**COMPONENT AUDITOR PLANNING MEMORANDUM**

[*Items with an “\*” denote “significant matters [significant findings or issues].”*]

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| **Group Name:** | Alpha Rank Limited | **Period-End:** | 30 June 2022 |
| **Component Name:** | Cosmopolitan Industries Private Limited | | |

**This planning memo should be read in combination with supporting appendixes referenced herein. See our responses below for references to additional supporting information.**

UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT

Background information

Cosmopolitan Industries (Pvt.) Limited (here-in-after referred to as the "Company" or "(CIPL") was incorporated in Dhaka, Bangladesh on 26 June 2005 as a private limited company under the Companies Act, 1994. The registered office of the Company is situated at House # 17, Road # 15, Sector # 03, Rabindra Swarani, Uttara, Dhaka. The Company is a subsidiary of Epic Designers Ltd., Hong Kong.

**External factors affecting the entity**: World-wide competition in the Garments industries.

**General economic conditions and their effect on the component:** Garments business depends on the suitable economic condition especially in high end country Europe and America. As the customer for the component is their parent, they are not directly affected.

**Applicable laws and regulations, including the applicable financial reporting framework:** The component is registered under Companies Act-1994 in Bangladesh, so its primary regulator is the Registrar of Joint Stock Company in Bangladesh (RJSC) and for the taxation matter, National Board of Revenue (NBR). Applicable Financial Framework for the component is International Financial Reporting Standard (IFRS).

**Internal factors affecting the entity:** Entity’s business is directly linked with its parent, so directions from the parent entity is the most influencing factor.

**Significant changes in the component from the prior period:** No significant changes.

**History of errors/unadjusted misstatements:** No such thing noted.

**Management’s process for measurement and review of the entity’s financial performance**: Management reviews Financial Statements quarterly and same is sent to parent company for review.

**Competence of local management:** Sound

**Operating locations:** Bangladesh

* Other emerging issues or current trends, as relevant:

|  |
| --- |
| Not applicable |

Accounting policies

**Extent of adoption of group policies at the component:** Component runs their business with the policy of their own, which is in line with the IAS/IFRS.

**Instances of the component’s noncompliance with the group accounting policies as set out in the referral instructions and the reporting pack:** No such instances found.

**The introduction of new accounting standards and their effect on the component:** No such instances found.

**Any significant changes in accounting policies:** No changes in accounting policy.

**Accounting and financial reporting matters:** Component follows International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and the Companies Act, 1994 along with other applicable laws and regulations in Bangladesh in preparation of its financial statements.

* Accounting estimates and related judgments:

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| Component uses estimates and judgment in the following areas:  I). Depreciation  ii). Amortization of software  iii). Provision for expenses  iv). Revaluation of asset |

Significant events and unusual transactions

Summarize significant events and unusual transactions that have occurred at the component level since the prior period.

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| No such instances happened. |

Internal controls

Document your understanding of the components of internal control.

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| --- |
| We have documented our understanding through the process understanding of the component internal control system in practice and noted that the component follows a checker and a maker concept in their internal control system and found it is satisfactory. |

COMPONENT AUDIT TEAM RISK ASSESSMENT/FRAUD DISCUSSION

Summarize the significant items noted during your component audit team discussion regarding the susceptibility of the entity’s financial statements to material misstatements, including any fraud-related matters and related responses. Include in your summary items such as the following:

* How and where the component audit team believes material misstatement due to fraud or error is most likely to occur
* The existence of internal or external factors that affect the entity.
* Any history of fraud or known fraud that has occurred at the entity.
* Other matters that may affect the potential for material misstatement due to fraud.

[Note: All significant fraud risks identified should be included in the significant risk section of this memorandum. Management override of internal controls is a presumed fraud risk.]

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| --- |
| How and where the component audit team believes material misstatement due to fraud or error is most likely to occur: Revenue  The existence of internal or external factors that affect the entity: The parent company is the only customer. So, this is the biggest challenge for the company.  Any history of fraud or known fraud that has occurred at the entity: No such instances noted by us.  Other matters that may affect the potential for material misstatement due to fraud: Management override of control may be one of the other matters. |

ASSESSMENT OF AND RESPONSE TO ENGAGEMENT RISK

Is the classification of the engagement risk greater-than-normal or much-greater-than-normal?

 

Document:

* The classification of engagement risk: Normal
* The factors considered in our assessment of engagement risk, including fraud risk factors.

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| --- |
| 1. No allegations of material fraud noted in recent years against the entity. 2. No regulatory or criminal investigations noted. 3. No unusually aggressive time constraints are noted to complete the audit 4. No restatements of prior financial statements were noted 5. No such case like, regular or frequent change in auditor.   Based on the above, we considered Engagement Risk is Normal. |

COMPONENT MATERIALITY AND COMPONENT PERFORMANCE MATERIALITY [TOLERABLE MISSTATEMENT]

Did the group engagement team provide component materiality and component performance materiality [tolerable misstatement] in the referral instructions, and will the component auditor be using such amounts?

 

If Yes, insert “not applicable” below. If No, alert the group engagement team of the planned component materiality and component performance materiality [tolerable misstatement] to be used, and document below, including the quantitative and qualitative factors.

Summarize the following related to component materiality and component performance materiality [tolerable misstatement] if you plan to use a lower component materiality than that determined by the group engagement team or if one or both of these amounts were determined by you:

* Quantitative guidelines used in the calculation of component materiality and component performance materiality [tolerable misstatement].
* Considerations relevant to selecting the benchmark chosen in calculating component materiality and component performance materiality [tolerable misstatement].
* Other considerations affecting the assessment of component materiality and component performance materiality [tolerable misstatement].
* Qualitative reasons for a lower level of component materiality and component performance materiality [tolerable misstatement] to be applied to particular classes of transactions, account balances, or disclosures.
* Threshold for accumulating misstatements (i.e., clearly trivial threshold).

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| --- |
| Not applicable |

ACCOUNTING ESTIMATES, SIGNIFICANT RISKS, AND CERTAIN OTHER SIGNIFICANT MATTERS [SIGNIFICANT FINDINGS OR ISSUES]\*

Has the group engagement team or the component audit team identified any of the following?

1. Accounting estimates highly dependent upon judgment or assumptions (including accounting estimates that represent significant risks).\*
2. Other significant risks i.e., other than accounting estimates that represent significant risks.\*
3. Matters that are significant involving the selection, application, and consistency of accounting policies.
4. Matters that are significant involving complex or unusual transactions.\*

 

For any items identified, refer to **Deliverable Gr, *Appendix to Component Auditor Planning Memo for Identified Significant Items***.

**<*Note to preparer: Delete the statement above if no items are identified*.>**

SIGNIFICANT RISKS IDENTIFIED BY GROUP ENGAGEMENT TEAM NOT APPLICABLE

Did we conclude that certain risks identified by the group engagement team’s referral instructions are not applicable to the component?

 

If Yes, complete the following table. If No, insert “not applicable” in the table below.

The following risks were identified by the group engagement team as relevant to our engagement subject to our review for applicability. Having performed our risk assessment, we believe that the following significant risks are not applicable to our engagement:

|  |  |  |
| --- | --- | --- |
| Significant Risk | Planned Response | Reason for No applicability |
| Not applicable |  |  |

RISKS OF MATERIAL MISSTATEMENT THAT ARE LOWER AND HIGHER

Summarize your planned responses to the risks of material misstatement (RoMMs) that are lower and higher (e.g., whether you plan to test controls, use of analytics, substantive analytical procedures versus tests of details). The component audit team may provide references to RoMM working papers or other working papers that indicate the RoMMs, relevant controls to be tested, and substantive procedures to be performed.

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| It has been documented in the ROMM. |

INTERNAL CONTROL

**<*Note to preparer: Select from the following options, and delete the other.*>**

**<*Option 1: Insert if the component auditor is planning to rely on the operating effectiveness of controls>***

As part of our risk assessment procedures, we ***have also performed*** an evaluation of the design of controls and a determination of whether they have been implemented sufficiently to identify and assess risks and to plan and perform further audit procedures. Furthermore, we will test the operating effectiveness of controls.

We plan to rely on the operating effectiveness of controls in the following areas:

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| Export Sales and MOC (Management Override of Control) |

ABILITY OF THE ENTITY TO CONTINUE AS A GOING CONCERN

Have you identified any events or conditions that cast significant [substantial] doubt with respect to the component’s ability to continue as a going concern?

 

If Yes, document your consideration of events or conditions that may cast significant [substantial] doubt on the entity’s ability to continue as a going concern and your planned procedures to evaluate management’s assessment of the going concern assumption. If No, insert “not applicable” below.

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| --- |
| Not applicable |

ACCOUNTING, AUDITING, AND INDEPENDENCE CONSULTATIONS

Do we plan or are we required to complete any accounting, audit, or independence consultations?

 

If Yes, document the nature and extent of any planned accounting, audit, or independence consultations and the effect on your audit plans. If No, insert “not applicable” below.

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| --- |
| Not applicable |

USING INTERNAL AUDIT FUNCTION (OR SIMILAR FUNCTION) AND/OR THE WORK OF OTHERS

Do we plan to use the work of the internal audit function (or similar function) and/or the work of others utilized in the audit?

 

If Yes, summarize the component audit team’s planned use of the work of the internal audit function (or similar function) and others, including our evaluation of whether, in which areas, and to what extent the work can be used and our planned audit procedures to evaluate the adequacy of the work used. If No, insert “not applicable” below.

|  |
| --- |
| Not applicable |

USING THE WORK OF AN AUDITOR’S SPECIALIST

**<*Note to preparer: Copy and paste this section for each auditor’s specialist that is used.*>**

Do we plan to use the work of an auditor's specialist (external and internal) in the audit?

 

If Yes, document in the following table the component auditor’s planned use of the work of an auditor’s specialist, If No, insert “not applicable” in the table below.

|  |  |
| --- | --- |
| Name and organization | Shamme Akhter, Senior Executive-RA Team, Deloitte Bangladesh. |
| Nature of the matter to which the work of the auditor’s specialist relates, including the account balance(s) affected and the related RoMMs | General IT control environment of the client which affects the financial statement as a whole. |
| Planned procedures to supervise and review the specialist’s work. |  |
| Planned procedures to assess the competence, capabilities, and objectivity of the auditor’s specialist (including our knowledge of and experience with previous work performed by the auditor’s specialist) |  |
| Planned procedures to assess the relevance, completeness, and accuracy of underlying data provided to the auditor’s specialist |  |
| Planned procedures to assess the relevance and reasonableness of the significant assumptions and methods used by the auditor’s specialist |  |

**<*Note to preparer: If the component auditor is from a DTTL Member Firm include the following question and related response. If the component auditor is from a non-DTTL Firm, delete.>***

Has the auditor’s internal specialist completed or is the auditor’s internal specialist expected to complete the applicable requirements necessary to participate in the audit engagement? [See paragraph 39 of AAM 22900-2, *Using the Work of an Auditor’s Internal Specialist*,and paragraph 37 of PCAOB AAM 22900-2, *Using the Work of an Auditor’s Internal Specialist*.]

**<*Note to preparer: The component auditor may use the applicable* Form 2390 – Use of Auditor’s Specialists, *to address the requirements of AAM 22900-2 or PCAOB AAM 22900-2.>***

 

If Yes, insert “not applicable” below. If No, provide the reason(s).

Not applicable

USING THE WORK OF A MANAGEMENT’S EXPERT

**<*Note to preparer: Copy and paste this section for each management’s expert that is used.*>**

Do we plan to use the work of a management's expert in the audit?

 

If Yes, document in the following table the component auditor’s planned use of the work of a management’s expert. If No, insert “not applicable” in the table below.

|  |  |
| --- | --- |
| Name and organization | Not applicable |
| Nature of the matter to which the work of the management’s expert relates, including the account balance(s) affected and the related RoMMs |  |
| Planned procedures to assess the competence, capabilities, and objectivity of the management’s expert (including our knowledge of and experience with previous work performed by the management’s expert) |  |
| {Insert for PCAOB only engagements: *Planned procedures to assess the relationship to the company of the expert and the entity that employs the expert (if other than the company)*} |  |
| Planned procedures to assess the relevance, completeness, and accuracy of underlying data provided to the management’s expert |  |
| Planned procedures to assess the relevance and reasonableness of the significant assumptions and methods used by the management’s expert |  |

USE OF AUDIT TOOLS

Do we plan to use audit tools during our audit procedures?

 

**<*Note to preparer: If Yes, select from the following options, and delete the other.>***

**<*Option 1: Insert if the component auditor is from a DTTL Member Firm>***

We will document in our working papers our evaluation of the audit tools, including our compliance with the quality and audit control objectives, in accordance with AAM 22852, *Controls over Audit Tools,* and PCAOB AAM 22852, *Controls over Audit Tools*.

**<*Option 2: Insert if the component auditor is from a non- DTTL Firm>***

We will document in our working papers our evaluation of the audit tools, including our compliance with quality and audit control objectives. This evaluation will assess and appropriately respond to the risks involved in using an audit tool on the audit engagement. Audit tools include custom-developed tools, commercial off-the-shelf tools and engagement team specific tools.

KEY AUDIT MATTERS/CRITICAL AUDIT MATTERS

Do we have a separate reporting requirement to communicate key audit matters (KAMs) or critical audit matters (CAMs)? ***(These matters are to be communicated as soon as practicable and can be communicated prior to completion of the Component Auditor Summary Memorandum.)***

 

If Yes, document the requirement to communicate KAMs or CAMs and the date the draft will provided to the group engagement team in the box that follows. If No, insert “not applicable” below.

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| --- |
| Not applicable |

SIGNIFICANT CHANGES MADE TO THE OVERALL AUDIT STRATEGY OR THE AUDIT PLAN

To the extent applicable, document any significant changes made to the overall audit strategy or the audit plan for your component that was communicated by the group engagement team in the referral instructions and the reasons for such changes (e.g., as a result of a nonrecurring transaction or event that occurred subsequent to the preparation of planning).

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| No such changes occurred |

OTHER MATTERS OF SIGNIFICANCE TO THE GROUP

For any matters not documented elsewhere in this memorandum, document below those matters that would be of significance to reviewers.

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| No such matter exists |