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Compliance with Disclosure in Financial Audit: A Comparative Study of Some Selected Industries in Bangladesh

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Abstract: **Disclosures are the most important elements for the financial audit. Disclosure is the act of releasing all relevant information pertaining to a company that may influence an investment decision. The financial audit report is the final step in the entire audit process where disclosures used for auditing that expression of opinion on the financial statement. In this study mainly focus on objective that are to identify the basic compliance of financial audit, to compare the status of compliance with disclosures in conducting the financial audit and to find out the reasons of not complying with relevant disclosures. For fulfilling the objectives at first include some relevant acts of disclosures then added disclosures in financial audit which to be complied in the financial audit where have title, addressee, opening or introductory paragraph, management responsibility, auditor's responsibilities, other reporting responsibility, auditor's signature and date of report and these are basic disclosures in financial audit which complying in audit report. Disclosure in financial audit that tested on some companies and have been shown as percentage basis by chart. To know the present status in financial audit, some companies of some selected industries were chosen and those are Pharmaceuticals industry, Ceramics industry and Food & Beverage industry. Beximco Pharmaceuticals Ltd, Square Pharmaceuticals Ltd, Monno Ceramics Ltd and Fu-Wang Food Industry Ltd fully complied with disclosures that mean 100% where Renata Pharmaceuticals Ltd, RAK Ceramics Ltd and The Real Good Food Company complied 90% and Apex Foods Ltd complied 80% only. But Euro Ceramics Ltd. in 2012 fully complied whether in 2013 did not fully complied with disclosures that means this company partially complied which is compared between two years only and behind the insufficient disclosures, there are some reasons that are lack of expertise where includes experience and professionalism and lack of monitoring by which different users are affected like shareholders, potential investors, creditors, customers, students, bank, government and supplier also.**

Keywords: **Accounting, Auditor's Report, Compliance, Disclosure, Financial Audit & GAAP**

1. INTRODUCTION

Auditor's report is desirable because it helps to promote the user's understanding and to identify unusual circumstances when they occur for taking the decision needed for each user. Auditors should work more independently with the responsibility and have to ensure to use the degree of compliance with disclosure in financial audit by which the quality of the audit report will increase to lead good financial and investment decision.

Disclosure is an intellectual properly term that means a disclosure is any Public distribution of information about an invention, by print, demonstrations or other means and refers to any part of a patent application process where the investor discloses details about his invention. An adequate disclosure would let a person skilled in the area, of invention reproduce or use invention. On the other hand, compliance means some specific requirements such as laws, regulations, contracts, rules or grants. These requirements may be financial or non-financial in nature. Disclosure is the act of releasing all relevant information pertaining to a company that may influence an investment decision. Disclosures are the most important elements of not only the financial statements but also of the audit report and especially for the financial audit. Because, adequate disclosures improve the quality of audit report. The users of audit information largely depend on the expert opinion of the auditors, which is given through the audit report in making their investment and other financial decisions. However, unfortunately the audit reports of the financial audit do not include adequate disclosures, which lead to wrong decisions for the investors and other user groups. The foremost question now is whether the complying with disclosures in the financial audit taken was successful or not. It is a matter of argument regarding how far this thesis have been effective towards the development of financial audit and what measures still need to be undertaken to eliminate the present impediments in the sector. It is observed that the term 'auditing' is used far more widely than just to mean the 'attestation of accounts'. Equally, even references to attestation are meaningless without a clear view of 'to what?' and 'for what?' we are attesting. Reports are essential to audit and assurance engagements because they communicate the auditor's findings. Users of financial statements rely on the auditor's report to provide assurance on the company's financial statements (Arens 2000). Clarity here will certainly help communications. The rise of corporate reporting of the last decade has brought with it an increase in the 'attestation', verification' and/or 'auditor's' statements attached to such reports. There is more than a little concern over the quality of these 'attestations' (Ball et al. 2000; Owen et al. 2000). The demand for auditing services arises from a need to facilitate dealings between the parties involved in business relationships-shareholders, creditors, public authorities, employees and customers' etc. Exchanges between such parties are usually costly since informational asymmetries give rise to uncertainty concerning the performance of the contractual obligations. In this context of contractual opportunism and along with other instruments and safeguards, accounts are used to enhance the likelihood of performance and demonstrate a willingness to perform to potential contracting parties (Jensen and Meckling 1976). The preparation of accounts is controlled by one of the parties only (either the executives of a large company or an individual businessman in smaller undertakings). In this way, figures can be produced at lower cost but they are also used-perhaps principally-for internal management and control purposes. This dual capacity of executives and businessmen as agents to be monitored and as those responsible for actually preparing the accounts reduces the value of the latter to third parties (Defond 1992). A review of accounts by an independent expert, the external auditor, is useful to enhance their credibility in the eyes of other contracting parties who are not involved in their preparation. There is thus a demand amongst companies for independent auditing to reduce their contractual or transaction costs. This has been verified empirically by observing that the increased contractual conflict resulting from a greater separation between ownership and control or a higher level of indebtedness leads to greater demand for auditing services (Francis and Wilson 1988). Clients are mainly harmed not when their audit has low quality but when some other clients of the same auditing firm unexpectedly fails, without any warning from the auditor. Therefore, clients have very strong incentives to monitor, evaluate and compensate audit firms' quality. Meaningful regulation would focus on helping this monitoring process by providing useful information. Agency cost increase; there is an increase in higher quality audits either voluntarily undertaken by the managers or externally imposed by the stockholder or creditors (Watts and Zimmerman 1986). Many authors judge audit quality in different ways. As example Frankel et al. 2002; Chung and Kallapur 2003; Myers et al. 2003; Butler et al. 2004, assert that biased earnings reporting can be used to draw inferences about audit quality and use the magnitude of discretionary accruals as a proxy for audit quality. Jackson et al. (2007) find that audit quality increases with audit firm tenure; they also conclude that mandatory audit firm rotation will not improve audit quality. In this study, we want to find out the quality of audit report through the nature and extent of information disclosed in the audit report by the audit firms in compliance with the components suggested by International Standard on Auditing 700.

2. DISCLOSURES IN FINANCIAL REPORTING

Disclosure of financial report which requirements provide for a standard package of information consisting of –

- Audited consolidated financial statements consisting of balance sheets for the latest two years and statements of income, retained earnings and cash flows for the most recent three years.
- A five years summary of selected financial data.
- A management discussions and analysis of the company's financial condition & result of operations.

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Market price & divided information on the company's common stock & related security holder matters. Boynton & Kell (1995)

Necessary disclosures of Audit report:

Established standards & provides guidance on auditing disclosures contained in financial statement whether auditor obtain sufficient appropriate audit evidence that disclosure is in accordance with the entity's identified financial reporting framework. Boynton & Kell (1995) **"**The necessary data, in most cases, are going to be disclosed in the auditor's report, management ordinarily prefers to make the disclosures that will permit a standard report". The auditor should obtain an understanding of the entity's process for determining disclosure and of the relevant control procedures sufficient to develop an effective audit approach.

Importance of disclosures to the users:

Boynton & Kell (1995) "Users want the Financial Statements to contain as much relevant data as possible and this need is recognized by the disclosure". Disclosures which is important for the users of audit. It reliable and timely information increases confidence among decision makes and enable them to make good business decisions directly affecting growth and profitability. Hayes & Schilder (1997-07) "Decision makers use information on the assumption that is reasonably complete, accurate and unbiased". Disclosure helps public understanding of a company's activities, policies and ethical Standards, as well as its relationship with the decision-makers and outside interests whether and to what extent corporations meet legal requirements. Disclosure and transparency as well as proper auditing, servers as a deterrent to fraud and corruption, allowing firms to complete on the basis of their best offerings and to differentiate themselves from firms who do not practice good governance.

Rules relating to audit report:

Auditor Report under the Companies Act 1994 has the following provisions:

Provision of section 183(3): The balance sheet and the profit and loss account or income and expenditure account of a company shall be caused to be audited by the auditor of the company as in the Companies Act provided, and the auditor's report shall be attached thereto or there shall inserted at the foot thereof a reference to the report and the report shall be read before the company in general meeting and shall be subject to inspection by any member of the company.

Provision of Section 213(3): The auditor shall make a report-

- to be presented in annual general meeting of the company

Scope of the Audit: The auditors shall be on-

- the accounts examined by him, and
- every balance sheet and profit and loss account and
- Every other document declared by the Companies Act to be part of or annexed to the balance sheet or profit and loss accounts which are laid before the company in general meeting during his tenure of office.

Basic Opinion in Audit Report:

The report shall state whether, in his opinion and to the best of his information and according to the explanation given to him, the said account give the information required by the Companies Act in the manner so required and give a true and fair view-

a) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;

b) in the case of the profit and loss account, of the profit of loss for its financial year.

Provision of Section 213(4): Further Coverage of Opinion in the Audit Report: The auditors' report shall also state-

a) Whether he has obtained all the information and explanation which to the best of his knowledge and belief were necessary for the purposes of his audit;

b) Whether, in his opinion, proper books of account as required by law have been kept by the company so far as it appears from his examination of those books and proper returns adequate for the purpose of his audit have been received from branches not visited by him;

c) Whether the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

Provision of Section 213(5): Qualified opinion in the audit report: If any of the above matters on audit reports [as per sections 213(3) and 213(4)] are answered in the negative or with a qualification, the auditors' report shall state the reason for the answer.

Provision of Section 213(6): Audit Report to Include Government Specified Matter: The Government may, by general or special order, direct that in the case of such class or description of companies as may be specified in the order, the auditor's report shall also include a statement on such matters as may be specified therein.

Provision of Section 213(7): Restriction on Reporting by the Auditor: The accounts of a company shall not be deemed as not having been and the auditors' report shall not state that those accounts have not been, properly drawn up on the ground merely that the company has not disclosed certain matters, of-

(a) Those matters are such as the company is not required to disclose by virtue of any provision contained in the Companies Act or other law for the time being in force; and

(b) Those provisions are specified in the balance sheet and profit and loss account of the company.

Provision of Section 214: Auditor's Signature: The persons himself or herself appointed as auditor or where an audit firm is appointed only a partner in that audit firm practicing in Bangladesh shall put his or her signature on the auditor's report or any other document required of the company by law to be signed or authenticated by the auditor.

3. OBJECTIVES OF THE STUDY

The objectives of the study are follows as:

- To identify the basic compliances of financial audit.
- To compare the status of compliance with disclosures in conducting the financial audit.
- To find out the reasons of not complying with relevant disclosures (if any).

4. METHODOLOGY OF THE STUDY

Desk top research design was used the design helped to establish the adequacy of disclosure of information by industries. This section details the approach to be undertaken in executing the study. Activity Tasks Review of relevant literature and documentation Compiled a list of necessary documents Reviewed existing IFRSs, Regulatory reporting requirements and other relevant materials Determined a criteria for merging and synchronizing relevant information Identify the Gaps in financial reporting against best practice. Carried out a comprehensive desk-top review of best practice Qualitative and quantitative data analysis Identify best practice options customized to suit Bangladeshi industry specific setting Identified and prioritize emerging areas in financial reporting that will enhance information disclosure Assessment of industry policy implications. Both qualitative and quantitative data collection techniques were used in the study. Relevant reports, IFRS, Corporate Governance Guidelines, The Companies and Insurance ACTs, Prudential Guidelines and ICPs were reviewed. The reviewed data was aggregated and subjected to content analysis and a report prepared to make this paper more informative different published textbooks, related articles, published research papers and newspapers have also been analyzed. Literatures were generally collected from the said sources and the internet. As a result, a thorough review of literatures enabled us to make a consistent presentation of the theme of the study.

Relevant acts for disclosures: Disclosures which has relevant acts under Generally Accepted Auditing Practice (GAAP), International Accounting Standards (IAS) and International Standards on Auditing (ISAs) which has been given below:

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Generally Accepted Auditing Practice (GAAP): Auditing is a process by which a competent, independent person accumulates and evaluates evidence about various assertions contained in Financial Statements of an entity for the purpose of determining and reporting the quality of disclosure of financial information, judging them against the backdrop of established criteria. Additional disclosures about a company's audit committee and its interaction with the company's auditors and management will promote investor confidence in the integrity of the financial reporting process where an auditor must adequately plan the audit in advance, be independent of the client at all times, and always obtain reliable evidence. The companies must present their financial statements in accordance with GAAP, remain consistent in their reporting, and explicitly disclose all pertinent information. Auditing is an equally concerned with what is found out as how it is found out. Auditing is not sweaty search with any foregone conclusion. Nor does it end abruptly with any accidental catch in the audit mesh. Essentially auditing is a process, a professional exercise, conforming to the quality parameters of Generally Accepted Auditing Practices. What is "Generally Accepted Auditing Standards" cannot be easily defined. Yet it is important one must have understanding of what the term may connote. It implies, among other things, the following:

- Only competent and independent person carries out the audit.
- In performing audit, the work is well planned and supervised.
- Sufficient and appropriate audit evidences are gathered and tested before an opinion is framed.
- Proper judgment is made of financial statements under audit in the light of professional knowledge of auditor concerning generally accepted accounting practices, special enactments affecting the financial statements, pronouncements of professional bodies having bearing on them.

International Accounting Standards (IAS): International Accounting Standards are accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor, the International Accounting Standards Committee (IASC). Listed companies, and sometimes-unlisted companies, are required to use the standards in their financial statements in those countries that have adopted them. The Department for Business, Innovation and Skills released a government response; Accounting standards are part of legally binding corporate reporting framework The audit is an important element of the financial reporting structure because it subjects information in the financial statements to independent and objective scrutiny, increasing the reliability of those financial statements. Trustworthy and effective audits are essential to the efficient allocation of resources in a capital market environment, where investors are dependent on reliable information. IAS 200, Objective and General Principles Governing an Audit of Financial Statements states that the objective of an audit of Financial Statements is to enable the auditor to express an opinion whether the Financial Statements are prepared, in all material respects, in accordance with an identified financial reporting framework. IAS 700, The Auditor's Report on Financial Statements establishes standards and provides guidance on the form and content of the auditor's report. In particular, paragraph 17 of IAS 700 requires that the auditor's report clearly indicate the financial reporting framework used to prepare the Financial Statements. Disclosures relates to the process the standards prescribe for identifying reportable segments. Under IAS 14, specific requirements governing the format and content of a reportable segment provide the basis upon which all reportable segments are identified. An enterprise must comply with those requirements regardless of the form and content of information provided by an enterprise's internal financial reporting system (although IAS 14 presumes that the enterprise's internal reporting system "normally" would provide the information necessary to comply with IAS 14's requirements). The disclosure of material uncertainties should be a warning signal that one or more risks have been heightened to the point where knowledge of that fact would be material to users in making decisions.

International Standards on Auditing (ISAs): International Standards on Auditing (ISAs) are professional standards that deal with the independent auditor's responsibilities when conducting an audit of financial statements. ISAs contain objectives and requirements together with application and other explanatory material. The auditor is required to have an understanding of the entire text of an ISA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. International Standards on Auditing (ISAs) are professional standards for the performance of financial audit of information. These standards are issued by International Federations of Accountants (IFAC) by the International Auditing and Assurance Standards Board (IAASB). The auditor should perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, are in accordance with the applicable financial reporting framework. The considers whether the individual financial statements are presented in a manner that reflects the appropriate classification and descriptions of financial information. The presentation of financial statements in conformity with the applicable financial reporting framework also includes adequate disclosure of material matters. The auditor considers whether management should have disclosed a particular matter in light of the circumstances and facts of which the auditor is aware at the time. In performing the evaluation of the overall presentation of the financial statements, including the related disclosures, the auditor considers the assessed risk of material misstatement at the assertion level. ISA 500 for a description of the assertions related to presentation and disclosure. Auditor's reports for audit conducted in Accordance with International Standards on Auditing ISA 700, "The Auditor's Report on Financial Statements" will be withdrawn when ISA 700 (Revised), "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements" and ISA 701, "Modifications to the Independent Auditor's Report" become effective. ISA 700 (Revised) and ISA 701 are effective for auditor's reports dated on or after December 31.

So In above acts where Generally Accepted Auditing Practice (GAAP) is reporting the quality of disclosure of financial information, judging them against the backdrop of established criteria. On the other hands, International Accounting Standard (IAS) requires that the auditor's report clearly indicate the financial reporting framework used to prepare the financial statements but not conducted for audits in Auditor's report whereas In Accordance with Bangladesh Accounting Standard (BAS) Auditor's report is conducted for audits that is the basic parts of financial audit. Auditor's reports for audit conducted in Accordance with International Standards on Auditing where modifications to the independent auditor's report become effective.

5. DISCLOSURES IN FINANCIAL AUDIT

Disclosure where all balance in the accounts and events are disclosed as per prescribed laws and standards that may influence an investment decision. Disclosures that have to be complied in the financial audit as under:

Title: Title includes independence to convey to the user that the report was unbiased in all respects not only that it clearly indicates that it is the report of an independent auditor. Title should be in accordance with International standard on Auditing. The title may be like – Auditor's report or Branch auditor's report.

Addressee: The auditor's report shall be addressed as appropriate based on the circumstance of the engagement. Ordinarily, the report is submitted to the person who appoints the auditor's like shareholders.

Opening or introductory paragraph: In opening or introductory paragraph where the date of and period covered by the financial statement are included. Also, include a statement where Financial Statements are the responsibility of the entity's management and a statement that the responsibility of the auditor is to express an opinion only.

Management responsibility: Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting standards (IFRSs), the company's act 1994, and other applicable laws and regulations. For such internal control as management determines is necessary to enable the preparation of Financial Statement that are free from material misstatement whether due to fraud or error.

Auditor's responsibilities: Auditor's responsibilities include to identify and assess the risks of material misstatement of the Financial Statements and obtaining audit evidence that is sufficient and appropriate to provide a basis for auditor's opinion. To evaluate the appropriateness of accounting estimates and related disclosures made by management.

Other reporting responsibility: If the auditor addresses other reporting responsibilities in the auditor's report on the Financial Statements that are in addition to the auditor's responsibilities under the ISAs, these other reporting responsibilities shall be clearly differentiated from reporting required by the ISAs.

Auditor's signature: The report should be signed by the auditor in his/her personal name with name of the audit firm. Without auditor's signatures, it not granted as a independent audit report.

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Date of report: The date of an auditor's reports on the Financial Statements that expressing opinion. The date of report informs the reader that the auditor has considered the effect on the Financial Statements of which the auditor become aware and that occurred up to that date.

Auditor's address: The auditor's report shall name the location in the jurisdiction where the auditor practices. Besides the above disclosures, also there are some other items like name of the engagement partner, place of report etc. should be included. For complying the financial audits above disclosures are needed otherwise misinformation may arise for that reason the audit report won't be reliant

Compliance of disclosures in financial audit which are tested on some companies of some selected industries and have been shown as a percentage basis by chart below:-

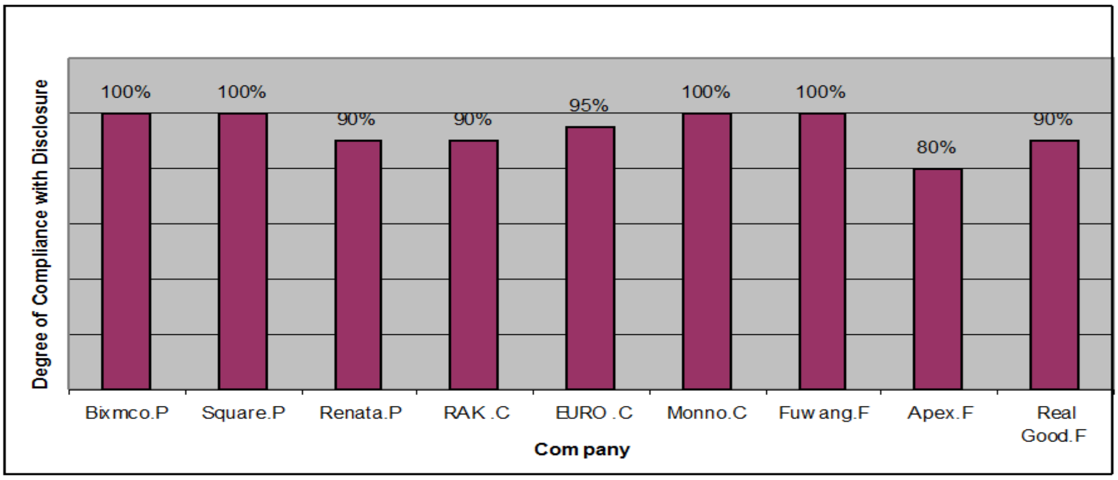

Figure No. 1

Beximco Pharmaceuticals Ltd, Square Pharmaceuticals Ltd, Monno Ceramics Ltd and Fu-Wang Food Industry Ltd fully complied with disclosures that mean 100% where Renata Pharmaceuticals Ltd, RAK Ceramics Ltd and The Real Good Food Company complied 90% and Apex Foods Ltd complied 80% only and behind this reasons is these companies did not comply Auditor address & Auditor's signature. But Euro Ceramics Ltd. in 2012 fully complied whether in 2013 not fully complied with disclosures that mean this company partially complied Auditor address which is compared between two years only

Pharmaceuticals Industry:

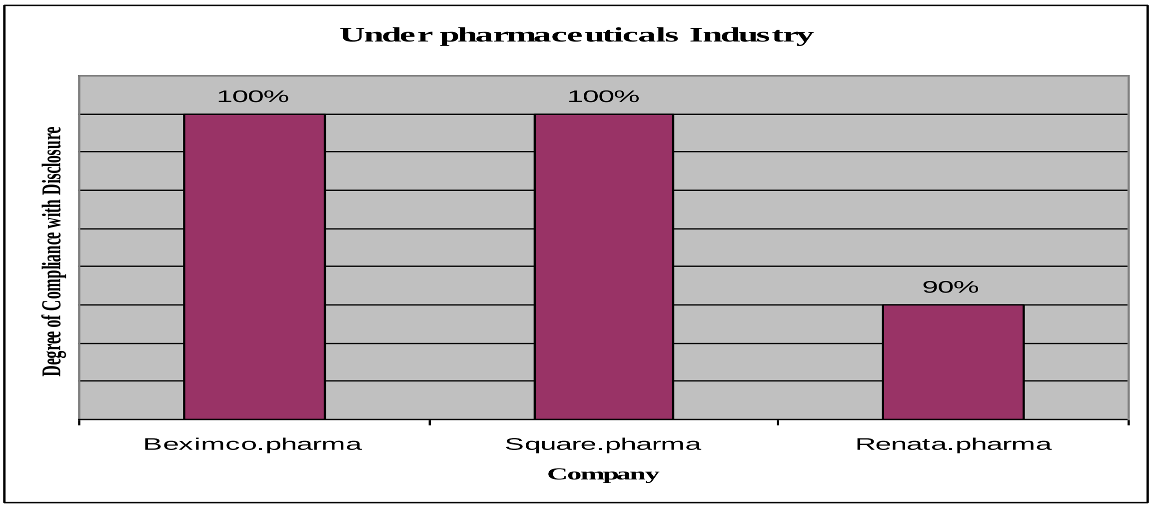

Figure No. 2

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Under Pharmaceuticals Industry, Beximco Pharmaceuticals Ltd. and Square Pharmaceuticals Ltd. fully complied with disclosures that mean 100% where Renata Pharmaceuticals Ltd. complied 90% that is it did not fully comply with disclosures.

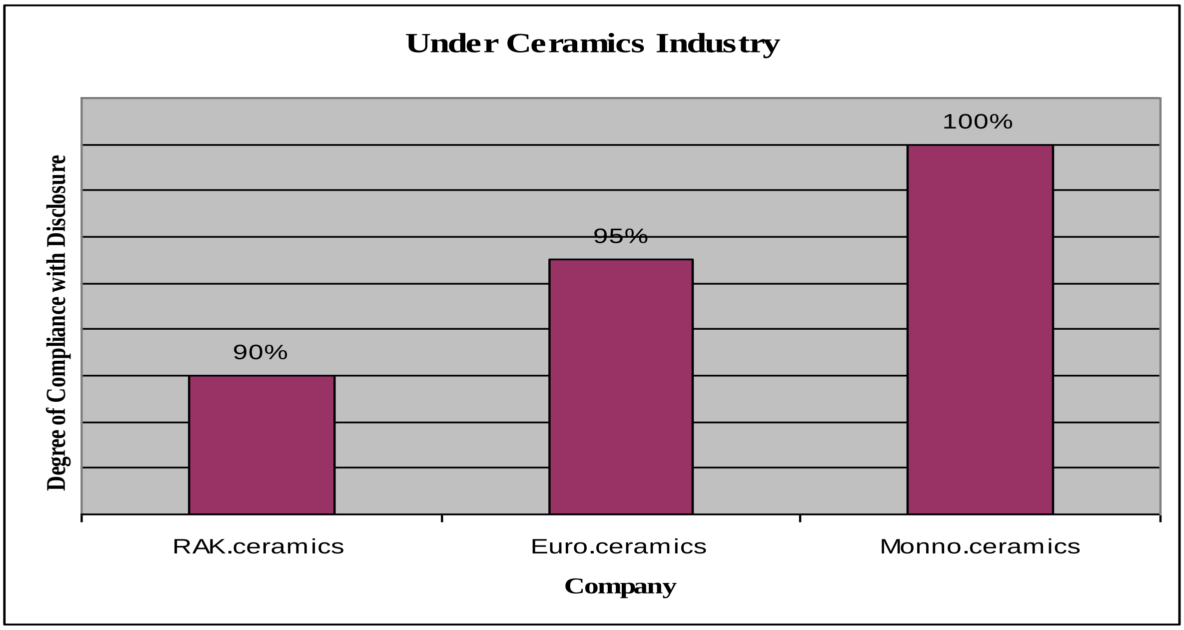

Figure No. 3

Ceramics Industry:

Under Ceramics Industry, RAK Ceramics Ltd. complied 90% that means it did not fully complied with disclosures whether Euro Ceramics Ltd. in 2012 fully complied but in 2013 not fully complied with disclosures that mean this company partially complied which is compared between two years only. In case of Monno Ceramics Ltd. fully complied with disclosures that mean 100%.

Food & Beverage Industry:

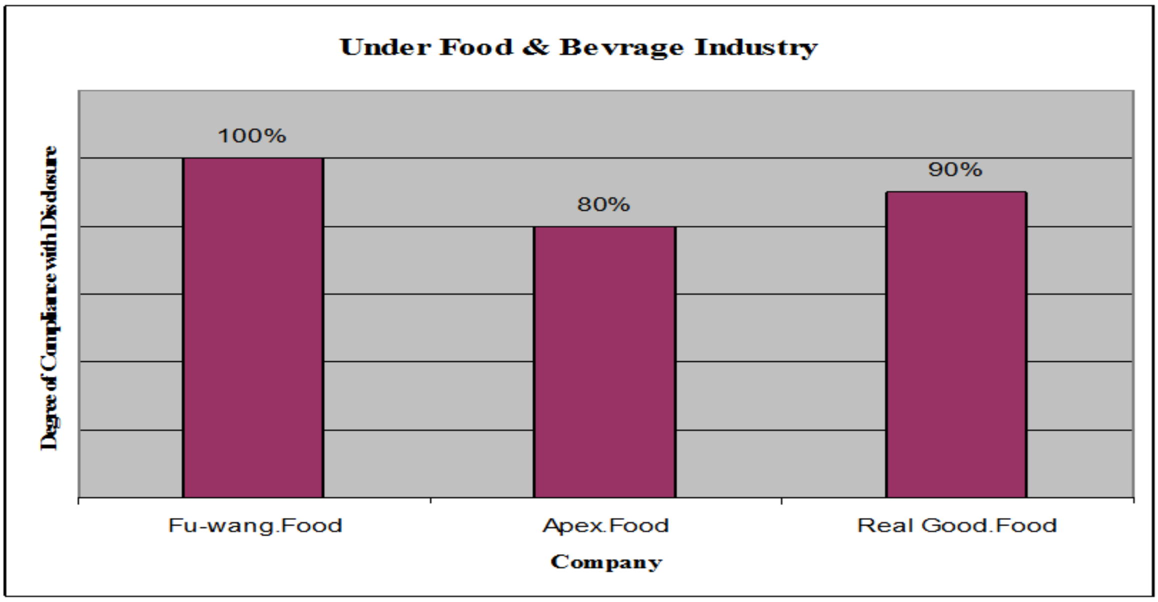

Figure No. 4

Under Food & Beverage Industry, Fu-wang Food Industry Ltd. complied 100% with disclosures in financial audit but Apex Foods Ltd. complied 80% & The Real Good Food Company complied 90%.

Present status of disclosure in financial audit:

Disclosures that have different components under various sections of Financial Statement and through these components an industry can comply the disclosures in financial audit, which is a vital task for the industry. Through complying with disclosures in conducting the financial audit can be find out the present status of audit disclosure in audit report which is necessary for financial audit.

To know the present status in financial audit, some companies of some selected industries were chosen and those are Pharmaceuticals industry, Ceramics industry and Food & Beverage industry. In case of Pharmaceuticals industry, some companies like Beximco Pharmaceuticals Ltd, Square Pharmaceuticals Ltd & Renata Pharmaceuticals Ltd where Beximco Pharmaceuticals Ltd & Square Pharmaceuticals Ltd complied the disclosures in financial audit but Renata Pharmaceuticals Ltd did not comply the auditor address which is the basic disclosures in audit report.

On the other hand, Ceramics industry where have RAK Ceramics (Bangladesh) Ltd, Euro Ceramics Ltd & Monno Ceramics Ltd. RAK Ceramics (Bangladesh) Ltd & Euro Ceramics Ltd did not comply all disclosures in financial audit such as auditor address which not complied in RAK Ceramics whether Euro Ceramics partially complied auditor address. But when focus on Monno Ceramics Ltd then it was seen that this company complied all basic disclosures in financial audit.

Also under Food & Beverage industry, has been selected Fu-Wang Food industry Ltd, Apex Foods Ltd and The Real Good Food Company. In financial audit Fu-Wang Food industry Ltd complied with basic disclosures whereas Apex Foods Ltd did not comply auditor address and auditor signature in financial audit with basic disclosures. An auditor signature is an important disclosure for audit report because it grants by certified professional auditor. Besides Apex Foods Ltd, The Real Good Food Company also did not comply auditor signature.

By testing of compliance with the disclosures (industry base) found, the present status of disclosure in financial audit where some companies complied all the disclosures and have some companies that’s not complied all the basic disclosures in financial audit.

6. REASONS FOR INSUFFICIENT DISCLOSURE IN AUDIT REPORT

The auditor’s report identifies the financial statements and audited in an introductory paragraph, describes the nature of an audit in a scope paragraph, and expresses the auditor's opinion in a separate opinion paragraph that is the basic elements or disclosures of the report. In an audit report, has also some basic disclosures and those are- a title that includes the word independent, a statement that the financial statements identified in the reports audited, a statement that the Financial Statements are the responsibility of the Company's management and that the auditor's responsibility is to express an opinion on the financial statements based on audit, an auditor signature, date & auditor address. Some of the companies like Beximco Pharmaceuticals Ltd, Square Pharmaceuticals Ltd, Monno Ceramics Ltd. and Fu-Wang Food Industry Ltd etc. complied with disclosures in financial audit. Where some of the companies did not properly comply with disclosures in financial audit like Renata Pharmaceuticals, RAK Ceramics Ltd, Euro ceramics Ltd, Apex Foods Ltd, The Real Good Food Company etc. comply with insufficient disclosures. Behind the insufficient disclosures, there can be some reasons that are:

- Lack of expertise where includes experience and professionalism. If experience and professionalism is not well-enough in auditing then insufficiency occurs in financial audit
- Lack of monitoring occurs when auditor not taken auditing as own liabilities for that it’s not become reliable information as a true and fair view for making decision.

Expertise and monitoring is the principle of the code of ethics and auditors ethics that are relevant to the profession and practice of auditing. Insufficient disclosure can arise for above reason and for the reasons a company did not properly comply with disclosures.

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7. EFFECTS OF THE INSUFFICIENT DISCLOSURE TO THE USERS

Disclosure is the act of releasing all relevant information pertaining to a company that may influence an investment decision. Disclosures are not only important for the financial statements but also of the audit report and especially for the financial audit. The auditors' report provides the analyst with an independent and professional opinion about the fairness by which interested users making their investment and other financial statement. Under industry, a company complied the disclosure in financial audit and if a company did not comply with disclosures in financial audit then it's not actually verified the financial report and when it's not verified the financial report that means it's not disclose the proper information to the users. In financial audit, have different users whose are affected for insufficient disclosures like-

- Shareholders are the users of financial audit whether to see how the company is progressing, the money they have invested is properly utilized and they getting properly calculated dividend according to the profits and revenues earned by the company etc. However, insufficient disclosure assesses wrong information through which shareholders are affected and facing uncertainty.
- Potential investors focused would it be of any worth if they invest in the company. Would they get high dividend as compared to other companies? etc. Potential investors are also users of financial audit in this case when the financial audit did not comply with disclosures then the investor affected for taking decision.
- Creditors are depended on financial information by which taken decision. Creditors have the knowledge about the company could be many; one of them could be for wanting to know how well the company is doing? Therefore, if the financial audit provides wrong information then creditor faces problems like decreasing surety to get money on the time.
- Customers are the users of financial information who would compare even the amount taxed upon products thus have a clear chance to choose the right enterprise in which to purchase for that company keep the product in monitoring which is the part of financial audit. When the company failed to monitoring then customers focus another product and affected of insufficient disclosure.

Not only that students, bank, government and supplier also depended on financial audit. So for making judgment insufficient disclosure to the user a warning signal that one or more risks have been highlighted to the point for the making decisions.

8. FINDINGS OF THE STUDY

On the basis of analysis the following findings are observed in this study:

- International Accounting Standard (IAS) requires that the auditor's report clearly indicate the financial reporting framework used to prepare the Financial Statements but not conducted for audits in Auditor's report whereas In Accordance with Bangladesh Accounting Standard (BAS) Auditor's report is conducted for audits that is the basic parts of financial audit.
- Beximco Pharmaceuticals Ltd, Square Pharmaceuticals Ltd, Monno Ceramics Ltd and Fu-Wang Food Industry Ltd fully complied with disclosures in financial audit.
- Renata Pharmaceuticals Ltd. and RAK Ceramics Ltd. did not comply Auditor's address in financial audit whether Euro ceramics Ltd. partially complied auditor address and it may be happened for lack of monitoring.
- Apex Foods Ltd. did not comply Auditor's signature and auditor address in financial audit where The Real Good Food Company did not comply Auditor's signature and it may be happened for lack of expertise that occurs for less experience and professionalism.

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- In Pharmaceuticals industry, Beximco Pharmaceuticals Ltd. and Square Pharmaceuticals Ltd. complied with disclosures 100% where Renata Pharmaceuticals Ltd. complied with disclosures 90%.

- In Ceramics Industry, RAK Ceramics Ltd. complied 90%, Euro Ceramics Ltd complied 95% and Monno Ceramics Ltd. complied with disclosures 100%.

- In Food & Beverage Industry, Fu-wang Food Industry Ltd. complied 100% with disclosures in financial audit but Apex Foods Ltd. complied 80% & The Real Good Food Company complied 90%.

- For not complying with disclosures in financial audit, different users are affected like shareholders, potential investors, creditors, customers etc.

9. RECOMMENDATIONS

After the analysis the following recommendations should focus more on some issues to comply with disclosure in financial audit -

- International Accounting Standard (IAS) requires that the auditor's report should clearly indicate the financial reporting framework used to prepare the Financial Statements but not conducted for audits in Auditor's report. So International Accounting Standard (IAS) should conducted for audits in Auditor's report as Bangladesh Accounting Standard (BAS) and International Standard on Auditing (IASs).

- Beximco Pharmaceuticals Ltd, Square Pharmaceuticals Ltd, Monno Ceramics Ltd and Fu-Wang Food Industry Ltd fully complied with disclosures in financial audit and should be focused on that they always do these in future.

- Those companies did not comply Auditor signature and Auditor address they should comply with disclosures and the auditor should give more emphasis with proper monitoring and carrying out responsibility as profession in auditing for proper evaluating of financial audit.

- In Pharmaceuticals industry, Beximco Pharmaceuticals Ltd. and Square Pharmaceuticals Ltd. fully complied with disclosures where Renata Pharmaceuticals Ltd. did not fully complied with disclosures and it should be fully complied to provide reliable information.

- In Ceramics Industry, RAK Ceramics Ltd. and Euro Ceramics Ltd should fully complied as Monno Ceramics Ltd. otherwise the financial audit report will not be reliant.

- In Food & Beverage Industry, Fu-wang Food Industry Ltd. complied 100% with disclosures in financial audit but Apex Foods Ltd. & The Real Good Food Company did not fully complied so these company should fully complied with disclosures.

- For prevailing effect of insufficient disclosure to different users in financial audit, the auditor should comply with all the disclosures for increasing reliability.

10. CONCLUSIONS

Disclosure where all balance in the accounts and events are disclosed as per prescribed laws and standards that may influence an investment decision. In financial audit, have some basic disclosures that complied for auditing to improve the quality of audit report that is important for the users. The most common way for users to obtain reliable information regarding the financial position and the results of the operation of a business is to have an independent audit performed. The audited information is used in the decisions-making process on the assumption that reasonably complete, accurate, and unbiased. Independent audit report expresses an opinion on the fairness of the financial statements presented by the

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management of the company. Company where disclosures complied in financial audit for decisions- making but some companies did not properly comply with disclosures that lead to wrong decisions for the investors and other user groups. Auditor's report is desirable because it helps to promote the user's understanding and to identify unusual circumstances when they occur for taking the decision needed for each user. Auditors should work more independently with the responsibility and have to ensure to use the degree of compliance with disclosure in financial audit by which the quality of the audit report will increase to lead good financial and investment decision.

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APPENDIX – A

Table 1. Test of compliance with the disclosure (Industry base)

	Pharmaceuticals Industries			Ceramics Industries			Food & Beverage Industries		
Disclosures	Beximco	Square	Renata	RAK	Euro	Monno	Fuwang	Apex	Real
Title	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Addressee	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Introductory paragraph	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Management responsibility	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Auditor responsibility	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Auditor opinion	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Other reporting responsibility	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Auditor's signature	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Not Complied	Not Complied
Date	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Auditor address	Complied	Complied	Not Complied	Not Complied	Partially Complied	Complied	Complied	Not Complied	Complied