

Internship Report
On
Statutory Audit Compliance and Documentation Systems in Bangladesh:
A Study on M. SHAHIDUL ISLAM & CO., Chartered Accountants.

Submitted by:

Sajib Biswas,

ID: BBA2401031112

Program: Bachelor of Business Administration

Major: Finance

Department of Business Administration

Sonargaon University (SU)

Submitted to:

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

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



Sonargaon University (SU)
147/1 Green Road, Panthapath, Tejgaon, Dhaka

Date of Submission: 3rd January, 2026

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Sajib Biswas,
ID: BBA2401031112
Program: Bachelor of Business Administration
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Supervised by:

Dr. Md. Masud Rana
Professor & Head
Department of Business Administration
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Submitted for the partial fulfillment of the degree
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Sonargaon University (SU)
147/1 Green Road, Panthapath, Tejgaon, Dhaka

Date of Submission: 3rd January, 2026

Letter of Transmittal

3rd January, 2026

To,

Dr. Md. Masud Rana

Professor & Head

Department of Business Administration

Sonargaon University (SU)

Subject: Submission of internship report titled **“Statutory Audit Compliance and Documentation Systems in Bangladesh: A Study on M. SHAHIDUL ISLAM & CO., Chartered Accountants.”**

Dear Sir,

It is my pleasure to submit the internship report titled “Statutory Audit Compliance and Documentation Systems in Bangladesh: A Study on M. SHAHIDUL ISLAM & CO., Chartered Accountants.” This report has been prepared as a partial requirement for the completion of the Bachelor of Business Administration (BBA) program. During my internship at M. SHAHIDUL ISLAM & CO., I have gathered practical experience and insights regarding statutory audit procedures, professional documentation practices, and compliance frameworks followed in Bangladesh.

I have sincerely endeavored to prepare this report based on my practical learning and observations. I am grateful for your continuous guidance, support, and valuable instructions throughout the preparation of this report. I would be honored to receive any feedback or suggestions that could further enrich my understanding.

Sincerely Yours,

Sajib Biswas

BBA2401031112

Program: Bachelor of Business

Administration Major: Finance

Department of Business Administration

Sonargaon University (SU)

Letter of Acceptance

This is to certify that **Sajib Biswas**, ID: BBA2401031112, Department of Business Administration, has completed his internship report titled “Statutory Audit Compliance and Documentation Systems in Bangladesh: A Study on M. SHAHIDUL ISLAM & CO., Chartered Accountants” has been duly received and formally accepted for evaluation. The report has been submitted in partial fulfillment of the requirements for the Bachelor of Business Administration (BBA) program of Sonargaon University.

We acknowledge his effort in preparing this report based on his practical experience during the internship attachment. The report will now be forwarded for assessment as per departmental guidelines.

I wish him every success in his academic and professional pursuits.

Dr. Md. Masud Rana

Professor & Head

Department of Business Administration

Sonargaon University

Student's Declaration

I, **Sajib Biswas**, bearing ID: BBA2401031112, hereby declare that I am submitting my internship report titled “Statutory Audit Compliance and Documentation Systems in Bangladesh: A Study on M. SHAHIDUL ISLAM & CO., Chartered Accountants.” In this report, I have presented the statutory audit procedures, compliance practices, and documentation systems followed in Bangladesh, which are solely developed based on my own learning and observations during my internship.

I was thoroughly supervised by my internship supervisor, **Dr. Md. Masud Rana**, Professor & Head, Department of Business Administration, Sonargaon University, while preparing this report. I further declare that I have not shared this report with any other platform or individuals, and I have not copied any content from anyone else's work.

I hereby acknowledge that I will be fully liable for any kind of breach of academic regulations regarding the preparation and submission of this internship report.

Sincerely Yours,

Sajib Biswas

BBA2401031112

Program: Bachelor of Business

Administration Major: Finance

Department of Business Administration

Sonargaon University (SU)

Acknowledgment

In every scene of one's life there are some persons who make other's life precious. They provide inspiration, support, and maximum effort to help in different way to make other's smile at the end of an event. In same manner to completion of this internship report, I cannot deserve all the praise. There were lot of people who helped me by providing valuable information, guidance and their valuable time.

At the very beginning, I would like to express my deepest gratitude to the Almighty for granting me the ability, patience, and perseverance to successfully complete this internship report titled "Statutory Audit Compliance and Documentation Systems in Bangladesh: A Study on M. SHAHIDUL ISLAM & CO., Chartered Accountants."

I convey my sincere appreciation to my honorable supervisor, **Dr. Md. Masud Rana**, Professor & Head, Department of Business Administration, Sonargaon University, for his continuous guidance, valuable feedback, and encouragement throughout the entire internship period and the preparation of this report. His insightful suggestions and support have greatly enriched the quality of my work.

I would also like to extend my heartfelt thanks to all the partners, senior staff, and employees of M. SHAHIDUL ISLAM & CO., Chartered Accountants, for providing me with the opportunity to work as an intern and for their cooperation, mentorship, and practical knowledge in statutory audit activities. Their professional guidance has significantly contributed to my learning and helped me gain real-world experience in the field of audit and compliance.

My sincere thanks also go to the Department of Business Administration at Sonargaon University for offering such a practical-oriented internship program that bridges academic knowledge with professional practice.

Lastly, I am grateful to my family, friends, and well-wishers for their unwavering support, inspiration, and encouragement during the entire period of my internship and report preparation.

Executive Summary

This internship report represents a comprehensive examination of the statutory audit practices, regulatory compliance frameworks, and documentation systems used by professional audit firms in Bangladesh. The study is based on my practical experience gained during an internship at M. SHAHIDUL ISLAM & CO., where I had the opportunity to observe and participate in various audit engagements across different client organizations.

The primary objective of this report is to connect academic audit concepts with real-world auditing procedures by exploring how statutory audits are performed in accordance with national and international standards. These include the Companies Act, 1994, Bangladesh Standards on Auditing (BSA), International Standards on Auditing (ISA), ICAB guidelines, and relevant directives from regulatory authorities such as the National Board of Revenue (NBR) and the Bangladesh Securities and Exchange Commission (BSEC). This report highlights how these standards ensure transparency, accountability, and reliability in financial reporting.

Throughout my internship, I gained hands-on experience in audit planning, internal control evaluation, risk assessment, substantive testing, audit evidence collection, preparation of working papers, and drafting financial statements. Particular emphasis is placed on the audit documentation process, which plays a vital role in maintaining audit quality and ensuring compliance. The report explains how documentation is prepared, reviewed, and preserved following ICAB's audit documentation requirements and global best practices.

Several key challenges faced by audit firms in Bangladesh are also identified in this report. These include insufficient client records, weak internal control systems in some organizations, time pressure during audit seasons, frequent regulatory changes, and the increasing need for digital tools to enhance documentation and workflow efficiency. These challenges underline the importance of investing in audit technologies, strengthening staff training, and improving coordination with clients.

Overall, this internship report reflects the integration of theoretical concepts with professional audit practices and showcases the importance of compliance and documentation in ensuring the effectiveness of statutory audits in Bangladesh. My internship experience at **M. SHAHIDUL ISLAM & CO.** has significantly enriched my practical knowledge and served as a strong foundation for my future professional career in the field of accounting and auditing.

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Chapter–One

INTRODUCTION

1.1 Background of the Study

Over the past few decades, the economic landscape of Bangladesh has experienced substantial transformation characterized by rapid industrialization, expansion of corporate and non-corporate business entities, increased foreign trade, and diversification of financial activities. As organizations grow in size and operational complexity, the volume and sophistication of financial transactions have increased significantly. In such an environment, the need for transparent, reliable, and standardized financial reporting has become more critical than ever. Accurate financial information is essential not only for internal management decision-making but also for external stakeholders such as investors, creditors, regulatory authorities, and the general public.

Within this evolving economic context, statutory audit has emerged as a cornerstone of the financial reporting and corporate governance framework in Bangladesh. A statutory audit provides an independent and objective examination of an entity's financial statements to determine whether they present a true and fair view in accordance with applicable financial reporting standards and legal requirements. Beyond verifying numerical accuracy, statutory audits enhance accountability, deter financial misstatements and fraud, and reinforce stakeholder confidence in published financial information. As businesses increasingly depend on external financing and public trust, the role of statutory audits has become indispensable in safeguarding the interests of stakeholders.

The statutory audit system in Bangladesh is governed by a comprehensive regulatory and professional framework that includes the Companies Act, 1994, Bangladesh Standards on Auditing (BSA) which are aligned with the International Standards on Auditing (ISA) Bangladesh Financial Reporting Standards (BFRS), and ethical and professional guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB). These regulations define the responsibilities of auditors, prescribe audit procedures, and emphasize the importance of maintaining adequate audit documentation. Compliance with these standards is essential to ensure audit quality, consistency, and credibility across the profession.

In this regulatory environment, professional audit firms such as M. SHAHIDUL ISLAM & CO., Chartered Accountants, play a vital role in implementing statutory audit requirements in practice. Through systematic audit planning, risk assessment, evaluation of internal controls, evidence gathering, and proper documentation, such firms contribute significantly to

strengthening financial discipline and regulatory compliance within organizations. Effective audit documentation, including the maintenance of permanent and current audit files, serves as a critical link between audit procedures performed and the auditor's final opinion, thereby supporting transparency, accountability, and regulatory review.

This study is motivated by the increasing importance of statutory audit compliance and robust documentation systems in the face of growing business complexity, regulatory scrutiny, and technological advancement. As audit processes continue to evolve, the need for well-structured documentation systems that align with international best practices has become increasingly important. By examining the statutory audit compliance practices and documentation systems of M. SHAHIDUL ISLAM & CO., this study aims to provide practical insights into how auditing standards are applied in real audit engagements in Bangladesh. The findings of the study contribute to a deeper understanding of professional audit practices, challenges, and opportunities for improvement within the country's auditing profession.

1.2 Objectives of The Study

The primary objective of this study is to undertake an in-depth, systematic, and comprehensive analysis of the statutory audit compliance and documentation systems practiced by M. SHAHIDUL ISLAM & CO., Chartered Accountants, within the regulatory landscape of Bangladesh. This study aims to connect academic concepts of auditing with professional practices to better understand how statutory audits ensure transparency, accountability, and reliability in financial reporting.

More specifically, the study seeks to achieve the following broad objectives:

To examine the statutory audit framework of Bangladesh, including the Companies Act 1994, BSA, ISA, ICAB regulations, and relevant directives, in order to understand the legal and professional environment governing audit practices.

To analyze the audit methodology and compliance procedures of M. SHAHIDUL ISLAM & CO., with emphasis on audit planning, risk assessment, internal control evaluation, substantive testing, and audit reporting.

To evaluate the audit documentation system of the firm, focusing on the preparation, organization, review, and retention of working papers in compliance with ICAB and ISA documentation standards.

To identify practical challenges faced during statutory audits in Bangladesh, such as poor client documentation, weak internal controls, time constraints, and regulatory changes, and assess their impact on audit quality.

To explore the role of technology and digitalization in audit practices, particularly in enhancing documentation efficiency, audit workflow, communication, and overall audit performance.

To provide practical recommendations based on study findings, aimed at improving audit quality, strengthening documentation systems, promoting digital adoption, and ensuring better regulatory compliance in audit firms.

1.3 Problem Statement

Despite the existence of well-defined auditing standards and statutory requirements, ensuring full compliance and maintaining comprehensive audit documentation remain challenging in practice. Audit firms often face issues such as incomplete client records, time constraints, lack of proper internal control systems in client organizations, and pressure to complete audits within deadlines. These challenges can affect the quality of audit documentation and overall audit effectiveness.

In the context of Bangladesh, small and medium-sized audit firms must balance professional standards with practical limitations. During the internship at M. Shahidul Islam & CO., it was observed that while statutory compliance is given high priority, documentation practices may face constraints due to client cooperation, resource limitations, and manual record-keeping. This study addresses the problem of how statutory audit compliance and documentation systems are practically implemented and identifies areas where improvements can be made.

1.4 Scope of the Study

The scope of this study is primarily based on the practical exposure, professional learning, and direct observations gained during my internship at M. Shahidul Islam & Co., Chartered Accountants (MSICO). During the internship period, I worked under the supervision of qualified professionals within the audit and tax departments, which enabled me to closely observe and actively participate in various phases of statutory audit engagements. Consequently, the study concentrates on examining statutory audit compliance practices and audit documentation systems as they are applied in real audit assignments conducted by the firm.

This study broadly covers the planning, execution, and completion stages of statutory audits, including audit planning and risk assessment, verification and vouching of financial transactions, evaluation of internal control systems, substantive testing of account balances, and preparation of audit working papers. Special attention has been given to the firm's approach to maintaining Permanent Audit Files (PAF) and Current Audit Files (CAF), as these files form the foundation of audit documentation and support the auditor's professional judgment and audit opinion. My involvement in organizing, reviewing, and cross-referencing working papers provided practical insight into the significance of proper documentation in ensuring audit quality, accountability, and regulatory compliance.

Furthermore, the scope of the study extends to observing how MSICO ensures compliance with the Companies Act, 1994, Bangladesh Standards on Auditing (BSA) / International Standards on Auditing (ISAs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), and applicable income tax and VAT laws in Bangladesh. The study reflects common audit observations identified during audit engagements, such as weaknesses in internal control systems, non-compliance with tax regulations, inventory valuation inconsistencies, and deficiencies in fixed asset records. These observations have been analyzed to understand their impact on audit procedures, documentation requirements, and overall compliance.

However, the scope of this study is confined to the duration of the internship and the specific audit engagements to which I was assigned. The study does not include a comparative analysis among different Chartered Accountancy firms, nor does it assess the financial performance or operational efficiency of MSICO or its audit clients. As a result, the findings,

interpretations, and conclusions presented in this report are based solely on personal internship experience and practical exposure at MSICO. Despite these limitations, the study provides a realistic and practical understanding of statutory audit practices and documentation systems within the context of professional audit firms in Bangladesh.

1.5 Significance of the Study

This study is significant as it reflects my practical learning and professional exposure gained during my internship at M. Shahidul Islam & Co., Chartered Accountants (MSICO). By working directly with audit and tax teams, I was able to observe how statutory audit theories learned in academic courses are applied in real audit engagements. The study therefore helps bridge the gap between theoretical knowledge and practical audit practice, particularly within the regulatory framework of Bangladesh.

From an academic perspective, this study contributes to a better understanding of statutory audit compliance and documentation systems, which are often discussed theoretically in textbooks. Through real-life audit cases, the study highlights how International Standards on Auditing (ISAs), the Companies Act, 1994, and tax and VAT regulations are implemented in practice. This makes the study useful for BBA students who aim to gain insight into professional auditing before entering the job market.

From a professional viewpoint, the study is significant as it documents common audit challenges and compliance issues faced by organizations, such as weaknesses in internal controls, incomplete documentation, tax non-compliance, and inventory valuation problems. By analyzing how MSICO addresses these issues through structured audit procedures and documentation, the study demonstrates the practical role of Chartered Accountants in ensuring financial transparency and regulatory compliance.

Moreover, the study is personally significant as it enhanced my professional skills, including analytical thinking, documentation, attention to detail, and ethical judgment. The experience has strengthened my understanding of professional responsibilities and prepared me for future roles in accounting, auditing, and taxation. Overall, this study serves as a practical learning record and provides meaningful insights into statutory audit practices in Bangladesh from an intern's perspective.

1.6 Limitations of the Study

Despite providing valuable practical exposure, this study has certain limitations that should be acknowledged. First, the study is based on my internship experience at M. Shahidul Islam & Co. (MSICO) for a limited period. As a result, the observations and findings reflect only the audit engagements and tasks that I was assigned during this timeframe and may not represent all aspects of statutory audit practices.

Second, access to information was restricted due to confidentiality requirements of audit engagements. As an intern, I was not permitted to access all client files, sensitive financial data, or final audit judgments made by partners. Therefore, the analysis is based on partial exposure to audit documentation and procedures rather than full engagement-level details.

Third, the scope of the study is confined to a single Chartered Accountancy firm, which limits the ability to compare audit practices with other firms in the industry. Consequently, the findings may not be generalizable across all audit firms operating in Bangladesh.

Additionally, time constraints limited the opportunity to observe long-term audit processes, such as regulatory inspections or post-audit follow-up activities. Finally, as the study is largely based on personal observation and practical involvement, there may be some degree of subjectivity in interpretation.

Despite these limitations, the study provides a realistic and practical overview of statutory audit compliance and documentation systems from an intern's perspective and contributes meaningful insight into professional audit practices in Bangladesh.

Chapter–Two

ORGANIZATION OVERVIEW

2.1 About the Firm (M. SHAHIDUL ISLAM & CO.)

M. SHAHIDUL ISLAM & CO., Chartered Accountants (MSICO), is a leading professional audit and consultancy firm in Bangladesh. The firm is registered under the Institute of Chartered Accountants of Bangladesh (ICAB) and operates in compliance with applicable laws, regulations, and professional standards. The firm was founded by **Mr. Md. Shahidul Islam FCA**, a seasoned professional with a distinguished career in the country's accounting sector, including significant leadership roles in top-tier firms. Since its inception on March 16, 2023, the firm has positioned itself as a symbol of reliability and technical excellence.

MSICO operates within the rigorous legal framework of Bangladesh, providing essential assurance services that help businesses comply with the Companies Act, 1994. Despite being a contemporary establishment, the firm has rapidly gained domestic and international recognition. Notably, it is enlisted with the **SGA World**, which allows the firm to participate in high-level audit and consultancy projects for international development organizations. The firm's headquarters, located in the commercial heart of Dhaka, serves as a hub for professional training and high-standard financial auditing.

2.2 Vision of the Firm

The vision of M. SHAHIDUL ISLAM & CO. is to be recognized as a premier accounting and consultancy firm in Bangladesh, known for its unwavering commitment to quality and ethical transparency. The firm envisions a future where its name is synonymous with "**Financial Integrity.**" To achieve this, MSICO focuses on:

- **Global Standards:** Integrating International Standards on Auditing (ISA) into every local engagement to ensure global comparability.
- **Innovation:** Utilizing modern audit tools and digital documentation systems to stay ahead of the evolving financial landscape.
- **Public Trust:** Building a legacy where stakeholders—including shareholders, regulators, and investors—can rely on MSICO's audit reports with absolute confidence.

2.3 Mission of the Firm

The mission of the firm is to provide independent and value-added audit and professional services while ensuring full compliance with statutory requirements and professional standards. The firm is committed to maintaining client confidentiality, professional competence, and continuous improvement through training, supervision, and adherence to ethical guidelines set by ICAB.

The firm is driven by the following mission-critical goals:

- **Quality Assurance:** To perform every audit engagement with the highest level of professional skepticism and technical accuracy.
- **Client Value Creation:** To identify internal control weaknesses in client organizations and provide actionable recommendations for business improvement.
- **Human Capital Development:** To recruit, train, and mentor Articled Students and professionals, contributing to the development of highly skilled Chartered Accountants for the nation.
- **Ethical Leadership:** To strictly adhere to the ICAB Code of Ethics, ensuring that objectivity and independence are never compromised.

2.4 Core Values and Professional Ethics

M. Shahidul Islam & CO. operates based on strong professional values and ethical principles, which guide its daily operations and professional conduct. The core values of the firm include:

- Integrity and honesty in all professional engagements
- Independence and objectivity in audit assignments
- Confidentiality of client information
- Professional competence and due care
- Compliance with laws, regulations, and auditing standards

These values ensure the firm's credibility and long-term professional reputation.

2.5 Hierarchy of M. SHAHIDUL ISLAM & CO.

The organizational structure of M. Shahidul Islam & CO. is designed to ensure effective supervision, proper segregation of duties, and efficient service delivery. The firm is led by experienced chartered accountants and supported by managers, audit staff, and interns.

The key organizational structure is as follows:

Founder & Managing Partner: Md. Shahidul Islam, FCA, is the Founder and Managing Partner of M. Shahidul Islam & Co., Chartered Accountants, and holds the ultimate authority and legal responsibility for the firm's audit opinions. As a Fellow Chartered Accountant, he signs statutory audit reports and ensures compliance with the Companies Act, Bangladesh Standards on Auditing (BSA), International Standards on Auditing (ISA), and ICAB ethical guidelines.

He completed his graduation in Accounting from the University of Dhaka and his articleship at **ACNABIN**, one of the leading Chartered Accountancy firms in Bangladesh. After qualification, he gained professional experience in several reputed audit firms and corporate organizations, which strengthened his expertise in audit, taxation, and regulatory compliance.

As Managing Partner, Mr. Shahidul Islam provides strategic leadership, oversees audit quality and documentation, and maintains key client relationships while fostering a strong culture of professionalism and ethical practice within the firm.

Other Partners:

Mohammad Omar Faruk, FCA

Mohammad Omar Faruk, FCA, is a partner at **M. Shahidul Islam & Co., Chartered Accountants**, responsible for overseeing audit engagements and ensuring compliance with statutory and professional standards, including BSA and ISA. He supervises audit teams, reviews working papers, and ensures the accuracy and completeness of documentation. He also assesses audit risks, materiality, and develops tailored audit programs while mentoring junior staff and interns. His leadership contributes to maintaining high-quality audits, professional ethics, and client confidence

Moon Rani Das, FCA

Moon Rani Das, FCA, serves as a partner of **M. Shahidul Islam & Co., Chartered Accountants**, focusing on engagement planning, supervision, and review of audit work. She ensures that audit procedures adhere to professional standards, statutory regulations, and ICAB guidelines. She oversees the preparation and organization of working papers, guides junior auditors, and supports quality control of audit files. Her role strengthens audit integrity, promotes ethical practices, and helps maintain strong client relationships.

Audit Managers: Md. Kosim Uddin and Md. Showkot are the Audit Managers at M. Shahidul Islam & Co., Chartered Accountants, both having completed two levels of Chartered Accountancy. They manage multiple audit teams, review Audit Planning Memoranda, and ensure fieldwork aligns with professional standards and the firm's quality requirements. They supervise working papers, guide junior auditors and interns, and help resolve technical issues. Their expertise and consistent performance contribute significantly to maintaining audit quality, professional ethics, and client confidence.

Tax Manager: Mokeshlur Rahman and Imrul Hasan are the Tax Managers at M. Shahidul Islam & Co., Chartered Accountants, specializing in taxation services, compliance, and advisory functions. They oversee the preparation of income tax returns, tax computations, and VAT/WHT compliance, ensuring adherence to statutory regulations. They also provide expert guidance on tax planning, deductions, and regulatory updates, while mentoring junior staff. Their expertise ensures accurate, timely, and efficient tax services for clients.

Audit Supervisors / Seniors: These individuals lead the field teams at the client's premises. They are responsible for detailed file reviews and resolving complex accounting issues that arise during the audit.

Audit Associates / Articled Students: This level consists of students undergoing their CA articleship. They perform the "groundwork," including vouching, physical verification of assets, and maintaining the Current Audit Files (CAF).

Administrative & Support Staff: This team manages the firm's internal functions, such as HR, Information Technology, and the Document Verification System (DVS) data entry.

2.6 Services/Products of M. SHAHIDUL ISLAM & CO.

The “products” of a Chartered Accountancy firm are its professional services. M. Shahidul Islam & Co. (MSICO) offers a wide range of services designed to support the financial integrity, regulatory compliance, and strategic decision-making of corporate and non-corporate clients.

1. Statutory Audit – Ensuring Financial Transparency

The statutory audit is the firm’s core service, involving a detailed examination of a client’s financial statements, accounting records, and internal controls. MSICO ensures that financial statements are prepared in accordance with International Financial Reporting Standards (IFRS/IAS) and the Companies Act, 1994. The audit provides assurance to shareholders, investors, and regulators that the company’s financial position is fairly represented, enhancing trust and corporate governance.

2. Internal and Management Audit – Strengthening Operational Efficiency

MSICO conducts internal and management audits to assess the effectiveness and efficiency of a client’s internal control systems, risk management practices, and operational processes. This service identifies weaknesses, recommends improvements, and helps management make informed strategic decisions. Internal audits also support compliance with internal policies, regulatory requirements, and industry best practices.

3. Taxation Services – Compliance and Strategic Planning

The firm offers comprehensive taxation services, including corporate tax planning, preparation of tax returns, and advisory services. MSICO also represents clients before the National Board of Revenue (NBR) and appellate authorities when required. The service ensures clients comply with the Income Tax Ordinance, 1984, while optimizing tax obligations through lawful deductions, exemptions, and rebates.

4. VAT Compliance – Navigating Indirect Tax Regulations

MSICO assists clients in VAT registration, calculation, return filing, and audit compliance under the VAT & Supplementary Duty Act, 2012. The firm ensures that businesses adhere to legal requirements for input-output VAT adjustments, timely submissions, and proper

documentation. This service helps prevent penalties and maintains smooth regulatory relations.

5. Secretarial & BPO Services – Managing Corporate Formalities

The firm provides secretarial services such as company incorporation, preparation of board meeting minutes, share transfers, and statutory filings with the Registrar of Joint Stock Companies (RJSC). Additionally, MSICO offers Business Process Outsourcing (BPO) support, helping clients manage back-office accounting and administrative processes efficiently. This service ensures corporate compliance and reduces operational burden.

6. Specialized Advisory Services – Supporting Strategic Decisions

MSICO also provides specialized advisory services, including due diligence for mergers and acquisitions, business feasibility studies, and asset valuations. These services support clients in making informed investment and expansion decisions. The firm leverages its expertise to evaluate financial risks, assess operational viability, and provide actionable recommendations that align with strategic business objectives.

2.7 Client Base and Areas of Operation

M. Shahidul Islam & Co., Chartered Accountants, serves a diverse and expanding client base comprising private limited companies, partnership firms, sole proprietorships, non-government organizations (NGOs), and other business entities operating under different legal and regulatory frameworks. The firm's clients range from small and medium-sized enterprises to established organizations, reflecting its capability to address varying audit, tax, and advisory requirements.

The firm provides professional services across a wide range of economic sectors, including trading, manufacturing, service-oriented businesses, and non-profit organizations. This sectoral diversity enables the firm to gain in-depth knowledge of industry-specific risks, regulatory requirements, and accounting practices, which in turn enhances the effectiveness and quality of its audit and assurance services. Engagements with NGOs and non-profit entities further demonstrate the firm's competence in handling donor compliance, fund utilization reviews, and statutory reporting obligations.

Chapter–Three

INTERNSHIP POSITION & DUTIES

3.1 Internship Position and Learning Objectives

During my BBA internship program, I joined M. Shahidul Islam & Co., Chartered Accountants, as an Audit Intern for a period of three months. The primary purpose of this internship was to acquire practical exposure to the professional audit environment and to understand how statutory audits are conducted in accordance with applicable laws, regulations, and auditing standards in Bangladesh. Through this internship, I was able to work closely with experienced audit professionals and observe the practical implementation of audit procedures, compliance requirements, and documentation practices across different client engagements.

As an Audit Intern, my responsibilities mainly involved assisting audit teams in performing audit-related tasks aimed at verifying the accuracy, completeness, and reliability of clients' financial records. I supported senior auditors in examining accounting documents, cross-checking financial data, and ensuring that transactions were properly recorded and supported by adequate evidence. This role enabled me to understand how auditors contribute to safeguarding the financial integrity of organizations by providing independent assurance on financial statements.

One of the most significant learning outcomes of this internship was the transition from theoretical accounting concepts to evidence-based auditing practices. I learned that in professional audit work, financial figures presented in financial statements must be supported by sufficient and appropriate audit evidence. My duties were structured to familiarize me with the Document Verification System (DVS), preparation and organization of audit working papers, and the practical application of International Standards on Auditing (ISA). This exposure helped me appreciate the importance of maintaining proper documentation as a basis for audit conclusions and regulatory compliance.

Moreover, the internship played a crucial role in developing professional skepticism, which is a fundamental attribute of an audit professional. I was trained to critically analyze information provided by clients, identify inconsistencies, and assess the reliability of audit evidence rather than relying solely on explanations. This mindset strengthened my analytical ability and enhanced my understanding of risk assessment and judgment in audit engagements.

The learning objectives of the internship were centered on gaining a comprehensive understanding of professional audit practice. These included understanding the roles and responsibilities of audit professionals in a real-life setting, observing and participating in statutory audit procedures in compliance with auditing standards, developing practical skills in audit documentation and working paper preparation, and gaining insight into the firm's organizational structure, client management practices, and audit planning processes. Overall, the internship successfully bridged the gap between theoretical knowledge acquired during the BBA program and the practical requirements of statutory audit work, thereby contributing significantly to my professional development.

3.2 Duties Performed During Internship

During my internship at M. Shahidul Islam & Co., Chartered Accountants, I performed a wide range of professional duties related to audit, taxation, VAT, and documentation under the direct supervision of qualified Chartered Accountants, audit managers, and senior associates. The responsibilities assigned to me were closely aligned with my academic background in accounting and finance and were designed to provide hands-on exposure to real-life professional practices. These duties helped me understand how theoretical knowledge is applied in a regulated professional environment while maintaining ethical standards and professional discipline.

3.2.1 Audit-Related Duties

A significant portion of my internship responsibilities involved supporting statutory audit engagements. I assisted in the audit planning and preliminary stages, which included reviewing prior-year audit files, understanding the client's nature of business, and analyzing background information to identify potential risk areas. This early involvement helped me understand how auditors plan audit procedures based on risk assessment and materiality considerations.

During the fieldwork stage, I actively participated in collecting, organizing, and reviewing audit evidence, such as trial balances, general ledgers, bank statements, vouchers, invoices, and supporting schedules. I was involved in vouching and verification of transactions,

ensuring that recorded transactions were supported by valid documents and complied with accounting and statutory requirements. Additionally, I assisted in checking cash and bank balances, expense accounts, fixed asset registers, and inventory records, which enhanced my understanding of substantive audit testing.

I also supported senior auditors in identifying errors, inconsistencies, unusual fluctuations, and compliance issues in financial records. This exposure helped me develop analytical skills and professional skepticism. Furthermore, I assisted in maintaining audit working papers, including proper indexing, cross-referencing, and file documentation, which reinforced the importance of systematic documentation in supporting audit conclusions and audit opinions.

3.2.2 Taxation Duties

In addition to audit work, I was involved in various taxation-related activities, which provided practical insight into the application of tax laws in Bangladesh. I assisted in preparing income tax returns for both individual taxpayers and business entities under the guidance of senior staff. This included gathering relevant financial and personal information and ensuring compliance with applicable tax regulations.

I also helped prepare tax computation sheets in accordance with the Income Tax Ordinance, 1984, where I learned how taxable income is calculated after considering allowable expenses, exemptions, rebates, and tax credits. My responsibilities further included assisting in identifying allowable deductions and adjustments, as well as organizing and maintaining supporting documents required for tax assessment and submission to tax authorities. These tasks enhanced my understanding of tax compliance and documentation requirements.

3.2.3 VAT and Withholding Tax Duties

My internship also provided exposure to Value Added Tax (VAT) and Withholding Tax (WHT) compliance procedures. I assisted in the preparation and review of monthly VAT returns (Mushak-9.1) and learned how VAT liabilities are calculated and reported. I was involved in checking purchase and sales registers (Mushak-6.3 and Mushak-6.1) to ensure accuracy and consistency with supporting invoices.

Additionally, I assisted in verifying VAT input-output adjustments and reviewing relevant VAT documents to ensure compliance with VAT laws and regulations. In relation to withholding tax, I supported senior staff in verifying WHT deductions, reviewing treasury challans, and ensuring that taxes were deducted and deposited within the stipulated time. This exposure helped me understand the compliance obligations of businesses and the consequences of non-compliance.

3.2.4 Documentation and Reporting Duties

Throughout the internship, I was actively involved in professional documentation and reporting activities, which are integral to audit and tax engagements. I assisted in organizing **audit and tax files** in accordance with the firm's documentation policies and professional standards. This included preparing supporting schedules and working paper summaries required for audit finalization.

I also supported the drafting of professional correspondence, such as audit queries, document request letters, and communications with clients and regulatory authorities, under proper supervision. During all assignments, I strictly maintained confidentiality, integrity, and professional ethics while handling sensitive client information. These responsibilities strengthened my understanding of professional conduct and the importance of ethical behavior in the accounting profession.

3.3 Audit Planning and Preliminary Work

During my internship tenure, I was involved in several activities related to audit planning and preliminary work, which helped me understand the importance of proper planning in ensuring an effective and efficient audit process. Under the supervision of senior auditors, I assisted in gathering initial client information and reviewing prior-year audit files to gain an understanding of the client's business nature, internal control environment, and regulatory requirements.

I supported the audit team in preparing audit planning documents, including preliminary checklists, engagement letters, and audit timelines. I also assisted in identifying key audit areas and potential risk factors by analyzing financial statements, trial balances, and relevant

supporting schedules. This exposure helped me understand how auditors assess materiality and audit risk at the planning stage.

In addition, I was involved in organizing and verifying client-provided documents, such as bank statements, ledgers, vouchers, and statutory records, to ensure completeness before detailed audit work began. I also assisted in performing preliminary analytical procedures, including basic ratio analysis and trend comparisons, to identify unusual fluctuations requiring further audit attention.

3.4 Audit Compliance Procedures

During my internship at the Chartered Accountancy firm, I assisted in performing audit compliance procedures in accordance with International Standards on Auditing (ISAs) adopted by ICAB and the Companies Act, 1994. Under the supervision of senior auditors, I supported the execution of planned audit procedures to obtain sufficient and appropriate audit evidence.

My involvement included assisting in substantive testing and vouching procedures by examining vouchers, invoices, bank statements, and supporting schedules to verify the accuracy and validity of transactions. I also assisted in verifying selected account balances such as cash and bank, receivables, payables, revenue, and expenses to ensure proper recognition and disclosure in the financial statements.

Additionally, I supported the review of statutory compliance, including income tax, VAT, and withholding tax, in line with the Income Tax Ordinance, 1984 and the VAT and Supplementary Duty Act, 2012. I assisted in preparing and maintaining audit working papers in compliance with firm policies and professional standards.

This experience enhanced my understanding of audit execution, compliance requirements, and documentation practices within the regulatory framework of Bangladesh.

3.5 Audit Documentation and Working Papers

During my internship at M. Shahidul Islam & CO., I was actively involved in audit documentation and preparation of working papers, which provided me with practical insight

into how auditors record evidence and support their conclusions. Under the supervision of senior auditors, I assisted in organizing and maintaining audit working papers in accordance with ICAB-adopted ISAs and the firm's internal audit methodology.

My responsibilities included preparing schedules and cross-references for various financial statement items such as cash, bank, receivables, payables, revenue, and expenses. I assisted in documenting vouching procedures, verification of supporting documents, and analytical review findings in a systematic and professional manner. Each working paper I prepared included sufficient information to demonstrate the audit procedures performed, the evidence obtained, and the conclusions reached, ensuring compliance with auditing standards.

I also assisted in compiling checklists, engagement letters, and compliance schedules, which helped track statutory requirements and deadlines. This exposure helped me understand the importance of accurate, complete, and well-organized documentation in supporting the auditor's opinion and facilitating audit review by senior staff and regulators.

Overall, my involvement in audit documentation and working papers strengthened my understanding of the audit process, professional judgment, and evidence-based reporting. It also developed my skills in maintaining a structured audit file, ensuring clarity, and meeting the documentation standards required by ICAB and professional practice in Bangladesh.

3.6 Learning Outcomes from Internship

My internship at M. Shahidul Islam & CO. provided me with valuable practical exposure to the professional environment of a Chartered Accountancy firm. I gained firsthand experience in audit planning, compliance procedures, taxation, VAT, and preparation of working papers, which enhanced my understanding of both theoretical and practical aspects of accounting and auditing.

I developed essential skills such as financial analysis, vouching, verification, documentation, and regulatory compliance. The internship also improved my professional communication, time management, and teamwork abilities, as I worked closely with senior auditors and colleagues on real client engagements.

Furthermore, I acquired insights into the practical application of ICAB-adopted ISAs, BAS,

BFRS, and local tax laws, which strengthened my confidence in handling audit and taxation tasks. Overall, this internship has enriched my knowledge, refined my professional skills, and prepared me for future roles in auditing, taxation, and accounting practice.

3.7 Challenges Faced During Internship

One of the main difficulties I encountered was grasping the practical application of audit procedures, taxation, and VAT compliance, as real client data often required careful verification and attention to detail. Managing multiple tasks under strict deadlines also proved challenging, demanding strong time management and prioritization skills.

Adapting to the professional environment, understanding the firm's workflow, and coordinating effectively with senior auditors for complex assignments initially required patience and proactive communication. Working on large volumes of financial records while maintaining accuracy further tested my analytical and documentation abilities.

These challenges, however, provided valuable learning opportunities. With guidance from supervisors and continuous practice, I improved my problem-solving skills, professional confidence, and ability to work efficiently in a structured audit environment.

Chapter- Four

ANALYSIS & FINDINGS

A **statutory audit** is a legally mandated review of the accuracy of an organization's financial statements and records. It is required by law for specific entities such as companies, banks, insurance firms, and public institutions. The main objective of a statutory audit is to determine whether the financial statements provide a true and fair view of the organization's financial position.

In Bangladesh, statutory audits are governed primarily by the **Companies Act 1994**, which mandates that every company must appoint a **qualified chartered accountant** to audit its annual financial statements. The act requires the auditor to express an opinion on whether the financial statements have been prepared in accordance with generally accepted accounting principles and provide a true and fair view.

4.1 Legal and Regulatory Framework of Statutory Audit in Bangladesh: Analytical Perspective

The statutory audit practices in Bangladesh are governed by a comprehensive legal and professional framework designed to ensure transparency, accountability, and audit quality. This framework provides auditors with clear responsibilities while also safeguarding the interests of stakeholders. During the internship at **M. Shahidul Islam & Co.**, it was observed that compliance with these regulatory requirements significantly influences audit planning, execution, documentation, and reporting processes.

The **Companies Act 1994** serves as the primary legal foundation for statutory audits in Bangladesh. Sections 210–213 mandate that every company must appoint a qualified chartered accountant to audit its financial statements annually. In practice, the firm strictly follows these provisions by ensuring proper engagement acceptance, auditor independence, and issuance of audit opinions based on sufficient and appropriate evidence. The Act also clearly defines the rights and duties of auditors, which strengthens their authority to access company records and enhances the reliability of audit outcomes.

The **Institute of Chartered Accountants of Bangladesh (ICAB)** plays a central role in regulating audit professionals and maintaining uniform auditing practices. As a member of IFAC, ICAB's adoption of International Standards on Auditing (ISA) ensures global consistency in audit procedures. During the audit assignments handled by the firm, ICAB-issued guidelines, audit manuals, and ethical standards were consistently applied, particularly

in areas of documentation, quality control, and professional conduct. This adherence helps maintain professional credibility and standardization across engagements.

The **Financial Reporting Council (FRC)** further strengthens the regulatory environment by overseeing both auditors and reporting entities under the Financial Reporting Act, 2015. The firm demonstrated awareness of FRC oversight, especially regarding compliance monitoring and disciplinary provisions. The coordination between ICAB and FRC enhances audit accountability and reinforces ethical behavior, which ultimately improves stakeholder confidence in audited financial statements.

In addition to core regulations, other sector-specific laws—such as the Bank Companies Act 1991, Insurance Act 2010, Securities and Exchange Ordinance 1969, and Income Tax Ordinance 1984—significantly affect statutory audit procedures. Audit engagements involving banks, insurance companies, or listed entities require additional compliance and documentation. The firm adjusts its audit approach accordingly, indicating a flexible yet compliance-driven methodology.

4.2 Role of International Standards on Auditing (ISA) in Audit Compliance

International Standards on Auditing (ISA), issued by the IAASB under IFAC, form the technical backbone of statutory audits in Bangladesh. ICAB's adoption of ISA ensures that audit engagements are conducted using globally accepted principles. During the internship, it was evident that key ISAs—such as **ISA 200, ISA 230, ISA 315, ISA 500, and ISA 700**—directly influence audit planning, risk assessment, evidence collection, documentation, and reporting.

Particularly, **ISA 230 (Audit Documentation)** plays a critical role in shaping the firm's working paper system. Proper documentation was maintained to support audit judgments and conclusions, which enhances audit defensibility and regulatory compliance. The consistent application of these standards strengthens audit quality and promotes professional skepticism throughout the audit process.

4.2.1 Audit Compliance: Concept, Elements, and Practical Significance

Audit compliance refers to strict adherence to applicable laws, auditing standards, and ethical guidelines during audit engagements. At M. Shahidul Islam & Co., compliance was treated as a fundamental professional obligation rather than a procedural formality. The firm's audit practices reflected four key elements of compliance: regulatory, standard-based, ethical, and procedural compliance.

Regulatory compliance ensures adherence to the Companies Act, ICAB regulations, and FRC directives, while standard compliance focuses on proper application of ISA requirements. Ethical compliance—such as independence, confidentiality, and integrity—was emphasized in every engagement. Procedural compliance was maintained through systematic audit planning, risk assessment, evidence gathering, and documentation.

The importance of audit compliance is reflected in its impact on audit credibility and stakeholder trust. Proper compliance enhances the reliability of audit opinions, reduces the risk of professional misconduct, and safeguards auditors from legal and disciplinary consequences. Conversely, failure to comply may result in regulatory penalties, reputational damage, or loss of professional standing.

4.3 Analysis of the Statutory Audit Framework in Bangladesh

The analysis of the statutory audit framework in Bangladesh reveals that the auditing profession operates under a well-defined legal and professional structure. The Companies Act, 1994 establishes the statutory obligation for audits and defines the scope, responsibilities, and reporting requirements of auditors. In practice, audit firms such as M. SHAHIDUL ISLAM & CO. strictly follow these legal provisions while conducting statutory audits of corporate entities.

The Bangladesh Standards on Auditing (BSA), which are aligned with the International Standards on Auditing (ISA), serve as the primary professional guidelines governing audit procedures, documentation, and reporting. During the internship, it was observed that the firm consistently referred to relevant auditing standards—particularly those related to audit planning, risk assessment, audit evidence, and documentation. In addition, ICAB regulations

and ethical guidelines play a crucial role in ensuring auditor independence, integrity, and professional competence. Overall, the analysis indicates that the statutory audit framework in Bangladesh is comprehensive; however, its effective implementation largely depends on the professional judgment and commitment of individual audit firms.

4.4 Analysis of Audit Methodology and Compliance Procedures at MSICO

An analysis of the audit methodology followed by M. SHAHIDUL ISLAM & CO. shows a structured and standard-based approach to audit engagements. The firm follows a systematic audit process that begins with audit planning, where prior-year files, client background, and risk factors are reviewed. This stage ensures that audit procedures are tailored according to the nature, size, and complexity of the client's business.

During the risk assessment and internal control evaluation phase, auditors assess inherent and control risks by understanding the client's accounting system and internal control environment. Based on this assessment, substantive audit procedures are designed and executed. The firm emphasizes obtaining sufficient and appropriate audit evidence through vouching, verification, analytical procedures, and inquiry. The audit findings are then summarized and evaluated before issuing the audit report. The analysis suggests that MSICO largely complies with BSA and ISA requirements; however, in some cases, audit efficiency is affected by weak client records and limited internal controls.

4.5 Findings on the Audit Documentation System

The evaluation of the audit documentation system reveals that M. SHAHIDUL ISLAM & CO. maintains audit working papers in accordance with professional requirements. The firm uses both Permanent Audit Files (PAF) **and** Current Audit Files (CAF) to organize audit documentation. The PAF contains long-term information such as company incorporation documents, accounting policies, and organizational structure, while the CAF includes year-specific documents such as trial balances, audit programs, working papers, and audit evidence.

The documentation system supports audit conclusions by clearly linking audit procedures with audit findings. Proper indexing, cross-referencing, and supervisory review were

observed during audit engagements. Compliance with ISA 230 (Audit Documentation) was generally maintained, ensuring accountability and facilitating future reference and regulatory inspection. However, the findings also indicate that documentation is largely manual, which increases the risk of inefficiency and documentation gaps in complex engagements.

4.5.1 Identification of Practical Challenges in Statutory Audits

The study identifies several practical challenges faced during statutory audit engagements in Bangladesh. One of the most common challenges is incomplete or poorly maintained client records, which often delays audit work and requires additional verification procedures. Weak internal control systems and lack of accounting knowledge among some clients further increase audit risk and workload.

Other challenges include tight audit deadlines, frequent changes in tax and regulatory requirements, and limited availability of reliable supporting documents. These constraints often place pressure on audit teams and may affect audit planning, documentation quality, and professional judgment. The findings highlight that while auditing standards provide clear guidance, real-world constraints significantly influence the execution of audit engagements in Bangladesh.

4.5.2 Findings on the Role of Technology and Digitalization

The analysis of technology usage within MSICO indicates a moderate level of digitalization in audit practices. Basic tools such as spreadsheets and electronic communication are widely used for audit documentation and client coordination. However, the use of advanced audit software, data analytics tools, and fully electronic working paper systems remains limited.

The findings suggest that greater adoption of technology could significantly improve audit efficiency, documentation accuracy, and compliance monitoring. Digital audit documentation systems could reduce manual errors, enhance data security, and support better supervisory review. While the firm recognizes the importance of digital transformation, resource constraints and client readiness remain key challenges to full technological adoption.

4.5.3 Key Findings and Overall Observations

Based on the analysis, the study finds that M. SHAHIDUL ISLAM & CO. maintains a generally high level of compliance with statutory and professional audit requirements. The firm follows structured audit methodologies and emphasizes proper documentation and ethical conduct. However, audit quality is sometimes affected by external factors such as client limitations, regulatory changes, and time constraints.

The findings also highlight the growing importance of strong documentation systems and technological integration in enhancing audit quality and regulatory compliance. The study concludes that while the statutory audit framework in Bangladesh is robust, continuous professional development, improved documentation practices, and increased use of technology are essential for strengthening the overall effectiveness of audit practices.

4.6 Analysis of Statutory Compliance Procedures

The statutory compliance procedures followed by M. Shahidul Islam & Co. (MSICO) reflect a strong commitment to regulatory accuracy and professional standards. Based on my observations during the internship, the firm ensures compliance with the Companies Act, 1994, ICAB Guidelines, and other applicable laws through a series of structured verification and review mechanisms.

One of the most significant compliance controls applied by MSICO is the use of the ICAB Document Verification System (DVS). I observed that for every statutory audit engagement, a unique DVS code is generated through the ICAB portal and included in the audit report. This mechanism ensures the authenticity of the audited financial statements and prevents duplication or forgery, which is a mandatory compliance requirement in Bangladesh.

In terms of audit quality, MSICO consistently applies International Standards on Auditing (ISAs) as adopted by ICAB. Notably, the application of ISA 500 (Audit Evidence) was evident in the firm's approach to evidence collection. The audit team emphasizes obtaining evidence that is both relevant to financial statement assertions and reliable in nature, with a preference for independent and external sources wherever applicable.

From a regulatory compliance perspective, the firm conducts thorough checks to ensure client adherence to taxation and VAT laws. I observed systematic verification of compliance with

the Income Tax Act, 2023, including proper deduction and deposit of tax deducted at source (TDS). Similarly, compliance with the VAT and Supplementary Duty Act, 2012 is assessed through verification of VAT registrations and maintenance of statutory records such as Mushak 6.3.

Overall, the statutory compliance procedures at MSICO are well-structured, risk-focused, and aligned with national regulations and international auditing standards, contributing to the credibility and reliability of the audit reports issued by the firm.

4.7 Major Findings during the Internship

Based on observations across multiple audit engagements at M. Shahidul Islam & Co. (MSICO), several recurring audit findings were identified, particularly among medium-sized enterprises in Bangladesh. A common issue was weak internal control systems, notably the lack of proper segregation of duties, which increases the risk of errors and fraud. MSICO addresses this weakness by communicating control deficiencies to management through formal management letters.

Another significant finding was inadequate fixed asset management, where many clients lacked a properly maintained Fixed Asset Register (FAR). This limitation made physical verification challenging and required MSICO's audit teams to perform additional asset identification and verification procedures to confirm the existence of assets reported in the financial statements.

Instances of non-compliance with tax and VAT regulations were also observed, particularly regarding failure to deduct Tax at Source (TDS) on certain payments. Such non-compliance may result in disallowance of expenses under the Income Tax Act, 2023. MSICO identifies these issues during audit and ensures necessary tax adjustments are reflected accurately in the tax computation.

Finally, inventory valuation issues were frequently noted, including improper year-end stock taking and non-compliance with IAS 2 requirements. To address this risk of profit overstatement, MSICO conducts independent sample-based stock counts and verifies valuation methods.

Overall, these findings highlight common compliance and control weaknesses in Bangladeshi businesses and demonstrate MSICO's role in identifying risks and recommending corrective measures.

4.8 SWOT Analysis of MSICO's Documentation System

Based on my observations during nearly one month of internship at M. Shahidul Islam & Co. (MSICO), the firm's documentation system appears to be well-structured and professionally maintained. The audit files are systematically organized into Permanent Audit Files (PAF) and Current Audit Files (CAF) in compliance with ICAB-adopted ISAs. The use of standardized working paper formats, checklists, and cross-referencing supports consistency and facilitates effective review by senior auditors. Additionally, the application of ICAB's Document Verification System (DVS) enhances the authenticity and regulatory acceptance of audit reports.

However, I observed that the documentation process is still largely manual and paper-based, which can be time-consuming and increase the risk of misfiling during busy audit periods. Limited use of digital audit tools also affects efficiency in document retrieval and real-time tracking.

There are significant opportunities for improvement through the adoption of digital documentation systems and audit management software, which could improve efficiency, data security, and long-term record preservation. At the same time, increasing regulatory scrutiny and frequent changes in audit and tax regulations pose ongoing compliance challenges, especially where reliance on physical files remains high.

Overall, MSICO's documentation system is compliant and reliable, with clear potential for modernization to support future growth and regulatory demands.

Case Study

A Practical Experience with ADS Tex Industries

During my internship at M. Shahidul Islam & Co. (MSICO), I had the opportunity to be directly involved in the statutory audit engagement of **ADS Tex Industries**, garments import–export company located in Gazipur, Bangladesh. This engagement allowed me to practically observe and assist in the complete audit documentation cycle, starting from client acceptance to audit finalization and reporting. The case study provides a realistic illustration of how MSICO applies ICAB guidelines, ISA 230 (Audit Documentation), and risk-based audit procedures to ensure fair presentation, regulatory compliance, and audit quality.

Stage 1: Client Acceptance and Engagement Documentation

The audit process began with formal client acceptance and continuance procedures, where MSICO evaluated ethical compliance, independence threats, and engagement risk associated with ADS Tex Industries. As an intern, I observed how prior audit history, nature of business, and regulatory exposure of the client were assessed before accepting the engagement.

Once approved, an **Engagement Letter** was prepared and signed by both the audit firm and the client. This letter clearly defined the scope of audit, responsibilities of management and auditors, applicable reporting framework, and audit timelines. I assisted in filing this document in the Current Audit File (CAF) and cross-checking that it aligned with ICAB-prescribed formats. This stage highlighted the importance of formal documentation in protecting professional accountability and avoiding future misunderstandings.

Stage 2: Permanent Audit File (PAF) Creation and Legal Documentation Review

After engagement acceptance, the audit team focused on establishing and updating **the** Permanent Audit File (PAF). I actively assisted in collecting, verifying, and organizing company formation and statutory documents of ADS Tex Industries. These included the Certificate of Incorporation, Memorandum and Articles of Association (MoA & AoA), Schedule X, Trade License, TIN Certificate, VAT Registration Certificate, Import Registration Certificate (IRC), Export Registration Certificate (ERC), and details of authorized signatories.

Each document was reviewed for validity, consistency, expiry dates, and legal compliance. For example, I cross-checked the business nature stated in the Trade License with revenue classifications in the financial statements and verified whether IRC and ERC licenses were valid during the audit period. Any inconsistencies were flagged to senior auditors for further assessment. The PAF helped auditors gain a long-term understanding of the client's legal structure, operational scope, and regulatory obligations, which proved essential for planning audit procedures.

Stage 3: Audit Planning and Risk-Based Documentation

Based on the understanding derived from the PAF and prior-year audit files, MSICO prepared an Audit Planning Memorandum for ADS Tex Industries. This document outlined materiality levels, audit objectives, key risk areas, and the overall audit strategy. As an intern, I assisted in organizing planning documents and ensuring proper indexing and cross-referencing within the CAF.

In this engagement, particular risk areas were identified, such as inventory valuation due to large stock volumes, export sales recognition, foreign currency transactions, and VAT compliance. For example, I observed how inventory risk was linked to physical stock movement and valuation methods, while export sales risk was associated with LC documentation and shipping terms. This stage demonstrated how audit planning directly influences documentation depth and audit focus.

Stage 4: Financial Data Documentation and Working Paper Preparation

Following audit planning, the audit team obtained the working trial balance and detailed financial schedules from ADS Tex Industries. I was actively involved in cross-checking ledger balances with the trial balance, preparing lead schedules, and organizing supporting schedules for revenue, purchases, inventory, and expenses.

During vouching and verification, selected transactions were traced to source documents such as purchase invoices, LC documents, bills of entry, bank statements, payment vouchers, and export invoices. For example, I assisted in verifying an import transaction by matching the

purchase invoice with LC documents, customs clearance papers, and bank payment records. Each verification was documented using audit tick marks, references, and reviewer initials, ensuring traceability and compliance with ISA 230 documentation requirements.

Stage 5: External Confirmations and Statutory Compliance Documentation

As part of obtaining independent audit evidence, MSICO initiated external confirmations, particularly bank balance confirmations. I assisted in preparing confirmation request letters and filing responses received directly from banks. This process reinforced the importance of third-party evidence in audit assurance.

In addition, I supported the review and documentation of VAT and tax compliance records, including monthly VAT returns (Mushak), withholding tax deductions, treasury challans, and tax payment schedules. For instance, VAT input–output adjustments were checked against purchase and sales registers, ensuring compliance with the VAT & SD Act, 2012 and the Income Tax Act, 2023. These compliance documents were systematically filed in the CAF, strengthening audit conclusions regarding statutory compliance.

Stage 6: Review, Finalization, and Audit Reporting

All audit working papers prepared by interns and junior staff underwent multi-level review by senior auditors and managers. Review notes were documented, and necessary corrections or clarifications were made before finalization. I observed how unresolved issues were discussed and resolved through additional evidence or management explanations.

Before issuing the audit report, a Management Representation Letter (MRL) was obtained from ADS Tex Industries, confirming management’s responsibility for the financial statements and disclosures. Finally, the audit report was prepared, and MSICO ensured compliance with ICAB’s Document Verification System (DVS) by generating a unique verification code. This step enhanced the authenticity, credibility, and traceability of the audit report.

Overall Observations from the Case Study

From this engagement, I observed that MSICO follows a structured, evidence-based, and standard-compliant audit documentation process. Each stage of the audit is properly supported by verified documents, professional judgment, and supervisory review. The effective use of Permanent Audit Files (PAF) and Current Audit Files (CAF), combined with strict adherence to auditing standards, demonstrates the firm's commitment to audit quality and regulatory compliance.

This practical experience significantly enhanced my understanding of how theoretical auditing concepts are applied in real audit scenarios, reinforcing the importance of documentation, professional skepticism, and ethical responsibility in statutory audit practice in Bangladesh.

Chapter-Five

CONCLUSION & RECOMMENDATION

5.1 Conclusion

The nearly three-month internship at M. Shahidul Islam & Co., Chartered Accountants has been an invaluable learning experience that provided me with extensive exposure to practical auditing procedures, statutory compliance, and documentation systems in the context of Bangladesh's regulatory framework. During this period, I was actively involved in audit planning, vouching, verification of financial records, tax and VAT compliance, and preparation of audit working papers, which allowed me to observe and participate in the complete audit process from planning to reporting.

Through this hands-on experience, several key conclusions can be drawn about the firm's professional practices, audit methodology, and the learning outcomes for interns like myself:

Professionalism and Compliance

MSICO operates with a high standard of professionalism, strictly adhering to International Standards on Auditing (ISAs) adopted by ICAB, as well as local laws including the Companies Act 1994, Income Tax Act 2023, and VAT Act 2012. Each audit engagement follows a structured and systematic approach, beginning with engagement planning and risk assessment, followed by detailed verification of financial statements and internal controls, and concluding with comprehensive audit documentation and reporting. This disciplined approach ensures that the audit reports are accurate, legally compliant, and reliable, thereby instilling confidence in the firm's clients.

Robust Audit Documentation and Internal Control Evaluation

During my internship, I observed that the firm places strong emphasis on maintaining a well-organized documentation system, consisting of Permanent Audit Files (PAF) and Current Audit Files (CAF). These files include reconciliations, lead schedules, vouching records, and external confirmations, providing a clear audit trail that supports all findings. In addition, the firm actively evaluates clients' internal control environments, identifying weaknesses such as lack of segregation of duties or improper asset management, and provides recommendations to strengthen operational efficiency and reduce financial risk. This dual focus on documentation and control evaluation enhances audit quality and adds value to the client's business.

Professional Development and Practical Learning:

The internship offered me practical exposure to real-world auditing challenges, helping to develop essential skills such as analytical thinking, attention to detail, effective communication, and **ethical** judgment. I learned how audit theories, standards, and procedures are applied in practice, including statutory compliance checks for taxation and VAT, working paper preparation, and audit planning strategies. This experience has strengthened my professional confidence and prepared me to handle complex auditing and accounting tasks in the future.

In summary, my internship at MSICO has been highly educational and professionally enriching. The firm's commitment to compliance, structured audit methodology, rigorous documentation, and focus on continuous improvement ensures that audits are conducted accurately and contribute meaningfully to the financial integrity of client organizations. For an intern, this experience not only enhances technical knowledge but also provides insight into the standards of professionalism required in a Chartered Accountancy firm in Bangladesh.

5.2 Recommendations

Based on my observations and experiences during the internship at M. Shahidul Islam & Co., Chartered Accountants, several recommendations can be proposed to enhance audit efficiency, compliance, and professional development. These recommendations are aimed at strengthening both the internal practices of the firm and the audit readiness of its clients.

1.Enhanced Use of Technology

The adoption of advanced technology can significantly improve audit efficiency and accuracy. The firm should consider implementing modern audit software capable of performing data analytics, risk assessment, and fraud detection. Automating routine audit procedures, such as reconciliations, confirmations, and calculations, can reduce the likelihood of human errors, save time, and allow auditors to focus on higher-risk areas. Integration of digital tools for working papers and real-time collaboration among audit teams would also

facilitate faster review and better documentation management, ensuring compliance with ISA 230 and ICAB standards.

2. Continuous Staff Training and Development

Ongoing professional development is essential to maintain the firm's technical competence and compliance with evolving auditing and taxation standards. Regular workshops, seminars, and in-house training programs on recent updates in auditing standards, tax regulations, and financial reporting practices are recommended. Staff should also be encouraged to pursue professional certifications, such as ACCA or Chartered Accountancy (CA), to strengthen their technical expertise. A culture of continuous learning would enhance audit quality, improve professional judgment, and boost overall staff morale.

3. Strengthening Client Internal Controls

A major factor affecting audit efficiency is the quality of a client's internal control system. MSICO can assist clients by providing detailed guidelines, standard checklists, and training to improve their internal control mechanisms. Periodic follow-up audits are recommended to ensure that previous recommendations are implemented effectively. Strengthening clients' internal controls not only reduces audit risk but also enhances the reliability of financial records, which in turn supports timely and accurate audit reporting.

4. Standardization and Digitization of Documentation

Maintaining consistent and high-quality audit documentation is crucial for both compliance and audit efficiency. It is recommended that MSICO further standardize audit templates across all client engagements and encourage uniform practices for indexing, cross-referencing, and filing. Introducing digital document management systems with version control, secure access, and collaborative tools can streamline workflow, reduce physical storage requirements, and ensure that all team members have real-time access to audit files. This approach would enhance transparency, accountability, and audit quality.

5. Quality Assurance Mechanisms

To ensure consistent adherence to professional standards, the firm should implement regular internal quality assurance reviews. This includes reviewing audit procedures, checking documentation quality, and evaluating staff performance. Introducing a peer review system

can help identify gaps, provide constructive feedback, and enhance audit efficiency. A robust quality assurance framework reinforces client confidence, mitigates professional risk, and ensures compliance with both ICAB and international auditing standards.

6. Client Awareness and Education

Educating clients on statutory compliance requirements, internal control best practices, and financial reporting standards can significantly improve the audit process. Conducting training sessions and workshops for clients would encourage them to maintain accurate, organized records and comply with legal obligations. Well-informed clients reduce the time auditors spend on verification and error correction, resulting in more efficient audits and stronger business relationships.

5.3 Concluded Remarks

The internship at M. Shahidul Islam & Co. has been instrumental in bridging the gap between theoretical knowledge and practical auditing skills. Observing and participating in statutory audits highlighted the importance of compliance, professional ethics, meticulous documentation, and analytical judgment.

The study confirms that professional auditing not only ensures legal compliance but also contributes to the financial health and operational efficiency of client organizations. Implementing the above recommendations would further strengthen audit quality, enhance client satisfaction, and promote professional growth among audit staff.

Overall, this internship experience has provided a solid foundation for a successful career in auditing and accounting, equipping the intern with practical skills, industry knowledge, and a professional mindset essential for future endeavors.

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