# Report On

# Analysis of Key Audit Matter Disclosures Across Industries: Evidence from Bangladesh

By

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Student ID: 22104067

An internship report submitted to the BRAC BUSINESS SCHOOL in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration

BRAC BUSINESS SCHOOL
BRAC University
April 2026

## Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

**Sidratul Montaha Nafi**
22104067

**Supervisor's Full Name & Signature:**

**Tausif Bari**
Senior Lecturer, BRAC BUSINESS SCHOOL
BRAC UNIVERSITY

## Letter of Transmittal

Tausif Bari

Senior Lecturer,

BRAC BUSINESS SCHOOL

BRAC University

Kha 224 Pragati Sarani, Merul Badda, Dhaka 1212

Subject: Letter of Transmittal

Dear Sir,

I am pleased to submit my internship report based on my internship at Hossain & Hossain Chartered Accountants, covering an overview of the firm and its industry, and my final project.

I have attempted my best to finish the report in accordance with the prescribed guidelines, including relevant analysis and findings. Thank you for your guidance throughout the process.

Sincerely,

________________________

Sidratul Montaha Nafi

22104067

BRAC Business School

BRAC University

Date: April 13, 2026

# Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between Hossain and Hossain Chartered Accountants and the undersigned student at BRAC University ………………….

# Executive Summary

This report covers the academic internship of the author at Hossain and Hossain Chartered Accountants between December 2025 and April 2026, and an overview of the firm. Also, the project section of this report tries to examine the Key Audit Matter (KAM) disclosures in the banking, textile, pharmaceutical and fuel and power industries during 2 years. It is observed to have significant differences in the amount and quality of KAMs across company size and the type of audit firm, with international-related firms usually giving more detailed disclosures. The nature of reported KAMs is heavily influenced by industry-specific risks, which result in definite cross-sector differences. While there is presence of consistency, there is no full standardization of disclosures. Results from the sample indicate an imbalanced system which only raises the requirement for more transparent reporting that emphasizes understandability, clarity and specificity.

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## List of Tables

## List of Acronyms

| | |
|---|---|
| KAM | Key Audit Matter |
| ISA | International Standards on Auditing |
| IAASB | International Auditing and Assurance Standards Board |
| ICAB | Institute of Chartered Accountants of Bangladesh |
| IFRS | International Financial Reporting Standards |
| IAS | International Accounting Standards |
| ERP | Enterprise Resource Planning |
| PPE | Property, Plant and Equipment |
| CWIP | Capital Work in Progress |
| FX | Foreign Exchange |
| SME | Small and Medium Enterprise |
| DSE | Dhaka Stock Exchange |
| PPA | Power Purchase Agreement |

# Chapter 1

## 1.1 Student Information

**Name:** Sidratul Montaha Nafi

**Student ID:** 22104067

**Program:** Bachelor of Business Administration

**Major & Minor:** Accounting & Finance

## 1.2 Internship Information

### 1.2.1 Internship duration and designation

**Period:** 10 December 2025 – 30 April 2026

**Company Name:** Hossain & Hossain Chartered Accountants

**Department:** Audit

**Address:** Block D, Alams (101), House, 21 Rd 06, Dhaka 1212

### 1.2.2 Working Under Partner

**Name:** Anowar Hossain ACA

**Position:** Firm Partner

**Immediate Supervisor**

**Name:** Ahosan Kabir Md. Hasan

**Position:** Senior Audit Associate

### 1.2.3 Job Scope

- Fieldwork of Audit
- Analytical Processes
- Working Paper Preparation
- Tax & VAT submission and compliance review
- Documentation & Reporting Support

## 1.3 Internship outcomes

### 1.3.1 Student's Contribution to the Company

Being an intern in the audit team, the contribution was mainly geared towards assisting in the current audit engagements. This involved helping in collecting and organizing financial information, checking transactional documentation, and preparing working papers which are the basis of audit evidence. Moreover, participation in analytical processes made it possible to detect inconsistencies and anomalies in financial information, which made the audit process efficient. The involvement in documentation and reporting phases also contributed to the on-time accomplishment of audit tasks. Though the role was more of supporting the other team members, these were necessary in keeping the workflow of the audit engagements running, especially during peak times where the coordination between the various levels of the audit team is very fundamental.

### 1.3.2 Benefits to the Student

The internship was a good practical experience in the audit profession whereby, the learnt theoretical knowledge was put into practice in the real world. By having a direct experience in the fieldwork and documentation of an audit, helped create a clearer picture on how audit procedures are performed, how working papers are drawn, and how the data on the financial side is analyzed to make audit conclusions. The experience also provided understanding of regulatory compliance standards especially as regards to Tax and VAT procedures and the need to be accurate, exercising professional judgment and following audit standards. Besides technical skills, the internship helped me to build the much-needed professional skills, including time management, teamwork, and attention to detail. Altogether, this experience contributed greatly to the narrowing of the gap between theoretical knowledge and practical activities in accounting and auditing.

### 1.3.3 Problems faced during Internship

No major issue was noticed however, access to some confidential data was one of the main challenges as it limited a more in-depth insight into particular audit areas in some cases. Moreover, lack of time and a tight work schedule also played a role in the fact that it was hard to analyze all the aspects of the work that was given to me.

### 1.3.4 Recommendations

The following recommendations are made based on the experience gained during the internship to make the experience of future interns more successful and help make operations more efficient:

- Formal Training: Structured training on the audit procedures and documentation standards, regulatory frameworks, etc., would allow interns to have a clearer grasp of their roles and responsibilities early on.
- More Rotational Exposure: This would be a better understanding of the audit process by allowing interns to work in various departments or various stages of audit engagement, such as planning and review stages.

- Improved Mentorship Program: It would be a good idea to have special mentors assigned to the interns in order to increase the level of knowledge transfer, give them round-the-clock advice and support, and enhance their development as professionals.
- Increased Digital Aid: The use of modern audit software and data analytic tools may be more efficient and expose interns to contemporary audit approaches.

# Chapter 2

## 2.1 Introduction

The chapter is intended to give a detailed overview and analysis of the organization where the internship was carried out, Hossain and Hossain Chartered Accountants. The purpose of this chapter is not just to describe the operations of this firm but to take a critical analysis of the practices of the firm in relation to some of its functional areas like management, marketing, financial performance, and operational systems.

### 2.1.1 Objectives

1. Provide a description of the background, services and client base of the firm.
2. Look at its human resource and management practices.
3. Examine its market position in Bangladesh audit and accounting market.

### 2.1.2 Scope, Methodology & Limitations

The chapter is primarily based on practical observations and first-hand experience that was gained during the internship period. Yet, this analysis has some limitations. The sensitivity of the audit work made certain financial and internal strategic information of the firm not easily available. This means that some of the analysis is based on what is observed and not detailed information within. Moreover, the internship length is also too short and thus, restricts the possibility of evaluating long-term organizational strategies. Nevertheless, this chapter will be an attempt to critically and insight-fully evaluate the organization and the environment in which it is operating.

## 2.2 Company Overview

### 2.2.1 Background and Nature of the Firm

Hossain and Hossain Chartered Accountants operates under regulatory framework of the Institute of Chartered Accountants of Bangladesh (ICAB), which regulates the accounting and auditing profession in Bangladesh (ICAB, n.d.). The company has been registered as a chartered accountant firm under ICAB passing through the professional and regulatory stipulated framework. Under the observations during the internship, the firm provides numerous services, which include statutory audits, internal audits, tax compliance and advisory, financial consultancy and regulatory reporting support. One of the key aspects of its service strategy is that it has to find a balance between a standardized audit and compliance procedure and the requirement to be flexible and adjust the services to the needs of particular clients. This is an indication of a practical attitude where the professional standards are upheld but differences in the client size, industry and the complexity in the operations are accommodated.

### 2.2.2 Client Base and Industry Coverage

According to internship experiences, Hossain and Hossain Chartered Accountants has a wide variety of clients with numerous industries. The customer base is made up of organizations in the small and medium enterprises (SMEs), pharmaceutical companies, construction companies and those involved in regulatory compliance and financial reporting. Besides the usual audit and advisory services, the company also undertakes corporate governance audits and management audits, as per the need of the clients. Such interactions also increase the services in various organizational and regulatory environments. The diversity of clients exposes the firm to varying operational and regulatory environments, requiring the application of a range of audit and advisory practices. As a result, the nature of work undertaken by the firm involves dealing with different financial structures, reporting requirements, and industry-specific risks.

### 2.2.3 Service Approach and Work Structure

As a professional service firm, competence and quality of the audit work is the primary value that Hossain and Hossain provide. The audit process tends to be systematic and it entails:

- Engaging in audit planning.
- Fieldwork and collection of audit evidence.
- Performing analytical procedures
- Preparing working papers and documentation
- Finalizing audit reports

The interns and junior staff normally carry out the fieldwork and documentation and this is essential in establishing the base of the audit. This is the work that is reviewed by senior auditors and managers who then complete the audit opinion.

### 2.2.4 Organizational Culture

Hossain & Hossain Chartered Accountant firm possesses a student-friendly, learning-oriented environment, where students are free to pose questions and learn through experience. Most of the learning occurs in the job rather than in the formal training programs and this allows the interns to learn very fast in the work environment.

The workplace is mostly formal as the industry is professional. However, the communication process among the team members is cooperative and emphasis on teamwork and supporting one another is seen at the peak seasons of the audit.

The employees and interns are also treated with respect and there is a system of periodic review, which is normally done once a month. This helps in monitoring the performance and providing feedback on the performance improvement which results in personal and organizational development.

## 2.3 Management Practices

### 2.3.1 Leader Style

The leadership style which was evident in Hossain and Hossain Chartered Accountants can be termed as a combination of a structured (semi-autocratic) and participative management. Considering the nature of the audit work and the fact that there is strict adherence to the deadlines, regulatory norms and accuracy, the firm has a strict and well-structured environment. Supervisors and top management tend to provide clear instructions concerning how, when, and what is expected. This method of systematizing things makes the audit procedures standardized and minimizes the possibility of error making which is paramount in professional service firms.

Supervisors are friendly and feedback is constantly provided to assist in improvement. It is a combination of both leadership styles that are effective in establishing a balance between control and learning whereby the efficiency of operation is not at the cost of completely restricting the growth of the employees. The strict element is responsible and the participative element facilitates a good learning environment.

### 2.3.2 Recruitment and Selection Process

The Hossain and Hossain Chartered Accountants recruitment and selection system is well structured. The selected applicants who submit CV, will be required to undergo a selection process that will include a written test that will be used to test basic knowledge in accounting and analysis. Successful candidates who are shortlisted are interviewed after the written shortlist and this is normally done by seniors in the firm including the partners themselves. The ultimate choice is determined by the general performance at both levels, but more importantly, the technical knowledge, communication abilities and flexibility to a professional audit setting.

### 2.3.3 Compensation System

The compensation structure within the firm is maintained as confidential; however, based on internship observations, the remuneration includes a base pay as well as additional forms of allowances or payment for conveyance and logistics expenses of fieldwork. During the audit work which is carried outside the city, the firm normally provides accommodation and the basic amenities to enable a smooth work. Moreover, the employees and trainees receive periodical bonuses on significant festive events like Eid. The firm also provides performance based financial aid to articled students with professional qualification in accounting by offering them scholarships or incremental allowances depending on the level of academic performance and level of passing professional examination.

### 2.3.4 Training and Development Initiatives

The training in the company is practical and is primarily based on learning by doing. First stage of joining provides a very basic orientation to the new interns and trainees so that they become acquainted with the working environment, documentation requirements and overall audit procedures. Based on internship observations, whenever one is required to perform a task, never performed previously, they are guided through the entire process once by a senior or more experienced team member. This is done through description of the task as well as the processes behind it and the results anticipated. Upon completion, the senior who will be overseeing the work will review the work and provide feedback and where to improve. Such systematic training, as well as the practical engagement in practical tasks, assists in developing technical knowledge and skills in practice over time.

#### 2.3.5 Performance Appraisal System

The performance appraisal system is an observation-based system through continuous feedback. Task teams are arranged in a manner that ensures that they have both the experienced and relatively new ones in most of the major tasks. The seniors in the team do not only direct the junior staffs in the process but also check their performance. During this process, the senior members tend to provide feedback or informal reviews of junior employees to managers or partners in charge. Because of the character of audit work, work undergoes numerous layers of scrutiny and the work done by the junior members is initially vetted by the seniors followed by scrutiny by the managers and ultimately the partners. This multi-dimensional reviewing system enables performance to be checked any time throughout the working process. Feedback is also given at various levels, during and after the tasks are completed and individuals can learn on how to do things better by first hand opinions given by seniors, managers and partners.

### 2.4 Marketing Strategy

Based on the internship experiences, Hossain and Hossain Chartered Accountants does not have a dedicated marketing department and there is minimal marketing. It is primarily via professional networking, referral and/or existing relationships that engagements with the clients are achieved and reputation and prior experience plays significant role here. In practice, the company share company profiles and engagement models that outline the scope of services in reaching or addressing the potential customers. In more formal contexts, with larger or regulated firms, the firm can take part in the process of making Expressions of Interest (EOI) or competing bids with other firms giving their qualification and fee structure. This complies with professional rules in Bangladesh where the marketing activities of audit firms are guided and restricted by professional ethics as put forward by the Institute of Chartered Accountants of Bangladesh (ICAB, n.d.).

### 2.4.1 Target Clients and Positioning

Hossain & Hossain Chartered Accountants based on observation serves a diverse range of clients, including:

- Small and Medium Enterprises (SMEs)
- Pharmaceutical companies
- Construction firms
- Organizations involved in regulatory compliance and cash incentive claims

The company positions itself as a professional service firm that is trusted and affordable by its clients particularly those requiring quality audit and consultancy services but lack the financial capability to employ large multinational firms. This position makes this firm competitive in the mid-level segment of the market, where affordable and quality professional services are in high demand.

## 2.5 Financial and Accounting Practices

The financial and accounting information of Hossain & Hossain Chartered Accountants is confidential in nature and, due to the private partnership structure of the firm, is not publicly disclosed or accessible. As partnership-based entities in Bangladesh are not subject to the same disclosure requirements as publicly listed companies, detailed financial statements, accounting records, and related data cannot be included or analyzed within this internship report (Advocacy Legal, n.d.).

As a result, financial analysis using ratios, trend analysis, or comparative frameworks could not be conducted. Additional analyses relating to core accounting principles, methods of accounting, accounting cycle practices, depreciation policies, and financial disclosures could not be performed, in line with the confidentiality restrictions outlined by the organization.

## 2.6 Operations Management and Information System Practices

Based on the observations of the internship, the Hossain and Hossain Chartered Accountants utilize the use of simple communication and information systems to support its activities. The members of the team communicate within themselves through the common services such as WhatsApp, Telegram, and in some other cases, Slack. As far as data processing is concerned, both Google Sheets and Google Docs are used and access to Google Drive to store and share working papers and other important documents via the cloud is available. In addition, use of Microsoft Office applications and in particular, Microsoft Word and Microsoft Excel to create documentation, reports, and other data analysis.

Operation wise, the firm adheres to an organized system of handling audit engagements. Before any big assignment is started a deputation team is constituted and given a task checklist and a day-to-day plan of work detailing its scope and schedule. This plan is a road map to be adhered to during the implementation process with the necessary changes being applied to the plan based on the real-world conditions and client needs. Such systematized planning helps to keep everything in order, complete tasks in a timely manner and consistency in the audit.

## 2.7 Industry and Comparative Analysis

### 2.7.1 Porter's Five Forces

| Porter's Five Forces | Level | Explanation |
|---|---|---|
| Threat of New Entrants | Moderate | Starting an audit firm needs professional certification and approval requirements like a Certificate of Partnership (COP). Additionally, it takes time to build trust and reputation while simultaneously having to compete with established firms like ACNABIN with existing client relationships. (ICAB, n.d.) |
| Bargaining Power of Clients | High | Clients can easily change firms and typically base their decisions on factors such as audit fees, service quality, and firm reputation, giving them significant influence (Atasoy et al., 2018). |
| Bargaining Power of Suppliers | Low to Moderate | There are many accounting graduates, so supply is available. But experienced professionals are still hard to replace. (Elahee et al., 2025) |
| Threat of Substitutes | Low | Audits are required by law, so there are few substitutes. Some advisory work can be done by internal teams. (Rasel, 2025) |
| Industry Rivalry | High | Many audit firms compete with each other, primarily based on pricing, reputation, service quality, and client relationships, reflecting a highly competitive market environment (Francis et al., 2012). |

*Table 1: Porter's Five Forces*

### 2.7.2 SWOT Analysis

| Category | Points |
|---|---|

| | |
|---|---|
| **Strengths** | Based on internship observation the firm works with clients from many industries, reducing dependence on one sector |
| | Their flexible service approach tries to balance between standardized audit procedures with client specific requirements |
| | Structured review system ensuring quality control and accuracy in audit engagements helps in maintaining good audit quality and proper documentation |
| **Weaknesses** | Not as well-known as large internationally affiliated firms like Rahman Rahman Huq (KPMG) and A. Qasem & Co. (EY) |
| | Limited marketing and online presence |
| | No presence of personalized advanced enterprise systems, with reliance on basic software tools |
| **Opportunities** | Growing demand for audit and compliance services (Rasel, 2025) |
| | Expansion of SMEs in Bangladesh creates more clients (Mamun, 2023) |
| | Opportunity to improve efficiency using digital tools |
| **Threats** | Strong competition from both large and small audit firms, leading to increased pressure on pricing and service differentiation (Francis et al., 2012) |
| | Pressure from clients to reduce audit fees due to competitive market conditions (Eshleman & Lawson, 2016) |
| | Strict regulatory oversight and potential disciplinary actions for non-compliance (Babu, 2022). |

*Table 2: SWOT Analysis*

## 2.8 Summary and Conclusion

This chapter has evaluated Hossain and Hossain Chartered Accountants based on the set up, management and position within the industry. It has a competitive and regulated operating environment and the quality of audits, documentation and client relationship is of concern to the company. It possesses a well-structured working process and favorable learning environment, especially to the inexperienced.

The key reliance of the company is reputation as opposed to marketing and this constrains the company. In most cases, it is performing well in terms of the quality of its services but requires improvement in terms of technology use, training, and strategy.

## 2.9 Recommendations and Implications

Adopt advanced audit tools – Use modern software to improve efficiency and accuracy.

Introduce structured training – Formal programs for interns and juniors to improve learning.

Improved workload management - Improved plan or temporary hiring during peak seasons.

Use data analytics – Apply data tools for better audit insights and decision-making.

# Chapter 3

## 3.1.1 Background & Problem Statement

**Problem Statement**

Are Key Audit Matter (KAM) disclosures in audited reports presented in a clear and meaningful manner across the various industries in Bangladesh?

For the context of this study, “clear and meaningful” will primarily refer to whether the KAM disclosure is written in an understandable manner, being specific to the company’s situation rather than being generic, accurately identifies the main risks of the industry and finally does not simply repeat over across periods without any change in wording or structure.

**Background**

Traditional audit reporting was associated with an audit expectation gap and often criticized for lacking specific or explanatory insight regarding the areas that auditors view as important to focus on (Iwanowicz, T., & Iwanowicz, B. 2019). To combat this

International Auditing and Assurance Standards Board (IAASB) introduced ISA 701 which required auditors to disclose Key Audit Matters (KAM), a recognized format that could act as a direct channel to communicate to the users in the audited report about what the auditors in their professional judgement deemed as key matters for that audit period.

Bangladesh follows the audited standards as issued by ICAB which are in turn based on the International Standards of Auditing (ISA) (ICAB, n.d.). This made it a must requirement for auditors of listed companies to include a KAM disclosure. However, just the existence of a KAM section does not automatically guarantee meaningful communication. The clarity of these disclosures will ultimately determine whether the intended message was clearly conveyed. This study, hence, examines how clearly Key Audit Matters are presented across a few selective industries in Bangladesh, specifically the banking, pharmaceutical, textile, and fuel and energy sectors. These industries were chosen due to their economic significance, varying regulatory environments, and differences in operational complexity, which allow for meaningful comparison of KAM disclosures.

### 3.1.2 Research Questions

How do KAM disclosures vary from one industry to another in Bangladesh, and what practical differences can be observed in how auditors are communicating these significant accounting matters?

How much detail do auditors provide when explaining why a matter was significant and what are the general patterns of addressing an issue during the audit?

When comparing consecutive years, do the reports show change in the Key Audit Matter contents to reflect new circumstances or do they focus on repeating the same accounting principle and response?

Do the wording of KAM disclosures given reflect company-specific accounting issues, or is the wording largely generic and could apply to many companies in the same industry?

If companies are audited by larger internationally affiliated audited firms, is the presentation of Key Audit Matters significantly different from those audited by comparatively smaller firms?

### 3.1.3 Significance

The importance of this research is that it is concerned with the quality of audit communication, as opposed to the presence of disclosure requirements.

Despite the importance of KAM disclosures in the past studies on improving transparency, there is a growing concern that KAM disclosures are becoming boilerplate or standardized and hence less valuable to the stakeholders (Hanifah & Nugrahanti, 2026). Because major past research has been conducted in developed countries, the findings of the present study will be useful regarding how KAM disclosures operate in a developing economy with other regulatory and institutional characteristics.

Additionally, the study has practical implications for:

**Auditors**, who can improve the clarity and relevance of their reporting

**Regulators**, who can assess the effectiveness of current disclosure requirements

**Users of financial statements**, who rely on audit reports for decision-making

## 3.2 Literature Review

Early research suggested that the introduction of KAM disclosures can influence how users interpret and understand financial reporting risks. For example, Sirois et al. (2018)

found that the inclusion of KAM made it much easier for significant issues to come to the attention of users. Similarly, Brasel et al. (2016), claimed that these additional disclosures do leave lasting impressions on investors and their judgement.

However, subsequent research indicated that the effectiveness of KAM varied on how they were written and presented. Over a few periods, KAM disclosures may become repetitive or follow wording in a standardized pattern, causing concern for 'boilerplate' reporting (Kend & Ngyuen, 2020). Lennox et al. (2023) also questioned whether these expanded audit reports always actually manage to provide any meaningful information to investors. Further research by Sierra-Garcia et al. (2019) also found that industry specific characteristics as well as firm specific factors affect the amount and type of KAM reported.

Ultimately, the preexisting researches find that just presence of KAM is not enough and it must have clarity and specificity for it to be truly informative. Since, KAM was introduced partly to improve the explanatory content in audit reports, limited empirical research evidence was found in the context of Bangladesh for the writing and presentation standards and clarity of KAM. This study would hence, hope to contribute to the literature with evidence from Bangladesh.

## 3.3 Methodology

### 3.3.1 Research Design and Source

This study will adopt a qualitative analysis approach using publicly available annual reports from official company websites. This research is examining specifically the Key Audit Matters' section of the auditor's report to evaluate and assess their formats and patterns and compare between companies' auditor reports of particular industries.

### 3.3.2 Data Analysis Technique

This study adopts a qualitative approach to analyze Key Audit Matter (KAM) disclosures across selected industries. Rather than applying a formal scoring model, the analysis focuses on identifying observable patterns and differences in how KAMs are presented.

The analytical criteria are formed on the basis of the publicly available KAM disclosures, which highlights some of the typical areas of concern: use of repetitive language, lack of entity-specific information, and variations in explaining key audit matters (Hanifah et al., 2024; Kgalamone et al., 2025). On the basis of these insights, the following aspects are taken into account:

- Level of Detail and Specificity: Is the disclosure covered with specifics of the company or is it generalized with description.
- Explanation of Significance: The extent to which the auditor explains why a matter was considered significant during the audit. l
- Description of Audit Response: How well the audit procedures and responses are explained concerning the identified issue.
- Boilerplate/Repetitive Language: Repeat of similar language in the years or in different companies.
- Variation Across Firms and Industries: Differences in presentation styles among companies and between audit firms.

### 3.3.3 Limitations of the Study

While the study aims to provide meaningful insights, it is subject to several limitations:

- The analysis is based on publicly available reports, which may not capture the full internal audit process
- The qualitative nature of the study involves a very high degree of subjectivity in interpretation. It is a given that this subjectivity will lead to variation in opinion from reader to reader of each and every KAM
- Limited time and resource constraints restrict the sample size
- The study focuses only on selected industries and may not represent the entire market

## 3.4 Banking Sector Analysis

### 3.4.1 Sample of significant findings

| Bank | 2023 Audit Firm | 2024 Audit Firm |
|---|---|---|
| BRAC Bank | Hoda Vasi Chowdhury & Co. | A. Qasem & Co. |
| Dutch-Bangla Bank Ltd. (DBBL) | A. Qasem & Co. | A. Qasem & Co. |
| Islami Bank Bangladesh PLC | ACNABIN & Khan Wahab Shafique Rahman & Co. | Mahfel Huq & Co. & A. Wahab & Co. |
| Eastern Bank Ltd. (EBL) | Grant Thornton / Howladar Yunus & Co. | A. Qasem & Co. |
| IFIC Bank | Moore/MJ Abedin | Islam Jahid & Co. |
| Southeast Bank Ltd. (SEBL) | Pinaki & Co. | Pinaki & Co. |
| Jamuna Bank | Shafiq Basak & Co. | Shafiq Basak & Co. |
| AB Bank | M M Rahman & Co. | M M Rahman & Co. |
| NCC Bank | Hoda Vasi Chowdhury & Co. | ACNABIN |

*Table 3: Significant Bank Sample Findings*

### 3.4.2 Key Observations on KAM Disclosures

| Criteria | BRAC | DBBL | Islami | EBL | IFIC | SEBL | Jamuna | AB | NCC |
|---|---|---|---|---|---|---|---|---|---|
| Entity-Specific Detail | High | Medium | High | Medium | Medium | Medium | Medium | High | Medium |
| Quantitative Disclosure | High | Medium | High | Medium | Medium | Medium | Low | High | Medium |
| Linkage (Risk ↔ Audit Response) | Strong | Moderate | Strong | Moderate | Moderate | Moderate | Moderate | Strong | Moderate |
| Regulatory Reference Use | Extensive | Extensive | Extensive | Extensive | Extensive | Extensive | Extensive | Extensive | Extensive |
| Repetition Level | Low | High | Medium | High | Medium | Medium | High | Low | Medium |

*Table 4: Key Observations on KAM  Disclosure - Bank*

### 3.4.3 Interpretation and Audit Firm Comparison

The general performance of the KAM disclosures in the banking sector can be characterized as medium to high. The bigger banks like BRAC bank, Islami bank and AB bank are more successful in disclosure and are more quantified, their explanations and risks are more detailed and their audit procedures are more identified. Contrary to this, however, there are also mid-tier banks, which are more dependent on the standardized language, which restricts the quality of the interpretation of their disclosures.

In the view of an audit firm, banks audited by an audit firm with an international affiliation or exposure to international audit methodologies, such as Grant Thornton affiliates, ACNABIN, and Mahfel Huq and Co., generally have more structured disclosures. Some leading local companies, especially A. Qasem & Co. also always provide disclosures of similar quality and it means that technical competence, experience, and specialization in the sector are more decisive factors than formal international affiliation as such.

### 3.4.4 Comparison of KAM Disclosures

For the purpose of this analysis, the selected samples are grouped into relatively larger and relatively smaller categories based on their overall market presence, operational scale, and industry recognition.

| Factor | Larger Banks (BRAC, Islami, EBL, AB) | Smaller / Mid Banks (IFIC, DBBL, SEBL, Jamuna, NCC) |
|---|---|---|
| Number of KAMs | Higher (5–7 categories) | Lower (3–5 categories) |
| Disclosure Depth | Detailed, entity-specific | More standardized |
| Use of Quantitative Data | Extensive | Limited to moderate |
| Complexity of KAMs | Includes goodwill, subsidiaries, legal issues | Focus on core banking risks |
| Boilerplate Presence | Lower | Higher |
| Analytical Depth | Stronger explanations and context | Procedural and compliance-focused |

***Table 5: Comparison on KAM Disclosure - Bank***

### 3.4.5 Core Analytical Findings

An overview of the banking industry indicates that the audit environment is extremely stable with regulation requirements and systemic financial risks as its major drivers. The impact of the findings is that there is a high regulatory impact on audit reporting practices. The fact that all disclosures mention Bangladesh bank circulars is a pointer that KAM identification compliance based. Although this makes it uniform and standardized, it also brings about some form of standardization in reporting, as many banks are using the same language and structure.

The other notable observation is the concentration of the audit firms in the sector. There are few companies, especially A. Qasem & Co. that can be found in several banks, which implies moderate market concentration. Although this does not undoubtedly lead to the quality of audit, it creates some possible issues with respect to competition and independence in the audit market.

On the whole, KAM disclosures are highly technical and meet regulatory requirements, but they tend to be undifferentiated and less analytical. The larger banks also partially offset this drawback by adding more complicated and varied auditing scopes, but smaller banks are more likely to address core operational risks.

### 3.4.6. Trend Analysis

| Trend Area | 2023-24 Observation | 2024-25 Observation | Change |
|---|---|---|---|
| Core KAMs | Loan provisioning / impairment<br><br>Interest income recognition<br><br>IT systems and controls<br><br>Investment valuation<br><br>Regulatory and compliance issues | Loan provisioning / impairment<br><br>Interest income recognition<br><br>IT systems and controls<br><br>Related party transactions<br><br>Taxation (current and deferred) | No significant variation, relatively similar across the periods |

| | | | |
|---|---|---|---|
| COVID-related Provisions | Maintained as special provisions | Reversed/adjusted per circulars | Decreasing importance |
| Taxation Focus | Moderate emphasis | Increased attention to deferred tax | Increasing |
| Disclosure Structure | Less refined | More structured and organized | Improving |
| Regulatory Influence | Strong | Further strengthened | Increasing |
| Audit Firm Rotation | Moderate | Continued in select banks | Stable |
| KAM Diversity | Moderate | Slight increase in larger banks | Slight improvement |

***Table 6: Trend Analysis on KAM - Bank***

## 3.5 Textile Sector Analysis

### 3.5.1 Sample of significant findings

| Company | 2023 Audit Firm | 2024 Audit Firm |
|---|---|---|
| Square Textiles | K M Hasan & Co. | K M Hasan & Co. |
| Apex Spinning & Knitting Mills Ltd. | Malek Siddiqui Wali | Malek Siddiqui Wali |
| Dulamia Cotton Spinning Mills Ltd. | A Wahab & Co. | Pinaki & Co. |
| Argon Denims Ltd. | Pinaki & Co. | Pinaki & Co. |
| Saiham Textile Mills Ltd. | Pinaki & Co. / Khan Wahab Shafique Rahman & Co. | Pinaki & Co. |
| Beximco | M J Abedin & Co. | M J Abedin & Co. |
| Envoy Textiles | K M Hasan & Co. | K M Hasan & Co. |
| Rahim Textile Mills PLC | Malek Siddiqui Wali | Malek Siddiqui Wali |
| Sonargaon Textiles | G Kibria & Co. | G Kibria & Co. |

***Table 7: Significant Textile Sample Findings***

### 3.5.2 Key Observations of KAM Disclosures

| Criteria | Square | Apex | Dulamia | Argon | Saiham | Beximco | Envoy | Rahim | Sonargaon |
|---|---|---|---|---|---|---|---|---|---|
| Entity-Specific Detail | High | Medium | Low | High | High | High | High | Medium | Medium |
| Quantitative Disclosure | High | Medium | Low | High | Medium | High | High | Medium | Medium |
| Linkage (Risk ↔ Audit Response) | Strong | Moderate | Weak | Strong | Strong | Strong | Strong | Moderate | Moderate |
| Regulatory Reference Use | Extensive | Moderate | Low | Extensive | Extensive | Extensive | Extensive | Moderate | Moderate |
| Repetition Level | Medium | Medium | High | Low | Medium | Low | Low | Medium | Medium |

*Table 8: Key Observations on KAM Disclosure - Textile*

### 3.5.3 Interpretation and Audit Firm Comparison

The variance of the disclosure quality is higher in the textile industry compared to the banking industry mostly because of the size of the firm and nature of operations. Large and export-oriented companies such as Square Textiles, Beximco, Envoy Textiles, and Argent Denims have high-quality disclosures, which are full of quantitative data, sufficient relationship between risks and audit practices with clarity and understandability of accounting judgment. The foreign exchange exposure, export receivables, and the management of large inventories are some of the complex areas these companies have to deal with, which automatically increases the depth of disclosure.

On the part of audit firms, the companies that were audited by audit firms with more technical capacity and methodological approaches, such as K M Hasan & Co., M J Abedin and Co., and well-established mid-tier audit firms would be producing more comprehensive and refined KAM disclosures. Smaller companies or work with less complex actors (e.g., Dulamia Cotton Mills) means that little or no KAM is present, which represents lower compliance and the low level of analysis. However, like in the banking industry, strong domestic firms will constantly demonstrate the ability to produce disclosures which are comparable to international compatible practices and this ascertains the fact that experience of firms and client complexity is more important than international affiliation.

### 3.5.4 Comparison of KAM Disclosures

For the purpose of this analysis, the selected samples are grouped into relatively larger and relatively smaller categories based on their overall market presence, operational scale, and industry recognition.

| Factor | Larger Firms (Square, Beximco, Envoy, Argon) | Smaller / Mid Firms (Apex, Rahim, Dulamia, Sonargaon) |
|---|---|---|
| Number of KAMs | Higher (5–7 categories) | Lower (0–4 categories) |
| Disclosure Depth | Detailed and analytical | Basic and compliance-driven |
| Use of Quantitative Data | Extensive | Limited |
| Complexity of KAMs | Includes FX risk, export receivables, loans | Focus on revenue & inventory |
| Boilerplate Presence | Lower | Higher |
| Analytical Depth | Strong explanations | Procedural descriptions |

| | | |
|---|---|---|
| Presence of No-KAM Cases | Rare | More frequent |

*Table 9: Comparison on KAM  Disclosure - Textile*

### 3.5.5 Core Analytical Findings

The audit environment of the textile industry is more diversified as opposed to the banking industry, as it covers the differences in the scale of companies, the extent to which they are export-oriented, and the complexity of their work. The repetitive existence of the revenue recognition as a key audit matter criteria is not a one-off observation, witnessed in most of the sampled companies. This could be due to the fact that the sector depends on export sales, complicated foreign currency contracts, and timing disparities between shipment, invoicing, and revenue recognition.

Property, plant and equipment (PPE) valuation comes up as a significant audit issue, especially to capital intensive textile companies. Likewise, the valuation of inventory is very important because of the multi-stage production process and requirement to determine net realizable value in different product lines.

The significance of the financial aspects of exports such as receivables guaranteed by letters of credit and the risk of foreign exchange swings is also another interesting observation. These make it more complex to audit as opposed to other areas. This inconsistency indicates that the textile industry does not have consistency on the audit reporting standards such as is the case with the banking industry.

On the whole, the results show that the audit practices in the textile industry are determined not only by regulatory factors but also by other characteristics of operations, including the dependence on exports, the complexity of production, and the capital intensity.

### 3.5.6. Trend Analysis

| Trend Area | 2023-24 Observation | 2024-25 Observation | Change |
|---|---|---|---|
| Core KAMs | Revenue recognition<br>Property, plant and equipment (PPE)<br>Inventory valuation<br>Receivables-valuation<br>Deferred tax | Revenue recognition<br>Property, plant and equipment (PPE)<br>Inventory valuation<br>Loans / borrowings<br>Foreign exchange / currency-related issues | No major change, mostly similar across periods |
| Export-related Risks | Moderate emphasis | Increased visibility (FX, receivables) | Increasing |
| Disclosure Depth | Moderate | Improved in larger companies | Improving |
| No-KAM Cases | Present in some companies | Still present | No improvement |
| Audit Firm Rotation | Limited | Minimal change | Stable |
| Regulatory Influence | Moderate | Increasing but uneven | Slight increase |
| KAM Diversity | Moderate | Slight increase in large companies | Slight improvement |

*Table 10: Trend Analysis on KAM - Textile*

## 3.6 Pharmaceutical Sector Analysis

### 3.6.1 Sample of significant findings

| Company | 2023 Audit Firm | 2024 Audit Firm |
|---|---|---|
| Square Pharmaceuticals PLC | Mahful Haq & Co. | Mahful Haq & Co. |
| ACI Pharmaceuticals / ACI PLC | Hoda Vasi & Co. | Hoda Vasi & Co. |
| Beacon Pharmaceuticals PLC | Habib Sarwar Bhuiyan & Co. | Habib Sarwar Bhuiyan & Co. |
| Ambee Pharmaceuticals Ltd. | Shafiq Basak | Shafiq Basak |

| | | |
|---|---|---|
| Orion Pharma Ltd. | Malek Siddiqui Wali | S. F. Ahmed & Co. |
| The IBN SINA Pharmaceutical Industry PLC | S. F. Ahmed & Co. | S. F. Ahmed & Co. |

***Table 11: Significant Pharmaceutical Sample Findings***

### 3.6.2 Key Observations of KAM Disclosures

| Criteria | Square | ACI | Beacon | Ambee | Orion | IBN SINA |
|---|---|---|---|---|---|---|
| Entity-Specific Detail | High | High | High | Medium | High | High |
| Quantitative Disclosure | High | High | High | Medium | High | High |
| Linkage (Risk ↔ Audit Response) | Strong | Strong | Strong | Moderate | Strong | Strong |
| Regulatory / Standard Reference Use | Extensive | Extensive | Extensive | Moderate | Extensive | Extensive |
| Repetition Level | Low | Medium | Low | Medium-High | Medium | Medium |

***Table 12: Key Observations on KAM Disclosure - Pharmaceuticals***

### 3.6.3 Interpretation and Audit Firm Comparison

The pharmaceutical industry demonstrates high quality of KAM in general when compared to the sectors that have been analyzed so far. The majority of companies report KAMs having definite numerical importance, articulating particular risk, and properly developed audit responses. The disclosures of larger organizations like Square Pharmaceuticals, ACI, Beacon Pharma, Orion Pharma, and IBN SINA are not only compliance-based but also operationally based and can be associated with the accounting risk and the size of the manufacturing or the regulatory requirements, the structure of the group, or the complexity of the financial aspect.

In the eyes of an audit firm, the old domestic companies and those companies that are more technical in terms of depth seem to provide relatively high-quality reporting in this industry. Stronger and more detailed KAMs are provided by such firms as Hoda Vasi & Co., S. F. Ahmed & Co., Mahful Haq & Co., and Habib Sarwar Bhuiyan and Co., particularly when the audited company possesses a large asset base, a complex group relationship, relies on ERP, and/or has a large borrowing arrangement. The disclosures of the larger pharmaceutical companies are much more analytical and less templated than those of smaller or less complex companies such as Ambee Pharma.

### 3.6.4 Comparison of KAM Disclosures

For the purpose of this analysis, the selected samples are grouped into relatively larger and relatively smaller categories based on their overall market presence, operational scale, and industry recognition.

| Factor | Larger Companies (Square, ACI, Beacon, Orion, IBN SINA) | Smaller Companies (Ambee Pharma) |
|---|---|---|
| Number of KAMs | Higher (4–7 categories) | Moderate but narrower (around 7, yet less sophisticated) |
| Disclosure Depth | Detailed and analytical | More compliance-driven |
| Use of Quantitative Data | Extensive | Moderate |
| Complexity of KAMs | Includes consolidation, subsidiaries, inter-company balances, ERP, litigation, borrowings | Focus on PPE, leases, inventory, cash, tax, WPPF |
| Group-Structure Focus | Strong | Minimal |
| Boilerplate Presence | Lower to moderate | Higher |
| Analytical Depth | Strong linkage between business model and audit risk | More procedural and checklist-based |
| Sector-Specific Sophistication | High | Moderate |

*Table 13: Comparison on KAM Disclosure - Pharmaceutical*

### 3.6.5 Core Analytical Findings

The pharmaceutical industry has a well-developed and relatively mature environment of audit reporting. The findings that stand out the most are revenue recognition and property, plant and equipment as these are the key audit areas, which are found in all sampled companies. This is akin to two critical areas of concern in the industry, first, the materiality of sale of pharmaceutical, rebate, discount and cut-off issues; second, the capital intensity of pharmaceutical production where the high investments of plant, equipment and infrastructure facilities demand high levels of judgment in capitalization, useful life projection, and asset impairment or revaluation surplus.

The second important conclusion is the powerful impact of operational complexity on the development of KAM diversity. Big pharmaceutical companies like ACI, Square Pharmaceuticals, Orion, and IBN SINA disclose more advanced KAMs which go beyond the traditional issues of revenue and asset valuation. They are inter-company receivables, group consolidation, investment in subsidiaries and associates, large scale borrowing structure, ERP-based financial reporting and the effects of loss making subsidiaries. This shows that in pharmaceuticals, audit reporting is not only affected by accounting balances but the overall corporate structure and financing model of the organization.

The other notable observation is the high level of inventory valuation within a number of companies. This is especially crucial in pharmaceutical companies since stocks may consist of raw material, work in progress, finished products and may have slow moving or even obsolete products with regulatory or expiry issues. Based on this, auditors focus on the net realizable value, provisioning, batch-based costing and also physical verification procedures.

On the whole, the pharmaceutical industry seems to possess the best balance between compliance and disclosure ratios. The pharmaceutical KAMs are more likely to be numerically supported, business-specific, and structurally developed in comparison to textile and, in certain ways, even banking.

### 3.6.6. Trend Analysis

| Trend Area | 2023 Observation | 2024 Observation | Change |
|---|---|---|---|
| Core KAMs | Revenue recognition<br>Property, plant and equipment (PPE)<br>Inventory valuation<br>Deferred tax<br>Investments / impairment | Revenue recognition<br>Property, plant and equipment (PPE)<br>Investments / impairment<br>Loans and inter-company balances<br>IT / ERP systems | No significant change |
| Inventory Focus | Important in several companies | Remains important, especially in manufacturing-heavy companies | Stable |
| Group / Consolidation Complexity | Present in selected companies | More visible in Orion and continuing in IBN SINA / ACI structures | Increasing visibility |
| Loans / Borrowings | Present in larger groups | Continued emphasis where leverage is material | Stable |
| IT / ERP Risk | Appears in some companies | Continues in technology-dependent entities | Stable to increasing |
| Related Party / Legal / Compliance Risks | Moderate emphasis | More visible in companies with broader corporate structure | Slight increase |
| Disclosure Structure | Strong already | Further refinement and clearer presentation in several cases | Improving |
| Audit Firm Rotation | Limited overall | One notable change in Orion | Mostly stable |

*Table 14: Trend Analysis on KAM - Pharmaceutical*

## 3.7 Fuel & Power Sector Analysis

### 3.7.1 Sample of significant findings

| Company | 2023–24 Audit Firm | 2024–25 Audit Firm |
|---|---|---|
| United Power Generation & Distribution Company Ltd. (UPGDCL) | Hoda Vasi | Hoda Vasi |
| Power Grid Company of Bangladesh (PGCB) | Hoda Vasi & ACNABIN | Hoda Vasi & MJ Abedin |
| Summit Power Ltd. | ACNABIN | ACNABIN |
| Baraka Power Ltd. | Kazi Zahir Khan & Co. | Kazi Zahir Khan & Co. |
| GBB Power Ltd. | MABS & J | MABS & J |
| Meghna Petroleum Ltd. | KWSR & Hussain Farhad | Hoque Bhattacharjee Das & Co. |
| DESCO | MABS & J | Hoda Vasi |
| Intraco Refueling Station PLC | Ahsan Manzur & Co. | Ahsan Manzur & Co. |

*Table 15: Significant Fuel & Power Sample Findings*

### 3.7.2 Key Observations of KAM Disclosures

| Criteria | UPGDCL | PGCB | Summit | Baraka | GBB | Meghna | DESCO | Intraco |
|---|---|---|---|---|---|---|---|---|
| Entity-Specific Detail | High | High | High | High | Medium | High | High | High |
| Quantitative Disclosure | High | High | High | High | Medium | High | High | High |
| Linkage (Risk ↔ Audit Response) | Strong | Strong | Strong | Strong | Moderate | Strong | Strong | Strong |
| Regulatory Reference Use | Extensive | Extensive | Extensive | Extensive | Moderate | Extensive | Extensive | Extensive |
| Repetition Level | Low | Low | Low | Medium | Medium-High | Low | Low | Low |

*Table 16: Key Observations on KAM  Disclosure - Fuel & Power*

### 3.7.3 Interpretation and Audit Firm Comparison

Fuel and Power industry makes disclosures of KAM of high quality, which are similar (and in certain aspects surpass) those of the pharmaceutical industry. Most of these entities have entity-specific and detailed accounts that are backed by regulatory backgrounds, contractual arrangements (PPAs), and quantitative data.

Audit firms which have well-crafted technically oriented KAMs are always located in large and controlled organizations like UPGDCL, PGCB, DESCO and Meghna Petroleum and the audit firms include Hoda Vasi, ACNBA, Ahsan Manzur and Co and Hoque Bhattacharjee Das and Co. Such reports contain a combination of the IFRS standards (IFRS 15, IAS 16, IAS 12, IAS 36) and the industry-related facts like tariff regulations, government contracts and energy price system.

Smoother disclosures with smaller companies (e.g., GBB Power) are more procedural and less complex, and therefore the influence of complex entities and the scale of operations have more impact over the size of audit firms. All in all, this industry is highly mature in terms of audit because of regulatory control, contract and capital intensity.

### 3.7.4 Comparison of KAM Disclosures

For the purpose of this analysis, the selected samples are grouped into relatively larger and relatively smaller categories based on their overall market presence, operational scale, and industry recognition.

| Factor | Larger Entities (UPGDCL, PGCB, Summit, DESCO, Meghna) | Smaller Entities (GBB, some Baraka cases) |
|---|---|---|
| Number of KAMs | High (5–8 categories) | Limited (2–4 categories) |
| Disclosure Depth | Highly analytical and structured | More compliance-driven |
| Regulatory Complexity | Extensive (PPAs, tariffs, government policies) | Limited |
| Asset Complexity | High (plants, grids, CWIP, large PPE) | Moderate |
| Use of Quantitative Data | Extensive | Moderate |
| Key Risk Drivers | Contracts, regulation, asset valuation, receivables | Inventory, PPE, impairment |
| Boilerplate Presence | Low | Higher |
| Analytical Sophistication | Strong linkage to industry economics | Limited |

***Table 17: Comparison on KAM Disclosure - Fuel & Power***

### 3.7.5 Core Analytical Findings

The audit environment in the fuel and power sector presents a clearly contract-informed situation, with Key Audit Matters strongly influenced by capital-intensive infrastructure, regulatory frameworks as well as long-term agreements.

The KAM that is most prevalent in the sector is revenue recognition which is found in almost all organizations. But, contrary to other sectors, the revenue in this case is not merely transactional, but it is controlled by power purchase agreements (PPAs), meter readings, tariff structures, and Government verification procedures. This brings about much complexity in the audit in regards to measurement, timing, and recoverability.

The second observation that is worth mentioning is related to the risks of property, plant and equipment (PPE) and capital work-in-progress (CWIP) and impairment of the power plants factors. Since the investments in the infrastructure are long-term, and the possibility of the operations occurring, the useful life estimations, testing impairment, and the value of recoverable are the most significant issues to be addressed by the auditors.

The other significant lesson is that regulatory and legal uncertainty is critical. Part of the companies (e.g., UPGDCL, Summit, PGCB) focus on the conflict concerning the gas prices, tariffs increment, and the allowance of the regulations. These uncertainties have direct effects on the financial reporting in the provisions, contingent liabilities and the valuation assumptions.

Another risk area is also receivables, especially because of dependence with government or quasi government entities (BPDB, BREB, BEPZA). The recoverability evaluations are more likely to be based on legal interpretation, negotiating results and policy decisions instead of financial indicators.

On the whole, the industry has one of the best rates of correspondence between the audit reporting and actual economic risks, and KAM disclosures in the industry are especially informative and substantial.

### 3.7.6. Trend Analysis

| Trend Area | 2023–24 Observation | 2024–25 Observation | Change |
|---|---|---|---|
| Core KAM | Revenue recognition (contract-based)<br>Property, plant and equipment (PPE)<br>Regulatory and legal issues<br>Impairment of assets<br>Loans / financing | Revenue recognition (contract-based)<br>Property, plant and equipment (PPE)<br>Contractual arrangements<br>Regulatory and legal issues<br>Deferred tax | Relatively similar across periods |
| Asset Valuation (PPE, CWIP, Impairment) | Significant | Increased focus (especially impairment & useful life) | Increasing |

| | | | |
|---|---|---|---|
| Regulatory / Legal Risks | Present | More explicit and detailed | Increasing |
| Receivables Recoverability | Important | Continued emphasis, especially disputed balances | Stable |
| Deferred Tax | Present in select companies | More structured and quantified | Increasing |
| PPA / Contract Risk | Highlighted in power companies | Continued importance, especially renewals | Stable |
| Disclosure Quality | Strong | Further refinement and clarity | Improving |

***Table 18: Trend Analysis on KAM - Fuel & Power***

## 3.8 Cross-Industry Comparative Analysis

| Dimension | Banking | Textile | Pharmaceutical | Fuel & Power |
|---|---|---|---|---|
| **Dominant KAM** | Loan Provisioning | Revenue Recognition | Revenue & PPE | Revenue (PPA-based) |
| **Regulatory Influence** | Very High (Bangladesh Bank) | Low–Moderate | High (industry + standards) | Very High (government + contracts) |
| **KAM Uniformity** | Very High | Low | Moderate | Moderate–High |
| **Disclosure Quality** | Moderate–High | Variable | High | Very High |
| **Entity-Specific Detail** | Moderate | Variable | High | High |
| **Boilerplate Usage** | High | High (smaller companies) | Low–Moderate | Low |
| **Complexity of KAMs** | Financial (credit, income) | Operational (inventory, PPE) | Mixed (operational + group + regulatory) | Contractual + regulatory + asset-heavy |
| **Audit Firm Influence** | Moderate | Moderate | Moderate–High | Moderate |

| | | | | |
|---|---|---|---|---|
| **Client Complexity Influence** | High | High | Very High | Very High |
| **Presence of Weak/No KAM Cases** | None | Present | None | None |

***Table 19: Cross Industry Comparative Analysis***

## 3.9 Cross Industry Discussion

The comparative study reveals obvious variations in the way the Key Audit Matters (KAMs) are recognized and reported in the different industries and thus audit reporting is highly influenced by industry-specific dynamics highlighting and answering the research question how audit reporting is influenced by industry-specific dynamics and how disclosures vary in practice but not a consistent use of the standards.

Banking is a highly standardized industry in which KAMs are relatively homogenous among organizations. This is mostly due to the tight regulating control by Bangladesh Bank, which creates uniformity but fails to differentiate entities. This leads to technically correct disclosures which are however compliance-based and repeated thereby diminishing its analysis value.

Conversely, the textile industry has a high degree of variability in quality as well as content of KAMs. The lack of the high regulatory pressure results in disproportional disclosure, whereby some companies are more detailed in their disclosures, whereas others are reporting little or no KAMs.

The pharmaceutical industry is a more sophisticated and balanced model, with KAM disclosures that are not only compliant but also analytic. These regulatory requirements, complexity of manufacturing and group structures combine to produce more diverse and entity specific KAMs. This industry is showing a higher maturity of audit compared to banking and textile because of the fact that the business risks are well aligned with audit reporting.

The sector of fuel and power turns out to be the informative and economically-based one the most substantively. The KAMs within this industry are entrenched in the contractual framework (e.g. Power Purchase Agreements (PPAs), regulatory pricing, and long-term investments in infrastructure. In contrast to other industries, audit risks do not only concern accounting estimates but also legal, regulatory and contractual uncertainties, which leads to very detailed and situation-specific disclosures highlighting and answering the research question where wording significantly changes the value of KAM.

In all industries trend analysis suggests that the fundamental KAM categories can be considered to be fairly same over time. To answer the research question of variation on a year-to-year basis, although there are disclosures where the structure and detail are improving, incrementally, there is still some repetition on successive-year disclosures.

Similarly, in all industries, the comparison shows that the complexity of clients is always more dominant than the affiliation of the audit firm in the quality of disclosure highlighting that particular research question of audit firm to firm variation. Although internationally integrated companies tend to have more structured reporting, robust local companies can equally deliver high quality disclosures when auditing complex companies. This implies that meaningful KAM reporting is mostly driven by industry characteristics and size of operations.

Regarding the research question of the variation of KAM disclosures by industry, the banking industry, including Dutch-Bangla Bank, Southeast Bank, and Jamuna Bank depicts a high degree of uniformity of similar KAMs disclosed by companies over both periods. The textile industry, with samples like Square Textiles, Argon Denims and Dulamia Cotton Mills were more irregular in the quantity and quality of the disclosures. Pharmaceutical industry (Square Pharmaceuticals, ACI Limited, Beacon Pharmaceuticals) and the fuel and power industry (UPGDCL, PGCB, Summit Power) were more organized and consistent in reporting.

Within the scope of the research question in terms of the level of detail in explaining the significance of key audit matters, larger companies such as BRAC Bank, Square Pharmaceuticals and UPGDCL provide more detailed explanations and well-developed audit response. Such companies tend to justify the significance of an issue and how it affects the financial statements. Smaller companies on the other hand such as Dulamia Cotton Mills are likely to identify the problem but provide little elaboration as to its relevancy.

With respect to the research question on whether there is a change in KAM disclosures across reporting periods or are repeated, the results reveal that most of the core KAMs do not change between 2023-2024 and 2024-2025. Revenue recognition and asset-related risks appear consistently and only slightly vary in wording and presentation, which implies that a certain level of repetition could be observed.

Regarding the research question of whether KAM disclosures are written in a company-specific way or in a generic manner, it can be seen that there is a distinct difference between the sectors. Banks, such as Dutch-Bangla Bank, Southeast Bank and smaller textile companies like Argon Denims Ltd. and Dulamia Cotton Spinning Mills Ltd.

have more generic descriptions which can be applied to multiple companies. In contrast, firms in the fuel and power sector, such as UPGDCL and Summit Power, have greater company specific disclosures which means that they operate in a custom environment with unique operations and regulations.

Finally, with respect to the research question of whether the type of audit firm makes any difference to the quality of KAM disclosures, the analysis shows that the practices of the audit firms may affect the structure and format of the disclosures, but it is not the major determinant of the quality of the disclosures. Rather, client size, complexity, and industry characteristics appear to have a greater impact on how clear and meaningful the disclosures are.

### 3.10 Summary and Conclusions

This study analyzed the clarity and meaningfulness of Key Audit Matter (KAM) disclosures across four major sectors in Bangladesh—banking, textile, pharmaceutical, and fuel & power—based on the 2023–2024 and 2024–2025 reporting periods. Clear and meaningful disclosure, in this case, is disclosure that is not generic, company-specific, and reflects the most significant risks in the industry and is not restated (between reporting periods). The results show that although the disclosures of KAM comply with the regulatory conditions, the effectiveness of these disclosures differ across industries and companies.

KAM reporting in banking sector shows understandable and presentable language and structured presentation of risks and audit responses. Nevertheless, they are not as company-specific and are inclined to use standardized descriptions. Banks such as Dutch-Bangla Bank, Southeast Bank, and Jamuna Bank have similar KAMs in both years particularly in loan provisioning, non-performing loans and recognition of the interest income which albeit reflecting the significant risks in that particular industry, tend to lack specificity to the specific bank-related conditions. In addition, the level of repetitions is high in the two periods of reporting and there is minimal variation of the wordings and structure. As a result, while the disclosures are clear, they are limited in meaningfulness due to their generic and repetitive nature. This is slightly improved in other institutions of bigger size such as BRAC Bank and Islami Bank where a stronger linkage between risk and audit procedures is present.

The textile industry is an example of a more mixed outcome. KAM disclosures are understandable and refer to the relevant risks in the industry particularly in the areas of revenue recognition, inventory valuation and property, plant and equipment. Companies such as Square Textiles and Argon Denims provide relatively clearer disclosures with identifiable risks and reasonably linked audit procedures. However, the number of company-specifics vary across companies. Disclosures are present based on both nature of operations of the firm as well as generic explanations. Furthermore, there is recurrence in core KAMs like inventory valuation and revenue recognition yet significant deviation is observed in areas such as receivables, borrowings, deferred tax and foreign exchange related issues. The presence of companies such as Dulamia Cotton Mills, which provide minimal or no KAM disclosures, further reduce the overall reporting importance in the industry.

In the pharmaceutical sector, KAM disclosures are clear, well-structured, and easy to understand. Companies such as Square Pharmaceuticals, ACI, and Beacon Pharma accurately represent the crucial risks in the industry, such as revenue recognition and property, plant and equipment (PPE). In addition, company-specific matters such as investments, deferred tax, loans, and IT systems are also factored in depending on the complexity of the entity, indicating some level of company-specific tailoring. However, despite this, a certain degree of standardization, particularly in areas governed by accounting standards do show. Across both reporting periods, the selection and presentation of KAMs remain largely consistent, and repetition in wording and structure is evident. As a result, while disclosures in this sector are clear and technically sound, but at the same time, its practical value is limited to a certain degree since the disclosures are repetitive and have not changed over the years.

The fuel and power industry exhibit the most clarity and meaningfulness in the analysis. KAM disclosures have detailed explanations which are specific to the situation of each company. The issues that are observed by the firms such as UPGDCL, PGCB and Summit Power have core matters based on the recognition of revenue, regulation, term of the contract and risks associated with assets which are typical of the nature of operations and regulation of the industry. Unlike other industries, the disclosures present a higher degree of company-specificity and lack the use of generic language. Although some of the repetition of the main KAM categories may be traced in both the reporting periods, description and relation of these concerns to the audit procedures are diverse. This increases the overall usefulness of the disclosures and avails more information that is useful in decision making to the users.

In all industries, revenue recognition and property, plant and equipment are the most commonly reported KAMs, and they are consistent irrespective of reporting period. While these areas are explained heavily regarding their risks, they also demonstrate the highest level of repetition in wording and structure often failing to specify industry specific or company specific matters. This demonstrates that despite the disclosures that are fulfilling the transparency standards, they might not necessarily offer meaningful differences among the companies over time.

Overall, the findings suggest that KAM disclosures in Bangladesh are mainly clear and understandable yet vary in their capabilities to provide meaningful and company-specific information. It is also more likely to find that broadly applicable KAMs (particularly, revenue recognition and property, plant and equipment) are invariably reported using similar wordings and minimal differences over reporting periods across companies and industries. Even though these disclosures are handy in addressing major areas of risk in financial reporting, they are repetitive hence limiting their differentiating value. In contrast, more specific KAMs, such as regulatory issues in the fuel and power sector, investment and impairment in the pharmaceutical sector, or foreign exchange and financing-related risks in the textile sector, tend to demonstrate greater variation across industries and companies. These areas are more likely to reflect company-specific circumstances and include more tailored audit responses. As a result, meaningfulness in KAM reporting is primarily achieved not through commonly recurring disclosures, but through the extent to which companies provide detailed, entity-specific explanations in these more specialized areas. The increased specificity of disclosure with the identified risks being explicitly linked to the audit procedures gives more value to users; disclosures with standardized and repetitive structures remain limited in their informativeness.

### 3.11 Recommendations / Implications

Based on the findings of the study, the following recommendations are proposed to improve the clarity, usefulness, and consistency of KAM disclosures:

1. Increase entity-specific disclosure practices

(All industries, especially Banking & Textile)

Auditors should reduce reliance on generic or boilerplate wording and incorporate more company-specific details in KAM disclosures. The disclosures should be grounded on the actual financial positions, operation status and risk profile of the entity. For example, banks such as Dutch-Bangla Bank and Southeast Bank, and textile companies such as Dulamia Cotton Mills, would benefit from more tailored explanations that go beyond standardized templates. Incorporating entity-specific metrics, assumptions, or contextual details would significantly enhance the meaningfulness of disclosures.

2. Strengthen explanation of significance

(Banking & Textile sectors)

In several cases, KAMs identify key issues but do not clearly explain why they are significant to the audit. Auditors should provide more explicit justification of significance, particularly in areas such as loan provisioning in banks and revenue recognition or inventory valuation in textile companies. This could include discussion of estimation uncertainty, materiality, or sensitivity to assumptions, thereby improving user understanding of the importance of the issue.

3. Improve linkage between risk and audit response

(Smaller companies across all four industries)

Though bigger companies like BRAC Bank, Square Pharmaceuticals, and UPGDCL show a good connection between the risks identified and audit procedures, small companies tend to give generic descriptions of procedures without clearly relating them with the risk. Auditors ought to make sure that the audit response is closely related to the nature and origin of the risk, and make clear how the procedures respond to the identified issue. This would enhance both clarity and analytical value.

4. Reduce boilerplate and repetitive language

(Banking & Textile sectors)

Repeated wording across companies and reporting periods significantly reduces the usefulness of KAM disclosures. Although certain KAMs may reoccur with time, the response to description and audit should be changed depending on the shift in the conditions of the business, financial performance, or even regulation of the business environment. Relevance and informative disclosure should be encouraged where appropriate by the regulators and audit firms.

5. Encourage adoption of best practices from high-performing sectors

(Pharmaceutical & Fuel & Power sectors)

Industries such as pharmaceutical and fuel & power demonstrate strong KAM disclosures, characterized by clearer explanations, structured presentation, and greater incorporation of industry-specific context. Methods used by them like the use of quantitative measures, elaboration of assumptions, and more effective connection between risk and audit procedures must be practiced in other industries. This would promote a greater degree of uniformity and general enhancement of disclosure.

6. Provide additional regulatory guidance

(ICAB and standard-setters)

While existing standards mandate the inclusion of KAM disclosures, more detailed guidance on expected depth, level of specificity, and degree of variation across companies could improve overall consistency. Regulators like ICAB might look to making additional guidance or illustrative examples to promote more material and differentiated disclosures, especially in sectors where reporting habits are still skewed

## 7. Focus on client complexity in audit planning

The results show that the quality of disclosure is more affected by the size of client and complexity of the operations of the companies than the affiliation with the audit firm. Instead of using standardized firm-level templates, auditors ought to model their reporting in accordance with the complexity of the entity, including group structure, financing structure, and regulatory exposure. This would lead to more appropriate and informative KAM disclosures.

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# Appendix

**Final Project Proposal:**

## Clarity of Key Audit Matter Disclosures Across Industries: Evidence from Bangladesh

## Internship Organization: Hossain and Hossain Chartered Accountants


Sidratul Montaha Nafi

ID: 22104067

Major: Accounting

BUS490: Internship

BRAC Business School

BRAC University


Supervisor: Mr. Tausif Bari, Senior Lecturer

Co-Supervisor: Mr. Ahmed Abir Chowdhury, Senior Lecturer

Date: 26 February, 2026

## 1.1 Central Research Question

Are Key Audit Matter (KAM) disclosures in audited reports presented in a clear and meaningful manner across the various industries in Bangladesh?

## 1.2 Background Context

Traditional audit reporting was associated with an audit expectation gap and often criticized for lacking specific or explanatory insight regarding the areas that auditors view as important to focus on (Iwanowicz, T., & Iwanowicz, B. 2019). To combat this International Auditing and Assurance Standards Board (IAASB) introduced ISA 701 which required auditors to disclose Key Audit Matters (KAM), a recognized format that could act as a direct channel to communicate to the users in the audited report about what the auditors in their professional judgement deemed as most important accounting issues or matters for that period of audit.

Bangladesh follows the audited standards as issued by ICAB which are in turn based on the International Standards of Auditing (ISA). This made it a must requirement for auditors of listed companies to include a KAM disclosure. However, just the existence of a KAM section does not automatically guarantee meaningful communication. The clarity of these disclosures will ultimately determine whether the intended message was clearly conveyed.

For the context of this study, clarity will primarily refer to whether the KAM disclosure is written in an understandable manner, being specific to the company’s situation rather than being generic, accurately identifies the main risks of the industry and finally does not simply repeat over with the same wording year by year.

This study, hence, examines how clearly Key Audit Matters are presented across a few selective industries in Bangladesh.

## 2. Research Questions

How do KAM disclosures vary from one industry to another in Bangladesh, and what practical differences can be observed in how auditors are communicating these significant accounting matters?

How much detail do auditors provide when explaining why a matter was significant and what are the general patterns of addressing an issue during the audit?

When comparing consecutive years, do the reports show change in the Key Audit Matter contents to reflect new circumstances or do they focus on repeating the same accounting principle and response?

Do the wording of KAM disclosures given reflect company-specific accounting issues, or is the wording largely generic and could apply to many companies in the same industry?

If companies are audited by larger internationally affiliated audited firms, is the presentation of Key Audit Matters significantly different from those audited by comparatively smaller firms?

## 3. Literature Overview

Early research suggested that the introduction of KAM disclosures can influence how users interpret and understood financial reporting risks. For example, Sirois et al. (2018) found that the inclusion of KAM made it much easier for significant issues to come to the attention of user. Similarly, Brasel et al. (2016), claimed that these additional disclosures do leave lasting impressions on investors and their judgement.

However, subsequent research indicated that the effectiveness of KAM varied on how they were written and presented. Over a few periods, KAM disclosures may become repetitive or follow wording in a standardized pattern, causing concern for ‘boilerplate’ reporting (Kend & Ngyuen, 2020). Lennox et al. (2023) also questioned whether these expanded audit reports always actually manage to provide any meaningful information to investors. Further research by Sierra-Garcia et al. (2019)

also found that industry specific characteristics as well as firm specific factors affect the amount and type of KAM reported.

Ultimately, the preexisting researches find that just presence of KAM is not enough and it must have clarity and specificity for it to be truly informative. Since, KAM was introduced partly to improve the explanatory content in audit reports, multiple researches has examined disclosures in developed countries however, limited empirical research evidence was found in the context of Bangladesh for the writing and presentation standards and clarity of KAM. This study would hence, hope to contribute to the literature with evidence from Bangladesh.

## 4. Methodology

### 4.1 Research Design and Source

This study will adopt a qualitative analysis approach using publicly available annual reports from official company websites. This research is examining specifically the 'Key Audit Matters' section of the auditor's report to evaluate and assess their formats and patterns and compare between companies' auditor reports of particular industries.

### 4.2 Sample Selection

This report will examine four different industries namely the Banking, Fuel & Energy, Pharmaceutical and Textiles industry where each company will be selected from Dhaka Stock Exchange (DSE) sector wise public listed company list. For each industry,

- At least twelve to fifteen listed companies are to be selected per industry
- At least six of the companies will have relatively high market share in that industry
- At least six of the companies will have comparatively much lower market share
- For each industry, at least three or four companies will be selected that has been audited by an internationally affiliated CA firm.
- Two to three consecutive reporting years will be analyzed per company

This variation of sample allows for comparison of both different sizes of companies as well as audit affiliations within an industry, along with potential to identify yearly trends.

**Significance of the Study**

Referencing to the prior literature overview section, research has indicated that Key Audit Matter disclosures have been shown to be prone to become repetitive or standardized leaving room for confusions and lack of clarity highlighting the importance of their specification for proper effectiveness.

Since a limitation of this study has been found in the context of Bangladesh, it is important to evaluate whether KAM disclosures are clear, industry relevant and non-repetitive. As most existing evidence comes from developed countries, it cannot be assumed that disclosure practices operate in the same way in Bangladesh. The outcome may show well-structured and tailored to company specific reporting or it may show gaps in their presentation. Regardless of the outcome, the study hopes to shed light into how significant risks are communicated in this country and whether they can be claimed as clear according to the mentioned conditions for clarity.

## 6. Timeline

| Week | Activity |
|---|---|
| Week 1 | Registration for BUS490 Internship |
| Week 2 | Assignment of Supervisor and Co-supervisor; Attend Orientation Session |
| Week 3 | Initial Meeting with Supervisor; Topic Discussion and Refinement |
| Week 5 | Submission of Initial Project Proposal |
| Week 6 | Receive Feedback and Finalize Proposal |
| Week 7–10 | Data Collection (Survey & Interviews) |
| Week 8–11 | Literature Review Development |
| Week 11 | Submission of 1st Draft (All Three Chapters) |
| Week 12 | Submission of 2nd Draft |
| Week 14 | Final Report Submission to Supervisor and Library (Similarity Check) |
| Week 15 | Defense / Presentation |

| Week | Activity |
|---|---|
| Week 15 (within 72 hours if required) | Submission of Revised Final Report |
| Week 16 | Final Grade Processing |

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