER (specify)																
GRAND TOTAL																



Appendix 7

LIST OF DOCUMENTS / SCHEDULES TO BE COLLECTED FOR AUDIT PURPOSES

Name of Company: _____ Date of Accounts: _____ Deadline (if any): _____ Initial: _____

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		Date Received	Date Audited	Remarks
1.0	Memorandum And Articles of Association			
2.0	List Of Bank Accounts And Signatories			
3.0	Following Manuals/Guidelines: (Both International/Global And Local)			
	3.1 Finance			
	3.2 Accounting			
	3.3 Operational			
	3.4 Inventory And Fixed Assets			
	3.5 Personnel			
4.0	Chart Of Accounts			
5.0	List Of Books Of Accounts			
6.0	All Agreements For			
	6.1 Leases			
	6.2 Operations			
	6.3 Distributions			
7.0	Income Tax/ VAT Registration Certificates, Trade License, Import Registration certificate			
8.0	Return of Allotment Submitted to the Registrar of Joint Stock Companies			
9.0	Previous audited financial statements			
10.0	Audit report and management letter of the previous auditor			

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		Date Received	Date Audited	Remarks
01.	Copy or photocopies of minutes.			
02.	Detailed list of shareholders			
03.	Detailed list of dividends paid			
04.	Analysis showing movements of reserves (capital and revenue).			
05.	Details of debentures and loans owing by the company, showing securities held, rates of interests, number of installments repayable, and amounts payable within one year and amounts payable after one year.			
06.	Detailed list of creditors ledger balances.			
07.	Reconciliations of large trade creditors, and principals' accounts if not agreed with suppliers' statements.			
08.	Detailed list of bills payable – itemized bills.			
09.	Summary of trade creditors and bills payable.			
10.	Detailed list of accrued expenses.			
11.	Detailed list of provisions for sales and other commissions payable.			
12.	Leave pay and passage provision calculations.			
13.	Analysis showing movements of other provisions.			
14.	Detailed lists of sundry accounts and other credit balances, e.g. advertising, suspense.			
15.	Summary of non-trade creditors, provisions and accrued liabilities.			
16.	Statement of staff retirement benefits, reconciling the opening balance with the closing balance and detailed list of amounts for each employee supporting the closing balance. Please also supply details of amounts paid.			
17.	Detailed list of contingent liabilities.			
18.	Detailed list of capital expenditure contracted for but not provided for in the accounts.			



	Date Received	Date Audited	Remarks
19. A statement of income tax liabilities reconciling the opening balance with the closing balance, and showing separately the different years of assessment and types of taxation.			
20. Income tax computation based on the profits of the year.			
21. For taxation purposes, analysis are required for the following expenses accounts:			
(a) Repairs, renewals and maintenance			
(b) General or sundry expenses			
(c) Donations			
(d) Legal expenses (indicate nature)			
(e) Interest paid and received			
(f) Property expenses			
(g) Traveling expenses (overseas only) (indicate purpose of travel)			
(h) Wear and tear allowances and balancing charge or allowances calculation.			
22. Summary of fixed assets having columns for:			
(a) Cost at the beginning of the financial year			
(b) Additions during the year			
(c) Disposals during the year			
(d) Cost at the end of the financial year			
(e) Accumulated depreciation at the beginning of the financial year			
(f) Depreciation charge for the year			
(g) Depreciation written back on disposal			
(h) Accumulated depreciation at the end of the financial year			
(i) Net book value at the end of the previous financial year.			
(j) Net book value at the end of the current financial year.			

	Date Received	Date Audited	Remarks
23. Detailed list of additions of fixed assets			
24. Detailed list of assets sold or written off, having columns showing the cost, accumulated depreciation, net book value, proceeds of sale and profit or loss.			
25. A list of motor vehicles at year end showing make of vehicle, registration number and cost.			
26. Summary of group company balances showing separately amounts owing to and by other group companies. Written confirmation of balances should be obtained.			
27. Detailed list of investments showing movements during the year, in units and amounts, and the market value of each investment at the end of the year. Classify the investments under shares quoted locally, shares quoted elsewhere, unquoted shares and other investments.			
28. Detailed list of dividends received which should be classified as in 27 above. Show separately dividends received from and tax deducted at source.			
29. Copy of stocktaking instructions.			
30. Detailed list of stocks in hand (and on consignment, if applicable).			
31. Detailed list of stocks in transit.			
32. Detailed list of work in progress.			
33. Schedule showing how provision for slow-moving and obsolete stocks is calculated.			
34. Summary of stocks and work in progress.			
35. Detailed list of debtors ledger balance showing age of debts.			
36. Detailed list of bill receivable – itemized bills.			
37. List of bad and doubtful debts, if any.			
38. Detailed list of debts written off and recovered during the year, if any.			
39. Schedule showing how the provision for doubtful debts is calculated reconciling between opening and closing balances.			



AUDIT PROGRAMME FOR LIMITED COMPANIES

Note: This is intended only as a guide and must be amended if necessary in a particular case. Additional work needed for a particular client should be added at the bottom of the relevant section.

CLIENT:.....

YEAR END:

GENERAL MATTERS

SIGNATURE

1. Review correspondence file to date, prior to commencement of audit, and discuss with Audit Manager any problems arising.

2. Review prior period's Management Letter on internal control and comment on disposition of matters included therein.

3. Arrange for preparation of working papers by client's staff, to the extent practicable.

4. Discuss time budget with Manager prior to commencing audit.

5. Obtain and review copies of Minutes of all Meetings of Shareholders, Directors and Committees of Directors. Compare with original Minutes and see that these are properly signed. (Above should include the Minutes of all Meetings held up to the time of the end of the audit).

6. Update Balance Sheet and operating ratios in Permanent File. Note explanations of material differences with prior period and investigate explanations to see that they are reasonable.

7. Review important transactions since Balance Sheet date to completion of field work and enquire of responsible officials as to any materials changes in the financial position of the Company.

8. If, as a result of your work, you have any suggestions for revising subsequent programmes, prepare a memorandum setting out your suggestions in reasonable detail.

	Date Received	Date Audited	Remarks
40. Summary of trade debtors less provision for doubtful debts. 41. Detailed list of prepaid expenses. 42. Detailed list of staff loans and advances, duly confirmed. 43. Detailed list of staff traveling advances, duly confirmed. 44. Detailed list of deposits, e.g. Public Utility deposits. 45. Detailed analysis of any other debit balances. 46. Summary of non-trade debtors, deposits and prepayments. 47. Bank reconciliations statements 48. Summary of cash at bank and in hand. 49. Summary of overdrafts and details of securities, if any. 50. Certificate of cash in hand. 51. List of insurance covers. 52. Summary of directors emolument. (Note: To include all benefits in kind, e.g. use of company's car. Where it is a holding company, the emolument paid by subsidiaries to directors of parent company have to be given as well). 53. Details of rent paid for land and buildings and hire of plant. 54. Trial balance at financial year end. 55. Draft accounts with summary of expenses and explanations of fluctuations of expenses and income. 56. Letter of representation (specimen to be given to the company). 57. Others: (a) (b) (c)			



ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>Share Capital</p> <ol style="list-style-type: none"> 1. Agree authorized share capital with Memorandum and Articles. 2. Schedule or summarise authorized and issued share capital. If client's schedule, test extraction of balances from Register of Members. Or obtain external Registrar's certificate as to capital in issue. 3. Where there has been any change in authorized or issued share capital during year, prepare reconciliation and vouch with Minutes, Prospectus, etc. 4. Agreed Directors' holdings with Register and check qualification with Memorandum and/or Minutes. 5. Check calculations of dividends and agree with Minutes. <p>Reserves</p> <ol style="list-style-type: none"> 1. Schedule and transfer details of movements to Permanent File. 2. Vouch appropriations with Minutes. <p>Loans, Mortgages, Notes and Debentures</p> <ol style="list-style-type: none"> 1. Schedule and reconcile with previous year, vouching movements. 2. Examine Trust Deeds, etc. and ensure terms observed. 3. Agree interest paid in total. 4. Obtain confirmation of balances direct from loan creditors, with details of security held, if any. <p>Trade Creditors</p> <ol style="list-style-type: none"> 1. Test extraction of closing balances, ensuring that balance is identifiable, payments appear regular, discount is taken, etc. 2. Examine cash book and purchase invoices for (at least) first month of new year to check that all creditors included. 		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<ol style="list-style-type: none"> 3. Verify debit balances by examining the relevant documents making up balance. Discuss the recoverability with a responsible official. 4. Where there is no purchase ledger, obtain schedule of invoices supporting balance on control account and vouch with suppliers statements or invoices. 5. Consider circularizing trade creditors. This must be discussed and agreed with manager and client prior to commencement. (It is usually more satisfactory if the supplier is requested to send a copy of his statement direct to us). 6. Compare list of trade creditors with previous year's list and enquire into material balances appearing in the previous year's list and not appearing on the current year's and vice versa. <p>Accrued Charges</p> <ol style="list-style-type: none"> 1. Schedule showing: <ol style="list-style-type: none"> (i) How each material amount is arrived at. (ii) How each such amount was verified. 2. Compare with previous year and account (in broad terms) for fluctuations. 3. Examine overheads charged in the accounts to ensure that proper accruals are made. 4. Examine cash book and purchase invoices for (at least) first month of new year. 5. Ensure all liabilities under standing agreements included (e.g. commissions, etc.) <p>Provisions</p> <p>Schedule, explaining basis and ensuring provisions adequate and consistent.</p> <p>Bills Payable.</p> <p>Obtain schedule and vouch with bill book. For bills paid since year end, inspect cancelled bills.</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>Inter-Company Balances</p> <p>Agree by inspection or written confirmation. Reconcile, where necessary.</p> <p>Hire Purchase Liabilities</p> <ol style="list-style-type: none"> 1. Examine H.P. Agreements, if any. 2. Obtain schedule showing balances outstanding at year end and payments made during year, each split between capital and interest and check. <p>Commitments and Contingent Liabilities</p> <ol style="list-style-type: none"> 1. Review legal fees for the period for indication of possible material contingent liabilities. 2. Consider requesting letter from Company's legal advisers to cover:- <ol style="list-style-type: none"> (a) Matters being handled at balance sheet date, together with any undertaken since, showing in respect of each:- (i) Description. (ii) Present status. (iii) Their opinion as to probable ultimate liability. (b) Amount of fees not yet billed as at balance sheet date. 3. Discuss with responsible company official the amount of commitments and contingent liabilities, if any, with respect to such matters as: <ol style="list-style-type: none"> (a) Commitments <ol style="list-style-type: none"> (i) Unfilled purchase commitments in excess of normal requirements or at prices materially in excess of prevailing market prices. (ii) Sale contracts at prices materially below current sales prices or stock valuation. (iii) Capital commitments:- (a) Authorised by Directors, not contracted for. (b) Authorised and contracted for. (iv) Material lease commitments. (v) Mergers or acquisitions pending. (vi) Commodity future contracts. 		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>(vii) Stock re-purchase agreements. (viii) Others.</p> <p>(b) Contingent Liabilities (i) Law suits in progress or pending (ii) Additional taxes. (iii) Sales subject to re-negotiation (iv) Discounted debtors, with recourse. (v) Endorsements and guarantees.</p> <p>(vi) Others.</p> <p>4. Conclude whether any of the above should be disclosed in the accounts.</p> <p>Land and Buildings</p> <ol style="list-style-type: none"> 1. Inspect title deeds or land certificates and/or entry in land register. Writer to solicitor holding any of the deeds and enquire whether they are subject to any charge. 2. Obtain schedule reconciling opening and closing figures. 3. Vouch major additions and sales with completion statements, architects certificates, minutes etc. 4. Depreciation check:- (a) Rate and Basis reasonable and consistent. (b) Calculations. <p>Plant, Machinery and Motor Vehicles</p> <ol style="list-style-type: none"> 1. Obtain schedule reconciling opening and closing figures. 2. Vouch major additions and sales with invoices, minutes, wages and stores records etc. 3. Test postings to plant register, (if any) 4. Agree profit or loss on disposals and ensure that cost and depreciation are removed from the books. 5. Plant register. <ol style="list-style-type: none"> (a) Agree balances with ledger accounts. (b) Check that client checks existence of assets periodically. 		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>6. If plant register not kept, include copy of additions, etc. on Permanent File and ask client to consider dangers (e.g. fire).</p> <p>7. Examine physically sample of plant and consider general condition.</p> <p>8. Examine motor vehicle log books, vehicle registration documents, and Insurance policy.</p> <p>9. Depreciation check:-(a) Rate and basis reasonable and consistent.(b) Calculations</p>		
<p>Loose Tools etc. (Items dealt with on a valuation basis)</p> <p>1 Obtain schedule showing valuation and compare with costs and current replacement prices and consider any changes in the volume of trade that may affect the total of loose tools.</p> <p>2. Confirm that valuation is supported by periodic physical checks.</p>		
<p>Idle Fixed Assets</p> <p>1. Ascertain whether idle Fixed assets, if material, are depreciated under a separate heading from the operative Fixed Assets.</p>		
<p>Fixed Assets Inventory</p> <p>1. Ascertain from management whether a fixed assets register is maintained.</p> <p>2. If so, confirm whether a physical inventory is carried out at the end of the year.</p> <p>3. Record results of such inventory on our working papers.</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>Investments</p> <p>1. Obtain schedule reconciling opening and closing book values, showing purchases, sales, repayments of capital etc. split between listed and unlisted.</p> <p>2. Vouch purchases and sales with contract notes, correspondence etc.</p> <p>3. Inspect certificates for all investments held at year end and ensure that all bonus and rights issues are properly recorded.</p> <p>4. Check market value of listed investments with Stock Exchange prices.</p> <p>5. Verify that company has received all income due to it in the year:- (a) Fixed interest securities-check calculations. (b) Listed equities-from Stock Exchange lists. (c) unlisted equities - audited Accounts.</p> <p>6. Consider Directors' valuation of unlisted investments (in relation to share of net assets, share of earnings and dividends received).</p> <p>7. If there has been a substantial fall in value of company's investments between Balance Sheet date and date of audit, this must be noted on the working papers.</p>		
<p>Stocks</p> <p>Existence</p> <p>1. Examine client's stocktaking instructions.</p> <p>2. Rough stock sheets. Check that: (a) These are signed. (b) These are numbered consecutively or that issue and collection of sheets properly controlled.</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>3. (a) Test final stock sheets with rough sheets (checking both ways).</p> <p>(b) Check quantities, descriptions and units of measurement of items which were test-counted during our observation to the final inventory listing.</p> <p>(c) Check that all unused and voided count sheets, as listed during our observation, are not included with quantities on the final inventory listing.</p> <p>(d) Compare quantities, on the final inventory listing with the perpetual inventory records.</p> <p>4. Obtain certificates from third parties for stock held by them.</p> <p>5. Verify that quantities of stock are reasonable in relation to storage capacity, turnover and to insurance value.</p> <p>6. Scrutinize stock sheets to ensure that non-stock items are not included, in particular plant, loose tools and stock belonging to third parties.</p> <p>7. Perpetual Records.</p> <p>(a) Test entries on perpetual records to and from production reports, receiving reports, requisitions, shipping orders, physical count records etc.</p> <p>(b) Test arithmetical accuracy of perpetual records.</p> <p>(c) Scrutinize perpetual records for slow moving and obsolete items.</p> <p>(d) If the final inventory listing is to be prepared from perpetual records which are checked throughout the year by physical counts:-</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>(i) Observe the taking of the physical counts on one or more occasions during the year.</p> <p>(ii) Ascertain that all material items have been counted at least once during the year.</p> <p>(iii) Check test counts to the perpetual records and ascertain that the perpetual records have been adjusted to the physical counts after giving proper recognition to cut off.</p> <p>(vi) Ascertain the relative number and size of count adjustments to the perpetual records.</p> <p>(v) At a time near the Balance Sheet date, select various items from the perpetual records and compare with the items actually on hand. Also select other items on hand and compare to the perpetual records.</p> <p>(vi) Ascertain that a proper posting cut off to the perpetual records was made at the time of final inventory listing.</p> <p>8. Clerical accuracy of inventory listing.</p> <p>(a) Test extensions, casts.</p> <p>(b) Test totals to summaries.</p> <p>(c) Review to see that items seem reasonable (i.e. units valued instead of cases, etc.</p> <p><i>Value</i></p> <p>1. Test value used in stock sheets with suppliers' invoices and/or cost records.</p> <p>2. Compare costs used for valuation with previous year.</p> <p>3. Compare valuation with subsequent selling prices.</p> <p>4. Ensure that obsolete and slow moving stock is not over valued. To trace obsolete stock (where practicable):-</p> <p>(a) Compare stock sheets with previous year.</p> <p>(b) Examine stock or bin cards.</p> <p>(c) Discuss with storekeepers.</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>5. Value of work in progress and manufactured finished goods.</p> <p>A detailed audit programme should be prepared in this context to suit the client's system.</p> <p>This must include:</p> <p>(a) Review of costing system, ascertaining the reasonable lenses of the composition of factory overheads, including a review of the equitableness of the bases for its distribution over the departments, products and jobs.</p> <p>(b) In respect of standard costs - compare standard costs with actual costs. Test computations and overhead allocations on the standard cost sheets. Determine reasonable lenses of treatment of variances (i.e. inclusion or non-inclusion in valuation etc.)</p> <p>Purchases and Sales</p> <p>1. It is necessary to ensure that:</p> <p>(a) Goods included in purchases before year end are in stock or sales and those in purchases after are not.</p> <p>(b) Goods received (per goods received book) before year end are in purchases and stock and those after are not.</p> <p>(c) Goods in sales before year end are not in stock and those in sales after are.</p> <p>(d) Goods dispatched (per goods outwards book) before year end are in sales and those dispatched after are in stock and not in sales. In order to ensure that these conditions are satisfied, examine the transactions for a few days on each side of the Balance Sheet date.</p> <p>2. Where the goods which the company manufactures or deals in can be quantifiably reconciled, (e. g. lbs of tobacco, tons of steel), reconciliations of opening stock, quantity purchased or manufactured, sales and closing stock, should be prepared. (Speak to Manager before performing this check).</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>General</p> <p>1. Prepare summary of stock showing how balance sheet figure is comprised distinguishing between raw materials, work in progress and finished stock. The schedule must also show how each stock is valued, "cost" being defined, and how each item has been verified, including provisions, if any.</p> <p>2. Obtain stock certificate.</p> <p>3. Ensure that provision is made for losses on uncompleted or forward contracts and that where profit is taken on long term contracts this is justified in the light of subsequent events.</p> <p>4. Where stock is certified by a professional valuer, obtain certificate stating the basis upon which valuation has been done.</p> <p>Trade Debtors</p> <p>1. Test extraction of sales ledger balances. (Note promptness of payments, composition and age of balances etc.)</p> <p>2. Check that company keeps control accounts and examine agreement of one other than at year end.</p> <p>3. Agree control account, checking entries for last month.</p> <p>4. Verify that provisions for doubtful debts, discounts, rebates, claims etc. are appropriate. Pay particular attention to items noted under 1 above.</p> <p>5. Obtain client's ageing schedule, summarise and compare with previous year. Discuss the collectability of major old debts with a responsible official.</p> <p>6. Select a number (specify) of items for which cash has been posted as received after date and check to cash book and paying in book.</p> <p>7. Select a number of bad debts written off and examine authority.</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>8. Scrutinize discount allowed and vouch unusual items. Vouch authority.</p> <p>9. Examine credit notes issued in first month of new year, to ascertain whether any provisions in accounts are necessary in connection with rebates or whether they relate to fictitious sales. Ensure properly authorised.</p> <p>10. Examine sales day book, for last month at least, and vouch large or unusual items.</p> <p>11. Ascertain the amounts of any debtors that should be classified as non-current (i.e. receivable in more than one year.)</p> <p>12. Investigate major credit balances and consider reclassification if material.</p> <p>13 (a) Circularisation - agree with Partner or manager whether this is necessary. (b) Check replies to circularisation and reconcile and explain differences. (c) Investigate requests returned undelivered. (d) Send second requests for confirmation where replies are not received to positive requests of accounts with substantial balances. (e) Summarise results on standard form. (f) Where replies are not received to positive requests for confirmation, apply alternative auditing procedures (e. g. check to subsequent remittance advices, shipping documents, billing records, customer orders and correspondence files). (g) Do as for (f) above in respect of cases where client is unwilling for you to send requests to selected accounts. (h) If confirmation is carried out at a date other than Balance Sheet date, prepare analysis of the general ledger control accounts for the intervening period and check entries to supporting records.</p>		

ITEM	WORKING PAPER REFERENCE	SIGNATURE AND DATE
<p>Deposits and Pre-payments</p> <ol style="list-style-type: none"> Obtain schedule of deposits. Obtain confirmation of material deposits. Obtain schedule of pre-payments showing:- <ol style="list-style-type: none"> How amounts arrived at and by whom. How amounts verified. Compare with previous year and account for material fluctuations. <p>Bank Balances</p> <ol style="list-style-type: none"> Reconcile cash book with bank statements at year end. Obtain certificates direct from company's bankers. Verify from paying-in slips that lodgments outstanding were actually lodged in old year. Examine bank statements for short period after year end for dishonoured cheques. Ascertain that outstanding cheques which are material in amount and did not clear the Bank within a reasonable period are proper. <p>Cash (Count not necessarily done at year end)</p> <ol style="list-style-type: none"> Count all holdings of cash and other easily realised assets - postage stamps, including wages, simultaneously, if considered material, or necessary due to poor internal control. Reconcile cash counted with unbanked items in cash sales, petty cash etc. For period immediately before cash count:- <ol style="list-style-type: none"> Agree last completed cash cheque counterfoil with entry in cash book. Test vouch cash expenditure. Vouch all cheques drawn for cash. Check that exchange cheques reasonable and authorised. Confirm that cash is banked promptly by reference to dates on paying-in slips. Scrutinise cash entries for material unusual items during the year. Obtain receipt(s) from client's staff for all cash, etc. returned after count. 		



APPENDIX 9

SUGGESTED LETTER OF REPRESENTATION

Date:-----

Chartered Accountants
Motijheel
Dhaka-1000

Dear Sir,

Subject: Letter of Representation for the Audit of ----- for the year ended on December 31, 200X.

In connection with your audit of the Financial Statements of ----- for the year from January 1, 200X to December 31, 200X for the purpose of expressing an opinion as to whether the Financial Statements present fairly in all material respect the financial position, Balance Sheet, Profit and Loss Accounts, and Cash Flow Statement of -----, in accordance with Bangladesh Accounting Standards (BAS) and the terms of the agreements and applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We are responsible for the fair representation of the Financial Statements referred to above in conformity with Bangladesh Accounting Standards (BAS).
2. We have made available to you all
 - a. Books of Accounts, registers, vouchers, returns, decisions and related documents.
 - b. All other financial records, related data and supporting documentation.
3. We are responsible for establishing and maintaining an internal control structure which has provided us with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Financial Statements in accordance with Bangladesh Accounting Standards (BAS).
4. There have been no
 - a. Irregularities involving management or employees who have significant roles in the internal control structure.
 - b. Irregularities involving other employees or parties that could have a material effect on the Financial Statements.
 - c. Communications from contracting or other regulatory bodies concerning non-compliance with or deficiencies in, financial reporting practices that could have a material effect on the Financial Statements.



5. There was no material transaction that has not been properly recorded in the accounting records underlying the Financial Statements.
6. We are responsible for compliance with applicable laws, regulations, contracts, grants and binding policies and procedures applicable to ----- . To the best of our knowledge there have been no times where we have not complied with all aspects of these applicable laws, regulations, contracts, grants and binding policies and procedures that would have a material effect on the Financial Statements in the event of non-compliance.
7. We have not withheld any other information from you which would be considered to affect the performance of your review.

Yours faithfully,

Director, Finance



APPENDIX 10

SUGGESTED LETTER OF INTRODUCTION

Date:

.....
.....
.....

Subject: Audit of Accounts of _____ Ltd for the year ending December 31, 200X

Dear Sir,

We are sending our representatives, whose specimen signatures are appended below, to conduct the Audit of the Financial Statements of _____ for the year ending December 31, 200X

Sl. No.	Name of the Auditors	Specimen Signature
1.		
2.		
3.		

We request you to please extend all possible cooperation to them for early completion of the audit.

Thanking you.

Yours faithfully,

(..... & Co.)
Chartered Accountants



APPENDIX 11

SUGGESTED AUDIT ENGAGEMENT LETTER

Date:

.....
.....
.....

Sub: Engagement Letter for the audit of ----- Ltd for the year-----

Dear Sir,

You have requested vide your letter ----- dated ----- that we audit the balance sheet of ----- as of -----, and the related statements of income and cash flows for the year then ending. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be made with the objective of our expressing an opinion on the financial statements.

We will conduct our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered. In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses in accounting and internal control systems which come to our notice.

We remind you that the responsibility for the preparation of financial statements including adequate disclosure is that of the management of the company. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the company. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

Under the Securities & Exchange Rules, Listed entities in Bangladesh must prepare their accounts in compliance with the Bangladesh Accounting Standard (BAS) as adopted by ICAB and must ensure that its Financial Statements are audited in accordance the BSA as adopted by

ICAB with the object of presenting a true and fair view of the Financial Position and Financial Performance.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit. Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial statements.

XYZ & Co.

Chartered Accountants

Acknowledged on behalf of -----Ltd by -----

(signed)

Name and Title
Date

SUGGESTED BANK BALANCE CONFIRMATION LETTER

Date:-----

The Manager

----- Bank

----- Branch

Address-----

Subject: Balance Confirmation relating to Audit of Accounts of ----- Ltd. for the year ended December 31, 200X

Dear Sir,

Please send direct to us at the above address following information/certificates as at close of business on December 31, 200X confirming.

- a) The balance on all accounts carried by you in the name and/or on behalf of our above named client.
- b) Facilities granted in respect of loans, overdrafts or cash credits stating the limit authorized and the nature of charge i.e. pledge, hypothecation, LIM, etc.
- c) All investments, bills of exchange or other documents of title held by you for their account specifying whether held for safe custody or as security.
- d) Contingent claims against our above client in respect of bills under discount guarantees or otherwise

Please note that this request relates to all such balances, documents of title and contingent claims etc. at the above closing date.

Yours faithfully,

(----- & Co.)
Chartered Accountants

APPENDIX 13

SUGGESTED BALANCE CONFIRMATION LETTER

Dated:

The Manager

.....

.....

Sub : Confirmation of Balance Outstanding

Dear Sir,

In connection with the periodical examination of our accounts we shall appreciate your confirming directly to our auditors. & Co., the status of your account(s) with us at December 31,200X. Our books show the following balance(s) as on December 31,200X:

Due from you (Dr) Taka

Due to you (Cr) Taka

Please compare the above balance with your records and report in the space provided below. Please return the entire form duly signed at the appropriate space below. A stamped envelope addressed to the auditors is enclosed for your reply.

Thanking you in anticipation

Yours faithfully,

.....

.....

Chartered Accountants

.....

.....

Re: Confirmation of Balance Outstanding

Confirmed that on _____ an amount of Taka _____ is due to / by us.

Explanation of difference, if any:

(Continue to reverse side if space is inadequate)

Dated: _____ Signature: _____

(PLEASE RETURN THE ENTIRE FORM)

APPENDIX 14

SUGGESTED CASH COUNTING FORM

PHYSICAL VERIFICATION OF CASH IN HAND ON _____
 AT _____

CASH Notes	Denomination Taka	No.	Taka		Ps.	
			Taka	Ps.	Taka	Ps.
	500					
	100					
	50					
	20					
	10					
	5					
	2					
	1					
COINS	5					
	1					
	.50					
	.25					
	.10					
	.05					
Stamps (Details on separate Schedule) UNBOOKED VOUCHERS (Details on separate Schedule) (a) ADVANCES (give date, Name, particulars, approval and amount) (b) VOUCHERS for expenses (give date, Name, particulars approval and amount) (c) CASH CHEQUES (present details to Manager etc. for approval During audit follow up to see all cashed and paid) (d) OTHER ITEMS (List details and authorisation)						
TOTAL FUNDS COUNTED						
BALANCE PER _____						
DIFFERENCE						

The above fund was counted in my presence and was returned to me intact on _____ at _____

(Date) (Hour)

There are no other funds in my possession for which I am accountable except as noted above.

FOR & Co.

Custodian

APPENDIX 15

SUGGESTED INTERNAL CONTROL QUESTIONNAIRE

Supervision, organization and general matters:	Yes/ No	Confirmed by	Work Paper Ref. No
1. Is the business conducted in an orderly and profitable manner, including the maintenance of adequate accounting records.			
1.1 Are the accounting records: a) kept up to date and balanced monthly. b) kept in safe custody.			
1.2 Are journal entries authorized only by the manager.			
1.3 Is a suitable record of fixed assets/ fixed assets register maintained, periodically checked against assets, and reconciled with the nominal ledger.			
1.4 Are Investments adequately accounted for and bought and sold only on the authority of the manager.			
1.5 Are statutory books and documents of title kept in safe custody.			
1.6 Is there adequate insurance cover (particularly fidelity insurance in respect of employees handling cash or desirable goods).			
1.7 Has the division and rotation of duties been developed to the fullest possible extent within the framework of the business.			
1.8 Are budgets used to monitor business performance			
1.9 What is your assessment of the efficiency with which the commercial and accounting aspects of the business are conducted.			
1.10 Are adequate financial statements available to the manager on a regular basis (Describe form and content).			
1.11 Does the manager appear to take a direct and active interest in the financial affairs and reports which are available to him.			



Purchases and Creditors:	Yes/ No	Confirmed by	Work Paper Ref. No
1. Is there reasonable assurance that all liabilities are: a) incurred for the purpose of the business, and b) fully and properly recorded.			
2.1 Are all orders evidenced in writing.			
2.2 Are purchase orders: a) pre-numbered and all numbers accounted for. b) approved by the manager. c) reviewed for items for which no invoices have been received.			
2.3 Is the receipt of goods evidenced in writing.			
2.4 Are goods-received records: a) pre-numbered and all numbers accounted for. b) compared with copy purchase orders.			
2.5 Are supplier's invoices: a) checked with purchase orders. b) checked with goods-received records. c) checked for calculations. d) initialed for work done. e) approved by the manager and authorized for processing.			
2.6 Are purchase ledger balances regularly reconciled with: a) suppliers' statements. b) the control account.			
2.7 Does the extent of manager involvement and/ or supervision in this area effectively compensate for any basic control weaknesses noted above.			
Wages:			
3. Is there reasonable assurance that wages are paid only for work done and that the payroll cannot be inflated.			
3.1 Are individual personnel records maintained?			
3.2 Are adequate time records maintained			
3.3 Is the payroll independently checked for calculations and casts?			
3.4 Are all changes in a) employees and b) rates of pay authorized only by the manager?			
3.5 Is a separate cheque drawn for the exact amount of net pay?			
3.6 Does the Finance Controller review and approve the payroll before signing the cheque?			



Stocks and work-in-progress	Yes/ No	Confirmed by	Work Paper Ref. No
3.5 Is the person preparing the payroll independent of any responsibility for the payment of wages?			
3.6 Does the extent of Finance Controller involvement and/ or supervision in this area effectively compensate for any basic control weaknesses noted above?			
KEY QUESTION			
Is there reasonable assurance (a) that stocks cannot be misappropriated or mislaid, and (b) that the records fairly state the cost of all work-in-progress?			
SUBSIDIARY QUESTIONS			
Stocks			
3.1 Are goods stored under proper security and in an orderly manner?			
3.2 (a) Are perpetual stock records maintained? (b) If not, are stocks periodically estimated on the basis of gross-profit tests?			
3.3 (a) is the record (or estimate) of stock periodically checked against physical quantities? (b) Are material differences always investigated/explained?			
3.4 Is the person responsible for the receipt storage and issue of goods independent of any responsibility for the purchases, sales and stock records?			
Work-in-progress			
3.5 Are interdepartmental transfers of (a) materials, (b) partly finished work, (c) completed work all subject to documentary control?			
3.6 Do the work-in-progress records properly identify: (a) each separate stage of production? (b) the amount of materials, labour and overheads charged to each job?			
3.7 Does the extent of manager/partner involvement and/or supervision in this area effectively compensate for any basic control weaknesses noted above?			
Sales and debtors			
KEY QUESTIONS			
Is there reasonable assurance: (a) that all goods leaving the premises are invoiced, (b) that all invoices are recorded and, (c) that debtors' accounts are not improperly credited?			



SUBSIDIARY QUESTIONS	Yes/ No	Confirmed by	Work Paper Ref. No
1 Credit control: does the Managing Director approve all new customers before goods are dispatched to them?			
2 Are all orders recorded?			
3 Are delivery notes: (a) pre-numbered and all accounted for? (b) prepared for all goods leaving the premises? (c) correlated with order forms? (d) correlated with invoices?			
4 Are invoices pre-numbered and all accounted for?			
5 Are credit notes pre-numbered and all accounted for?			
6 Are discounts, allowances and bad-debt write-offs authorized only by the Managing Director?			
7 Are statements: (a) sent out monthly to all customers? (b) reviewed by the manager/partner before mailing?			
8 Are sales ledger balances listed and reconciled with the control account monthly?			
9 Does the listing include an age analysis and is this reviewed by the manager/partner?			
10 Does the extent of Managing Director involvement and/or supervision in this area effectively compensate for any basic control weaknesses noted above?			
Receipts:			
11 Is there reasonable assurance that all monies received are properly and properly recorded			
12 Does the Manager open and check the contents of all incoming mail?			
13 Are all cheques stamped "A/C Payee only"?			
14 Are all receipts banked a) regularly? b) intact			
15 Are the records of receipts independently checked against bank statements?			
16 Is the cashier totally independent of any responsibility for the sales or nominal ledger?			
17 Does the manager review and approve the bank reconciliation on a regular basis?			



	Yes/ No	Confirmed by	Work Paper Ref. No
4.1 Does the extent of manager involvement and/ or supervision in this area effectively compensate for any basic control weaknesses noted above?			
Payments: Is there reasonable assurance that monies cannot be put to improper use			
5.1 Are all payments (except sundry expenses) made by cheque?			
5.2 Are all cheque signed:			
a) by the MD.			
b) only after they have been properly completed (i.e never in blank)?			
c) Only on the evidence of supporting documentation?			
d) Only after that documentation has been approved and cancelled?			
5.3 Are all cheque numbers accounted for?			
5.4 a) Is petty cash subject to an imprest system? b) Does the manager approve all items above a set limit?			
5.5 Does the manager prepare or review in detail, regular bank reconciliation(should be done by someone independent of cash receipts or cash payments responsibilities)?			
5.6 Are those responsible for preparing cheques or handling cash totally independent of any responsibility for:			
a) approving or authorizing invoices for payment?			
b) Maintaining purchases and nominal ledgers?			
5.7 Does the extent of manager involvement and/ or supervision in this area effectively compensate for any basic control weaknesses noted above?			

SPECIMENS OF AUDITOR'S REPORTS

- 16-1 : Unqualified Auditor's Report for an unlisted company, (other than a bank or insurance company)
- 16-2 : Unqualified Auditor's Report for a listed company (other than a bank or an insurance company,)
- 16-3 : Unqualified Auditor's Report for a listed banking company
- 16-4 : Unqualified Auditor's Report for a listed insurance company
- 16-5 : Auditor's Report-Modified Opinion
- 16-6 : Qualified Auditor's Report-Limitation on Scope
- 16-7 : Qualified Auditor's Report-Disclaimer of Opinion
- 16-8 : Qualified Auditor's Report-Adverse Opinion

16-1: Unqualified Auditor's Report for an unlisted company, (other than a bank or insurance company)

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC COMPANY LIMITED**

We have audited the accompanying balance sheet of the ABC Company Limited as of December 31, 20XX, and the related profit & loss account and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Scope :

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion :

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as of December 31, 20XX, and of the results of its operations and its cash flow for the year then ended and comply with the applicable sections of the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us.
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

AUDITOR

Date

Address

16-2: Unqualified Auditor's Report for a listed company (other than a bank or an insurance company)

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC COMPANY LIMITED**

We have audited the accompanying balance sheet of the ABC Company Limited as of December 31, 20XX and the related profit and loss account and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope :

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion :

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company's affairs as of December 31, 20XX and of the results of its operations and its cash flows for the year then ended and comply with the applicable sections of the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us.
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.
- (d) the expenditure incurred was for the purposes of the company's business.

AUDITOR

Date

Address



16-3: Unqualified Auditor's Report for a listed banking company

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC BANK LIMITED**

We have audited the accompanying balance sheet of the ABC Bank Company Limited as of December 31, 20XX and the related profit and loss account and the statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope :

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion :

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company's affairs as of December 31, 20XX and of the results of its operations and its cash flows for the year then ended and comply with the applicable sections of the Bank Company Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns,
- iv) the expenditure incurred was for the purposes of the company's business;



- v) the financial position of the company at December 31, 20XX and the profit for the year then ended have been properly reflected in the financial statements; the financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the financial statements have drawn up in conformity with the Bank Company Act. 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- vii) adequate provisions have been made for advances which are in our opinion, doubtful of recovery;
- viii) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional. accounting bodies of Bangladesh;
- ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- x) the information and explanations required by us have been received and found satisfactory-

AUDITOR

Date

Address

16-4: Unqualified Auditor's Report for a listed insurance company

AUDITORS REPORT

TO THE SHAREHOLDERS OF ABC INSURANCE COMPANY LIMITED

We have audited the accompanying balance sheet of the ABC Insurance Company Limited as of December 31, 20XX and the related revenue accounts as well as the profit and loss account, and profit and loss appropriation account and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope :

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall, financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion :

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company's affairs as of December 31, 20XX and of the results of its operations and its cash flows for the year then ended and comply with the applicable sections of the Companies Act 1994, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof,
- ii) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the company's balance sheet and profit and loss account and its cash flows dealt with by the report are in agreement with the books of account and returns;

- (iv) the expenditure incurred was for the purposes of the company's business;
- v) as per section 40-C(2) of the Insurance Act 1938 as amended, we certify that to the best of our knowledge and belief and according to the information and explanations given to us, all expenses of management wherever incurred and whether incurred directly or indirectly, in respect of insurance business of the company transacted in Bangladesh during the year under report have been duly debited to tile related Revenue Accounts and the Profit and Loss account of the company; and
- (vi) as per regulation 11 of part I of the third schedule of the Insurance Act 1938 as amended, we certify that to the best of our information and as shown by its books, during the year under report the company has not paid any person any commission in any form outside Bangladesh in respect of any of its business reinsured abroad.

AUDITOR

Date

Address

16-5: Auditor's Report-Modified Opinion

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC COMPANY LIMITED**

We have audited the accompanying balance sheet of the ABC Company Limited as of December 31, 20XX, and the related profit & loss account and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Scope :

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting - the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion :

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as of December 31, 20XX, and of the results of its operations and its cash flow for the year then ended and comply with the applicable sections of the Companies Act 1994 and other applicable laws and regulations.

Without qualifying our opinion we draw attention to Note X to the financial statements. The Company is the defendant in a lawsuit alleging infringement of certain patent rights and claiming royalties and punitive damages. The Company has filed a counter action, and preliminary hearings and discovery proceedings on both actions are in progress. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.

- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us.
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

AUDITOR

Date

Address

16-6: Qualified Auditor's Report-Limitation on Scope

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC COMPANY LIMITED**

We have audited the accompanying balance sheet of the ABC Company Limited as of December 31, 20XX, and the related profit & loss account and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Scope :

Except as discussed in the following paragraph, we conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting - the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion :

We did not observe the counting of the physical inventories as of December 31, 20XX, since that date was prior to the time we were initially engaged as auditors for the Company. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to inventory quantities by other audit procedures. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as of December 31, 20XX, and of the results of its operations and its cash flow for the year then ended and comply with the applicable sections of the Companies Act 1994 and other applicable laws and regulations.

Subject to the above, we also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.

- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us.
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

AUDITOR

Date

Address

16-7: Qualified Auditor's Report-Disclaimer of Opinion

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC COMPANY LIMITED**

We were engaged to audit the accompanying balance sheet of the ABC Company as of December 31, 20XX, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management.

We were not able to observe all physical inventories and confirm accounts receivable due to limitations placed on the scope of our work by the Company.

Because of the significance of the matters discussed in the preceding paragraph, we do not express an opinion on the financial statements

AUDITOR

Date

Address

16-8: Qualified Auditor's Report-Adverse Opinion

AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABC COMPANY LIMITED

We have audited the accompanying balance sheet of the ABC Company Limited as of December 31, 20XX, and the related profit & loss account and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Scope :

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting - the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion:

As more fully explained in noteno provision has been made for losses expected to arise on certain long-term contracts currently in progress because the directors consider that such losses should be offset against future profits expected to arise on other long-term contracts. Bangladesh Accounting Standard (BAS)-11 however requires that provision should be made for foreseeable losses on individual contracts. If losses had been so recognized the effect would have been to reduce the profit after tax for the year and contract work in progress at 31 December 20XX.....by Tk.....

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements do not give a true and fair view of the financial position of the Company as of December 31, 20XX, and of the results of its operations and its cash flows for the year then ended in accordance with Bangladesh Accounting Standards (BAS).

AUDITOR

Date

Address

DISCLOSURE CHECKLIST

Schedule: means schedule to the SEC Rules 1987 and Schedule (XI) to the Companies Act, 1994.

PART-I: SCHEDULE-I: BALANCE SHEET		YES/NO/NOT APPLICABLE
1.	ASSETS	
1.1	Have assets been classified as: SCH.I-1	
	a) fixed assets	---
	b) long-term prepayments and deferred costs	---
	c) investments	---
	d) loans and advances	---
	e) current assets	---
2.	FIXED ASSETS (OTHER THAN INVESTMENTS)	
2.1	Are tangible assets properly distinguished from intangible assets?	(Sch. I-2) ---
2.2	Does the classification of tangible assets disclose the following sub-heads where applicable those being acquired on installment purchase plans or lease items:	
	a) Land-freehold - leasehold	---
	b) Buildings - on freehold land - on leasehold land	---
	c) Plant and machinery	---
	d) Furniture and fittings	---
	e) Vehicles	---
	f) Capital work-in-progress (significant items)	---
	g) Others (to be specified)	(Sch. I-2Ai) ---
2.3	Does the classification of intangible assets include the following sub-heads:	
	a) goodwill	---
	b) patents, copyrights, trade marks and designs	---
	c) others (to be specified)	(Sch.I-2Aii) ---
2.4	For each of above, except capital work-in-progress, do disclosure include:	Sch.I-2B
	a) original cost or the amount & valuation since the date of the previous balance sheet where the original cost cannot be ascertained without unreasonable expense or delay?	---
	b) additions during the current period	---
	c) deletions during the current period	---
	d) aggregate amount of depreciation or amortisation, upto the balance sheet date, shown as deduction from the carrying value of each sub-head of fixed assets	(Sch.I-2B) ---
	e) net book value	---
	f) depreciation/amortisation for the year	(Sch.I-2B) ---
2.5	Where the fixed assets have been revalued, do disclosures, in the first balance sheet subsequent to revaluation, include the following in respect of each of the sub-heads:	Sch.I-2C
	a) original cost	---
	b) incremental value as a consequence of revaluation or amount of reduction in value	---
	c) revalued or reduced carrying values of each class of fixed assets	---
	d) date of revaluation	---
	e) basis of revaluation	---
	f) name and qualification of an independent valuer	---
3.	LONG-TERM PREPAYMENTS AND DEFERRED COSTS	
3.1	Are the following disclosed detailing every material item thereof separately	(Sch.I-3)
	a) long-term deposits	---
	b) long-term prepayments	---

	c) deferred costs	---	
3.2	Are the following disclosed separately as part of deferred costs, to the extent not written-off:	(Sch.I-7)	
	a) preliminary expenses	---	
	b) discount on issue of shares	---	
	c) expenses incurred on issue of shares	---	
	d) commission or brokerage on issue of shares	---	
	e) pre-operating expenses	---	
3.3	Is reason stated for carrying forward of deferred cost?	(Sch.I-3)	---
3.4	Is disclosure made of the basis or period over which deferred costs & prepayments are to be amortised?	(Sch.I-3)	---
4.	LONG-TERM INVESTMENTS		
4.1	Does accounting policy describe mode/method of valuation of investments?	(Sch. I-4 H)	---
4.2	Are aggregate amount of investments in each of the following disclosed separately:	Sch.I-4 A	
	a) subsidiary companies (indicating whether quoted or unquoted)	(Sch.I-4B)	---
	b) controlled firms	(Sch.I-4B)	---
	c) other associated undertakings (indicating whether quoted or unquoted)	(Sch.I-4B)	---
	d) listed companies (other than above)	(Sch.I-4C)	---
	e) unlisted companies (other than above)	(Sch.I-4D)	---
	f) immovable properties	(Sch.I-4A)	---
	g) debentures and bonds issued by government, municipal committee or local authority or public co.	(Sch.I-4-E)	---
	h) other investments (to be specified)	(Sch.I-4H)	---
4.3	Do disclosures in respect of each of the above include the following:	(Sch.I-4A-H)	
	a) the nature of the investment	---	
	b) amount invested	---	
	c) name of the investee	---	
	d) incase of shares	---	
	-the class of shares	---	
	-paid-up values and number	---	
	-terms of redemption in respect of preference shares	---	
	g) in case of debentures and bonds	---	
	- rate of interest	---	
	- terms of redemption	(Sch.I-4E)	---
5	INVESTMENTS LOANS AND ADVANCES		
5.1	In respect of long-term loans and advances to:		
	- subsidiary companies		
	- controlled firms		
	- other associated or related undertakings, do disclosures include the following:	(Sch.I-4B)	---
	a) aggregate amount due distinguishing between those considered	(Sch.I-4B)	---
	- good	---	
	- bad or doubtful	---	
	b) name of each borrower	(Sch.I-4B)	---
	c) amount due from each borrower	(Sch.I-4B)	---
	d) terms of loan	(Sch.I-4B)	---
	e) particulars of collateral security held	(Sch.I-4B)	---
5.2	In respect of long-term loans and advances to:	(Sch.I-4H)	
	- directors		
	- chief executive		
	- managing agent		
	- executives		
	do disclosures include the following:		
	a) separate aggregate amount due from each of the above, distinguishing between those considered:		
	- good	---	
	- bad or doubtful	(Sch.I-4H)	---

6.	CURRENT ASSETS		
6.1	Are separate disclosures made for the current assets listed below:	(Sch.I-5A)	
6.2	Stores, Spares and Loose Tools		
6.2.1	Are stores, spare and loose tools classified as a separate class of current assets?	(Sch.I-5Ai)	---
6.2.2	Where practicable, are the respective aggregate value disclosed separately in respect of:		
	- stores	---	
	- spares	---	
	- loose tools	(Sch.I-5Ai)	---
6.2.3	Does the expression of accounting policy define:		
	- the basis of valuation	---	
	- a general indication of the method of determining cost	(Sch.I-5Ai)	---
6.2.4	Is the basis of valuation consistent with the preceding year?		---
6.2.5	If the answer is "NO" to above, is the reason given for the change together with the monetary impact thereof?	(Sch.I-5B)	---
6.2.6	Is there departure from recognised accounting principles and if so, is disclosure made of the reasons therefore alongwith financial impact?	(Sch.I-15)	---
6.2.7	Is the provision made for diminution in value shown as deduction against the gross amount?	(Sch.I-15)	---
6.3	STOCK-IN-TRADE		
6.3.1	Where practicable, are the respective aggregate value disclosed separately in respect of:		
	- raw materials and components	---	
	- work in progress	---	
	- finished goods	(Sch.I-5Aii)	---
	- other goods	---	
6.3.2	Does the expression of accounting policy define:		
	- the basis of valuation	---	
	- a general indication of the method of determining cost	(Sch.I-5B)	---
6.3.3	Is disclosure made where:		
	a) fixed production overhead is excluded as a cost component	---	
	b) FIFO or average cost method is NOT used	---	
	c) LIFO or base stock formula is used	---	
6.3.4	Are stocks valued at the lower of historical cost and net realisable value?	---	
6.3.5	Is the basis of valuation consistent with the preceding year?	---	
6.3.6	If the answer is "No" to above, is the reason given for the change together with the monetary impact therefor?	---	
6.3.7	Is provision made for diminution in value shown as deduction against the gross amount?	(Sch.I-15)	---
6.4	TRADE DEBTS		
6.4.1	Are trade debts classified between those considered good and doubtful or bad?	(Sch.I-5Aiii)	---
6.4.2	Are trade debts considered good distinguished between those secured and unsecured?	(Sch.I-5Aiii)	---
6.4.3	Are the aggregate of trade debts due from the following disclosed separately, together with the maximum aggregate amount outstanding during the last year:		
	- directors	---	
	- chief executive	---	
	- managing agent	---	
	- executives	---	
	- associated undertakings/companies	---	
	- controlled firms	---	
	- related parties	---	
	- subsidiary companies	---	
6.4.4	Is the provision made against trade debts shown as deduction against the gross amount?	(Sch.I-15)	---

6.5 LOANS AND ADVANCES

6.5.1	Are loans and advances due within 12 months distinguished between those considered good and doubtful or bad?	(Sch.I-5Aiv)	---
6.5.2	Are the aggregate amount of loans and advances due from the following disclosed separately together with the maximum aggregate amount outstanding during the last year:		---
	- directors		---
	- chief executive		---
	- managing agent		---
	- executives		---
	- associated or related undertakings/companies		---
	- controlled firms		---
6.5.3	Is the provision made against loans and advances shown as deduction against the gross amount?	(Sch.I-5Aiv)	---
6.6	DEPOSITS AND PREPAYMENTS		
	Are the following disclosed separately:		---
	- trade deposits		---
	- short-term prepayments		---
	- current account balances with statutory authorities	(Sch.I-5Av)	---
6.7	BILLS RECEIVABLE		
	Is the aggregate amount of bills receivable shown?	(Sch.I-5vi)	---
6.8	MARKETABLE SECURITIES		
	To the extent applicable, same information needs to be disclosed as in the case of long-term investment listed in this Check-List		---
6.9	ACCRUED INTEREST, TAX REFUNDS:		
6.9.1	Are following disclosed separately		---
6.9.2	Accrued interest or interest outstanding	(Sch.I-5Avii)	---
6.9.3	Other receivable, specifying separately the material items		---
6.9.4	Tax refunds due from government showing separately:		---
	- customs duties		---
	- VAT		---
	- income tax	(Sch.I-5Aix)	---
6.10	CASH AND BANK BALANCES		
	Are the following shown separately:		---
	- cash in hand		---
	- cash in transit and subsequent clearance		---
	- bank balances, indicating the nature-current, term deposit, etc.		---
7.	CAPITAL		
7.1	Is the share capital divided into different classes of shares, namely equity, preference, etc.	(Sch.I-8A)	---
7.2	For each separate class of share capital, are the following disclosed:		---
	a) Authorised Capital	(Sch.I-8Bi)	---
	- No. of shares		---
	- Nominal value		---
	b) Issued Capital	(Sch.I-8Bii)	---
	- No. of shares		---
	- Nominal value		---
	c) Subscribed Capital	(Sch.I-8Biii)	---
	- No. of shares		---
	- Nominal value		---
	d) Called up Capital	(Sch.I-8Biv)	---
	- No. of shares		---
	- Amount called-up		---
	e) Paid-up Capital	(Sch.I-8Bvi)	---
	- No. of shares		---
	- Amount paid-up		---
	Where circumstances permit, authorised, issued, subscribed and paid-up capital or any two or more of them may be shown as one item	(Sch.I-8C)	---
7.3	Is the paid-up capital distinguished between shares issued		---
	a) for consideration in cash		---
	b) for consideration other than cash		---
	c) as fully or partly paid bonus shares	(Sch.I-8Bvi)	---
7.4	Is the amount paid-up on forfeited shares shown as addition to paid up capital?	(Sch.I-8Bv)	---
7.5	Are the calls paid in advance shown separately as share money deposits and not		---

	as addition to paid-up capital?	(Sch.I-8Ai)	---
7.6	Are the calls unpaid shown as a deduction from called-up share capital distinguishing between those unpaid by:	(Sch.I-8Bv)	---
	- director (including chief executive)		---
	- managing agents		---
	- executives		---
	- others		---
7.7	In case of redeemable preference shares, is disclosure made:		---
	a) of the rate of dividend	(Sch.8Bviii)	---
	b) the terms of redemption/conversion, if redeemable or convertible to shares, stating		---
	- earliest date of redemption		---
	- general description of voting right	(Sch.I-8Bviii)	---
7.8	Is the holding of the parent company shown in the case of subsidiary company?	(Sch.I-8Bix)	---
7.9	Is the movement in share capital during the year shown?		---
7.10	Are particulars of any option on un-issued shares disclosed stating, amount of option		---
	- number and class of shares		---
	- option or issue price		---
	- period during which option is exercisable	(Sch.I-8Bvii)	---
	- employee option scheme		---
8.	RESERVES :	Sch.8Aii	---
8.1	Are capital reserves and revenue reserves clearly distinguished?		---
8.2	Is the movement during the year in each item of reserve shown, indicating restriction, if any, on distribution?	(Sch.I-8Aii)	---
8.3	Is the categorisation of reserves as "revenue" and "capital" appropriate in accordance with accepted principles of accounting?		---
8.4	Is the adverse balance of profit and loss account shown as deduction from the aggregate of paid-up share capital and reserves?	(Sch.I-8Aii)	---
9.	LONG-TERM LOANS	(Sch.I-9)	---
9.1	Are long-term loans secured and unsecured clearly distinguished?	(Sch.I-9A)	---
9.2	Are the aggregate amount of the loans from the following sources separately disclosed:	(Sch.I-9Bi-v)	---
	a) banking companies and financial institutions		---
	b) subsidiary companies		---
	c) controlled firms		---
	d) managed modarabas or		---
	e) other associated undertakings or related parties		---
	f) directors including chief executive		---
	g) managing agents		---
	h) employees		---
	l) others		---
9.3	Are current portions of long-term debt obligations presented as current liabilities?	(Sch.I-9a)	---
9.4	In respect of each loan which is secured otherwise than by operation of law, does disclosure of security include:		---
	a) a general description of the assets upon which the loan is secured, and		---
	b) the relative priority with respect to payment of interest and redemption, where more than		---
9.5	Is disclosure made of the general nature of any credit facilities available and not availed of at the balance sheet date?	(Sch.I-14ii)	---
10.	DEBENTURES AND LOANS		
10.1	In respect of each class of debentures and loans, is proper disclosure made of:		---
	- the rate of interest or profit		---
	- covenants, subordinations and conversion or redemption features	(Sch.I-9d)	---
	- the earliest date of redemption or conversion		---
	- the particulars of any debentures redeemed whic		---

	the company has power to reissue the sinking fund, if any, which may exist	(Sch.I-9e)	---
	a general description of the assets upon which the debentures are secured		---
10.2	Where any of the company's debentures are held by a nominee of, or a trustee for the company, has the amount thereof, (calculated on the same basis as the total amount standing in the balance sheet in respect of the debentures of that class, unless and until the debentures so held are reissued or cancelled) been shown as deduction from the total?	(Sch.I-9f)	---
11.	DEFERRED LIABILITIES SCH. I-9G (I-II)		
11.1	Does the Company account for:	(Sch.9Gi)	---
	a) deferred taxation:	(Sch.9Giii)	---
	b) deferred liabilities for retirement and other staff benefits.		---
	c) any other deferred liability		---
11.2	Are the deferred liabilities listed above distinguished and disclosed separately?	(Sch.I-9G)	---
12.	LONG-TERM DEPOSITS		
12.1	Are the aggregate amount of deposits from the following separately classified together with terms, if any:		---
	a) from customers		---
	b) from employees	(Sch.9GII)	---
	c) from others		---
13.	CURRENT LIABILITY SCH.I-10(A)		
13.1	Are short-term loans secured and unsecured clearly distinguished?	(Sch.I-10A)	---
13.2	Are the aggregate amount of short-term loans from the following sources separately disclosed:	(Sch.I-10(B)j)(A-E)	---
	a) banking companies & financial institutions	(Sch.I-10bia)	---
	b) subsidiary companies	(Sch.I-10bib)	---
	c) controlled firms	(Sch.I-10bib)	---
	d) other associated undertakings or related parties	(Sch.I-10bib)	---
	e) directors including chief executive	(Sch.I-10bic)	---
	f) managing agents	(Sch.I-10bic)	---
	g) others	(Sch.I-10Bie)	---
13.3	Are current portions of all long-term debt obligations presented as current liabilities?		---
13.4	Is disclosure made of the general nature of any credit facilities available and not availed of at balance sheet date?	(Sch.I-14(2))	---
13.5	Have the following been disclosed separately:		---
	a) creditors	(Sch.I-10b3)	---
	b) accrued liabilities	(Sch.I-10b4)	---
	c) bills payable	(Sch.I-10b5)	---
	d) advance payment, unexpired discounts and deferred income	(Sch.I-10b6)	---
	e) interest accrued on secured loans	(Sch.I-10b7)	---
	f) interest accrued on unsecured loans	(Sch.I-10-b8)	---
	g) deposits	(Sch.I-10b2)	---
	h) unclaimed dividend	(Sch.I-10b9)	---
	i) unpaid dividend	(Sch.I-10b9)	---
	j) proposed dividend	(Sch.I-10b11)	---
	k) other liabilities, to be specified for example (for other finance, expenses, capital expenses)	(Sch.I-10b12)	---
13.6	Are the liabilities in respect of the following taxes and duties separately disclosed:	(Sch.I-10b10)	---
	a) excise duties/VAT		---
	b) custom duties		---
	c) VAT		---
	d) taxes on Company's income		---
	e) others (to be specified)	(Sch.I-10B12)	---

14. CONTINGENCIES AND COMMITMENTS

14.1	Does disclosure made of guarantees given by the Company on behalf of the following, included where practicable, a general description and amount of guarantees:	(Sch.I-12(5))	---
	a) chief executive		---
	b) directors		---
	c) managing agents		---
	d) employees		---
	e) subsidiaries		---
	f) associated undertaking or related parties		---
	g) any other person, to be specified separately, if material	---	---
14.2	For loss or gain contingencies not accrued or paid, do disclosure indicate:		---
	a) nature of the contingency		---
	b) the uncertain factors that may affect the future outcome		---
	c) an estimate of possible loss/gain or range of loss/gain, or a statement that such a statement cannot be made	(Sch.I-12(5))	---
14.3	In respect of partly paid shares held as investment, is the amount of uncalled liability thereon disclosed?	(Sch.I-12(2))	---
14.4	Is disclosure made, where practicable, of the amount or estimated amount, if material of commitments for capital expenditure, to the extent not provided for?	(Sch.I-12iv)	---
14.5	Are the following disclosed:	(Sch.I-12(1))	---
	a) any other sum for which the Company is contingently liable		---
	b) the general nature of any other commitment, if material		---
1.	<i>Does the profit and loss account of the company is so made out to disclose clearly: Sch.II-1</i>		---
	i) results of operation separately if the company have more than one line or segment of business? Sch.II-6		---
	ii) period covered by the accounts		---
	iii) accounts are arranged under most convenient heads		---
	iv) every material feature of gross income & gross expenditure	---	---
	v) turnover/aggregate sales after deduction of VAT, commission, brokerage, discount on sales		---
2.	<i>Is disclosure made of the following items of income:</i>		---
	a) income from investments showing separately such income from each associated undertaking or related parties	(Sch.II Aii)	---
	b) interest on - loans and advances	(Sch.II 1Aiii)	---
	- others		---
	c) income from others		---
	d) profit on sale of investments	(Sch.II Av)	---
	e) profit on sale of fixed assets, when the sale is otherwise through a regular auction:	(Sch.II Avii)	---
	- to chief executive or a director or managing agent or an executive or a shareholder carrying not less than twenty percent of the voting shares of the company or any associated undertaking, irrespective of the value of the assets; does disclosure include the following:	(Sch.II 4ii)	---
	i) particulars of the assets sold		---
	ii) aggregate cost or valuation		---
	iii) aggregate book value		---
	iv) aggregate sale price		---
	v) mode of disposal		---
	vi) particulars of the purchaser	(Sch.II 1 Avi & 4ii)	---
	g) income arising from unusual items specifying the nature thereof	(Sch.II IA)	---
3.	<i>Does the profit and loss account disclose cost of sales by stating:</i>		---
	a) opening stock		---
	b) closing stock		---
	c) purchase of raw materials components, work-in-progress and finished products	(Sch. II 1B)	---
4.	<i>Check up to ensure that profit/loss arising from "hedge", forward contracts, "future" and "badla" are not included</i>		---

	in purchases or cost of sales but disclosed separately.	(Sch. II-2)	---
5.	Are the following items of expenses disclosed separately:		
	a) stores and spare parts consumed	(Sch. II Iei)	---
	b) fuel and power	(Sch. II Icii)	---
	c) salaries and wages including staff welfare expenses	(Sch. II Ciii)	---
	d) rent, rates and taxes	(Sch. II ICiv)	---
	e) insurance	(Sch. II ICv)	---
	f) repairs and maintenance	(Sch. II ICvi)	---
	g) patents, copyrights, trade marks, designs, royalties and technical fees	(Sch. II ICvii)	---
	h) nature and amount of any other material item of expense	(Sch. II IE)	---
6.	Does disclosure of auditors' remuneration indicate separately	(Sch. II ID)	---
	- audit fees		---
	- nature of and remuneration for any other services		---
7.	Does disclosure of interest on borrowings and loans show separately interest on: Sch. II IG1		
	a) company's debentures		---
	b) long-term loans		---
	c) short-term loans		---
	d) borrowings from associated undertaking		---
	e) borrowings from directors (including chief executive)		---
	f) managing agent	(Sch. II IG1)	---
	Is disclosure made of borrowing costs capitalised, if any		---
8.	Are the following disclosed separately:	(Sch. II IGII)	---
	a) loss on sale of investments		---
	b) loss on sale of fixed assets, disclosing same information as above	(Sch. II IGiii)	---
	c) book debts written off showing separately those due by:	(Sch. II Igiiii&iv)	---
	- directors		---
	- chief executive		---
	- managing agents		---
	- executive		---
	- associated undertakings	(Sch. III IGiv&3)	---
	d) other debts written off showing separately those due by:	(Sch. II Igiiii&iv)	---
	- directors		---
	- chief executive		---
	- managing agents		---
	- executive		---
	- associated undertakings	(Sch. II IGiv&3)	---
	e) provision for bad and doubtful debts distinguishing between trade and other debts and also showing separately in respect of:		---
	- directors		---
	- chief executive		---
	- managing agents		---
	- executive		---
	- associated undertakings	(Sch. III IGv&3)	---
	f) provision for diminution in value of investments	(Sch. III IGvi)	---
	g) loss or expenses and provisions therefor in respect of unusual items		---
	h) loss or expenses and provision therefor in respect of prior period items		---
	i) extent of loss actually incurred or provision for losses of:		---
	- subsidiaries		---
	- controlled firms		---
	- associated undertakings	(Sch. II IGvii)	---
	j) any other provision, showing separately every material item	(Sch. III IGx)	---
9.	a) Is the tax charge shown separately for:		
	- taxation on income		---
	- capital gains tax		---
	- deferred tax		---
	- any other taxes	(Sch. II IGix)	---

10.	Are the following shown separately:		
	a) amount appropriated or proposed to be appropriated to each class of reserve		---
	b) proposed dividend	(Sch. II 1Hi)	---
11.	Is separate disclosure made of aggregate amount of remuneration charged in respect of following:	(Sch. II 1Hii)	---
	- directors	(Sch. II 4i)	---
	- chief executive	(Sch. II 4i)	---
	- managing agents	(Sch. II ig8)	---
	- executives	(Sch. II ig8)	---
12.	Are the number of directors and executives disclosed in respect of remuneration?	(Sch. III 4i)	---
13.	With reference to above, does the disclosure of components of remuneration include?	(Sch. 4ia-k)	---
	a) fees	(4ia)	---
	b) managerial remuneration	(4ib)	---
	c) remuneration or commission based on net profit or turnover or otherwise	(4ic)	---
	d) reimbursable expenses which are in the nature of perquisite or benefit	(4id)	---
	e) perquisites or benefits in cash or kind indicating the nature and where practicable, their approximate money values	(4ih&i)	---
	f) pension, gratuity, company's contribution to provident, superannuation and other staff funds	(4ie)	---
	g) commission indicating the nature and basis for buying, selling, managing agents, percentage of net profit	(Sch. II 4f, g, j, l)	---
14.	Is disclosure made of the monetary impact, if material, of change in accounting policy, on any component of remuneration listed above?	(Sch II 4im)	---
15.	Are the aggregate amount of following transactions or arrangements with associated undertaking or related parties disclosed:	(Sch. 4k)	---
	a) purchase of goods and services indicating pricing policies		---
	b) sales of goods and services indicating pricing policies		---
1.1	Are the following particulars disclosed with regard to the industrial unit:		
	a) capacity of the industrial unit		---
	b) actual production		---
	c) reasons for variance	(Sch. 12vi)	---
	If any of the above disclosures are not made, is explanation given for the same.		---
1.2	Is there a statement given giving a basis on which foreign currencies have been translated into local currency?	(Sch. 14i)	---
1.3	Are the corresponding figures for the immediately preceding financial years disclosed?	(Sch. 16 & 7A)	---
1.4	Where any material item shown in the financial statements or included in amounts shown therein cannot be determined with substantial accuracy, an estimated amount described as such shall be included in respect of that item together with the description of the item.	(Sch. 17)	---
1.5	No provision with respect to the information to be given in the financial statements shall be deemed to require the amount of any item that is of no material significance to be given separately	(Sch. 18)	---
1.6	Any information required to be given in respect of any of the items in the financial statements shall, if it cannot be included in such statements, be furnished in a separate note, schedule of statement to be attached to, and which shall be deemed to form an integral part of the financial statements	(Sch. 19 & 8 of II)	---
1.7	The figures in the financial statements may be rounded off to the nearest taka-thousand or lac or million.		---

2.	CASH FLOW STATEMENT	(BAS 7), SEC Rule Part III
2.1	Has the Cash Flow Statement been included and identified as an integral part of the financial statements? (BAS 7) ---	
2.2	Is separate disclosure made of:	
	a) Cash Flows from Operating Activities	---
	b) Cash Flows from Investing Activities	---
	c) Cash Flows from Financing Activities	(BAS 7) ---
2.3	Does the form of presentation of the Statement appear to be suitable and most informative in the circumstances of the Company and in line with Part-III of SEC Rule. 1987 ? or BAS (BAS 7) ---	
2.4	Is the disclosure made of significant amount of cash and cash equivalents at the balance sheet date together with a reconciliation of opening and closing balances in the financial statements?	

**ADDITIONAL DISCLOSURES & COMPLIANCE CHECKLIST
ACCORDING TO BAS**

GENERAL YES/NO/NOT APPLICABLE

1. INFORMATION ABOUT THE COMPANY

1.1	Does the financial statements disclose	(BAS 1) ---
	a) Name of the Company	(BAS 1) ---
	b) Legal status of the Company, if not apparent, otherwise	(BAS 1) ---
	c) Country of incorporation	(BAS 1) ---
	d) Nature of activities of business of the company and each reported industry segment, if not apparent otherwise	(BAS 1) ---

1.2	Are the financial statements suitably titled?	---
1.3	Does the financial statement indicate period covered and is it properly dated?	(BAS 1) ---
1.4	Does each statement included a general reference to the notes or schedules that are in integral part of the financial statements presentation?	---
1.5	Is the currency in which financial statements are expressed stated?	(BAS 1) ---

2. FUNDAMENTAL ACCOUNTING ASSUMPTIONS

2.1	Have the fundamental accounting assumptions been followed in the preparation of financial statements?	
	- Going concern	(BAS 1) ---
	- Accrual concept	(BAS 1) ---
2.2	If the response to above is "No", has the disclosure been made to that effect together with reasons therefor.	---

3. SIGNIFICANT ACCOUNTING POLICIES

3.1	Is a description of all significant accounting policies of the reporting company presented in one place?	(BAS 1) ---
3.2	Are accounting policies adopted for the year consistent with the preceding year?	(BAS 1) ---
3.3	In case the response to above is "No" does the disclosure in the financial statements include:	
	a) description of the nature of change	---
	b) reasons for the change including an explanation why newly adopted policy is preferable	---
	c) monetary effect of the change	(BAS 1) ---

3.4	Are accounting policies or treatments selected relating to the following areas, where judged material are critical in determining results for the period and in stating financial position, disclosed:	
	a) overall valuation policy - historical cost, replacement value, etc.	(BAS 15) ---
	b) accounting for taxation including deferrals	(BAS 12) ---
	c) accounting for retirement benefit	(BAS 1, 19) ---
	d) depreciation method	(BAS 16,38) ---
	e) repairs and renewals	(BAS 16,36) ---
	f) goodwill	(BAS 22) ---
	g) investments	(BAS 25) ---

	h) amortisation of intangible assets	(BAS 38) ---
	i) amortisation of deferred costs	(BAS 38) ---
	j) valuation of stores, spares and tools	(BAS 2) ---
	k) valuation of inventories	(BAS 2) ---
	l) long-term contracts for construction	(BAS 11) ---
	m) receivable	(BAS 38) ---
	n) conversion or translation of assets and liabilities in foreign currencies including the disposition, gains and losses	(BAS 21) ---
	(o) exchange gains or losses from foreign currency loans taken for acquiring depreciable assets from foreign currency loans	(BAS 21) ---
	p) revenue recognition	(BAS 18) ---
	q) research and development costs	(BAS 38) ---
	r) accounting for borrowing costs	(BAS 23) ---
	s) warranties for products or services	(BAS 37) ---
	t) hire purchases, installment sales and leasing	(BAS 17) ---
	u) property development transactions	(BAS 16) ---
	v) government grants or assistance	(BAS 20) ---

3.5	Analyse significant accounting policies to see if there is any departure from generally accepted accounting principles particularly in terms of concept, method of application or phraseology used to describe the policy	---
3.6	Are the corresponding figures for the immediately preceding financial years disclosed?	(Sch. 16&7A) ---

4. BALANCE SHEET

4.1	Is the movement in share capital during the year shown?	(BAS 1) ---
4.2	Where current portion of a long-term liability is excluded from current liabilities if the enterprise intends to refinance the obligation on a long-term basis, is disclosure made of:	
	a) the amount of the liability	---
	b) the terms of refinancing	(BAS 1) ---
4.3	In respect of each loan, is proper disclosure made of:	
	- the rate of interest	---
	- installments or period or terms of repayment	---
	- subordinations	---
	- conversion features	---
	- unamortised premium or discount	(BAS 1) ---

4.4	Is disclosure made of any other covenant, material terms and conditions governing each loan?	(BAS 1) ---
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4.5	If recognition of exchange differences on long-term borrowings (arising on repayment and/or translation of year-end balances) is deferred, is disclosure made of the cumulative deferred amount still to be credited or charged to income?	(BAS 21) ---
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4.6	Are the deferred liabilities distinguished and disclosed separately?	(BAS 1,12,19) ---
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4.8	Is proper disclosure made of provisions for accruals or contingencies?	(BAS 10) ---
-----	--	--------------

4.9	Is the total of current liabilities disclosed?	(BAS 1) ---
-----	--	-------------

4.10	Are assets and liabilities adjusted:	
	a) for events occurring after the balance sheet date which provide additional evidence related to conditions existing at the balance sheet date:	---
	b) where the going concern assumption in relation to whole or a part of the enterprise is not appropriate	(BAS 10) ---

4.11	Does the expression of accounting policy and other disclosures relating to fixed assets include:	
------	--	--

	a) depreciation methods used	(BAS 16) ---
	b) depreciation rates or the estimated useful lives for each class of fixed assets	(BAS 16) ---
	c) method of determining the carrying value	(BAS 16) ---
	d) treatment of major repairs and renewals	---
	e) gains or losses on disposal of fixed assets	---

4.12	Is the depreciation method consistent with the preceding year?	---
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4.13	Are the rates of depreciation or estimate of useful lives of fixed assets consistent with the preceding year?	---
4.14	If response to above is "No" has the following been disclosed:	---
	a) reasons for the change	(BSA 1) ---
	b) monetary impact of the charge	(BAS 12) ---
4.15	Are the tax effects of revaluation disclosed?	---
4.16	Are exchange variances included in the carrying values of fixed assets?	---
4.17	If answer to above is "YES", has the amount relating to the current year added to or deducted from the carrying values of various sub-heads of fixed assets been disclosed?	(BAS 21) ---
4.18	If recognition of exchange differences on long-term "monetary assets" (both arising on realisation or translation of year-end balances) is deferred, is disclosure made of the cumulative deferred amount still to be credited or charged to income?	(BAS 21) ---
4.19	If trade debts are included in their entirety in current assets, is disclosure made of the amount not expected to be realised within one year?	(BAS 1) ---
4.20	Is disclosure made of balances in accounts frozen by exchange restriction, if any	(BAS 1) ---
4.21	Does disclosure of charge on the assets of the company include particulars of the charge and the amount secured?	(BAS 1) ---
4.22	Is disclosure made of any property or assets acquired through the funds of the company not held in the name of the company or not in possession or control of the company disclosing:	---
	a) description of the property	---
	b) value of the property	---
	c) name of the person possessing, controlling or holding the property	(BAS 1) ---
4.23	With regard to segmental reporting, where applicable, is disclosure made of the identifiable net assets employed of each segment, expressed either in money amounts or as percentage of the consolidated total?	(BAS 14) ---
4.24	Is the total amount of current assets disclosed?	(BAS 1) ---
5.	TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	(BAS 21) ---
	For the purpose of incorporation of financial statements of foreign operation in the financial statement of the reporting company, is disclosure made of:	---
	a) the methods used	---
	b) the net exchange difference taken to income or to reserves	---
	c) the procedure selected for translating income statements of foreign entities	---
6.	PROFIT AND LOSS ACCOUNT	---
6.1	Is separate disclosure made of manufacturing, trading and operating results in respect of each line or segment of business showing:	---
	a) sales or other operating revenues distinguishing between those derived by customers outside and internal generation from segments	(BAS 14) ---
	b) the basis of inter segment pricing	---
6.2	Is disclosure made of	---
	a) any changes in identification of segments	---
	b) changes, if any, in accounting practices used, having a material effect in reporting segment information	(BAS 14) ---
6.3	If the answer to above is "YES", does the disclosure include:	---
	i) description of the nature of change	---
	ii) explanation of the reasons for the change	---
	iii) the effect of the change, if the same is reasonably determinable	(BAS 14) ---
6.4	Does disclosure include the following:	---
	a) income arising from unusual items specifying the nature thereof	(BAS 8) ---



	b) government grants, assistance and government and or benefit derived stating its nature	(BAS 20) ---
6.5	Are the following items of expenses disclosed separately:	---
	a) research and development costs including amount amortised against deferred development costs	(BAS 38) ---
6.6	Does disclosure of interest on borrowings and loans show separately interest on:	---
	a) borrowings from associated undertaking	(BAS 23, 28) ---
	b) borrowings from directors (including chief executive)	---
	c) managing agent	---
	Is disclosure made of borrowing costs capitalised, if any	(BAS 23) ---
6.7	Are the components of tax charge shown separately for:	---
	a) unusual items and prior period items	(BAS 12) ---
6.8	a) Is the tax charge shown separately for:	---
	- taxation on income	(BAS 1, 12) ---
	- capital gains tax	---
	- any other taxes	---
	b) Is an explanation given of the relationship between tax expense and accounting income, if not apparent by the application of effective tax rates?	(BAS 12) ---
	c) Is disclosure made of:	---
	- tax savings resulting from losses, if any, realised carried forward, for set off against current income	---
	- potential tax saving related to a tax loss realised and available to be carried forward for set off against taxable income in future periods	---
	- accumulated tax losses which would be available for set off in future for which related tax effect has not been taken in the current financial statements	(BAS 12) ---
6.9	If there are no transactions with the associated undertakings or 'related parties', is disclosure made of the relationship where control exists?	(BAS 24) ---
6.10	Does the financial statement disclose the circumstances in which the company may have postponed recognition of revenue pending the resolution of significant uncertainties?	(BAS 18) ---

APPENDIX 18

SPECIMEN OF MANAGEMENT LETTER

Dated-----

To -----

**Subject : Management Letter on Audit of Accounts of -----for
the year ended -----.**

Dear Sirs,

We have audited the financial statements of ----- for the year ended ----- and have submitted the audited financial statements separately.

The management of ----- is responsible for the maintenance of proper accounting records and for the preparation of financial statements. They are also responsible for establishing and maintaining an appropriate system of internal control which includes adequate accounting records and procedures to safeguard the company's assets and for the prevention and detection of irregularities and fraud.

Our audit involved the review of only those controls and systems in your Company upon which we wished to rely for the purpose of determining our auditing procedures. Accordingly, our audit may not have identified, and our report should not be relied upon to have disclosed, all the control weaknesses that may have existed. Furthermore, our report should not be relied upon to have disclosed defalcations or other similar irregularities, although their disclosure, if they exist, may well result from the audit tests we undertake.

Our audit included, on a test basis, an examination of accounting procedures and records as were considered appropriate under the circumstances. On the basis of our audit observations and findings, we would like to bring certain matters to your kind attention that we observed during the course of our audit.

Our observations, along with recommendation and provision for management responses have been set out on the following pages.

If you have any query on our management letter, please feel free to contact us.

SECTION 1: DETAILS OF OBSERVATIONS

1.0 TOPIC: *(Area to which the observation relates)*

1.1 OBSERVATIONS / FINDINGS:

Report the weakness in the internal control system / financial or operational irregularities that were noted.

1.2 IMPLICATIONS:

Mention the implication / significance of the weakness / irregularities mentioned in "Observation" Para.

1.3 RECOMMENDATION:

Note the suggestions for improvement in the system / remedial measures / possible ways to solve the issue.

1.4 MANAGEMENT RESPONSE: *(After submission of the Draft Management Letter, official responses from the management should be collected)*

Response of the management on this observation should be included here.

1.5 AUDITORS' COMMENTS:

If the auditors do not agree with the management comment the auditors may put their rebuttal here.

SECTION 2: FOLLOW UP OF THE RECOMMENDATIONS MADE IN THE LAST YEAR'S MANAGEMENT LETTER

SL No	Brief Description of Observation	Last year's Management Responses	Result of our review

SECTION 3: CONCLUSIONS

In conclusion we would like to thank the management and staffs of ----- for the cooperation and support extended to us during the audit.

Thank you.

Yours faithfully,

Chartered Accountants

Members of the ICAB Council for 2004-2006

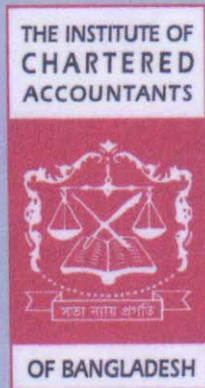
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| 3. Mr. C R Mazumder FCA | Vice President, 2004 |
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