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| **Client:XYZ LTD** | **Preparedby:MR:A** | **Date:DD-MM-YY** | **Ref:**  **PAF 1.1** |
| **Yearend: 31 December 2014** | **Reviewedby:MR:S** | **Date: DD-MM-YY** |

**BACKGROUND Information**

**Company name and trading name:**

XYZ Ltd was incorporated in Bangladesh on the [*Date Month Year*] as a private Ltd company in Bangladesh under companies Act 1994. This Company also obtained listing with Dhaka Stock Exchange and Chittagong Stock Exchange on [*Date Month Year]*

The registered office of the Company is situated in Dhaka.

**Company numbers etc.**

Registration number: A-1234567

TIN number: 1111-2222

VAT number: 3333-4444

Accounting period: 30 JUNE, YYYY

VAT period: 30 JUNE YYYY

Tax period: 30 JUNE YYYY

Date of incorporation:24 January 1973

Date of commenced trading: DD-MM-YYYY

**Business address:**

1st Floor, ABC plaza, road no -1 house no -1, xxxxxx, Dhaka, Bangladesh.

**Contact details:**

Phone: 0088029876543

Fax: 0088029876542

E-mail:xyz@gmail.com

Website: WWW.XYZ.COM

LinkedIn: XYZ

Facebook: XYZ

Twitter: XYZ

**Registered office address:**

Dhaka, Bangladesh

**Director’s name and area of responsibilities:**

**Chairman: MR. X**

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer (“CEO”).

**Managing director: MR.Y**

He is responsible for managing the entity on a day to day basis. He is well respected in the local business community*. He has a* dominant personality and likes to be seen to have the last word on major decisions. He works full time in the business.

**Director: MR. Z (Marketing &Sales)**

The director of sales and marketing position is responsible for planning and implementing sales, marketing and product development programs, both short and long range, targeted toward existing and new markets by performing the following duties personally or through subordinates.

**Director: MR. V (Finance, Operation & Planning)**

Operations director plan, direct and coordinate the operations of an organization. The general operations manager is responsible for ensuring and improving the performance, productivity, efficiency and profitability of departmental and organizational operations through the provision of effective methods and strategies.

**Director: MS. P(Quality Assurance)**

The Director of Quality Assurance position is responsible for establishing a corporate quality assurance system and team that promotes customer satisfaction and that positively impacts the financial performance of XYZ Limited. Champion continuous improvement efforts and defect reduction initiatives to establish an effective Quality Management System (QMS).

**Director: MS. Q(Logistic)**

Logistics director is to be responsible for the overall supply chain management. he will organize and monitor the storage and distribution of goods.The goal is to manage the entire order cycle so as to enhance business development and ensure sustainability and customer satisfaction.

**Director: MS. N(Corporate Affiars)**

Corporate affairs director is responsible for the company's internal and external communications, including public relations, government relations, public policy, corporate restructuring and determination of employee attitudes in a company. Communication, both within a company's many departments and among several outside entities, is the key skill needed for a corporate affairs manager.

**Independent Director: MR.W**

**IndependentDirector: MR.L**

**Independent Director: MR.M**

**Other key personnel and area of responsibilities:**

Company secretary: MR. S

Chief financial officer: MR.T

Head of internal control: MR.U

**Nature, goals and history of business:**

XYZ limited is a public limited company incorporated in Bangladesh on DD-MM-YYYY.

The company is listed in Dhaka and Chittagong stock exchange.

The group is primarily involve in manufacturing Pharmaceuticals and marketing them along with other animal and agriculture items.

**Key accounting policies and potential for fraud from their application:**

There are no unusual accounting policies. There are some cash based income and expenditure which itself creates an increased risk of fraud and error and potential issue regarding completeness of income and expenditure. The property, plant and equipment are measured at cost or revaluation less accumulated depreciation. The item were revalued at YYYY by the professional valuers on the basis of fair market value. But the area could present opportunity for fraud and error as well if the valuer was able to be influenced by someway or if they were simply incompetent. This represent a significant risk for the client.

**Accounting estimates**

**Identify and list the accounting estimates relevant for the audit:**

* Revaluation Property, plant and equipment
* Depreciation
* Amortization
* Accruals
* Bad debts provision
* Inventory
* Employee benefit

**Document how management identifies and make the accounting estimates noting the data on which they are based eg, method, controls, assumption and use of an expert.**

* Revaluation of property plant and equipment- professional valuer are employed by management and used open market valuation system.
* Depreciation- based on rates used throughout the industry and on management’s assessment of the estimated useful lives.
* Amortization- based on rates used throughout the industry and on management’s assessment of the estimated useful lives, residual value and method.
* Accruals- typically contain audit fees, utility bills etc which have always appear reasonable.
* Bad debts provision- based on past experience and assessment of recoverability of items older than six months a provision was made which seems reasonable.
* Inventory- based on the prior year levels and the level of inventory write off in both the current year and previous year. The provision was made for the slow moving items.
* Employee benefit-The rate used to discount post-employment benefit obligations is determined by reference to the rate stated in the actuarial report. Actuarial valuation of gratuity scheme has been made in YYYY to assess the adequacy of the liabilities provided for the schemes.

**Have there any changes circumstances during the year that may give rise to new or the need to review existing accounting estimation**

* Revaluation of property plant and equipment
* Impairment trigger
* Amortization
* Actuarial valuation

**New estimates –** property revalued during the year. This has resulted in a material increase in value. Property prices in “B” have increased significantly over the last 10 years until slowing around 20YY. They have now started to move upwards again slightly and management felt that it was appropriate now to bring the revaluation in. There will be a need for annual reviews for impairment in future years.

**Existing estimates –** nothing new which would necessitate revision of the principal behind existing estimates.

**Review the accounting estimates in the prior and comment on their accuracy period**

* Revaluation of property plant and equipment-this is the first time that a revaluation has been performed so there is nothing to compare these against, however the directors are not valuing the property themselves. An experienced valuer is being used.
* Depreciation rates – these have been in line with other clients and industry figures. There have been no major profits or losses on disposal of assets and no fully depreciated assets are still in use.
* Amortization- based on rates used throughout the industry and on management’s assessment of the estimated useful lives, residual value and method.
* Accruals – based on known accruals from last year and previous years plus a review of purchase invoices reviewed after the year-end.
* Bad debts provision –based on past experience and assessment of recoverability of items older than six months a provision was made which seems reasonable.
* Inventory- based on the prior year levels and the level of inventory write off in both the current year and previous year. The provision was made for the slow moving items.
* Employee benefit- The rate used to discount post-employment benefit obligations is determined by reference to the rate stated in the actuarial report. Actuarial valuation of gratuity scheme has been made in YYYY to assess the adequacy of the liabilities provided for the schemes.

**Document (if applicable), how management has assessed the effect on estimation uncertainty associate with an accounting estimate.**

There is estimation uncertainty associated with the potential liability that is employee benefit and to reduce these the company used professional actuaries. There is also uncertainty with the bad debts provision, but the company has an amount of older debts at the minute in any event. The use of an external valuer should reduce the uncertainty in relation to the property revaluation.

**Do any of the estimates constitute a significant accounting risk?**

The revaluation of property constitutes a significant accounting risk because of its magnitude and the impact that it has for the accounts. Our work elsewhere on the current file will look at the competence, capabilities and objectivity of the valuers and also the appropriateness and reasonableness of their work.

**Reporting requirement and deadlines:**

We need to ensure that the company has prepared their financial statements to comply with IFRS and that all relevant company legislation has been followed. The financial reporting framework itself is appropriate.

The company’s year-end is DD-MM-YYYY and the accounts must be filed to the RJSC by DD-MM-YYYY and with the tax authorities by DD-MM-YYYY.

**Economic and business performance**

* Sales
* Research and development
* Research and development as 1% of sales
* M&D costs
* M&D as % of sales
* Operating profit
* Operating profit margin
* Net financial income
* Net income
* Core earnings per share
* Operating free cash flow
* Operating free cash flow as % of sales
* Net assets
* Net debt
* Equity ratio

**Creating value for our shareholders and investors**

* Dividend per share
* Dividend
* Payout ratio (dividend per share divided by core EPS)
* Market capitalisation
* Total Shareholder Return (TSR) at the year end 20YY

**Creating value to patients, payers, healthcare professionals and institutions**

* Number of patients receiving treatment with innovative XYZ medicines
* Number of patients receiving XYZmedicines that are now off-patent
* Number of patients actively participating in clinical trials
* Number of clinical trials sites
* Number of major regulatory filings (Pharmaceuticals)
* Number of major regulatory approvals received (Pharmaceuticals)

**Commitment to the employees**

* Number of employees
* Total employees’ remuneration
* Total employees’ remuneration as 15 % of sales
* Percentage of eligible employees purchased shares through XYZ Connect
* Percentage of women in total workforce
* Percentage of women in key positions
* Percentage of women on the Board
* Percentage of women on the Corporate Executive Committee
* Employee total turnover rate fluctuation
* Average number of training hours per employee
* Business ethics incidents reported

**Safety, health and environmental protection**

* Number of work-related fatalities
* XYZ accident rate
* Occupational accidents
* Occupational illnesses
* Eco-efficiency Rate
* Eco-balance
* Total energy consumption (TJ/year)
* Total energy consumption (TJ/year per BDT sales)
* Greenhouse gas emissions (tonnes CO2 equivalents)
* Greenhouse gas emissions (tonnes CO2 equivalents per BDT sales)
* NOx emission to air (t/year)
* SO2 emissions to air (t/year)
* Volatile organic compounds emission (VOCs) (t/year)
* Water consumption (million cubic meters per year)
* Water consumption (cubic meters per year per BDT sales)
* Organic matter discharged to water ways after treatment (t/year)
* Heavy metals discharged to water ways after treatment (kg/year)
* Chemical waste produced (t/year)
* General waste produced (t/year)

**Contribution to society**

* Income taxes
* Income taxes as % of sales
* Community support by area:
* Humanitarian and social projects
* Science and education
* Arts and culture
* Community involvement
* Contributions to healthcare institutions
* Education of patients and general public
* Education of healthcare professionals
* Research  42% 43% 52% Contributions to patient organisations
* Disease awareness and general education
* Treatment adherence projects
* Workshops, seminars and meetings
* Educational grants

**Method of monitoring key performance indicator**

Management review monthly management accounts which are prepared by accounts and finance department from the computerized accounts system. The monitoring process also includes a comparison with budgets which are prepared by the directors before the start of each financial year.

**Key customers**

* Goldmark Limited,
* Maine Road Inc and
* Explorana PLC

**Key suppliers**

AF Limited (typically 40% of total purchases)

BM Limited (typically 15% of total purchases)

TF (typically 10% of total purchases)

AF Limited

PP Limted

FGH Limited

The suppliers above make up in the region of 65% of the total purchases by the company during the year. The remainders are with a range of smaller suppliers AF Limited PP Limted& FGH Limited are a related party.

**Management style**

The business is tightly controlled by the directors on a day to day basis. The directors hold formal meetings every month to review the management accounts and to consider general matters concerning the business. The directors have a veryhands on approach to management. As auditors we are not involved in making any management decisions although the directors are receptive to any advice that we provide them with. Management override is a risk that we are aware of and will remain alert for throughout the audit. We have not encountered any instances of this in previous year’s audits

**Business advisor**

**Legal representative**

Barrister R and associate

Dhaka, Bangladesh

**Bank**

SCB- with address

HSBC-with address

**Disclaimer: Dummy audit working files have been prepared and published to improve the quality of audit documentation of member firms providing audit services in Bangladesh. Member firms providing audit services should not assume these dummy working files as absolute benchmark for the purpose of preparing and keeping audit documentation. Every audit client has unique characteristics and risks. International Standards on Auditing (ISA) also requires to exercise engagement partner’s judgment on a number of areas in conducting the audit of an entity. Therefore, member firms should use their professional knowledge, skill, experiences along with these dummy working files to keep adequate and appropriate working papers for each audit engagement. The preparers do not assume any liability for drawing an inappropriate audit opinion based on the working papers prepared on the basis of these dummy working files.**