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January - March 2026

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	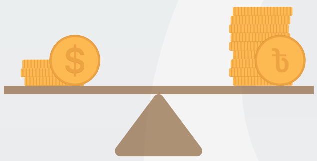		
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ICAB PUBLICATIONS

ICAB publications include, inter alia, a quarterly journal titled 'The Bangladesh Accountant', half yearly Journal 'Bangladesh Economia' and ICAB's mouthpiece ICAB Monthly News Bulletin.

In the quarterly journal, articles of ICAB Members, Members from other Accountancy bodies, Academics and Business Leaders from home and abroad are published.

In half yearly journal, articles focus on macro-economy of the country are published.

The monthly news bulletin publishes different ICAB events of the month. This bulletin acts as an information hub for the Members to keep up-to-date about ICAB and its activities in addition to these publications, ICAB also publishes books, monographs, booklets and Students' Study Manuals regularly.

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Editorial

"In this evolving environment, audit has emerged as a cornerstone of good governance, accountability, and sustainable organizational development. Indeed, many of the articles featured in this issue revolve around this central theme. A high-quality audit function not only provides assurance regarding financial and operational integrity but also contributes to improved governance, informed decision-making, and enhanced stakeholder confidence."

It has been an immense privilege to serve as Chairman of the Editorial Board over the past year and to oversee the publication of The Bangladesh Accountant, the quarterly journal of the Institute of Chartered Accountants of Bangladesh (ICAB). During this period, our objective has been to strengthen the journal's role as a platform for intellectual discourse, professional thought leadership, and knowledge sharing on matters of national and international importance.

Looking ahead, we aspire to make the publication even more innovative and engaging. Alongside the printed edition, we plan to introduce enhanced digital and interactive formats to improve accessibility, readability, and engagement among our members, professionals, academics, policymakers, and other stakeholders.

Each issue of The Bangladesh Accountant brings together insightful articles and analytical perspectives on contemporary economic, financial, regulatory, and governance challenges. The contributions featured in this edition examine critical issues ranging from audit quality, corporate governance, ESG reporting, regulatory compliance, fraud risk management, and economic resilience to broader policy and business reforms. Collectively, these discussions underscore the importance of building trust, strengthening institutions, and fostering sustainable development in an increasingly complex and interconnected world.

As Bangladesh continues its journey toward becoming a more vibrant and prosperous economy, it is imperative that all stakeholders work together with commitment and purpose. We remain optimistic about the country's future and believe that Bangladesh possesses immense potential for sustainable growth and economic transformation. Pragmatic and forward-looking public policies,

coupled with strong private-sector participation, will be instrumental in accelerating the nation's development trajectory.

The twenty-first century has fundamentally transformed the way states, institutions, and economies operate. Rapid technological advancement, globalization, the expansion of digital services, the growing use of artificial intelligence, and rising stakeholder expectations are compelling organizations to rethink conventional management and governance models. Today, institutional success is no longer determined solely by financial strength or physical infrastructure; rather, it is increasingly defined by the quality of governance, robustness of risk management, effectiveness of internal controls, and transparency of decision-making processes.

In this evolving environment, audit has emerged as a cornerstone of good governance, accountability, and sustainable organizational development. Indeed, many of the articles featured in this issue revolve around this central theme. A high-quality audit function not

only provides assurance regarding financial and operational integrity but also contributes to improved governance, informed decision-making, and enhanced stakeholder confidence.

Good governance remains one of the most critical elements of sustainable development. Transparency, accountability, fairness, effectiveness, and responsibility are the pillars upon which strong institutions are built. The stronger these foundations are, the greater the confidence of investors, regulators, customers, employees, and the public.

Audit plays a vital role in supporting these principles by providing independent and objective assessments of organizational activities. It evaluates whether policies are being effectively implemented, resources are being utilized efficiently, risks are being appropriately managed, and internal control systems are functioning as intended. More importantly, audit serves as a catalyst for continuous improvement by identifying opportunities to strengthen performance and governance frameworks.

Equally important is the challenge of ensuring accountability. Decisions and policies, however well intended, must ultimately be evaluated based on outcomes and impact. Audit helps bridge this gap by not only examining what has been done but also analyzing why it was done and how future results can be enhanced. In this regard, audit serves as both a safeguard and a strategic enabler for organizational excellence.

The January–March issue of The Bangladesh Accountant reflects on the prevailing economic landscape, key challenges facing businesses and institutions, and the pathways toward greater resilience and sustainable growth. Our readers will find valuable insights into current economic developments, governance practices, emerging risks, and initiatives aimed at improving the ease of doing business in Bangladesh.

I extend my sincere gratitude to all contributors, reviewers, members of the Editorial Board, and our valued readers for their continued support and engagement. I hope you find this edition informative, thought-provoking, and relevant to your professional endeavors.

Ala Uddin FCA
Chairman - Editorial Board and
Council Member - ICAB

President's Desk

> "Audit quality is far more than a regulatory obligation—it is a strategic enabler of economic development. Reliable financial reporting improves access to finance, attracts domestic and foreign investment, lowers the cost of capital, strengthens corporate governance, and enhances confidence in Bangladesh's business environment. In an increasingly interconnected and competitive global marketplace, these are indispensable foundations for sustainable and inclusive growth."

A strong economy is built on trust. Trust encourages investment, inspires entrepreneurship, strengthens financial markets, and drives sustainable economic growth. At the heart of this trust lies high-quality auditing and professional assurance.

As Bangladesh advances towards becoming an upper-middle-income country and prepares for deeper integration into the global economy, the importance of transparent, reliable, and credible financial reporting has never been greater. High-quality audits provide confidence to investors, regulators, financial institutions, development partners, and the public that financial information can be relied upon for informed decision-making.

The Institute of Chartered Accountants of Bangladesh (ICAB) remains steadfast in its commitment to strengthening audit quality through the adoption of internationally aligned standards, unwavering adherence to professional ethics, continuous professional development, and a robust quality assurance framework. Chartered Accountants play a pivotal role in safeguarding the integrity of financial reporting, promoting accountability, and enhancing confidence across both the public and private sectors.

Audit quality is far more than a regulatory obligation—it is a strategic enabler of economic development. Reliable financial reporting improves access to finance, attracts domestic and foreign investment, lowers the cost of capital, strengthens corporate governance, and enhances confidence in Bangladesh's business

environment. In an increasingly interconnected and competitive global marketplace, these are indispensable foundations for sustainable and inclusive growth.

The business landscape is evolving rapidly, shaped by digital transformation, artificial intelligence, sustainability reporting, and increasingly complex financial transactions. These developments require the auditing profession to continuously innovate and adapt. ICAB is committed to equipping its members with the knowledge, technical expertise, and technological capabilities needed to meet these emerging challenges while upholding the highest standards of professional excellence.

Quality assurance remains one of ICAB's foremost priorities. Through regular practice reviews, compliance with international auditing standards, rigorous ethical oversight, and ongoing capacity-building initiatives, we strive to ensure that audit services

consistently meet global benchmarks. These efforts reinforce public confidence in the profession and contribute to a stronger, more resilient financial ecosystem.

Collaboration is equally essential. ICAB will continue working closely with government agencies, regulators, the corporate sector, academia, development partners, and international professional accountancy organisations to strengthen Bangladesh's financial reporting and assurance infrastructure. Together, we can foster a culture of transparency, accountability, ethical leadership, and sound corporate governance.

The future of Bangladesh depends not only on economic growth but also on the strength, integrity, and credibility of its institutions. As the national professional accountancy organisation, ICAB remains dedicated to advancing excellence in auditing and assurance while supporting the country's aspirations for sustainable development, investment, innovation, and inclusive prosperity.

By strengthening audit quality today, we build investor confidence, protect the public interest, and lay the foundation for a resilient, transparent, and globally competitive Bangladesh.

I would also like to express my sincere appreciation to the distinguished writers and contributors who have chosen The Bangladesh Accountant as the platform for sharing their valuable insights and research. Their contributions enrich the profession and stimulate meaningful discourse on the evolving challenges and opportunities facing organisations today. I am confident that the articles featured in this issue will encourage thoughtful reflection on strengthening governance, enhancing internal controls, ensuring regulatory compliance, and promoting high-quality auditing as essential pillars of resilient, sustainable, and well-governed organisations.

N K A Mobin FCA
President - ICAB

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ARTICLES

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Future of Audit Quality
A Roadmap for Modern Audit Excellence

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The Author is a Fellow Member, ICAB and Partner Snehasish Mahmud & Co

*The article was reviewed by **Mohammed Hamidul Islam** FCA*

In today's volatile economy, auditors face intense scrutiny from regulators and the public to maintain high standards. To navigate these challenges and protect firm reputation, practitioners must prioritize audit quality—defined by the credibility of the audit opinion.

Ultimately, high-quality auditing depends on whether an auditor's professional opinion is backed by sufficient evidence and objective judgment.

Currently Audit quality is under threat from a combination of economic volatility, fee pressures, and technological gaps. In today's complex digital landscape, these factors significantly elevate the risk of undetected material misstatements.

This roadmap is developed considering an ideal situation, outlining the benchmark structural and cultural elements that should ideally be present within a progressive audit practice. The recommendations detailed below are fundamentally based on generalized global best practices and international regulatory frameworks. Consequently, this article does not focus on country-specific implementation challenges, statutory constraints, or localized market realities that practitioners may face during adoption.

In this context, the burning question remains: how can audit quality be systematically improved? This guide outlines nine strategic recommendations to bridge the gap between theory and modern operational excellence.

Firm Management and Internal Culture/ Governance and Leadership

To strengthen the Firm Management and internal culture a CA firm's leadership must transition from passive policy-making to active cultural stewardship. In the concurrent global adoption of SQM 1 (System of Quality Management), the six pillars as identified in SQM 1 are not just "best practices" but regulatory requirements for maintaining a firm's license to practice.

A CA firm can operationalize each of these leadership imperatives as follows:

Ensure Sufficient Time and Resources

Quality is often the first casualty of a capacity crunch. Leadership must ensure the sufficient time and resources for audit team in the following aspects;

- <u>Workload Monitoring:</u> Implement Audit Quality Indicators (AQIs) to track partner and staff "utilization." If a team is consistently working over 55 hours/week, (as per studies published by the American Accounting Association and global regulatory oversight bodies) quality is statistically proven to drop.

- **Specialist Budgeting:** Explicitly pre-approve budgets for hiring experts (e.g., IT auditors, valuers) so engagement teams don't feel pressured to "do it themselves" to save costs. This is generally required for High-risk public interest entities.

- **Interim Milestones:** Enforce mandatory "Planning" and "Interim testing" deadlines to prevent the "Busy Season Bottleneck."

Demonstrate Consistency in Decisions

Staff look at what leadership does, not what they say. This approach can be implemented in the following ways:

- **Support for Disagreements:** If a team correctly identifies a material error and the client refuses to adjust, leadership must back the team's decision to issue a modified opinion—even if it risks losing a major client.

- **Standardized Technical Consultations:** Create a formal "Technical Cell" where complex judgments are documented. This prevents different partners from giving different "answers" to similar accounting problems.

Establish and Communicate a Code of Conduct

A Code of Conduct should be a "living document," not a PDF buried in the HR portal. It should include;

- **Visual Engagement:** Use real-life case studies from the firm's past or industry failures (like Enron or recent regulatory fines) to illustrate the Code in action.

- **Annual Re-certification:** Require every employee, including senior partners, to sign a fresh declaration of independence and ethics every year.

Challenge Unethical Behavior Swiftly

Leadership must prove that there are "no sacred cows" in the firm. This can be achieved in the following way;

- **The Disciplinary Matrix:** Create clear consequences for non-compliance. For example, "ghost-ticking" (signing off on work not done) should lead to immediate dismissal or severe docking of bonuses.

- **Transparency:** Without naming names, periodically share "Remediation Reports" with the firm, explaining that a deficiency was found and what disciplinary action was taken to fix it.

Distribute the Quality Control Document

The **Statement of Quality Management (SoQM)** must be accessible and understood by all. This can be done on the following way:

- **Induction Bootcamps:** New joiners should spend their first day learning the firm's quality policies, not just their job duties.

- **Digital Accessibility:** Host the quality manual, HR policy, Audit hand book etc. on a searchable internal Wiki (like Notion or SharePoint) rather than a static document, allowing staff to find answers to quality questions instantly.

Enhance Client Acceptance and Continuance Process

Perform sufficient client background checks before its onboarding the new client. It's important to only associate with highly ethical clients. Issues to be considered are as follows:

Implement a Risk-Based Scoring System

Instead of a simple "Yes/No," use a weighted scoring model to categorize potential clients as **Low, Moderate, or High Risk.**

- **Financial Integrity:** History of late payments, frequent changes in auditors, or questionable accounting practices.

- **Management Integrity:** Background checks on directors for litigation, bankruptcy, or regulatory sanctions.

- **Industry Complexity:** Is the client in a high-risk sector like Crypto, Real Estate, or FinTech?

- **Independence & Ethics:** Direct or indirect threats to objectivity (e.g., family ties, fee dependency).

Standardize "Continuance" Reviews

Acceptance is only half the battle. Annual Continuance should be as rigorous as the initial acceptance. Some ways are;

- **Fee Recovery Analysis:** If a client is consistently late on payments or disputes fees, they may no longer be viable.
- **Scope Creep:** Has the client's business grown so complex that your firm no longer has the specialized skill set to serve them?
- Relationship Health: Document any instances where the client was uncooperative or withheld information during the previous year's engagement.

Align with Quality Management Standards (SQM 1)

Modern standards require firms to demonstrate a "System of Quality Management."

Formalize the "Disengagement" Protocol

Enhancing the process also means knowing how to say goodbye. This involves;

- **Trigger Points:** Define clear "red lines" (e.g., discovery of unethical behavior) that trigger an immediate re-evaluation of the relationship.
- **Professional Transition:** Ensure your engagement letters include clear terms for withdrawal to protect the firm legally.

Benefits of an Enhanced Process

- **Reduced Liability:** Minimizes the risk of being associated with financial scandals.
- **Improved Profitability:** Weeds out "D-list" clients that consume too many resources for too little fee.
- **Regulatory Peace of Mind:** Makes Peer Reviews and regulatory inspections much smoother.

Feature	Enhancement Strategy
Documentation	Use standardized templates that force staff to document why a risk was deemed acceptable.
Approval Hierarchy	Require a second-partner sign-off for any "High Risk" client acceptance.
Resource Assessment	Before signing, formally document that the firm has the staff hours and expertise available.

Hire or Align with Experts, Specialists and Consultants

Firm should have sufficient technical personnel on hand or have access to external experts, specialists and consultants who can provide you with the appropriate advice when facing challenging issues.

In today's complex regulatory environment, a CA firm cannot realistically possess every niche technical skill in-house. A key strategy for maintaining audit quality is building a Resource Ecosystem that combines internal strength with external specialized support.

Here is a guide on how to hire and align with experts, specialists, and consultants to ensure you have the right technical personnel on hand.

Defining "Experts" vs. "Specialists"

Under ISA 620 (Using the Work of an Auditor's Expert), it is vital to distinguish between different types of assistance:

- **Internal Experts:** Partners or staff within your firm (or network) with specialized skills (e.g., IT Audit, Tax, or Actuarial).
- **External Experts:** Independent professionals or organizations outside the firm (e.g. Valuers, Engineers, or Legal Counsel etc.).
- **Consultants:** Technical advisors who help the firm with quality control, methodology, or complex accounting interpretations (e.g., an IFRS expert).

Strategies for Hiring & Alignment

The "Panel of Experts" Model

Don't wait for a crisis or a complex audit to find an expert. Maintain a pre-vetted Panel of Experts.

- **Vetting Process:** Evaluate their professional certification, reputation, and experience.
- **Pre-Agreed Terms:** Establish Master Service Agreements (MSAs) that cover confidentiality, independence, and fee structures in advance.
- **Independence Check:** Ensure the expert has no financial or personal interest in your audit clients.

Strategic Co-Sourcing

For mid-sized firms, "Co-sourcing" allows you to "borrow" specialized departments from larger or boutique firms.

- **IT Audit Co-sourcing:** If you lack a CISA-qualified team, align with a boutique cybersecurity firm to perform the "Testing of IT General Controls" (ITGCs) while your team handles the financial audit.
- **Valuation Support:** Partner with registered Valuers for complex M&A or impairment testing.

Internal Technical Cell

Even small firms should designate a Technical Lead. This person's role isn't to know everything, but to be the "Information Librarian"—knowing exactly where to find the right answer or which consultant to call.

Managing the Expert (ISA 620 Compliance)

When you use an expert, the firm remains solely responsible for the audit opinion. You must manage them effectively:

Offer High-Quality Continuing Professional Education and Training

Offer a blended training package to increase competency from a technical and soft skills standpoint. Focus on topics such as:

- Independence and ethics
- Applying professional judgment, skepticism and objectivity
- Firm policies and procedures

Level	Focus Areas	Training Format
New Staff (Articles/Junior)	Foundational standards, internal controls, and audit documentation basics.	Audit "Boot Camps" and e - learning (e.g. Audit Staff Essentials).
Seniors / In - Charge	Risk assessment, complex accounting (IAS/IFRS), and leading teams.	Case -study workshops and review simulations.
Managers & Partners	Professional skepticism, root cause analysis (RCA), and quality management.	Leadership roundtables and industry -specific expert sessions.

Firm can implement the followings to ensure high quality continuing professional education and training;

General Training Requirements

Implement Tiered Learning Paths

Don't use a "one-size-fits-all" approach. Audit quality improves when training is mapped to the staff's specific role and experience level.

Leverage "Root Cause Analysis" (RCA) as a Training Tool

The most effective training comes from your own mistakes. Use findings from your Internal Quality Reviews or Peer Reviews to design training. Firm can take following actions;

- <u>**The "De-brief" Session:**</u> After a major audit season, hold a session to discuss where the team struggled (e.g., "Why did we fail to document the testing of management estimates properly?").
- <u>**Actionable Solutions:**</u> Instead of just pointing out errors, provide updated templates or "Quick-Reference Guides" to prevent the same mistakes in the next cycle.

Focus on "Professional Skepticism" Training

Audit failures often occur not because of a lack of technical knowledge, but due to a lack of questioning. Some trainings can be performed on the followings;

- <u>**Simulated Fraud Scenarios:**</u> Use "Escape Room" style training or digital simulations where staff must identify "red flags" in a set of financial data.
- <u>**Soft Skills:**</u> Train staff on how to conduct interviews with client management and how to push back when information is incomplete or contradictory.

Modernize with Digital & On-Demand Learning

With hybrid work, flexible learning is essential. Some training and learning examples are;

- <u>**Micro-Learning:**</u> Create 5–10 minute "explainer videos" on specific audit procedures (e.g., "How to perform an external confirmation").
- <u>**Internal Knowledge Hub:**</u> Use a platform (like a private Wiki or Notion) to store all firm-specific guidance, recent regulatory updates, and "best-in-class" workpaper examples.
- <u>**Technology Upskilling:**</u> Provide specific training on Data Analytics tools (e.g., Power BI, IDEA, or Data Snipper) so staff can move away from manual sampling to full-population testing.

Formalize the Mentorship Model

Audit quality is often passed down through "On-the-Job" (OTJ) training. Examples are;

- <u>**Shadowing:**</u> Allow junior staff to sit in on high-level partner meetings or complex client discussions.
- <u>**Real-time Feedback:**</u> Move away from annual reviews. Implement a "per-engagement" feedback system wh ere seniors provide immediate

coaching on workpaper quality.

For Ethics, independences and Policy Procedures of Firm:

To enhance audit quality in current scenario, a CA firm must transition from "box-ticking" CPE to a competency-based blended learning model. This approach combines self-paced digital learning with high-impact, face-to-face "Skepticism Workshops" to ensure staff can apply technical knowledge in high-pressure, real-world scenarios. This can be achieved as follows;

The Blended Training Architecture

A blended package ensures that "Theory" is handled efficiently online, while "Judgment" is developed through human interaction.

Core Curriculum Topics

a. Independence and Ethics (The "No-Go" Zone)

- **Threat Identification:** Train staff to recognize the five threats to independence (Self-interest, Self-review, Advocacy, Familiarity, and Intimidation).
- **Real-world Scenarios:** Use "Role-Play" where a staff member must politely decline a gift or a job offer from a client's management.
- **Annual Declarations:** Integrate the training with the firm's mandatory compliance portal for tracking independence sign-offs.

b. Professional Judgment and Skepticism

Professional skepticism is a muscle that must be trained. It is the ability to be "curious, but not accusatory." Emphasize should be given on;

- **Judgment Traps:** Train staff on cognitive biases like Confirmation Bias (only looking for evidence that supports management) and Anchoring (over-relying on the first piece of information received).
- **The "So What?" Method:** Teach auditors to keep asking "Why?" and "So what?" until they reach the root cause of an anomaly, rather than accepting the first explanation management provides.
- **Fraud Brainstorming:** Conduct mandatory "Pre-Audit Fraud Huddles" where teams discuss exactly how a specific client could commit fraud.

c. Objectivity and Bias Mitigation:

This consists of

- **Second Partner Review:** Train staff on how to present their judgments to an "Independent Partner" who will play devil's advocate.
- **The "Reasonable Third Party" Test:** Teach staff to document their decisions by asking: "If a regulator looked at this workpaper three years from now, would

they find my judgment reasonable?"

d. **Firm Policies and Procedures:**

Firm can implement -

- **The "Audit Playbook":** Instead of a 200-page manual, provide a digital, searchable Wiki of the firm's Quality Management (SoQM) policies.
- **Documentation Standards:** Run "Workpaper Clinics" where senior staff review "Poor vs. Excellent" examples of documentation from actual past audits (redacted).

Phase	Delivery Method	Focus
Phase 1: Knowledge Acquisition	**E-Learning Modules**	Core Independence rules, Firm Policies, and technical updates (IAS/IFRS).
Phase 2: Critical Application	**In-Person Workshops**	Case studies on Professional Skepticism and "Gray Area" ethical dilemmas.
Phase 3: Reinforcement	**Micro-learning / On-the-job**	5-minute "Skepticism Tips" sent via mobile before a new engagement starts.

Measuring Competency

To ensure the training actually improves audit quality, the firm should track:

- **Skepticism Quotient:** Number of material adjustments or "red flags" identified by teams after training vs. before.
- **Review Efficiency:** Reduction in the number of "points" or corrections issued by partners during the final file review.
- **Peer Review Readiness:** Percentage of files that pass internal "Cold Reviews" with zero deficiencies.

Establish or Outsource a Quality Control Department

If possible, consider investing in or outsourcing a quality control department that will:

Developing Guidance & Assurance Policies

A dedicated QC function ensures that firm's "Audit Playbook" remains current. This includes-

- **Internal:** Assign a "Technical Partner" to curate a firm-wide wiki of accounting and auditing guidance. This creates a "house style" that ensures consistency across all files.
- **Outsourced:** Partner with specialized consultants or network firms to receive white-labeled,

industry-specific manuals (e.g., for Real Estate, FinTech, or ESG assurance). This allows you to scale into new industries without years of internal research.

Engagement Quality Control Reviews (EQCR)

For high-risk or public interest entities, an independent "second eye" is mandatory. Firm can follow -

- **The "Independent Partner" Model:** The QC department ensures that the EQCR partner is truly independent and has the authority to challenge the engagement partner's judgments.
- **Outsourced Advantage:** For many firms, every partner is "busy" or "too close" to the client. Outsourcing the EQCR to an external firm provides a truly objective perspective that regulators often view more favorably.

Technical Consultation Pipeline

When an audit team faces a "gray area" (e.g., complex revenue recognition or going-concern issues), they need immediate, high-level advice. Firm can establish QC as the Helpdesk. The QC department acts as the "Internal Technical Cell." They document these consultations, creating a library of precedents that prevent the firm from making contradictory decisions on similar issues in the future.

Monitoring & Root Cause Analysis (RCA)

Modern standards shift the focus from "finding errors" to "fixing systems." This includes-

- **Cold Reviews:** The QC department performs post-issuance reviews. Instead of just saying "this file is bad," they must perform Root Cause Analysis.
- **Remediation:** If the QC team finds that 30% of files have poor documentation of "Management Estimates," they don't just fix the files—they update the firm's training program and templates to address the underlying cause.

Dialogue with Regulators & Standards-Setters

A robust QC function gives your firm a "seat at the table." This includes-

- **Proactive Participation:** Your QC lead should review Exposure Drafts from bodies like the FRC or ICAB and submit comments. This not only influences future standards but ensures your firm is prepared for changes before they become law.
- **Regulatory Liaison:** When a regulator initiates a peer review or inspection, the QC department acts as the single point of contact, ensuring that the firm's "System of Quality" is presented professionally and accurately.

Streamline Your Audit Process

Ensure all engagement teams consistently apply and streamline your audit approach so they can focus on areas of high risk and audit execution.

Implement a Unified "Digital Audit Portal"

Fragmented communication via email is the biggest drain on audit efficiency. This consists of -

- **Centralized PBC (Prepared by Client) Management:** Use a secure cloud portal (like Caseware, Suralink, or AuditBoard) where clients upload documents directly to specific request lines.
- **Real-Time Tracking:** Dashboards allow partners to see exactly which documents are outstanding across all engagements, preventing the "last-minute scramble."
- **Automated Reminders:** Let the system follow up with clients on missing documents so your staff can focus on auditing.

Modularize and Parallelize the Audit

Break the audit down into "Ready-to-Go" modules that don't depend on the year-end close. Firm can follow-

- **Interim Testing (Phase 1):** Perform internal control testing, walkthroughs, and

fixed asset verifications 3–4 months before the year-end.

- **Roll-forward Procedures (Phase 2):** After year-end, teams only need to "roll forward" the testing for the final few months, significantly shortening the final fieldwork window.

- **Standardized Workpapers:** Use "Smart Templates" that auto-populate basic client data, allowing staff to jump straight into the analytical review.

Establish a "Red Flag" Protocol

Streamlining means knowing when to stop and escalate. Firm can establish -

- **Escalation Thresholds:** Define clear "red flags" (e.g., a 20% variance in revenue or a missing bank confirmation) that require immediate manager/partner intervention.

- **Early Partner Involvement:** Partners should review the "Risk Assessment" and "Materiality" workpapers within the first week of the audit, not at the end. This prevents teams from going down "rabbit holes" that aren't actually material.

The "Post-Mortem" Feedback Loop

To ensure the process stays streamlined, conduct a 15-minute debrief after every engagement. This includes raising the following questions-

- **What took too long?** (e.g., "The client's inventory records were messy.")

- **What can we automate next year?** (e.g., "We should use a digital confirmation tool for this client.")

- **Update the Master Template:** Feed these insights back into the firm's standard audit methodology immediately.

Increase Specialization

Consider specializing in a specific industry or niche so that you can focus your attention and build efficiencies to increase engagement realization.

Specialization is no longer just a marketing buzzword for CA firms; it is a fundamental strategy for survival and profitability. By narrowing your focus to a specific industry or niche, you shift from being a "commodity provider" to a **Strategic Advisor,** which directly leads to higher **Engagement Realization** (the percentage of your standard billable rate that you actually collect).

Here is how you can strategically increase specialization within your firm.

Identify Your "Profitable Passion"

Don't pick a niche at random. Use a data-driven approach to find where your firm already excels. The approach can be implemented -

- **Client Portfolio Audit:** Analyze your current client list. Which industry currently generates the highest revenue? More importantly, which industry has the highest margin (lowest time spent vs. highest fee)?

- **Staff Interest Mapping:** Survey your team. If your senior manager has a background in healthcare or a passion for IT, you already have the seeds of a niche.

- **Market Demand Analysis:** Look for industries that are growing but are "underserved" by local generalist firms (e.g., E-commerce, ESG reporting etc).

Standardize Niche-Specific Workflows

The primary driver of increased realization in a specialized firm is **Repeatability.** This consists of-

- **Custom Templates:** If you specialize in Real Estate, create audit templates that specifically address lease accounting, property valuations, and foreign exchanges etc.

- **Industry-Specific Tech:** Invest in software tailored to the niche (e.g., specialized inventory tools for Manufacturing or grant management software for Non-profits).

- **The "Learning Curve" Advantage:** In a generalist firm, teams spend hours "learning" the client's industry. In a specialized firm, this time is zero, allowing for much faster audit execution.

Build Industry-Specific Credibility

To command premium fees, you must be seen as a **Vanguard** in your chosen sector. Firm can implement-

- **Thought Leadership:** Instead of general tax tips, publish whitepapers on "Tax Strategies for Startups" or "Regulatory Changes in the specific Sector."

- **Specialized Certifications:** Encourage staff to get industry - specific designations (e.g., CISA for IT Audit, or specialized Valuer certifications).

- **Networking in the Niche:** Attend industry conferences (not just accounting conferences). Speak at trade shows for contractors, doctors, or tech founders.

The Financial Impact: Boosting Realization

Specialization directly improves your firm's bottom line through three levers:

Risk Management through Specialization

Specialization also increases **Audit Quality**. This consists of -

- **Deep Knowledge of "Red Flags":** A specialist knows exactly where fraud is likely to be hidden in a specific industry (e.g., revenue recognition patterns in Software-as-a-Service).

- **Regulatory Fluency:** You are less likely to miss a niche-specific regulatory requirement that a generalist might overlook.

Rotate Key Professionals on Engagements

Consider rotating partners, managers and engagement quality control reviewers on a periodic basis to add fresh and new perspectives to your high-risk attest engagements.

Rotation is no longer just a "best practice"—it is a core safeguard against the **Familiarity Threat** under global ethical standards. Over time, even the most diligent auditors can become too sympathetic to a client's views or over-reliant on past workpapers, leading to a decline in professional skepticism.

Rotating key personnel adds a "fresh set of eyes" that can detect anomalies long-standing teams may have overlooked.

The Benefits of Rotating Your "Top Three"

To strengthen quality, rotation should occur across three critical levels:

- **Engagement Partner (EP):** Prevents personal bonds with client leadership from influencing high-level judgments. A new partner often challenges "the way things have always been done."

- **Engagement Quality Reviewer (EQR):** As the independent "second eye," the EQR must remain objective. Rotating the EQR ensures the review doesn't become a "rubber stamp" process due to familiarity with the engagement partner.

- **Audit Manager:** While partners set the tone, managers handle the day-to-day execution. A new manager brings fresh technical energy and often asks the "obvious" questions that long-tenured staff stop asking.

Managing the "Rotation Transition"

The biggest risk of rotation is the **loss of client-specific knowledge,** which can lead to audit inefficiencies or missed errors in the first year of the new team. Use this workflow to manage the transition:

- **Shadowing (The "Handover" Year):** In the final year of the outgoing partner, the incoming partner should attend key planning and closing meetings as an observer to understand the client's complex accounting issues.

- **The "Shadow" Review:** Have the incoming manager perform a high-level review of the outgoing team's final workpapers to identify areas they want to "deep dive" into during their first year.

- **Client Communication:** Frame the rotation to the client not as a "disruption," but as a value-added service. Explain that it provides them with a "free" fresh perspective on their internal controls and financial reporting.

Strategic Rotation for Small-to-Mid Firms

If a firm has a limited number of partners, you can still achieve "fresh eyes" through:

- **Role Swapping:** Partner A takes over Partner B's client, and vice versa.

- **External EQR:** If you only have two partners, consider "outsourcing" the EQR function to another small firm to ensure a truly independent review.

- **Manager-Level Emphasis:** If partner rotation is impossible due to size, rotate the Senior Manager every 3-4 years to ensure the fieldwork stays rigorous.

Join an Accounting Network or Alliance

Consider joining a reputable accounting network or alliance program to collaborate and share with other firms.

Conclusion

Achieving modern audit excellence requires a systemic shift. Audit quality cannot be viewed merely as a retrospective compliance checklist; it must be driven by an intentional internal culture, robust governance frameworks, and a rigorous approach to risk management. By operationalizing the mandates of ISQM 1, building a resilient ecosystem of specialists, committing to continuous competency-based education, and streamlining client acceptance protocols, Chartered Accountancy firms can successfully protect their professional reputations.

Feature	Generalist Firm	Specialist Firm
Pricing	Market -driven (Price Taker)	Value -driven (Price Setter)
Efficiency	High "re -learning" cost for every client.	High efficiency through repeatable processes.
Sales Cycle	Long; must prove basic competency.	Short; reputation precedes you.
Realization	Often 60% –70% due to overruns.	Often 85% –95% due to expertise.

Furthermore, engaging with international networks and embracing digital transformation allows mid-sized practices to bridge the technological gaps that frequently threaten execution. Ultimately, a firm's commitment to these structural pillars creates a self-reinforcing cycle: superior audit quality leads to deeper client insights, reduced liability, higher engagement realization, and elevated public trust. Local CA firms can improve their quality control using the global practices and guidelines discussed in this study

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Internal Audit as a Catalyst for Credible ESG Reporting in Bangladesh
Turning Awareness into Action

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Preface

ESG is increasingly central to global business, signaling resilience, transparency, and long-term value. In Bangladesh, awareness is growing, driven by regulatory guidance and international buyer expectations, but adoption remains uneven. High-quality ESG reporting is largely limited to large, export-oriented firms, while many smaller companies face capacity and incentive challenges. Key gaps exist in data quality, governance, and assurance, making internal audit essential for credible reporting and risk management. The 2025 Global Internal Audit Standards (effective January 2025) (GIAS) offer a framework for integrating ESG into strategy, controls, and oversight. Bangladesh's ESG framework remains voluntary and governance-focused, unlike more structured regimes abroad. Aligning with global standards and leveraging professional expertise can strengthen transparency, investor confidence, and sustainable growth.

ESG in Bangladesh: Growing Awareness, Uneven Adoption

ESG has gained prominence in global business discussions, emerging as a critical factor in investment decisions. Countries with strong ESG performance are perceived as more stable, resilient, and forward-looking. Beyond reputation, ESG reflects a genuine commitment to sustainability, equity, and transparency.

In Bangladesh, regulatory progress on ESG has begun, but implementation remains uneven. The Bangladesh Bank has issued guidelines on sustainable finance and climate-related disclosures for banks and financial institutions, while the Bangladesh Securities and Exchange Commission (BSEC) encourages ESG or sustainability reporting from listed companies, aligned with recognized reporting frameworks. Yet, high-quality ESG reporting among listed firms is still limited, and adoption across the broader corporate sector is far from widespread.

Significant gaps persist in data, capacity, and governance. Many firms—especially SMEs—do not systematically collect ESG information, and reported data often lacks third-party verification, rendering disclosures largely symbolic. The absence of a unified national ESG framework leaves regulators operating in isolation and many sectors outside formal reporting requirements. Social and governance issues such as labor rights, workplace safety, fair wages, and corporate transparency remain largely unresolved.

Awareness of ESG is increasing, primarily among larger firms and exporters linked to global supply chains, including the garment, leather, and

pharmaceutical sectors. These companies face stronger pressure from international buyers and investors to meet ESG standards. Early adopters often see ESG as a strategic advantage, improving risk management, trust with global partners, and readiness for "post-LDC" status. In contrast, smaller or domestically focused firms often prioritize other business concerns, constrained by limited capacity, perceived costs, and weak external incentives.

Evidence on the financial impact of ESG disclosure in Bangladesh is mixed. A study[1] spanning 2011–2024 found a positive relationship between ESG reporting and firm value, particularly for younger firms, suggesting that credible, timely, and strategically leveraged ESG disclosures can drive value rather than serving as a mere compliance exercise.

Why Internal Audit and Assurance Matters for ESG

Given gaps in data, reliability, governance, and capacity, an effective internal audit (IA) or assurance function is essential. Internal audit can add tangible value to ESG adoption in several ways:

Ensuring Data Integrity and Quality

Internal auditors ensure ESG data—environmental, social, and governance—is systematically collected, securely stored, and internally verified, reducing misreporting or greenwashing. They assess environmental metrics, social compliance, and governance controls, providing assurance and advisory support to strengthen sustainability reporting.

Strengthening Governance, Accountability, and Control

ESG ties closely to governance, transparency, and compliance. A strong internal audit function ensures effective ESG risk management, controls, and oversight, reporting to the board to highlight issues and guide strategy. Research links effective audits and governance to higher-quality ESG disclosure.

Integrating ESG into Strategy and Decision-making

Internal audit can help organizations move beyond treating ESG reporting as a "box-ticking" exercise, embedding ESG metrics into risk management, financial planning, and long-term strategy. This ensures ESG becomes a core component of business sustainability rather than a peripheral add-on.

Building Stakeholder Confidence

Assurance from internal audit increases trust among investors, lenders, and global buyers. Verified ESG disclosures can improve access to sustainability-linked financing, favorable lending terms, and corporate reputation. In contexts like Bangladesh, where

[1] https://journal.ukwms.ac.id/index.php/RIMA/article/view/5863?
https://www.mdpi.com/2071-1050/17/13/5936?

ESG data reliability is a key concern, IA-validated reporting significantly enhances credibility.

Supporting Regulatory Compliance and Future Readiness

With growing regulatory pressure—from BSEC, Bangladesh Bank, and global supply-chain requirements—companies with strong internal audit functions are better equipped to comply. IA can help develop reporting frameworks, implement internal controls, and assess overall ESG readiness, preparing organizations for evolving standards.

Key Challenges that Internal Audit must Overcome to be Effective

However, internal audit is not a magic wand. For IA to add real value, firms and regulators must address several structural gaps:

Capacity Building

Many Bangladeshi organizations lack staff trained in ESG, sustainability reporting, or environmental and social auditing. Internal audit teams themselves often have limited ESG expertise.

Standardization and Frameworks

In the absence of clear, widely adopted ESG frameworks—such as those aligned with the Global Reporting Initiative (GRI) or comparable standards—internal audits struggle to apply consistent benchmarks.

Independence and Governance

Credible ESG assurance requires strong audit committees and independent boards, along with internal audit functions that have adequate authority and unrestricted access. Without this, IA risks becoming symbolic rather than substantive.

Incentive Alignment

When ESG is treated mainly as a public relations (PR) exercise or box-ticking exercise, management may resist transparency or corrective action. ESG considerations must be integrated into corporate incentives, and internal audit must be empowered to influence real change.

What Regulator such as BSEC, FRC or Policy Makers Should do to Realize ESG's Potential in Bangladesh

To ensure ESG becomes more than a buzzword—and to use internal audit effectively—the following steps are essential:

1. Adopt recognized ESG reporting standards (such as IFRS S1, S2 beyond bank and finance companies, GRI, SASB, and sector relevant standards) and require consistent disclosures across all sectors, not just financial or listed companies.
2. Mandate assurance of ESG reporting, Mandate external assurance, supported by robust internal audit.
3. Invest in capacity building by training internal auditors, governance professionals, and management teams in ESG concepts, data collection, social compliance, and

environmental risk management.

4. Create a central or regulatory ESG data platform—for example through Bangladesh Bank or BSEC or FRC or another national authority—to compile sector-level ESG data, emissions indicators, and compliance information, supporting transparency and policymaking.

5. Integrate ESG into corporate governance and risk frameworks, treating climate, labour, regulatory, and reputational risks as core elements of the enterprise risk portfolio, with internal audit providing ongoing monitoring and reporting.

6. Promote ESG-linked financing and green investment by enabling regulators and financial institutions to offer ESG-linked loans, green bonds, and favourable refinancing terms that reward strong ESG performance.

How GIAS Helps Internal Audit Add Value to ESG?

The Global Internal Audit Standards (GIAS - effective from January 2025) provides a stronger and more explicit framework for internal auditors to handle emerging areas like ESG, sustainability reporting, climate risk, labour rights, data quality, etc. GIAS has 15 guiding principles. Several are directly relevant to ESG assurance. For example:

GIAS Principle 2 – Objectivity

ESG reporting can be highly sensitive because it directly affects an organization's reputation. Under GIAS, internal auditors are guided to remain fully objective, even when management attempts to influence outcomes. This objectivity is crucial in ESG audits, where data may be overstated, selectively presented, or "greenwashed."

GIAS Principle 3 & 4 – Competency & Due Professional Care

GIAS emphasizes that auditors must maintain strong competence, especially as ESG introduces new and complex risk areas. Internal audit teams are therefore expected to enhance their capabilities in sustainability reporting standards (such as GRI, SASB, and IFRS S1/S2), environmental regulations, labour and human rights requirements, and governance maturity assessment techniques.

GIAS Principle 9 & 14 – Plan Strategically & Conduct Engagement Work

The Global Internal Audit Standards (GIAS) emphasize that ESG risks should be integrated into the organization's governance, risk management, and internal audit planning processes rather than treated as a standalone compliance exercise. Internal auditors are expected to identify and assess ESG-related operational, regulatory, reputational, and financial risks as part of a risk-based audit approach.

In conducting ESG engagements, auditors must obtain sufficient, reliable, relevant, and properly documented information to support engagement findings and conclusions. This is particularly important in Bangladesh, where ESG governance frameworks and risk maturity are still evolving in many organizations. For ESG assurance activities, data relating to emissions, waste management, workplace safety, and labour practices should be supported by verifiable records and auditable documentation maintained by HR, EHS, and Operations functions. Internal auditors should avoid excessive reliance on unsupported management representations or unverified third-party information.

What are the Key GIAS Requirements Supporting ESG Audits?

Standard 9 (9.1 & 9.4) – Risk-Based Planning and Internal Audit Plan

GIAS requires internal audit to develop a risk-based plan aligned with organizational objectives and stakeholder expectations. This supports ESG audit coverage by requiring consideration of ESG risks within the enterprise risk universe, including environmental risks (climate impact, emissions, resource use, compliance), social risks (labour rights, safety, human rights, diversity, supply chain practices), and governance risks (board oversight, ethics, corruption, and regulatory compliance). As a result, ESG risks are integrated into audit planning through the risk assessment process and audit universe prioritization.

Standard 9.5 – Coordination and Reliance on Other Assurance Providers

GIAS encourages internal auditors to coordinate with sustainability auditors, external ESG assurance providers, and relevant regulatory inspectors. This coordination is especially useful in Bangladesh, where organizations operate under multiple regulatory bodies such as BSEC, Bangladesh Bank, and the Department of Environment.

Standard 11.3 – Communicating Results to Governance Bodies

Internal audit must communicate results clearly, accurately, and timely to governance stakeholders such as the board and audit committee. In ESG context, this includes reporting key ESG risks and control weaknesses, identifying gaps in sustainability disclosures, providing assurance on ESG governance effectiveness, and supporting transparent decision-making, thereby strengthening accountability, transparency, and governance oversight.

Let's take a look at the table below, which illustrates how GIAS guides ESG tasks:

ESG Area	GIAS Principle / Requirement	Internal Audit Action
Environmental metrics (waste, CO_2, water)	Domain V – 13.2 (Engagement Risk Assessment and 14 (Conduct Engagement Work)	Verify accuracy of ESG data, test controls, and detect misstatement or manipulation in environmental reporting.
Labour law compliance	Domain IV – (9.1 & 9.4), and Domain V - 14 (Conduct Engagement Work)	Evaluate HR compliance, worker safety, grievances.
Ethical governance, anti-corruption	Domain II – (1.1, 1.2, 2.1, 2.3), Domain IV (9.1) and Principle 14	Review ethical culture, tone at the top, whistleblowing system, conflict of interest, and anti-corruption controls.
ESG reporting quality	Domain V – Standard 13.4 (Evaluation Criteria) and Principle 14 (Conduct Engagement Work)	Check alignment with GRI/SASB; review controls.
Supplier ESG risk	Domain IV (9.1 & 9.4) and Domain V – (13.2)	Include supply chain ESG risks in audit universe and perform supplier due diligence and control testing.
Board ESG oversight	Domain IV – Standard 9.1 (Understanding Governance, Risk Management, and Control Processes) and Domain II (Ethics & Governance Principles)	Assess effectiveness of board oversight, ESG governance structures, accountability mechanisms, and ESG-related governance reporting.
Climate/Environmental risk	Domain IV - (9.1, 9.4) and Domain V - (13.2)	Ensure environmental risk incorporated in ERM.

Standard 13.2 – Engagement Risk Assessment (Emerging ESG Risks)

GIAS requires auditors to perform a risk assessment for each engagement to identify significant risks affecting objectives. In ESG audits, this includes climate-related regulatory and transition risks, human rights and modern slavery risks in supply chains, environmental compliance risks, social license to operate risks, and emerging sustainability reporting requirements, ensuring ESG risks are treated as dynamic and evolving rather than static compliance issues.

Standard 14 (Engagement Execution) – Data Reliability & ESG Information Assurance

GIAS require internal auditors to collect, evaluate, and document sufficient and appropriate evidence to support audit conclusions. This supports ESG auditing by verifying non-financial data such as environmental performance metrics (energy use, emissions, waste), social data (safety incidents, labour compliance, wages, working hours), and supply chain ESG disclosures. It also ensures sustainability reporting is consistent, complete, and reliable, thereby strengthening the accuracy, integrity, and credibility of ESG reporting.

Domain II (Ethics & Professionalism) – Culture, Ethics & Governance (Principle 1 and 2)

The governance pillar of ESG depends strongly on an organization's ethical culture. Internal audit must assess the tone at the top, identify ethical violations, review conflict-of-interest exposures, and evaluate the effectiveness of anti-corruption controls. This ensures ESG governance is evaluated through both controls and culture.

What Guidance BSEC and Others has Issued on ESG via Corporate Governance or CSR?

- The principal governance framework for listed companies is the BSEC Corporate Governance Code (CGC), most recently revised in 2018. A draft CGC circulated for public comment in 2017 had proposed that listed companies establish an Environment and Social Responsibilities Committee (ESRC) as a board sub-committee. The draft required the ESRC to comprise at least three non-executive directors (including one independent director), meet at least twice a year, and be chaired by an independent director. Its responsibilities were to: (a) formulate an environmental policy in line with regulatory requirements, (b) oversee its implementation and monitoring, and (c) disclose compliance in the Directors' Report.

However, the final CGC issued on 3 June 2018 did not include the proposed ESRC. Subsequent amendments (2020, 2023, and 2024) also did not reintroduce the ESRC or any other ESG-related board committee. These amendments focus on matters such as board composition, independent director criteria, and compliance mechanisms, but do not provide ESG guidelines or require listed companies to maintain an ESG/ESR committee.

Component of GIAS	Alignment Level (BSEC)	Notes (BSEC)	Alignment Level (SEBI – BRSR Core)	Notes (SEBI)
Board & committee oversight	**High**	Governance responsibilities are clearly defined and generally align with GIAS governance principles, but ESG ignored.	**High**	SEBI mandates strong ESG oversight, including board-level responsibility and structured governance mechanisms.
Ethics, CSR, compliance	**Moderate**	Conceptual alignment exists, but detailed ESG-specific requirements are limited.	**High**	SEBI provides explicit criteria for ethical conduct, sustainability, and responsible business practices under BRSR Core.
Risk management	**Moderate**	ESG risks are implied but not addressed through a structured framework.	**High**	SEBI requires identification, disclosure, and management of ESG-related risks with standardized reporting metrics.
Internal controls over ESG data	**Low**	No defined controls, verification mechanisms, or assurance structure for ESG data.	**Moderate-High**	SEBI introduces mandatory ESG data quality controls, metrics definitions, and audit trails under BRSR Core.
ESG reporting standards	**Low**	No obligation to follow global ESG frameworks such as GRI, SASB, or IFRS S1/S2.	**High**	SEBI mandates standardized ESG disclosures aligned with global principles, ensuring comparability and accountability.
Assurance / audit of ESG information	**Low-Moderate**	GIAS provides assurance methodology, while BSEC offers only high-level expectations.	**High**	SEBI has introduced phased assurance requirements for BRSR Core disclosures, requiring independent reasonable assurance of key ESG indicators for specified listed entities.

- Under the Draft Bangladesh Securities and Exchange Commission (Corporate Governance) Rules 2026 (published on 16 May 2026 for public opinion), eligible listed companies are encouraged to create CSR funds to support social welfare (education scholarships, disaster relief, and vulnerable groups), environmental sustainability (pollution control and conservation), and government-recognized healthcare improvements, including hospital facilities and medical equipment like dialysis support.

- Dhaka Stock Exchange (DSE), with the Global Reporting Initiative (GRI), provides "Guidance on Sustainability Reporting for Listed Companies" to promote ESG disclosures.

- Some companies, especially those with international operations, voluntarily publish ESG/sustainability reports to align with global standards.

- In banking and finance, Bangladesh Bank's 2020 Sustainable Finance Policy pushes institutions to integrate ESG factors into financing decisions. And Bangladesh Bank issued guideline on sustainability and climate-related financial disclosures in collaboration with the FRC on 26 December 2023.

Is BSEC Corporate Governance Guideline on ESG Aligned with GIAS?

Question remains, how BSEC corporate guidelines aligned with GIAS, let's have a bird's eye view along with comparison with India (SEBI):

BSEC's corporate governance guidelines align with GIAS on board structure and oversight but fall short on practical ESG implementation, including risk management, controls, reporting, and assurance. While CSR is encouraged, ESG reporting isn't mandatory, leading to uneven adoption, with many firms voluntarily following global standards like GRI.

Conclusion: ESG in Bangladesh — From Awareness to Action

ESG in Bangladesh is gaining momentum, driven by regulatory initiatives, rising stakeholder expectations, and early adopters showcasing its potential. However, adoption remains uneven. Data quality is often inadequate, compliance inconsistent, and many companies still view ESG primarily as a marketing or CSR exercise rather than integrating it into core business strategies.

In contrast, ESG under the Securities and Exchange Board of India (SEBI) is institutionalized within the regulatory framework for listed companies. Disclosures under the Business Responsibility and Sustainability Report (BRSR) Core are embedded into corporate reporting and treated on par with financial and governance disclosures. This approach strengthens investor trust and enhances regulatory oversight, whereas Bangladesh remains more governance-centric and voluntary, lacking a comprehensive and enforceable ESG regulatory structure. In an era of globalization, Bangladesh cannot afford to disregard ESG. Adopting robust ESG practices will make the country more competitive in the global marketplace.

Chartered accountancy firms are well-positioned to support ESG reporting and assurance. With their strong understanding of business operations and ESG processes, auditors can provide reliable assurance to investors and regulators. The Institute of Chartered Accountants of Bangladesh (ICAB) should collaborate with its members and regulatory bodies to emphasize the importance of independent assurance. Strengthening assurance practices will restore investor confidence and align Bangladesh's reporting standards with those of more advanced economies.

Regulators such as the Bangladesh Securities and Exchange Commission (BSEC), Financial Reporting Council (FRC) and professional bodies including ICAB and the Institute of Internal Auditors (IIA) must also take proactive measures.

They should develop ESG auditing standards aligned with global frameworks, introduce mandatory ESG training and certification for directors and auditors, and provide companies with clear reporting and assurance tools—such as methodologies and checklists—to improve disclosure quality. Guidance on integrating ESG into governance and risk management, along with best-practice sharing through workshops, sector-specific guidance, and international benchmarking, will further strengthen compliance. Collectively, BSEC, FRC, ICAB, and IIA can foster a more transparent, accountable, and sustainable corporate environment. Aligning reporting and governance with ESG standards will enhance investor confidence and support long-term, responsible growth in Bangladesh.

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Internal Audit Charter
Foundation for Effective Governance and Audit Excellence

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Abstract

In an increasingly complex and dynamic business environment, the Internal Audit Charter serves as a critical foundation for ensuring effective governance, transparency, and accountability within organizations. This article explores the significance of the Internal Audit Charter as a formal document that defines the purpose, authority, independence, and responsibilities of the internal audit function. Drawing on global standards, the paper outlines the structured process of developing a robust charter, emphasizing key components such as mandate, reporting relationships, scope, and quality assurance.

The article further examines the implications of operating without a formally approved charter, highlighting risks related to limited authority, compromised independence, and weakened governance oversight. A comparative global overview reveals that while the adoption of Internal Audit Charters is widespread, their effectiveness varies significantly depending on governance maturity and board involvement. In the context of Bangladesh, despite regulatory initiatives and model frameworks, implementation gaps persist, particularly in terms of board approval and periodic review.

The study concludes that organizations must move beyond mere documentation to ensure the practical effectiveness of the Internal Audit Charter. Strengthening board oversight, aligning with international standards, and promoting continuous review are essential steps to enhance the credibility, independence, and value of internal audit functions, ultimately contributing to improved organizational resilience and stakeholder confidence.

Introduction

In today's rapidly evolving business landscape and strong economic growth, organizations are under constant pressure to not only achieve their strategic objectives but also to demonstrate transparency, accountability, and resilience. This is where the internal audit charter becomes an invaluable asset. The Internal Audit Charter is formally recognized as a foundational document that explicitly defines the internal audit activity's purpose, authority, and responsibility within an organization. It serves as the bedrock upon which the internal audit function operates, establishing its unique position and the nature of the Chief Audit Executive's (CAE) role. This comprehensive definition underscores its role as a guiding blueprint for the entire internal audit function.

This Internal Audit Charter

The article was reviewed by ***Md. Amran Hossan*** *FCA*

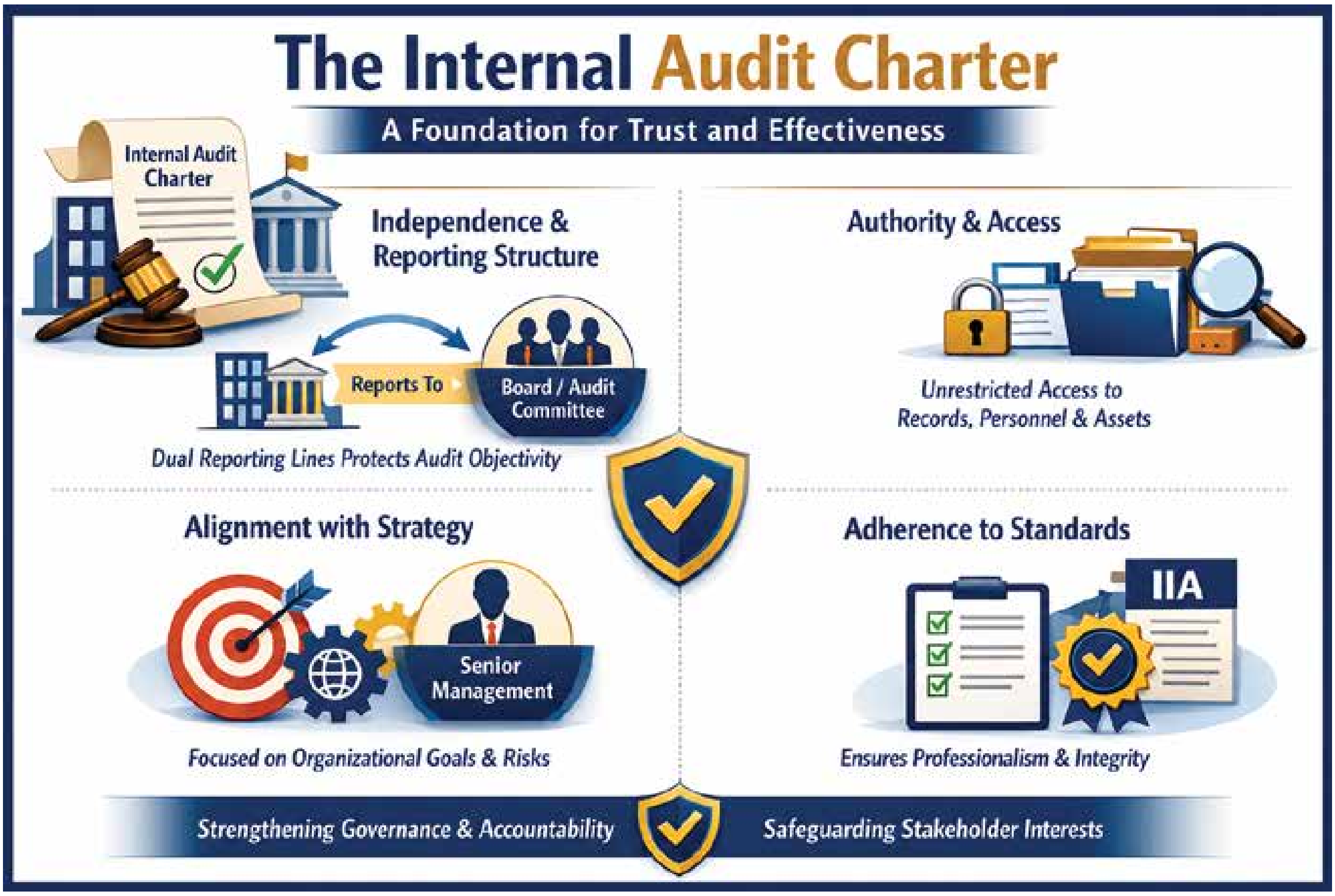
provides a comprehensive framework for the conduct of Internal Audit within the organization. It has been meticulously prepared in accordance with the Guidelines of the Institute of Internal Auditors (IIA). The primary aim of this Charter is to define and establish the role of the Internal Audit Function, the objectives and scope of the Internal Audit Function, a clear mandate to perform audit functions, and the Internal Audit Department's position, its access to various records, departments, and activities, as well as its responsibility and accountability. This Internal Audit Charter is hereby approved by the Board, reinforcing our commitment to robust internal auditing practices.

The Internal Audit Charter: A Foundation for Trust and Effectiveness

A well-defined Internal Audit Charter is a fundamental document that establishes the purpose, authority, and responsibilities of the internal audit function within an organization. It's a critical component of strong corporate governance and a blueprint for how the audit team operates.

The charter's primary role is to grant the internal audit function the independence it needs to be effective. By formally outlining a dual reporting structure, where the chief audit executive (CAE) reports administratively to senior management but functionally to the board or an audit committee, the charter protects the team from undue influence. This direct line to the governing body ensures that audit findings and recommendations are communicated without interference, promoting transparency and accountability at the highest levels of the organization.

In addition to independence, the charter formalizes the internal audit team's authority. It provides auditors with unrestricted access to all records, personnel, and physical assets necessary to perform their duties. This mandate is crucial for ensuring that the audit scope is not limited, allowing for a comprehensive and objective evaluation of risks, controls, and governance



processes. Without this authority, an internal audit function would lack the power to fulfill its responsibilities effectively.

Finally, the charter ensures the internal audit function is properly aligned with the organization's strategic goals. It tailors the scope of audit activities to the specific needs of the business, whether it's in financial services, manufacturing, or government.

The document also sets expectations for adherence to professional standards, such as those from the Institute of Internal Auditors (IIA), ensuring the function operates with integrity, competence, and credibility. Ultimately, the Internal Audit Charter is a vital tool for safeguarding stakeholder interests and enhancing organizational resilience in an increasingly complex risk environment.

The Process of Developing an Internal Audit Charter: Adhering to IIA Guidelines

The development of an Internal Audit Charter starts with the Chief Audit Executive (CAE) preparing the initial draft, guided by the International Standards of the Institute of Internal Auditors (IIA). Below is a structured outline of the key steps for creating an Internal Audit Charter in accordance with IIA Guidelines:

1. Introduction

The development of an Internal Audit Charter begins with a clear introduction that frames the document as the foundation for internal audit activities. This section should outline its purpose, alignment with professional standards such as the Institute of Internal Auditors (IIA), and emphasize the charter's role in defining the function, objectives, mandate, and accountability of internal audit within the organization.

2. Definition of Internal Audit

The charter must provide a concise definition of internal audit, highlighting its role as an independent and objective assurance and advisory activity. It should stress the contribution of internal audit in enhancing governance, risk management, and control processes to support organizational objectives.

3. Purpose of Internal Audit

This section articulates the mission of internal audit—to strengthen the organization's capacity to create, protect, and sustain value. It should emphasize the function's responsibility to provide independent, risk-based assurance and advisory services, thereby enhancing governance, oversight, and stakeholder confidence.

4. Commitment to Adhering to the Global Internal Audit Standards

A strong charter formally commits the internal audit function to comply with the IIA's International Professional Practices Framework (IPPF) and other relevant global standards. This ensures credibility, quality, and consistency in audit practices.

5. Internal Audit Mandate

The mandate defines the scope of authority and independence of internal audit.

5.1 **Authority –** The charter should grant auditors unrestricted access to all records, personnel, and assets, ensuring they can execute their responsibilities effectively.

5.2 **Independence, Organizational Position, and Reporting Relationships –** It should establish the dual reporting line of the Chief Audit Executive (CAE): functionally to the governing body or Audit Committee, and administratively to executive management. This structure safeguards independence and objectivity.

5.3 **Changes to the Mandate and Charter –** The charter must specify that it will be reviewed and updated as needed, particularly in response to organizational changes, new regulations, or updates in global standards.

6. The Finance, Audit and Risk Committee Oversight

This section defines the board's role in maintaining the internal audit function's authority and independence. Responsibilities include approving the charter, audit plan, budget, and resources, as well as overseeing performance and ensuring quality assurance processes are in place.

7. The Director, Internal Audit Roles and Responsibilities

The charter should detail the CAE's responsibilities in ensuring professionalism, ethics, and objectivity.

7.1 **Ethics and Professionalism –** Uphold integrity, confidentiality, competence, and due professional care.

7.2 **Objectivity –** Safeguard independence and avoid conflicts of interest.

7.3 **Managing the Internal Audit Function –** Oversee planning, resource allocation,

audit execution, and follow-up of recommendations.

7.4 **Communication with the Finance, Audit and Risk Committee** – Ensure regular reporting on risks, audit results, resource requirements, and independence matters.

8. Quality Assurance and Improvement Program

The charter must establish a framework for ongoing monitoring and periodic assessments of the audit function. Both internal and external reviews are essential to maintain conformance with global standards and ensure continuous improvement.

9. Scope and Types of Internal Audit Services

9.1 **Scope of Internal Audit** – Define the range of activities, including assessing governance, risk management, compliance, and control processes.

9.2 **Internal Audit Services** – Include assurance services (e.g., branch, process, and IT audits), compliance reviews, advisory services, and foresight activities that provide insights to management and the board.

10. Co-ordination and Co-operation with External Auditor

Collaboration with external auditors is critical to avoid duplication of work, identify gaps in assurance, and improve coverage of risks. The charter should formalize coordination and reliance protocols.

11. Relationship with the Risk Management Department

The internal audit function should align its risk-based audit plans with the organization's risk management framework, working collaboratively to enhance the identification, prioritization, and management of risks.

12. Safeguarding

A robust charter integrates safeguarding principles, ensuring audits assess compliance with organizational safeguarding policies. This reinforces the protection of employees, partners, beneficiaries, and communities against abuse, harassment, and exploitation.

13. Internal Audit Functions During a Crisis Situation

The charter should describe how internal audit adapts during crises by updating risk assessments, adopting agile methodologies, using virtual tools, and supporting management with real-time insights while ensuring staff safety.

14. Effective Date of the Charter

This section formally records when the revised charter becomes effective, ensuring clarity on its application to audit engagements.

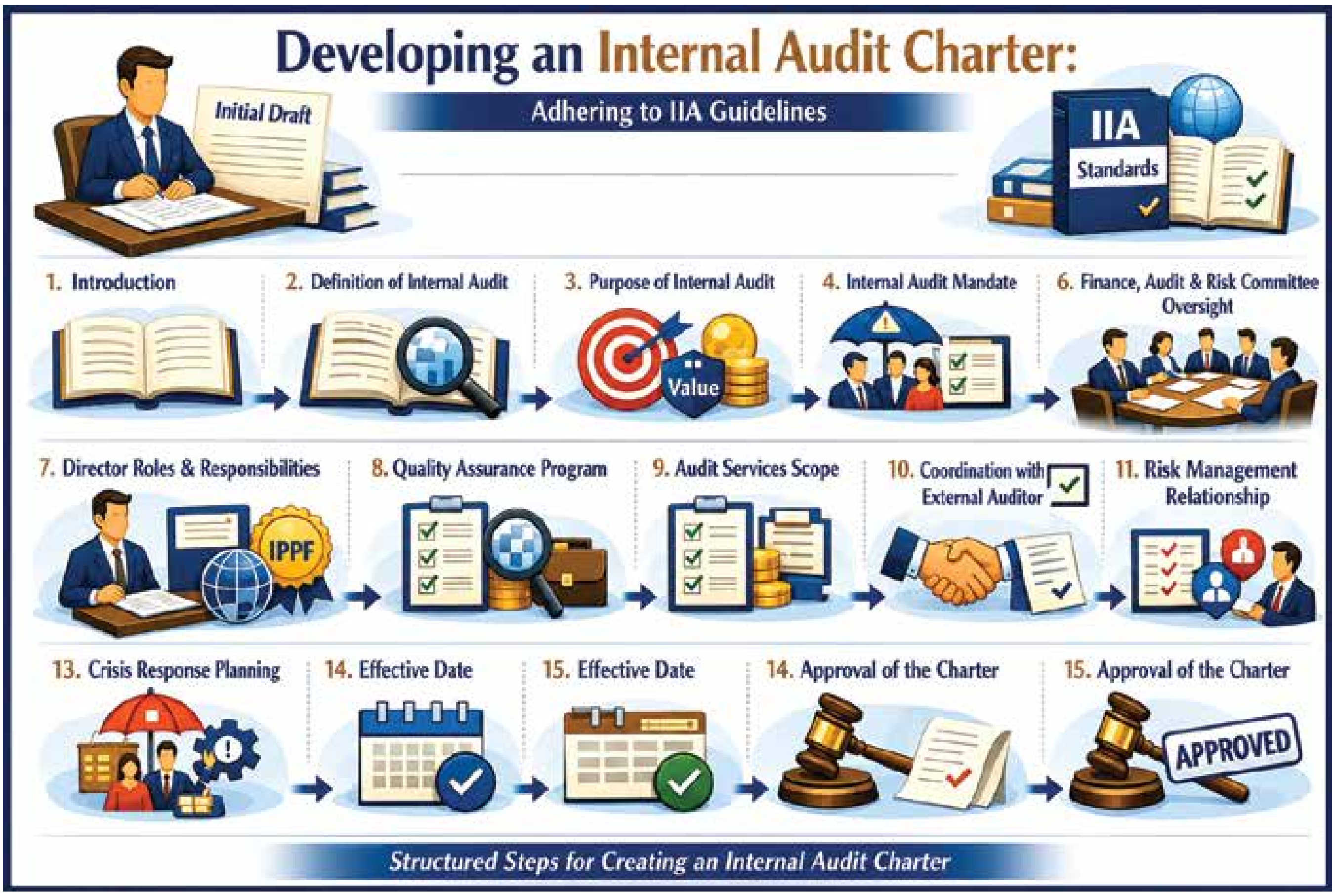
15. **Approval of the Internal Audit Charter**

The final step is formal approval by the governing body. This endorsement legitimizes the charter and confirms the authority of the internal audit function.

Consequences of Operating Without an Internal Audit Charter Under IIA Standards

The absence of an Internal Audit Charter significantly undermines the effectiveness and credibility of the internal audit function, as the charter serves as the formal document that clearly defines its purpose, authority, independence, and responsibilities in accordance with the Global Internal Audit Standards of IIA.

Without a formally approved charter, the internal audit activity lacks clearly defined authority and unrestricted access to information, making it vulnerable to management limitations contrary to IIA Standard 6.1 (Internal Audit Mandate). In addition, unclear reporting lines and organizational positioning can compromise independence and objectivity, increasing the risk of interference, which is inconsistent with IIA Standard 6.2 (Internal Audit Charter).



The absence of a charter also limits the ability of the board or audit committee to effectively oversee, support, and rely on the internal audit function, thereby weakening governance in line with IIA Principles 6-8. As a result, the scope, roles, and responsibilities of internal audit may become ambiguous, leading to inconsistent practices and reduced confidence in audit outputs.

Ultimately, these deficiencies undermine the legitimacy and value of internal audit and result in non-conformance with the Global Internal Audit Standards, particularly in relation to quality assurance and conformance reporting requirements under Standard 8.3.

Global Overview

Globally, the use of an Internal Audit Charter is widespread, but its maturity varies significantly across regions. According to research by The Institute of Internal Auditors, organizations in developed governance environments such as North America, Western Europe, and Australia almost universally maintain Board-approved charters that are periodically reviewed and closely aligned with risk management and strategy. In contrast, many organizations in emerging markets across Asia, Africa, the Middle East, and Latin America also possess charters, but these are often approved by management rather than the Board and are not updated regularly. As a result, while the existence of a charter is common worldwide, its effectiveness largely depends on governance, ownership and periodic review rather than mere documentation. Organizations with a Board-approved Internal Audit Charter demonstrate significantly stronger governance practices. The charter reinforces internal audit independence, ensures unrestricted access to information, and increases the Audit Committee's reliance on audit assurance in overseeing risk management and internal control. Consequently, such organizations show better risk oversight, reduced management interference, and higher organizational trust in audit outcomes, whereas entities without a clearly authorized charter often face scope limitations and weaker governance effectiveness.

Bangladesh's Present Statutes and Practice

In Bangladesh, regulatory initiatives have increasingly emphasized the importance of Internal Audit Charters as a means to strengthen governance and accountability. Under the public financial management reform program, the Finance Division has introduced a Model Internal Audit Charter along with a Risk-Based Internal Audit Manual to guide ministries and agencies in formalizing internal audit practices. Despite these efforts, the level of adoption across organizations remains uneven.

In practice, some multinational, leading private organizations and non-government organizations have established Internal Audit Charters aligned with professional standards and conduct periodic reviews. However, in many cases, the charter either lacks formal board approval or is not updated regularly. Moreover, a significant number of organizations and financial institutions still operate without a formally established charter.

This situation highlights a persistent gap between recommended governance frameworks and their practical implementation, limiting the effectiveness, independence, and overall impact of internal audit functions within the country.

Conclusion

To strengthen governance and enhance the value of Internal Audit, organizations in Bangladesh should move beyond merely having an Internal Audit charter to ensuring its effectiveness in practice. This includes obtaining formal board approval, clearly defining authority and reporting lines, and conducting periodic reviews to keep the charter up to date.

Regulators and professional bodies like FRC, ICAB, IIAB can further support this progress by promoting awareness, providing practical guidance, and encouraging compliance with global standards. By institutionalizing a robust and well-implemented Internal Audit Charter, organizations can significantly improve audit quality, reinforce independence, and build greater trust in their governance systems.

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Sticky Inflation
Why Price Stability Is Harder Than Expected

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Introduction

Historically, inflation was regarded as a "business cycle phenomena" and thought to be under control of appropriate monetary and fiscal measures. Different control and regulating instruments of the central banks such as adjustment of interest rates were often proved as credible measures. However, the global economy has proved to be less predictable than the periods of the earlier stages of the inflationary trend due to global financial crisis.

The inflation has become a more persistent and entrenched issue affecting both advanced and emerging economies. Following the COVID-19 pandemic, decision makers around the globe, emerged economies have believed initially that inflation will be transitory than supply-side shocks , temporary demand-supply imbalance and stimulus driven consumption to abate demand would subside in course of time but, some bubble effect of the price of commodities faded away somewhat, but in total inflationary pressure still remained high.

For economies like Bangladesh, such trend is especially noteworthy, further aggravated by demand-supply side vulnerabilities, pressure on exchange rate and structural weaknesses.

Anything that would cause inflation along with structural weaknesses is expected to deter macroeconomic stability as emanated from current economic discourses.

Understanding Sticky Inflation

Sticky inflation occurs when prices, especially prices of services, wages, and other necessities, remain high even when economic shocks are expected to redirect the economy on to price equilibrium. This occurs primarily because prices of these goods are sticky downward, unlike other prices of commodities that tend to oscillate in the short run with the words, with rapid downward adjustment (see sticky prices).

For example, even during conditions of decreased aggregate demand, the prices of rents, education and other expenses do not fall which results in inflation when there is increased aggregate demand. Another cause is the expectations of prices: inflation will drive down wages and increase prices and consumers behaviour following the inflation expectations prevailing in the economy. This creates a cycle that perpetuates inflation.

Key Drivers of Inflation Persistence

Supply-Side Factors

Among the various factors, one crucial determinant of sticky inflation has been the presence of supply side bottlenecks. The global supply chains, which

endured massive shock from the pandemic, have not yet bounced back to normal. Political instability, sanctions, trade restrictions and logistic constraints continue to disrupt the movement of goods and services. The fluctuations in the prices of energy, notably crude oil and gas, escalated cost burdens over a wide spectrum of industries.

For an open economy like Bangladesh, these external shocks will be translated immediately into domestic price rise, as higher transportation and production costs are shifted onto consumers, thereby reinforcing inflationary trend.

Wage-Price Feedback Mechanism

It is the interaction between wages and prices that also plays an important role in shaping inflation persistence. As the price level rises, workers will press for higher wages to preserve their purchasing power. From the firms' point of view, higher prices will be necessary to cover rising labor costs. This adverse employment-cost-price cycle could sustain inflation over a long period of time. The effect could be more pungent in the labor markets with superior skill shortage.

Inflation Expectation

Expectations bear a significant influence on the behavior of inflation. If the economic agents anticipate higher inflation in future, then it would tend to cause further price level increases in current period through a series of rational behaviours. Households might prefer to buy more than necessary in order to avoid future price hikes, while the entrepreneurs may accelerate the price increases due to cost considerations.

This psychological crowding effect ultimately tends to be more persistent in its nature.

Inefficiency or Rigidity of a Market Structure

Either the market power or institutional barriers, can hinder the demand and supply adjustment process, causing the prices to be sticky. Underneath the markets such as banking, insurance, post and telecommunications, industries in an developing economy like Bangladesh, the rigidities are the imposing factor amidst governance failures and market imperfections. The rigidities restrict the effectiveness of monetary policy in actions.

Movements in the Exchange Rate

This could also be an important determinant of inflation persistence. A depreciation of the exchange rate leads to an increase in import prices by raising the prices of imported raw materials, intermediates and capital goods, hence propagating the domestic prices. Imported inflation originated from depreciated exchange rate can be transmitted to the entire price system of an economy with a time lag of several months.

Impact on the Macroeconomy

A persistent inflation can adversely affect an economy in several ways. The most immediate concern is the reduced purchasing power,

especially for the fixed income earners as their real incomes decline. Inequities and tensions in society might arise resulting social discord.

Investment decisions depend on the level of uncertainty about prices since companies may be less likely to invest when there is no clarity about future prices and costs. As a consequence, investments decline and impede the overall economic growth and employment generations.

Persistent inflation may create certain problems in the financial sector too. In particular, rising interest rates may lead to greater loan default levels. At the same time, sticky inflation makes it difficult for financial institutions to effectively operate on financial markets.

Policymaking Issues Related to Sticky Inflation

The problem of sticky inflation faces many issues in terms of policymaking. First of all, one should note that the problem itself is characterized by low effectiveness of traditional monetary policy methods. Interest rate raising is aimed primarily at impacting demand, while inflation is related to supply and other issues.

Coordination of fiscal and monetary policy may also be problematic since expansionary fiscal policy may counteract central banks' actions. Therefore, the coordination of these policies is crucial.

Time lags might also play an important role because the implementation of monetary policies takes time.

Political and economic factors should also be taken into consideration. For example, governments may decide not to implement certain actions to fight inflation.

Policy Responses

For the problem of sticky inflation, an all-encompassing solution is needed.

Supply chain strengthening is crucial for tackling the issue. Through infrastructure investments, better logistics services, and increased domestic production, reliance on volatile global supplies can be reduced.

Managing inflation expectations is another key consideration. Effective communication of policies and frameworks can help meeting the expectations from the public in general and businesses.

Fiscal policy measures to assist vulnerable groups, , may help alleviate the adverse effects of inflation.

Efforts at structural reform should be made to tackle existing inefficiencies in the system. This will help promote competition and remove regulations that may prevent price adjustment.

Lastly, exchange rate stability can be maintained through macroeconomic management.

Implications for Bangladesh

Sticky inflation is one of the characteristics that exists in Bangladesh due to various factors. These include external shocks and internal issues that have made the country susceptible to changes in prices. One of the reasons why the country may experience sticky inflation is its dependence on external markets for some goods like energy.

To address this problem, the government will have to put together an effective economic strategy that can help manage inflation rates.

Conclusion

Sticky inflation marks a notable departure from conventional patterns of inflation. It reveals the inadequacies of existing policy measures and the need to take structural and behavioral determinants of price movements.

It is difficult to achieve price stability in an economy amidst sticky inflation. This requires a complex strategy, involving various types of policies ranging from monetary to structural reforms.

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Inner Transformation
Audit & Assurance to Financial Forensic Audit

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Abstract

During the last two decades, the global accounting ecosystem has undergone an unprecedented transformation driven essentially by digital disruption, sophisticated financial crimes, stakeholder expectations, and increased regulatory requirements. Though traditional audit and assurance remain fundamentally relevant, their effectiveness has increasingly been challenged in dealing with sophisticated fraud schemes, cross-border financial flows, money laundering structures, and emerging global reporting frameworks. The paper discusses the "inner transformation" that is taking place with traditional audit and assurance practices as they are transformed into modern Financial Forensic Audit. It highlights that this evolution, in response to increasing financial complexities, emerging fraud risks, and demands for deeper investigative insight, has become an imperative for Chartered Accountants, Certified Public Accountants, and professional accountants worldwide. The paper charts this evolution by emphasizing a growing call on practitioners to transcend their conventional compliance roles and move towards forensic analytical competencies in dealing with new expectations from today's global financial environment. Situated within a global structure of standards and institutions like IFAC, SAFA, CAPA, IFRS Foundation, IOSCO, and the Basel Committee, this article presents a structured roadmap necessary for repositioning practitioners against the emerging global financial complexities. The emergent themes discussed in the paper relate to competence development, technology integration, ethical imperatives, forensic methodologies, and jurisdictional challenges in sustaining professional relevance.

Introduction

Historically, audit and assurance have facilitated trust, transparency, and accountability in financial reporting. In reality, however, a string of increasing corporate scandals from those involving Enron and Parmalat to Wirecard, FTX, and numerous public sector procurement frauds have shown that traditional methods of auditing cannot effectively counteract deliberately hidden financial misfeasance. In this regard, global organizations such as IFAC, IAASB, IESBA, IFRS Foundation, and regional bodies such as SAFA and CAPA have persistently emphasized the need for increasing fraud-detection capabilities among professional accountants. Financial Forensic Audit has, therefore, become an important extension of the traditional audit function a specialized discipline that integrates accounting, auditing, investigation, data analytics, and legal interpretation. This paper addresses how practitioners can internalize and operationalize that transformation.

Evolution of Audit & Assurance and Its Limitations

Traditional Audit: Purpose and Boundaries

The main goal of the audit has always been to express an opinion on the true and fair view of financial statements. Standard audit methodologies under International Standards on Auditing (ISA), Generally Accepted Auditing Standards, and regional professional standards rely on materiality, sampling, risk assessment, analytical procedures, and substantive tests. However, three structural limitations remain:

Reasonable, not absolute assurance, leaving residual fraud risk

Reliance on management representations, which may be manipulated.

Sampling-based testing may fall short for complex frauds.

Drivers of Change

Several factors necessitate transformation:

Complex financial engineering: derivatives, crypto assets, shell structures.

IFRS driven fair value accounting that enhances estimation uncertainty.

Digitalization of fraud: cyber-enabled schemes, AI driven falsification, data breaches.

Global supply chain opacity and offshore arrangements.

Regulatory pressure from such bodies and national oversight boards.

Therefore, the movement toward financial forensics is not optional; it is integral to the profession's survival and value enhancement.

Understanding Financial Forensic Audit

Financial forensic audit encompasses detection, analysis, and documentation of financial misconduct for litigation support, regulatory enforcement, asset recovery, and criminal investigation.

Whereas the general nature of audits involves accuracy, a forensic financial audit involves a deeper dive into the records to uncover fraud or embezzlement in order to amass evidence for legal action. It fuses accounting expertise with investigating skills, tracing money trails and analyzing data for anomalies and interviewing personnel in order to build a case for the courts or internal disciplinary action. It deals with why and how irregularities took place.

Key Principles

The best-in-class forensic audit framework requires independence beyond statutory thresholds, provides evidence calibrated to judicial scrutiny, reconstructs transactions rather than assesses controls, and drives outcomes through tight cross functional alignment with legal, law enforcement, and information technology stakeholders.

Independence and objectivity beyond the requirements of the audit.

Evidence-based investigation meeting judicial standards.

Reconstruction of transactions, not just evaluating controls.

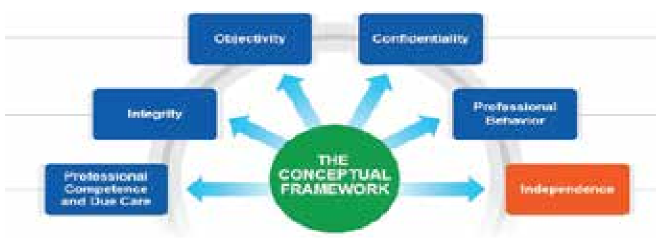
Interdisciplinary collaboration: legal teams, law enforcement, IT specialists.

Global Frameworks and Relevance

IFAC & IAASB highlight increased fraud response responsibilities under ISA 240 revisions.

The revision to ISA 240 by IAASB offers a step change for fraud risk governance through the tightening of auditor obligations, mandating a continuous ‘fraud lens’ across planning and risk assessment, and elevating professional scepticism to proactively challenge management assumptions and detect bias or override. The new standard requires more robust and standardized responses when fraud indicators emerge, strengthened documentation and linkage to related standards, and expanded required communications with management, those charged with governance, and, when applicable, public interest stakeholders. It also introduces clearer scalability guidance for firms of all sizes and is effective for audits of periods beginning on or after 15 December 2026.

IESBA Code of Ethics Strengthens Professional Skepticism.



(Source: IESBA)

The enhanced IESBA Code of Ethics reinforces professional scepticism by requiring auditors and all professional accountants to adopt an even more probing, questioning state of mind, actively challenging assumptions, with vigilance regarding conditions that may indicate bias, misstatement or fraud. The strengthened framework raises the bar on independence, objectivity and integrity; provides clarity regarding the obligation to obtain sufficient appropriate audit evidence; and better aligns ethical requirements with international auditing standards to drive more robust judgment, accountability and protection of the public interest.

SAFA & CAPA advocate forensic competencies across developing economies.

SAFA and CAPA are active promoters of forensic competencies across the developing economies by pushing professional accountancy bodies to build capability for fraud detection, investigative analytics, and evidence based financial scrutiny in order to strengthen governance, elevate audit quality, and enhance regional resilience against financial crime.

IFRS developments such as IFRS 9, 15, 16, and 17 add to complexity and often require forensic interpretation.

The recent IFRS suite-IFRS-9 on expected credit loss modeling, IFRS-15 on multi-element revenue recognition, IFRS-16 on lease capitalization mechanics, and IFRS-17 on insurance contract measurement-introduce high-judgment workflows, complex data dependencies, and model-driven valuations that materially heighten reporting risk. Such standards place auditors and preparers under the obligation to deconstruct management assumptions, validate actuarial and financial models, interrogate revenue allocation logics, and reconcile lease and financial-instrument calculations to operational reality. In many instances, therefore, a forensic interpretation is needed to surface bias, detect manipulation opportunities, and confirm that financial outcomes reflect economic substance rather than aggressive accounting choices.

OECD Anti-Corruption & FATF AML frameworks require forensic-level understanding of illicit financial flows.

The OECD anti-corruption standards and FATF AML directives are converging on an increased expectation that organizations deploy forensic-grade insight into illicit financial flows: mapping transaction patterns, identifying red flags, tracing beneficial ownership, and stress-testing control environments to disrupt bribery, money laundering, and related financial crimes with precision and regulatory alignment.

UNODC and World Bank Integrity Units encourage forensic capabilities in public-sector audits.

UNODC and World Bank Integrity Units underline the need for public-sector audit functions to strengthen forensic capabilities to uncover fraud, corruption, and misappropriation of funds through enhanced evidence gathering, investigative techniques, and more thorough detection and analysis of irregular transactions with a view to protecting public resources and reinforcing integrity in institutions.

The Inner Transformation Process for Professional Accountants

If Chartered Accountants and professional accountants are to be truly transformed in the wake of today's financial and regulatory environments that keep changing with each passing day, both personal and organizational transformation is required, which means a commitment to continuous learning, mastering emerging technologies, forensic level analytical skills, and ethical resilience; organizations have to create an enabling culture of innovation, cross-disciplinary collaboration, effective risk management, and proactive adaptation to global standards amidst complex regulatory frameworks.

Mindset Change: From Compliance to Skepticism

Professionals need to move away from:

Verifying what exists →	**to**	**→ Investigating what may be hidden.**
Trust but verify→	**to**	**→ Challenge, evaluate, and corroborate.**

Improved skepticism is in line with and supported by IESBA's ethical framework, emphasizing integrity, objectivity, and professional behavior.

Technical Upskilling

The development of a comprehensive suite of forensic competencies is required of professional accountants in the contemporary financial environment. This starts with knowing digital forensics, including identifying complex fraud schemes like skimming, lapping, revenue manipulation, and asset misappropriation; applying AML/CTF frameworks; reconstructing financial statements; and examining data for irregularities. Of equal importance is digital and data-analytic competencies, including CAATs, SQL querying, anomaly detection models, and state of the art FDA with the use of AI and machine learning, along with tools that track blockchain transactions.

Digital Forensics	Fraud scheme typologies:	→	skimming, lapping, manipulation of revenue, asset misappropriation.
		→	AML/CTF frameworks, Reconstruction of financial statements and examination of data patterns.
Digital & Data Analytic Competence	CAATs, SQL querying, and anomaly detection models.	→	Forensic data analytics-FDA using AI/ML.
		→	Blockchain transaction tracking tools.
Knowledge of Laws and Regulations	Understanding litigation standards, evidence laws, corporate law, and cross-border information sharing protocols.		

In addition to these technical skills, a deep understanding of the relevant laws and regulations in the field is paramount, including those related to litigation standards, evidence requirements, corporate law, and cross border information sharing to ensure that investigations are both technically sound and legally supportable.

Imbedding Technology

This means embedding technology into the audit ecosystem by deploying digital enablers that materially raise investigative precision and assurance delivery, such as AI driven fraud detection algorithms, digital forensics platforms with capabilities to recover deleted or manipulated data, continuous auditing systems monitoring controls in real time, and advanced visualization dashboards that map complex financial flows clearly and speedily.

Digital Enablers of Transformation:

AI fraud detection algorithms	→	Digital forensics tools that enable recovery of deleted and manipulated data
	→	Continuous auditing systems
	→	Visualization dashboards for tracking complex financial flows

IFAC technology guidance encourages the integration of analytics and AI in audit processes.

Consistent with this shift, IFAC's technology guidance emphasizes the need for integration of analytics and AI into the core of audit processes for scalability, transparency, and next-generation audit performance.

Collaboration Across Disciplines

Contemporary forensic engagements require collaboration within and across disciplines from legal consultants, cybersecurity specialists, investigative firms, and regulatory compliance experts to work together to navigate complex financial, technical, and legal dimensions. Such multidisciplinary integration enhances the credibility of the findings while increasing evidentiary robustness, thus rendering the conclusions defensible across judicial, regulatory, and stakeholder environments.

Forensic assignments today demand:

Legal consultants | Cybersecurity experts | Investigative firms | Regulatory compliance specialists

It reinforces credibility and evidentiary robustness through multi-disciplinary interaction.

Expanding Assurance: Integrated & Forensic Perspectives

Modern day engagements can bring together

Combination assurance and investigation models reshape the nature of engagement delivery insofar as firms are increasingly incorporating forensic-informed audit techniques within statutory audits, conducting investigative non assurance engagements to investigate suspected misconduct, conducting forensic due diligence procedures in M&A transactions to uncover hidden risks, and conducting regulatory compliance audits that assess money laundering exposure and control effectiveness.

Engagements can bring together

→ Forensic-informed audit; using forensic tools in statutory audits.

→ Investigative non-assurance engagements.

→ Forensic due diligence in M&A cases.

→ Regulatory compliance audits, inclusive of money laundering risk.

Each of these integrated approaches creates a more resilient, insight driven assurance framework equipped to deal with today's complex financial crime and governance challenges.

IFAC's Global Quality Framework

It entrenches IFAC's quality framework globally through the prescriptions of ISQM (International Standard on Quality Management)-1 and ISQM-2, raising the bar for the profession by introducing rigorous governance arrangements, more effective fraud-risk governance, and systematic deployment of technology throughout the assurance lifecycle; with this in mind, it ensures that firms implement scalable data driven monitoring processes whereby high risk engagements will be closely monitored, risks will be more keenly assessed, and their execution more disciplined; to drive proactive, technology enabled quality cultures in line with the best global regulatory standards.

IFAC's quality management standards, namely ISQM 1 (Firm Level) & 2 (Engagement Level), require:

Robust governance | Fraud risk governance

Technology integration | High risk engagements are better monitored.

IFRS Complexities Driving Forensic Need

Areas in IFRS prone to manipulation:

IFRS	IFRS-9	IFRS-13	IFRS-15	IFRS-16	IFRS-17
For	Expected credit losses	Fair value hierarchy	Revenue recognition	Lease judgements	Actuarial estimates

Forensic audit helps in finding biases, misjudgments, and manipulative intentions in these estimates.

The increased complexities within IFRS demand a forensic mindset, where a number of standards create high judgment areas open to manipulation: the fair value hierarchy under IFRS-13, revenue recognition under IFRS- 15, expected credit loss modelling in IFRS-9, lease judgments under IFRS-16, and actuarial estimations required by IFRS-17. These products of judgment are heavily reliant on assumptions, models, and management judgment. Inevitably, this creates scope for bias or intentional distortion.

Forensic audit techniques lend the necessary depth of analysis to interrogate valuation inputs, challenge revenue allocation logic, stress test credit loss models, validate lease assessments, and assess actuarial methodologies with a view to exposing misjudgments and identifying manipulative intent embedded within financial reporting choices.

The Role of our Regional Bodies: SAFA and CAPA

Contribution of SAFA

The SAFA (South Asian Federation of Accountants) has been promoting the forensic maturity of the South Asian accountancy profession by championing capacity building programs that strengthen fraud detection and investigative skills, promoting anti-corruption frameworks tailored to regional risks, rolling out public sector forensic training initiatives, and establishing specialized knowledge-sharing hubs that enable practitioners to exchange emerging techniques and case insights.

SAFA promotes

- Building forensic accounting capacity across South Asia.
- Anti-corruption frameworks.
- Public sector forensic training programs.
- Specialized knowledge-sharing hubs.

In the process, SAFA is better equipping the region to respond to threats of financial crime and enhance the integrity of both public and private sector reporting.

CAPA leadership

The CAPA (Confederation of Asian and Pacific Accountants) itself is leading from the front in driving governance reform as it focuses on increasing institutional oversight, speeding up public financial management reform, and embedding forensic practices to build greater audit transparency, accountability, and investigative capacity within member jurisdictions. CAPA leadership also reinforces the adoption of global best-practice standards and closer alignment with the IFAC frameworks to ensure that forensic competencies acquire greater cross border recognition and support the development of a more credible and globally integrated assurance environment.

CAPA focuses on:

- Improving governance standards
- Public Financial Management Reforms
- Improved audit transparency and accountability

by applying forensic practices.

Both organizations support harmonization with IFAC standards, offering greater cross-border recognition of forensic skills worldwide.

Challenges in Implementation

Practical and Ethical Limitations

Limitations to be considered by accountants regarding the integration of forensic techniques within traditional audit environments include practical and ethical issues, such as constraints on access to specialized forensic skills, unclear boundaries between auditor/investigator roles, and threats to independence where auditors are expected to undertake investigative functions.

- **Limited access to forensic expertise.**
- **Threats to independence: Auditors become investigators.**
- **Lack of regulatory clarity in some jurisdictions.**

This situation is exacerbated by uneven regulatory guidance across various jurisdictions on what procedures would be permissible and how the findings from forensic procedures should be integrated into statutory audit conclusions.

Data and Technology Issues

A second layer of implementation hurdles comes with the rapid digitization of financial systems, where accountants have to comply with stringent data privacy regulations, such as regional laws on data sovereignty, normally under inadequate digital infrastructures common in developing economies.

Data privacy regulations: Regional laws

- **Inadequate digital infrastructure in developing economies.**
- **Complexity of Cybercrime that Outruns Forensic Capabilities.**

Meanwhile, cybercrime is evolving faster than many forensic capabilities, making it tough for professionals to keep pace with the most recent sophisticated attack vectors, encrypted transactions, and digital concealment techniques.

Judicial and Enforcement Gaps

Another layer of limitation arises from the ecosystem of the judiciary and enforcement, where courts may not be acquainted with forensic methodologies, evidentiary standards are not uniform across all jurisdictions, and in general, legal systems have difficulties accommodating complex digital evidence.

Judicial and Enforcement Gaps

- Courts unfamiliar with forensic techniques.
- There are inconsistent evidentiary requirements.
- Cross border cooperation barriers.

These weaknesses are further worsened by the challenges of international cooperation, which bars the tracing of illicit financial flows, the access of data from offshore, or coordination with foreign regulators, hence undermining the effectiveness and enforceability of forensic driven insights.

A Transformation Framework for Practices

A structured transformation framework can lead Chartered Accountants in Practice into forensic specialization by progressing through four strategic phases: Foundation, Integration, Specialization, and Globalization.

The following **structured framework can guide Chartered Accountants in Practice into forensic specialization**:

Phase-1: Foundation
- Build competence through IFAC-endorsed training.
- Develop forensic methodologies in line with international best practices.
- Establish ethical governance protocols.

Phase-2: Integration
- Perform forensic methods of audit planning and execution.
- Adopting data analytics tools.
- Form strategic alliances-law firms, IT forensic units.

Phase-3: Specialization
- Creating forensic units that are fully professionalized.
- Offer litigation support, dispute resolution, and corporate investigation services.
- Participate in regional networks: IFAC, SAFA, CAPA.

Phase-4: Globalization
- Align with international certification benchmarks: CPFAcct, CFE, CAMS.
- Cooperate in investigations involving several countries.
- Contribute to global thought leadership.

The practitioners develop core competence through IFAC endorsed training within the foundation phase, develop forensic methodologies which are in line with international best practices, and introduce robust ethical governance protocols. This includes embedding forensic techniques into audit planning and execution, leveraging data analytics tools, and forming strategic alliances with law firms and IT forensic units. At this stage, firms establish a fully professionalized forensic unit that offers litigation support, dispute resolution, and corporate investigation services while actively engaging in regional networks such as SAFA, CAPA, and the IFAC SMP Committee. Lastly, the Globalization phase ensures congruence with international certification benchmarks such as CPFAcct, CFE and CAMS, facilitates cross-border investigative collaboration, and positions practitioners to make certain of their contribution to global thought leadership in forensic accounting.

Opportunities for Professional Accountants

Emerging Global Markets

Professional accountants are well-positioned to benefit from the soaring global demand for specialized forensic services such as AML/CTF compliance audits, fraud examinations related to ESG, crypto-asset tracing, cyber fraud forensics, and procurement investigations in the public sector.

AML/CTF compliance audits	ESG-related fraud investigations	Crypto-asset tracing	Cyber frauds forensics	Public sector procurement forensics

These emerging markets require deep analytical capability, cross-disciplinary insight, and the ability to interrogate complex digital and financial ecosystems, creating significant growth trajectories for firms that can operationalize forensic methodologies at scale.

Increased Professional Worth

Accountants with forensic expertise command much higher market value because of the growing demand by multinational corporations, law enforcement agencies, anti-corruption commissions, financial regulators, and international development organizations.

Professionals who can perform forensic analysis are in greater demand from:

- **Multinational corporations**
- **Law enforcement agencies**
- **Anti-corruption commissions (ACC)**
- **Financial regulators**
- **International development organizations**

Being in a position to deliver evidence grade analysis, navigate high risk financial environments, and support sophisticated investigations enhances professional credibility and strategic relevance, thereby positioning a practitioner as an indispensable asset in the spheres of governance, compliance, and financial crime mitigation.

Effective Role to be Played by FRC and ICAB

Effective Role to be played by FRC

The shift from traditional audit and assurance to a fully forensic enabled audit paradigm requires inner transformation across the profession, and the FRC (Financial Reporting Council) is emerging as a central catalyst in this transition through tightened oversight, higher quality benchmarks, and a strong drive for firms to embed forensic thinking into core assurance workflows. With enhanced inspection protocols, sharper expectations around fraud-risk assessment, and enhanced enforcement of ethical and investigative standards, the FRC has been pushing firms to operationalize advanced analytics, enhance professional skepticism, and build forensic methodologies into audit planning, execution, and reporting. This, in turn, is driving faster capability upgrade across the ecosystem, ensuring auditors move from mere compliance focused reviewers to forensic minded investigators who can successfully navigate increasingly complex reporting environments and uncover sophisticated financial wrongdoing.

Effective Role to be played by ICAB

The ICAB (Institute of Chartered Accountants of Bangladesh) plays a strategic role in driving the profession's inner transformation from conventional audit and assurance toward a forensic-driven audit model through reshaping competencies, expectations, and practice standards across its membership. Equipping professionals with the investigative mindset and analytical depth required in today's high-risk environment, ICAB fortifies training curricula, implements mandatory CPD on fraud, data analytics, and forensic techniques, and tightens exam and qualification requirements accordingly. Regulatory functions-standard-setting, practice review, and disciplinary oversight are increasingly placing the emphasis on fraud-risk governance, ethical resilience, and evidence-based judgment, compelling firms to upgrade methodologies, deploy technology, and integrate forensic procedures into statutory audits. Aligning with global bodies such as IFAC, SAFA, and CAPA positions Bangladeshi accountants to meet international expectations and operate as credible, forensic-aware auditors in the rapidly changing financial landscape.

Conclusion

The future of the accounting profession lies not just in the certification of financial accuracy but in maintaining economic integrity. This shift from traditional audit & assurance to Financial Forensic Audit is inevitable and a necessary evolution considering modern day complexities in financial systems, technological disruptions, and enhanced regulatory expectations. IFAC standards, IFRS developments, SAFA and CAPA initiatives, and global enforcement frameworks should, therefore, serve as guidelines leading professional accountants to embrace transformation through a changed mindset, superior skills, and moral fortitude. Inclusion of forensic approaches in their service portfolios by chartered accountants in practice, and corporate accountants would be greatly beneficial. This inner transformation will further cement trust, enhance international competitiveness, and position the profession in the frontline of efforts against financial misconduct. Financial forensic auditing is not an extended audit but a new frontier of international financial accountability. The journey toward this end is not only professional in nature but systemic, strategic, and deeply transformative.

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Fraud 2.0
How Operational Fraud Is Evolving in Digitized Bangladeshi Companies

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Executive Summary

Digitization has transformed corporate control environments globally, including in Bangladesh. Tools such as ERP systems, digital payments, automated approvals, and data-driven dashboards were expected to reduce fraud by improving standardization and traceability. However, evidence shows a more complex reality. Fraud has not declined; instead, it has evolved from manual, transaction-level schemes to system- enabled, process-integrated, and collusive manipulation. The ACFE's Occupational Fraud 2026: A Report to the Nations analyzed 2,402 occupational fraud cases across 143 countries and territories. The report shows that asset misappropriation remains the most common occupational fraud category, while corruption and financial statement fraud continue to cause significant organizational loss. Similarly, PwC's Global Economic Crime and Fraud Survey 2022 (PwC, 2022) reported that 46% of surveyed organizations experienced fraud, corruption or other economic crime within the previous 24 months, while PwC's 2024 survey (PwC, 2024) identified procurement fraud as one of the top three most disruptive economic crimes globally. This article argues that digitization shifts fraud risk from control absence to control exploitation. Fraud perpetrators increasingly operate within systems or Wrongdoers increasingly operate within systems. The Fraud Triangle remains relevant despite technological change (Kashani, 2014; Uddin et al., 2025). The key insight is that modern fraud blends collusion with system override, producing credible yet misleading records. Therefore, organizations in Bangladesh must move beyond checklist-based controls toward data analytics, continuous monitoring, and professional skepticism. For this article, Fraud 2.0 refers to technology-enabled occupational fraud in which wrongdoers exploit legitimate digital systems, workflows, master data, access privileges, approval hierarchies and analytics outputs to conceal false economic substance behind apparently compliant records.

Introduction

Fraud has always adapted to the current business architecture. Fraud was most likely to occur in largely manual operations where documentation was inadequate, supervision was restricted, and cash handling was common. In such situations, the most common techniques were relatively tangible: cash theft, duplicate claims, unauthorized procurement, ghost labor payments, stock pilferage, and forged bills. These forgeries frequently left a physical trail. Missing inventory could be counted. Cash deficits could be resolved. Paper documents may be scrutinized. Even if controls were inadequate, the fraud was generally obvious in form.

That landscape has changed with digitization. As companies adopt ERP systems, workflow approvals, electronic vendor masters, mobile collections and cloud reporting, fraud may become less visible rather than less possible. Digital systems create audit trails, approval tags and exception reports, but these controls can be weakened if false inputs, excessive access rights, poor segregation of duties or collusive approvals are allowed to pass through the system.

This issue is particularly relevant to Bangladesh. In manufacturing, trading, telecom-linked services, shipping, pharmaceuticals, consumer goods and financial services, many large and mid-sized Bangladeshi organizations now operate in partially or fully digitized environments. However, system adoption has not always progressed at the same rate as process maturity. As a result, there is a discrepancy between actual control effectiveness and formal control design. Modern fraud thrives in that gap.

From Traditional Fraud to Fraud 2.0

In the past, fraud was mostly focused on transactions. Collections could be scanned by a cashier. Inventory could be removed by a storekeeper. A fictitious bill could be raised by a procurement officer. Ghost labor may be used by a payroll clerk. Although they were significant problems, they were often limited in scope and executed locally. Reconciliation, oversight, surprise counts, and documentary discipline were critical to their detection (Stanton, 2012).

When businesses started formalizing procedures, the next phase of fraud evolution developed. Fraud evolved from strictly illegal actions to the abuse of approved procedures. Purchase orders materialized; however, specifications were falsified. Workers became actual, but allowances and overtime were exaggerated. Although credit terms were misused to increase revenue or hide recoverability issues, customers were real (Kaluwila & Mpundu, 2026). The documentation got better, but the intent deteriorated.

The most recent stage is Fraud 2.0. For the purpose of this article, Fraud 2.0 refers to technology- enabled occupational fraud in which wrongdoers exploit legitimate digital systems, workflows, master data, access privileges, approval hierarchies and analytics outputs to conceal false economic substance behind apparently compliant records (Berghout et al., 2022; Tracey et al., 2025). It is not simply cybercrime, because technology-enabled fraud may also occur through ordinary business processes such as procurement, sales, payroll, inventory, treasury and financial reporting (ACFE, 2026; PwC, 2024). It includes procurement manipulation, false sales, vendor or customer master-data abuse, rebate leakage, payroll fraud, inventory manipulation, financial reporting fraud and collusive override of system controls. These schemes may pass through legitimate ERP modules, approval workflows and dashboards while the underlying economic substance remains false or misleading (Zweers et al., 2025).

This matters because detection becomes conceptually harder (Zhong et al., 2024). The auditor is no longer confronting only false documents. The auditor is confronting technically valid transactions that may carry false economic substance.

This shift necessitates a re-evaluation of audit methodologies, moving beyond traditional manual controls and sampling to incorporate advanced analytical techniques capable of scrutinizing the integrity of complex, technology-driven systems.

Global Evidence on the Pattern Shift

Evidence is the first step in any discussion of fraud tendencies. One of the most reputable international databases on occupational fraud is still ACFE Occupational Fraud 2026 (ACFE, 2026). It demonstrates that while asset misappropriation still occurs in the great majority of cases, losses resulting from financial statement fraud and corruption are typically significantly more severe. Additionally, it shows that collaboration materially exacerbates harm: the median loss rises with the number of offenders, highlighting how challenging it is for standard controls to operate when several players work together to subvert them (Aviantara, 2021).

The most frequent fraud reported by studied organizations was cybercrime, according to PwC's Global Economic Crime and Fraud Survey 2022 (PwC, 2022). Additionally, according to 46% of respondents, their company has encountered economic crime or fraud within the previous 24 months . Procurement fraud was highlighted as one of the top three most disruptive economic crimes worldwide in PwC's 2024 survey update (PwC, 2024). These results are noteworthy because they demonstrate that, rather than being limited to traditional theft, fraud is increasingly interacting with digital systems, data environments, and supply-chain procedures (AllahRakha, 2024).

There isn't a comparable, publicly accessible, centralized fraud dataset in Bangladesh. However, the direction of travel is known. Manual cash theft becomes less common when digital payments eliminate the need to handle small cash (Saha et al., 2025). Fraud risk moves into master-data modifications, approval hierarchies, rebate structures, returns processing, sales cut-off, vendor onboarding, and inventory-transfer logic as ERP implementation increases (Tracey et al., 2025). Bangladeshi internal auditors are increasingly observing in practice what statistical information from throughout the world indicates: the fraud surface has migrated rather than reduced (Sijan et al., 2022).

For technical precision, this article uses the term fraud only where the available case record supports deception, misappropriation, falsification or intentional concealment. Other cases may represent aggressive accounting, misconduct, governance weakness, control failure or poor judgment. These distinctions are important because every governance failure is not necessarily fraud, although weak governance may create the opportunity for fraud.

Characteristics of Fraud 2.0: Evidence from Real-World Cases

Fraud 2.0 has several distinctive characteristics that can be observed from recent international cases. The first characteristic is system-enabled fabrication. Luckin Coffee provides a clear example. In 2020, the U.S. Securities and Exchange Commission alleged that Luckin Coffee intentionally fabricated more than USD 300 million in retail sales between at least April 2019 and January 2020 by using related parties to create false sales transactions (U.S. SEC, 2020). The SEC further alleged that certain Luckin employees attempted to conceal the scheme by inflating expenses by more than USD 190 million, creating a fake operations database, and altering accounting and bank records to reflect the false sales (U.S. SEC, 2020). This illustrates a core feature of Fraud 2.0: the fraud was not hidden outside the system; rather, false economic activity was embedded into records that appeared structured, complete and internally consistent.

The second characteristic is false comfort created by apparently coherent financial data. Wirecard shows how a highly digitized and market-facing business model may still contain serious gaps between reported financial records and underlying economic reality. Reuters reported that EY refused to sign off Wirecard's 2019 accounts because it could not confirm the existence of EUR 1.9 billion in cash balances held in trust accounts (Uhlig, Lema, & O'Donnell, 2020). Wirecard later assessed that there was a prevailing likelihood that the reported bank trust account balances did not exist (Uhlig, Lema, & O'Donnell, 2020). The case demonstrates that modern fraud risk may survive not because records are absent, but because apparently credible confirmations, complex structures and market narratives can delay challenge.

The third characteristic is the aggressive use of permitted procedures and judgments. Carillion should be presented carefully as an example of aggressive accounting, weak challenge and governance failure, rather than as a direct fraud example. UK Parliamentary material noted that Carillion had been criticised for aggressive bidding and accounting, including the recognition of revenue and profit based on optimistic forecasts before cash was actually realized (House of Commons Library, 2018). The UK Parliamentary report also noted that contract revenue recognition was acknowledged as a significant risk in Carillion's accounts (House of Commons Business, Energy and Industrial Strategy and Work and Pensions Committees, 2018). This example is relevant to Fraud 2.0 because it shows how weak governance and insufficient challenge over estimates, forecasts and assumptions can create an environment where reported performance becomes detached from commercial reality.

The fourth characteristic is hidden obligations and distorted financial position. NMC Health illustrates how undisclosed debt, weak governance over information flows and misleading market disclosure can create a materially distorted view of an organization's financial position. The Financial Conduct Authority found that NMC Health had made misleading statements and omissions regarding its debt position and had failed to disclose material related-party transactions (Financial Conduct Authority, 2023). The FCA Final Notice also recorded that, in addition to USD 2.1 billion of group debt reported as at 30 June 2019, NMC later identified over USD 2.7 billion in facilities that had previously not been disclosed to or approved by the Board (Financial Conduct Authority, 2023). This pattern is relevant to Fraud 2.0 because the issue was not merely the absence of information, but the failure of governance, reporting and approval systems to reflect the true economic obligations of the business.

The fifth characteristic is inter-institutional collusion and layered transactions. The 1MDB case remains one of the clearest examples of modern collusive fraud involving public officials, associates, shell entities and complex financial flows. The U.S. Department of Justice alleged that, from 2009 through 2015, more than USD 4.5 billion in funds belonging to 1MDB were misappropriated by high-level officials of 1MDB and their associates (U.S. DOJ, 2020). The DOJ further described the scheme as involving international money laundering, embezzlement and layered transactions through multiple jurisdictions (U.S. DOJ, 2020). The case demonstrates how Fraud 2.0 may involve not only internal control failure, but also a wider ecosystem of false documents, institutional trust, professional intermediaries and transaction layers.

Taken together, these cases show that Fraud 2.0 is not limited to cyber intrusion or external hacking. It may be system-enabled, because it is executed or concealed through digital platforms, structured records and formal reporting channels (Berghout et al., 2022). It may be process-driven, because legitimate workflows,

approvals, estimates and master-data structures are exploited rather than bypassed (Montesdeoca, Medina, & Santana, 2019). It may appear internally coherent, because manipulated information can still reconcile within the system while failing to reflect economic reality. It is often collusive, because multiple parties may make formal controls appear satisfied while undermining their economic purpose.

Re-examining the Fraud Triangle in the Digital Era

Despite technical advancements, the Fraud Triangle remains an effective paradigm since fraud is fundamentally a human act (Setiawan & Cholili, 2023). Donald Cressey's model highlights three conditions that are typically present when fraud occurs: pressure, opportunity, and rationalization (Rasheed et al, 2023). The techniques of fraud may have evolved, but the drivers remain fairly consistent (Roffia and Poffo, 2025).

Pressure is the driving force (Fairchild & Marnet, 2022). In the digital economy, pressure is frequently generated not only by personal financial need but also by investor expectations, growth narratives, performance incentives, market valuation, covenant anxieties, and liquidity stress (Alhumoudi & Alhumoudi, 2023). FTX is a contemporary example of how intense pressure can alter organizational behavior (Guarino et al, 2025). In 2022, the SEC claimed that client funds were mixed and utilized for venture investments, real estate, and political donations, despite the platform projecting a different reality to investors and users. This was more than just a technological failure; it was a reaction to intense financial and strategic pressure in a fast-paced competitive environment.

Opportunity is the enabling condition (Setiawan and Cholili, 2023). Modern opportunities are typically digital (Gamra et al., 2022). It might result from concentrated power, poor segregation of roles, lax change controls, inadequate management of related-party exposures, or system privileges that go beyond the business purpose (Rasheed et al., 2023) Greensill Capital exemplifies how structural opportunities can emerge in sophisticated financial environments (Ruggiero, 2021) Following the collapse, UK parliamentary reporting highlighted concentration risks, opaque exposures, and significant governance concerns over supervision (Ruggiero, 2021). In a corporate operational setting, the same logic applies on a smaller scale: when one person or a small group has the capacity to produce, approve, edit, and settle crucial data objects, opportunity becomes a built-in vulnerability rather than an abstract concept (Khatun et al., 2022).

Rationalization enables people

to live with the deception they commit (Schnatterly et al., 2018). Initially, many fraud perpetrators may not see themselves as wrongdoers (Setiawan and Cholili, 2023). They tell themselves stories. It is only transitory (Masdar et al, 2023). It will be fixed in the next quarter. The company deserves more time.(Masdar et al, 2023) Investors will be compensated as growth occurs. The system is inherently unjust. WeWork's 2019 near-collapse is relevant here not because it resulted in a traditional accounting prosecution, but because it demonstrated how an overstated growth story, poor governance, and a founder-driven culture can normalize economically unwise decisions (Gleason et al., 2022). Its S-1 filing laid bare massive losses and governance concerns that the private-market narrative had obscured. Rationalization flourishes where culture celebrates vision but dismisses discipline (Kumar et al., 2018).

For Bangladesh, the Fraud Triangle remains extremely important (Khatun et al., 2022). Pressure might originate from margin compression, debt servicing, currency rate volatility, aggressive sales targets, or owner expectations (Said et al., 2017). Opportunities may arise when ERP installation exceeds control maturity, maker-checker logic is not implemented properly, or master-data updates are not independently assessed. Rationalization may deepen in hierarchical settings where challenging superiors is prohibited and "results" are more important than "process."

Technology alters the vehicle, but not the motive (Roffia and Poffo, 2025). The Fraud Triangle is therefore still important, not because it explains every technical detail, but because it illustrates why technical details are abused in the first place (Rasheed et al, 2023) This foundational model explains how perceived financial pressure can lead to individuals becoming offenders, especially when they encounter opportunities resulting from inadequate internal controls and an organizational culture that implicitly condones unethical behavior (Khatun et al., 2022; Setiawan & Cholili, 2023).

Bangladesh Context: Why Fraud 2.0 Matters More Now

Bangladesh's corporate environment makes Fraud 2.0 a practical and immediate governance concern. Many large and mid-sized organizations are investing in ERP systems, data analytics tools, automated approval workflows and centralized reporting structures, particularly in manufacturing, trading, consumer goods, pharmaceuticals, financial services, telecom-linked services and other growing sectors (Chowdhury et al., 2021). However, system adoption has not always progressed at the same pace as process maturity, control discipline and user-access governance. As a result, many organizations operate in a mixed environment where some functions are automated, while others still rely on spreadsheets, informal approvals, manual reconciliations or offline records. This creates a gap between formal system control and actual control effectiveness. Modern fraud thrives in that gap.

In manufacturing companies, Fraud 2.0 may arise through manipulation of raw material consumption, production reporting, wastage reporting, quality acceptance, maintenance billing and inter-unit stock transfers. These risks are more difficult to detect when ERP records appear complete but the recorded quantities, quality status or operational reasons do not reflect physical and commercial reality. Therefore, inventory and production audits should not rely only on ERP balances; they should also compare system records with BOM, standard consumption, production output, wastage, physical count, machine efficiency and actual stock movement.

In trading and distribution businesses, Fraud 2.0 may appear through rebate leakage, false sales support, unauthorized discounts, customer master-data manipulation, channel stuffing, product return abuse and route-level logistics collusion. These schemes may not be visible from sales invoices alone because the invoice may be valid in form while the underlying commercial substance is weak or distorted. Therefore, audit work should connect sales, delivery, collection, credit note, rebate, return and customer confirmation data.

Fraud risks are also complex in service-oriented sectors such as healthcare, logistics, telecom-linked services and financial services. These risks may include contract accounting manipulation, undisclosed related-party dealings, inflated billing, procurement irregularities, payroll leakage, hidden commitments and misuse of sensitive master-data fields. In Bangladesh's digital financial ecosystem, fraud risk has also increased around banks, mobile financial services and end-user transaction channels, making data integrity, authentication and responsibility tracing increasingly important (Saha et al., 2025).

A major challenge in Bangladesh is the common belief that ERP-generated data automatically represents business reality. In practice, ERP systems record transactions based on configured rules, user permissions, workflows and input data; therefore, weak input controls or manipulated master data can still produce outputs that appear accurate and compliant (Elbadri et al., 2024). This means the key audit question is not only whether a transaction exists in the system, but whether the recorded transaction reflects the actual economic event. Internal audit must therefore move from system-based validation to reality-based validation by comparing ERP records with physical evidence, commercial logic, independent confirmations and behavioral red flags.

The practical Fraud 2.0 risk areas in Bangladeshi companies may be summarized as follows:

Risk Area	Common Fraud 2.0 Exposure	Practical Audit Response
Procurement	Vendor onboarding manipulation, quotation rigging, order splitting, inflated maintenance or service bills, collusive GRN or quality acceptance.	Review vendor master-data changes, quotation patterns, repeated vendor selection, split purchase orders, GRN-to-QC-to-payment linkage and abnormal price variance.
Sales and distribution	False sales, channel stuffing, rebate manipulation, unauthorized discounts, customer master-data abuse and product return manipulation.	Match sales with delivery, collection, customer confirmation, post-period return, credit note, rebate approval and customer master-data change logs.
Finance and treasury	Vendor bank-account changes, payment diversion, duplicate payments, manual journal override and false confirmations.	Test vendor bank-account changes before payment, duplicate bank accounts, same invoice references, unusual posting times, manual journals, reversals and independent balance confirmations.
Inventory and manufacturing	Raw material consumption manipulation, wastage manipulation, inter-unit transfer irregularities and stock movement mismatch.	Reconcile BOM, standard consumption, actual consumption, production output, wastage reports, transfer records, ERP stock and physical verification results.
Payroll and HR	Ghost employees, duplicate bank accounts, allowance or overtime manipulation and outsourced manpower billing irregularities.	Match payroll with biometric attendance, employee master data, bank account ownership, overtime approval, production requirement and outsourced manpower attendance records.
IT and system access	Excessive privileges, weak segregation of duties, unauthorized master-data changes and poor change management.	Review user access, privileged users, SoD conflicts, maker-checker controls, override logs, master-data edit logs and system change approvals.

For Bangladeshi boards, CFOs, internal auditors and compliance professionals, the lesson is clear. Digitization should not be treated as a substitute for governance. ERP, dashboards and approval workflows can strengthen control, but they can also create false comfort if access rights, master-data changes, override logs, segregation of duties and physical reality are not independently tested. Fraud 2.0 matters in Bangladesh because the country's corporate sector is digitizing rapidly, but control culture, forensic readiness and continuous monitoring practices are still developing.

Implications for Internal Audit

Traditional internal audits were designed for a different fraud context. Vouching, sample checks, document verification, and compliance walkthroughs are still necessary, but not sufficient. Fraud 2.0 necessitates a more skeptical and data-driven audit approach (Ilori et al., 2024).

First, internal audit should move from sample-based checking to full-population analytics where data availability permits (Huang et al., 2022). Master-data changes should be tested as audit objects, not merely as supporting information for transactions. Duplicate bank accounts, unusual posting times, repeated reversals, dormant vendor reactivation, credit-note cycles, manual journal entries, abnormal KPI/profitability mismatch, repeated master-data changes before payment, and same-user involvement across incompatible steps should be treated as priority analytics tests.

Second, internal audit must improve process understanding and process intelligence (Stephan et al., 2021). Many modern fraud schemes are not detectable from the general ledger alone. They appear only when the auditor understands how procurement, stores, production, sales, logistics, treasury, payroll and IT access controls interact. User access, segregation of duties conflicts, privileged users and system override logs should therefore be reviewed together with transaction testing, not separately as a purely IT matter.

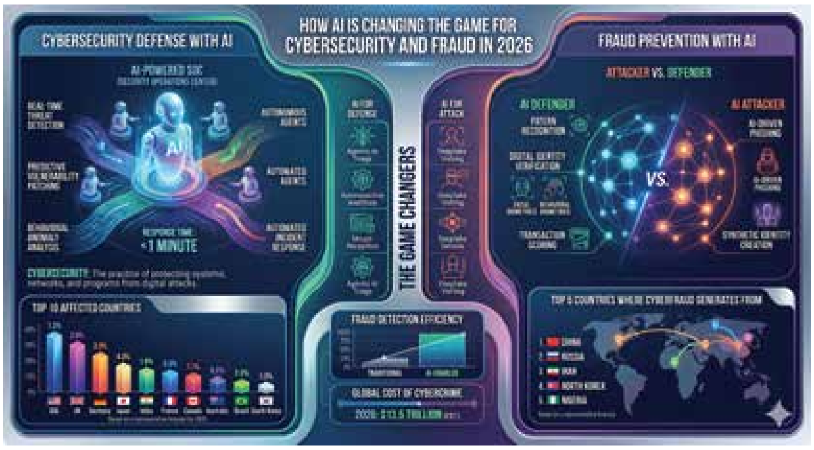
Internal audits should increase field validation (Gonzalez-Mejía et al., 2024). Physical verification is not outdated in a digitized context; in fact, it is increasingly necessary. The system truth must be reconciled with the business truth. A products receipt should correspond to actual materials, quality, and timing. A payroll record should correspond to a real employee, real attendance, and actual bank ownership. A delivery record should correspond to the actual route execution and customer acknowledgement.

Fourth, internal audits should concentrate much more on collusion indicators (Werner & Gehrke, 2018). Because collusion neutralizes otherwise well-designed controls, the auditor must pay close attention to patterns that suggest cooperative manipulation: same users repeatedly appearing in connected transactions, repeated exceptions in the same chain, and matching timings between master-data changes and payments, or operational KPIs that improve while profitability deteriorates.

Governance Response

Management and boards must rethink fraud prevention in a digital age. The solution does not include simply adding more layers of approval. Excessive approvals frequently increase administrative burden without reducing risk, especially when the underlying data can still be changed or overruled. Instead, a more intelligent control architecture is necessary, with a focus on data integrity, accountability, and independent scrutiny (Gupta, 2023).

Access governance should be firmly role-based, assessed on a regular basis, and challenged independently (Cameron & Williamson, 2020), particularly for users with elevated rights. Changes to master data, such as vendor bank details, customer credit limits, or employee payroll information, should be not only logged but also continually monitored, with critical fields checked via out-of-band controls. Sensitive processes require exception reporting frameworks that skip operational hierarchies and reach management directly, ensuring that anomalies are



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Advanced analytics should be considered a basic governance tool rather than an optional supplement. In procurement, this includes recognizing vendor concentration issues, unusual quoting patterns, pricing variances from market benchmarks, and intentional order splitting (Ezeji, 2024). Payroll analytics should discover duplicate bank accounts, identification overlaps, and abnormal payment patterns. Red flags in sales and credit management include round-tripping, false month-end surges, excessive credit extensions, and post-period reversals.

Organizations should also strengthen whistleblowing, investigation readiness, evidence preservation and root-cause remediation. A confidential reporting channel is important because collusive fraud may bypass normal approval controls. Investigation protocols should define how digital evidence, approval logs, emails, system extracts, CCTV records, physical documents and user-access records will be preserved. Remediation should not stop at recovering losses or disciplining individuals; it should identify why the control failed, whether the same weakness exists elsewhere and how management will prevent recurrence.

Most importantly, governance must recognize that ethical culture is a structural control, not a soft concept. When leaders accept modest deviations in the pursuit of goals or relationships, the danger of fraud increases. In a system-driven environment, the tone at the top must reaffirm that integrity is non-negotiable (Racelis, 2025), supported by consistent actions rather than policies.

Conclusion

Fraud 2.0 is not a slogan. It represents a systemic shift in the way fraud is conducted and concealed. Fraud is becoming more often inside systems than outside of them in digitized businesses. It is based on what appears to be complete data, conforming methods, and reliable records. Its most destructive form develops when collusion is combined with system override, as the organization's own control architecture is forced to testify falsely in support of the fraud.

For Bangladeshi businesses, this is not a faraway theoretical issue. This is an immediate governance challenge. As digitization progresses, the gap between formal system control and actual economic control may expand unless audit, management, and boards adjust. The key question is no longer whether a company has an ERP system, workflow engine or dashboard. The key question is whether those instruments are independently tested against the reality they purport to portray.

The future of anti-fraud work in Bangladesh will thus be determined by a shift in thinking. Internal auditing must transition from static checking to dynamic interrogation. Management must transition from control symbols to control substance. And boards must recognize that in the age of Fraud 2.0, fraud risk has not decreased simply because company has gone digital. In many cases, it has simply gotten more elegant, scalable, and difficult to detect. The goal of governance is to detect and respond to fraud risk, regardless of how credible the system records may appear.

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Geopolitical Conflict and Economic Vulnerability

Potential Impacts of a U.S.–Israel–Iran War on Bangladesh

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Introduction

The Middle East plays a central role in global energy supply, accounting for a significant share of global oil and gas exports. Geopolitical instability in this region—particularly conflicts involving major powers such as the United States, Israel, and Iran—can disrupt energy flows and create global economic volatility.

A critical choke point is the Strait of Hormuz, through which a large portion of global oil shipments passes. Any disruption in this route can immediately affect global oil prices and supply chains.

Although Bangladesh is geographically distant, its economy is deeply linked to the Middle East through energy imports and labor migration. As a result, geopolitical shocks in this region can significantly affect Bangladesh's economic stability.

Why Bangladesh will be Impacted

Bangladesh's vulnerability to a U.S.-Israel-Iran conflict stems from its structural integration with global energy markets and its economic dependence on the Middle East. Although geographically distant, the country is exposed through multiple transmission channels—primarily energy imports, remittance inflows, and external trade linkages.

High Dependence on Imported Energy

Bangladesh relies heavily on imported energy, with approximately 95% of oil and 30% of gas demand met through imports sourced largely from Gulf countries. This makes the economy highly sensitive to global price fluctuations and supply disruptions.

Energy is a fundamental input across transportation, electricity generation, agriculture, and industry. Therefore, any increase in global oil and gas prices directly affects domestic production costs and inflation.

Exposure to Strategic Maritime Chokepoints

A large portion of Bangladesh's energy imports passes through the Strait of Hormuz. Any escalation involving Iran can disrupt this route, leading to supply delays, increased shipping costs, and heightened market volatility.

Dependence on Gulf Economies for Remittances

Millions of Bangladeshi workers are employed in Gulf countries. Economic instability in these regions can reduce employment opportunities and remittance inflows, which are crucial for foreign exchange stability.

Import-Dependent Industrial and Agricultural Structure

Bangladesh's industries and agriculture rely on imported fuel, fertilizers, and raw materials. Disruptions increase production costs and reduce output, particularly in energy-intensive sectors.

Limited Domestic Energy Buffer

Declining domestic gas reserves and limited refining capacity restrict Bangladesh's ability to offset external shocks through local production.

Macroeconomic Sensitivity to External Shocks

Rising import costs and reduced remittances can widen the current account deficit, increase inflation, and create exchange rate pressures.

Interconnected Risk Structure

These vulnerabilities are interconnected, creating systemic risk where disruptions in one area can cascade across the entire economy.

Major Imports from Gulf Countries

Bangladesh's economic exposure to the Middle East is primarily driven by its reliance on energy and energy-related imports from Gulf countries. These imports are not only large in volume but also strategically critical, as they directly support electricity generation, transportation systems, agricultural productivity, and infrastructure development.

Crude Oil

Bangladesh imports approximately 1.8 million metric tons of crude oil annually, mainly from Saudi Arabia and the United Arab Emirates. This crude oil is refined domestically into diesel, petrol, and other fuels.

Crude oil is fundamental to the downstream fuel supply chain. Any disruption in supply can constrain refining capacity, leading to shortages across multiple sectors including transport and industry.

Liquefied Natural Gas (LNG)

Bangladesh imports approximately 2.8–4.0 million tons of LNG annually from Qatar and Oman.

LNG plays a central role in electricity generation, industrial production, and urban gas supply. Supply disruptions can lead to load-shedding, factory shutdowns, and reduced export output.

Fertilizers

Bangladesh imports a significant portion of its fertilizers—particularly urea—from Saudi Arabia, Qatar, and Oman. Fertilizers are essential for maintaining crop yields, especially for rice production. Any disruption increases agricultural costs and contributes to food inflation.

Bitumen

Bitumen is imported primarily from UAE, Bahrain, Sri Lanka and is essential for road construction and infrastructure projects. Supply disruptions can delay infrastructure development and increase project costs.

Overall Dependency Impact

These imports collectively form the backbone of Bangladesh's energy security, food security, and infrastructure development. Because these supply chains are geographically concentrated, any disruption creates a system-wide economic shock, affecting multiple sectors simultaneously.

Alternative Sources of Import

To reduce vulnerability to geopolitical risks, Bangladesh must diversify its import sources across multiple regions. While the Gulf offers cost advantages, alternative suppliers provide resilience and supply security.

Oil and Petroleum Products

Alternative suppliers include Singapore, Malaysia, India, and Indonesia, which are major refining and trading hubs. These markets provide flexibility through spot trading and regional proximity. However, reliance on spot markets may increase price volatility compared to long-term Gulf contracts.

Liquefied Natural Gas (LNG)

Bangladesh can diversify LNG imports from Australia, the United States, and Mozambique. These suppliers offer stable long-term contracts and reduced geopolitical risk, though higher transportation costs may apply.

Fertilizers

Alternative sources include China, Russia, and Indonesia. While these countries have strong production capacity, supply risks remain due to export controls and geopolitical uncertainties.

Strategic Trade-Off

Diversification involves a trade-off between cost efficiency and supply security. Gulf imports are generally cheaper due to proximity, but diversification reduces concentration risk and enhances resilience. A balanced procurement strategy combining long-term contracts and spot purchases is therefore essential.

Key Economic Impacts on Bangladesh

The economic consequences of a U.S.–Israel–Iran conflict for Bangladesh are not confined to isolated sectors; rather, they manifest as a cascading set of shocks that propagate through the entire economic system. Given Bangladesh's structural dependence on imported energy and external earnings, these shocks are transmitted simultaneously through price channels, supply disruptions, and financial flows. As a result, both macroeconomic stability and household welfare are affected, with the burden disproportionately falling on lower-income groups.

Rising Fuel Prices

An increase in global oil prices directly raises Bangladesh's import bill and exerts upward pressure on domestic fuel prices. This increase permeates through the economy by raising transportation costs, industrial input costs, and service sector expenses. Consequently, cost-push inflation emerges as a dominant macroeconomic challenge. Additionally, government efforts to cushion price shocks through subsidies can strain fiscal balances, potentially crowding out development expenditure.

Electricity Shortages and Energy Crisis

Bangladesh's electricity sector is heavily reliant on LNG and oil-based generation. Disruptions in LNG supply or price spikes can force power plants to reduce output, leading to load-shedding and unreliable electricity supply. This directly impacts industrial productivity, particularly in export-oriented sectors such as ready-made garments, where uninterrupted power is essential. Over time, such disruptions can reduce competitiveness and export earnings.

Food Price Inflation

Energy price increases have a strong pass-through effect on agriculture. Diesel is essential for irrigation, while transportation costs influence food distribution. As these costs rise, the price of essential commodities increases, contributing to food inflation. This disproportionately affects low-income households, increasing poverty risks and reducing real income levels.

Remittance Uncertainty

Economic slowdown in Gulf countries can reduce labor demand, limit new migration opportunities, and affect wage levels of existing workers. A decline in remittance inflows weakens foreign exchange reserves and reduces liquidity in the domestic economy. This can lead to exchange rate depreciation and constrain the country's ability to finance imports.

Higher Import Costs

Geopolitical conflicts typically increase maritime shipping costs due to higher insurance premiums and security risks. Bangladesh, being heavily reliant on imports, faces increased costs for fuel, food, and industrial inputs. This contributes to imported inflation and reduces the purchasing power of consumers and businesses alike.

Macroeconomic Spillover Effects

The combined impact of these shocks creates broader macroeconomic instability. Inflationary pressures may force tighter monetary policy, slowing economic growth. Fiscal deficits may widen due to increased subsidies, while exchange rate volatility can undermine investor confidence. These spillover effects highlight the systemic nature of the risk.

Opportunities for Bangladesh

While a 'U.S.–Israel–Iran' conflict poses significant risks, it also creates strategic opportunities for Bangladesh to strengthen its economic resilience and accelerate structural transformation. These opportunities can be consolidated into five key areas:

Export Expansion and Economic Diversification

Geopolitical disruptions can shift global supply chains, creating opportunities for Bangladesh to expand exports and capture new markets. The ready-made garments (RMG) sector may benefit from increased demand as buyers diversify sourcing away from unstable regions. At the same time, emerging sectors such as pharmaceuticals, agro-processing, leather goods, and light engineering can gain market share.

This environment provides a critical opportunity for Bangladesh to reduce overdependence on a single export sector and move toward a more diversified export structure.

Energy Transition and Supply Diversification

Volatility in global oil and gas markets highlights the need for a more resilient energy strategy. Bangladesh can accelerate its transition toward renewable energy sources such as solar and wind, while also diversifying LNG and petroleum import sources beyond the Gulf region.

In addition, regional energy cooperation—particularly hydropower imports from neighboring countries—can reduce exposure to geopolitical risks and enhance long-term energy security.

Labor Market Diversification and Remittance Stability

Although conflict may disrupt traditional Gulf labor markets, it also encourages diversification of overseas employment destinations. Bangladesh can expand migration to regions such as East Asia, Europe, and Southeast Asia, while promoting skilled and semi-skilled labor exports.

This shift would increase remittance resilience, improve income per worker, and reduce dependence on a single geographic labor market.

Investment Inflows and Industrial Upgrading

Geopolitical uncertainty often leads to the relocation of foreign direct investment (FDI) toward more stable economies. Bangladesh can position itself as an alternative investment destination by improving infrastructure, regulatory efficiency, and business conditions.

This creates opportunities for industrial upgrading in sectors such as manufacturing, electronics assembly, agro-processing, and information technology, supporting long-term economic transformation.

Structural Reforms and Strategic Positioning

External shocks can serve as a catalyst for institutional and policy reforms. Bangladesh can strengthen macroeconomic management, enhance foreign exchange resilience, and modernize agriculture and logistics systems. At the same time, maintaining a balanced foreign policy allows the country to engage with multiple global partners, ensuring access to energy, trade, and investment.

Collectively, these measures can transform short-term geopolitical disruptions into long-term economic advantages.

Strategic Outlook

The opportunities outlined above demonstrate that geopolitical crises are not solely sources of risk but also drivers of transformation. Bangladesh's ability to capitalize on these opportunities will depend on proactive policymaking, diversification strategies, and institutional strengthening. If effectively managed, the current global uncertainty can serve as a turning point toward a more resilient and competitive economic structure.

Policy Response and Way Forward

Immediate Measures (Short-Term Response)

Fuel Price Management: A calibrated approach to fuel pricing—combining gradual adjustments with targeted subsidies—can help contain inflation while minimizing fiscal stress.

Strategic Fuel and LNG Reserves: Building and maintaining strategic reserves provides a critical buffer against short-term supply disruptions and price volatility.

Emergency Import Diversification: Engaging alternative suppliers in the short term ensures continuity of supply and reduces dependence on any single region.

Market Monitoring and Inflation Control: Strengthening regulatory oversight helps prevent market distortions such as hoarding and speculative price increases.

Diplomatic and Labor Protection Measures: Active diplomatic engagement is essential to secure energy supplies and safeguard the interests of migrant workers, thereby stabilizing remittance flows.

Long-Term Strategies (Structural Reforms)

Energy Diversification and Renewable Expansion: Scaling up renewable energy investments reduces reliance on imported fossil fuels and enhances long-term energy security.

Diversification of Energy Import Sources: Expanding procurement networks across multiple regions reduces geopolitical concentration risk.

Domestic Energy Development: Investing in gas exploration and domestic energy infrastructure strengthens self-sufficiency.

Energy Efficiency Improvements: Promoting efficient technologies reduces overall energy consumption and import dependency.

Policy Risk Matrix

Risk	Short-Term Impact	Long-Term Risk	Policy Response
Oil shock	Fuel price rise	Inflation	Subsidy policy
LNG disruption	Load-shedding	Energy crisis	Renewable energy
Remittance drop	Forex shortage	Economic slowdown	Labor diversification
Shipping cost rise	Import inflation	Trade imbalance	Supply diversification

Remittance Risk Diversification: Expanding labor migration to new markets reduces reliance on Gulf economies.

Export Diversification: Developing non-traditional export sectors enhances resilience and reduces external vulnerabilities.

Strengthening Foreign Exchange Resilience: Maintaining adequate reserves and prudent macroeconomic management improves shock absorption capacity.

Strategic Policy Outlook

These measures are justified as they directly address Bangladesh's structural vulnerabilities—energy dependence, external exposure, and limited domestic buffers—thereby strengthening long-term economic resilience and reducing susceptibility to future geopolitical shocks.

Conclusion

Bangladesh's economic structure—characterized by high dependence on imported energy and strong reliance on remittances—makes it particularly vulnerable to geopolitical conflicts in the Middle East. A U.S.-Israel-Iran war would likely trigger a chain reaction of economic disruptions, including rising fuel prices, energy shortages, increased inflation, and pressure on foreign exchange reserves.

The impact would extend beyond individual sectors, creating a systemic effect across the economy. Energy shocks would influence agriculture, industry, transportation, and trade simultaneously, amplifying the overall economic burden.

In the short term, targeted policy interventions such as fuel price management, strategic reserves, and alternative sourcing are essential to stabilize the situation. However, long-term resilience requires deeper structural reforms, including energy diversification, renewable expansion, and broader economic transformation.

Ultimately, Bangladesh's ability to navigate such geopolitical shocks will depend on its capacity to reduce external dependence, diversify its economic base, and adopt forward-looking policy strategies.

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Limited Liability Partnerships
A New Framework to Protect Entrepreneurs in Bangladesh

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Bangladesh's business landscape is undergoing a quiet yet profound transformation. The rise of technology-driven ventures, startups, professional services, and a knowledge-based economy is rapidly reshaping how businesses are formed and operated. Today's young entrepreneurs are building firms in information technology, fintech, consulting, design, legal services, and accountancy. But a critical question remains: is the country's legal framework keeping pace with this transformation?

At present, Bangladesh offers three primary business structures—sole proprietorships, partnerships, and companies (one person company, private or public limited). What is noticeably absent, however, is a flexible, middle-ground structure that combines operational ease with risk protection. Globally, that gap has long been filled by the Limited Liability Partnership (LLP). It is time Bangladesh seriously considered introducing a legal framework for LLPs.

Limitations of the Partnership Act of 1932

Traditional partnerships in Bangladesh are governed by the Partnership Act of 1932, a legacy law from the British colonial era. Nearly a century later, the global business landscape has undergone a profound transformation, driven by technological innovation, globalization, and the rise of knowledge-based industries. It was designed for a vastly different economic context—one dominated by small-scale, family-run, product-based businesses. Unsurprisingly, it does not adequately reflect the realities of modern, service-oriented, and knowledge-based enterprises.

The most significant drawback of this structure is unlimited liability. Partners are personally liable for the debts and obligations of the firm, and this liability can extend to their private assets. Moreover, one partner may be held liable for the negligence or misconduct of another. In today's professional services sector, this creates a substantial and often unjustifiable risk. While sole proprietorship also involves unlimited liability, the burden remains confined to a single individual. In contrast, traditional partnerships amplify this exposure, as each partner becomes jointly and severally liable for the actions, debts, or insolvency of other partners. Consequently, the failure, death, or insolvency of one partner can extend financial liability to the remaining partners, significantly increasing their risk beyond that of a sole proprietorship.

On the other hand, forming a private limited company does offer limited liability. However, it comes with a relatively complex administrative structure—boards of directors, statutory meetings, compliance

requirements, different corporate tax obligations, and formal reporting standards. For small and professional firms, this framework can be unnecessarily burdensome.

This contrast underscores the need for a hybrid model—one that offers the flexibility of a partnership while ensuring limited liability.

What is an LLP and Why It Matters

A Limited Liability Partnership is a business structure in which two or more individuals act as partners, but their liability is limited to their agreed contribution. LLPs offer comparatively lower personal liability for partners, and their personal assets are generally protected—except in cases of fraud or misconduct.

In essence, an LLP blends the operational flexibility of a partnership with the legal protection of a company.

This model is particularly suited to professionals such as lawyers, chartered accountants, company secretaries, consultants, architects, engineers, and IT entrepreneurs. Their businesses are primarily skill- and knowledge-driven, where professional liability often outweighs capital investment. LLPs provide them with a safer and more efficient structure.

Global Experience with LLPs

The LLP model is well-established worldwide. The United Kingdom introduced the Limited Liability Partnerships Act in 2000, which came into force in 2001, recognizing LLPs as separate legal entities. Major law and accounting firms have since adopted this structure, with mandatory registration and reporting under Companies House.

In the United States, LLPs emerged in the early 1990s, initially in states like Texas and Delaware, and later gained widespread acceptance across the country. They are particularly popular among professional service firms and often benefit from pass-through taxation, reducing the risk of double taxation.

India enacted its LLP Act in 2008, which came into effect in 2009, treating LLPs similarly to partnerships for tax purposes. This has made them highly attractive for small and medium enterprises as well as professional firms.

Singapore introduced its LLP framework in 2005, and LLPs quickly became a preferred structure for international businesses.

Pakistan followed by enacting its LLP Act in 2017, marking a notable step forward in South Asia.

While many countries in the region have embraced LLPs, Bangladesh has yet to do so.

A Possible Legal Framework for Bangladesh

A prospective LLP law in Bangladesh could recognise LLPs as separate legal entities, require a minimum of two

partners, including at least one designated partner residing in the country, ensure limited liability except in cases of fraud, and mandate registration under the Registrar of Joint Stock Companies and Firms. It could also require a written partnership agreement, compulsory audits beyond a threshold, and allow conversion from existing partnerships or companies.

Tax Policy: A Crucial Factor

For LLPs to succeed, reforms in tax policy will be essential. If LLPs are treated as pass-through entities, profits would be taxed at the individual partner level, thereby avoiding double taxation. Alternatively, if LLPs are taxed like companies, clear provisions must ensure that partners are not subject to excessive tax burdens.

A transparent and competitive tax regime will be critical for making LLPs attractive to entrepreneurs.

Why the Time is Now

As Bangladesh advances toward becoming a developing economy, legal reforms that support entrepreneurship are no longer optional—they are imperative. Without timely adaptation, innovation may be stifled, professionals may gravitate toward foreign legal structures, and investors may look elsewhere.

Introducing LLPs could stimulate the startup ecosystem, provide a secure framework for professional firms, enhance tax compliance, and improve overall business transparency.

Conclusion

The Limited Liability Partnership is not a luxury—it is a necessity for a modern economy. Established globally for over two decades and adopted by regional peers, LLPs represent a pragmatic evolution in business structuring.

Bangladesh can no longer afford to lag behind. What is needed now is a bold and forward-looking policy decision. A well-designed LLP law can protect entrepreneurs, strengthen the modern economy, and align Bangladesh's business environment with international standards.

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Incumbent Government
Election pledges and the Economy

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The election manifesto of incumbent government party commits to extend various social security schemes & benefits to the mass people per the election manifesto contents. The government requires adequate fund to issue family card and farmer card, appointment of one hundred thousand health workers, mid-day meal for students, re-excavation of 20 thousand kilometers of river-canal, 250 million tree-plantation, payment of remuneration to the preachers (e.g. Imams, Purohits) (source: www.bnpbd.org). Given the ultra-vulnerable economic state of this Republic, the journey of the newly elected government would be very turbulent. It can well be said that amidst resource constraints vis-a vis long list of aspirations in that manifesto not all but priorities need to be tasked for going ahead.

The areas of top priority and main challenges of this Government are briefly stated below:

Law and Order Situation

This force needs to regain the confidence of mass people, chain of command of police force needs to be restored. These alleged illegal firearms are posing serious threat to the peaceful social and business environment of the country. Maintaining normal law and order situation is among the top 3 priorities as the government declared so. New investments from home and abroad are critically dependent upon the peaceful business and social environment. Law of the land should take its own course which is to be enshrined by police without fear and favors.

Inflation

Purchasing power of common people have been slimmed due to the inflationary pressure of last 4 years. Middle and lower middle-income group is struggling to manage their livelihood amid food insecurity, chronic illness, debt resulted household vulnerabilities.

The article was reviewed by
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Historical inflation rate at national level (point-to-point) is given below:

Period	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Dec' 24	Dec '25
Rate	5.48	5.65	5.56	6.15	9.02	9.73	10.89	8.49

Source: Bangladesh Bureau of Statistics

Poverty in Bangladesh surged during the period from 2022 to 2025, with nearly 28 percent of the population estimated as poor in 2025 compared to 18.7 percent in 2022 (Source: Power and Participation Research Centre). The share of people living in extreme poverty also rose to 9.35 percent in 2025, up from 5.6 percent of 2022. This indicates that the effects of inflation have impacted the poverty rate. Government has to continue the existing contractionary monetary policy e.g. raising interest rates, reducing money supply and also apply fiscal policy e.g. lowering government spending, increasing taxes to curb aggregate demand.

Low Tax-GDP ratio and Government debt burden

In the backdrop of unsatisfactory tax-GDP ratio, size of Government debt has been increasing over the years. The current Government has inherited a debt burden over BDT 23 trillion (source: Banik Barta, 17th February 2026)

Government Debt Snapshot

Amount in BDT Crore

Years	As of Jun 22	As of Jun 23	As of Jun 24	As of Jun 25
1. Debt from Banking Sources	4,20,350	5,28,280	6,56,330	7,74,909
2. Debt from non-bank sources	4,28,300	4,33,570	4,20,370	4,19,944
A. Domestic Debt (BDT Cr.) (1+2)	8,48,650	9,61,850	10,76,700	11,94,853
B. External debt (BDT Cr.)	4,95,793	6,72,978	8,12,077	9,49,181
Total debt (A+B)	13,44,443	16,34,828	18,88,787	21,44,034
Interest	77,779	92,107	114,590	121,500**
Debt-GDP (%)	33.79	36.34	36.30	38.61

Source: Finance Division, Ministry of Finance
**As per revised Budget

With an objective to meet the increased demand of public expenditure amid shortfall in revenue collection, the government borrowed BDT 48,819 crore from banks as of January 2026, compared with BDT 10,558 crore during same period of immediately preceding year. This conventional step is not only accruing interest burden but also squeezing the scopes of banking system to lend to private sector. So, new Government needs to put focus on increasing tax-GDP ratio. Indeed, government should dig into reasons for failures to revenue collections. Revenue department should be in book to unveil increasing & persistent gap between collections vis-a vis target. It is now very necessary to ensure accountability & transparency in finding rationales of such gaps and to equip government departments concerned not to recur such failures.

Bangladesh has been struggling since many years to increase tax-GDP ratio. Development partners are also emphasizing on the importance of this point and made it conditional to the continuation of extending their supports. The NBR (National Board of Revenue) revenue collection status is given below:

Amount in BDT Crore

Years	2020-21	2021-22	2022-23	2023-24	2024-25
Revised Revenue Budget	3,01,000	3,30,000	3,70,000	4,10,000	4,63,500
Actual Collection	2,63,886	2,92,881	3,19,731	3,61,452	370,874
Deficit %	12.30	11.25	13.59	11.84	19.98

Incumbent government should take effective measures to improve the tax-GDP ratio. Some are recommended below:

Reform of Tax Administration

Ignoring the unprecedented anarchy of a vested group to resist NBR-reform, the Government should go for its reform. This reform has to be impactful for more & extended revenue collection. The national revenue collections must be spent in productive manner goaling on to uprise of the economy. The policies have to be more transparent and taxpayer-friendly to eventually increase revenue collection with efficient but Tax Payers friendly methods & system. IN so doing equity & justice to them are to be brought into keenest attention. Rule of law must be enforced to deal with the wrongdoings of both taxmen and taxpayers.

Increasing Tax Net

Evasion of direct and indirect tax can be deterred by increasing tax net instead of increasing tax burden upon the existing taxpayers. A country having 175 million people got registered direct taxpayers of only 11.2 million though 4 million of them file tax return annually (source: 1st Nov 2025, Prothom Alo). Digitization of revenue collection system and integration of different wings of NBR can circumvent the evasion effort. Moreover, Chartered Accountancy firms, NGOs can be outsourced to find the enterprises and individuals who are currently outside the purview of tax net.

Reduction of Tax Expenditure

It includes reduced tax rates, exemptions, rebates, incentives etc. which ultimately pulls down the revenue collection. In FY 21, exemptions were BDT 125,814 crore which is 3.56% of GDP while it reduced to 2.39% of GDP (BDT 107,132) in FY 23. However, in FY 23, the revenue collection from income tax was BDT 108,000 Cr. which almost similar with the amount of expenditure. If this expenditure had been removed from the tax system, tax-GDP ratio would have been increased by 2.39%. It is undoubted that sudden removal of this expenditure will be a threat to the effectiveness of the tax system and demotivating factor for the enterprises including new investors, nevertheless Government should have a long-term plan to reorganize this expenditure in a judicious manner.

Rationalization of Tax Rate

With an objective to attract more corporate and individual direct and indirect taxpayers to pay taxes, tax law should be simple so that taxpayers' right is not abused. Any excess paid tax of the taxpayers should be paid within stipulated timeframe. Moreover, current rates of income tax and VAT need to be rationalized.

Stability in Banking Sector

One of the largest private sector banks of Bangladesh is Islami Bank Bangladesh Ltd. which was also mugged by money launderers & goons. It is also currently going through a crisis phase but trying for a

turnaround. These banks and NBFIs could not really play their due role in the industrialization of the country. Recoveries from classified loans are to be regularized, fund siphoned off to be brought back by efforts of the government soonest.

Remittance

One of the lifelines of the economy is remittance of the diaspora working outside Bangladesh especially in USA and Middle East region. As a result of ongoing war between US-Israel and Iran, the economic activities of Middle East region are under tremendous threat. Remittance is now showing a recovery due to several preventive steps against informal channel of remittance. New means & drives may cater to reach USD 51 billion landmark in FY 27.

Graduation to Middle Income Country

Bangladesh's performance has been reviewed by the United Nations committee for Development Policy and it declared 24th November 2026 as the official date of graduation from least developed country (LDC) to middle income country (MIC). However, this government is working to defer Bangladesh's graduation from LDC by 3 years. (source: 18th Feb 2026, Prothom Alo). Moreover, Government must have comprehensive strategies to prepare for challenges of Bangladesh, from being in the middle-income era.

Fighting Corruption

This has been a chronic problem since the birth of the country. The 2025 Corruption Perceptions Index (CPI) ranks 182 countries and territories worldwide by their perceived levels of public sector corruption. Bangladesh has obtained 24 points (out of 100) and obtained 150th place in the list. (source: Transparency International). New government has made unwavering election-commitment to opt zero-tolerance policy against corruption in its manifesto. Government should ensure necessary legal and methodical reforms to ensure transparency and accountability in real lives.

Investments and Employment

Along the forex crisis, high cost of funds, high inflation, Russia-Ukraine war, existence of non-political Government, lack of infrastructural facilities also bureaucratic complexities etc. resulted drought in investment both from home and abroad. Unemployment rate of Bangladesh stood at 4.63% in the October–December quarter of the FY 2024-25 as per the 19th International Conference of Labour Statisticians (ICLS) standards (source: Bangladesh Bureau of Statistics "BBS"). Capital market should be reorganized by implementing transparency and accountability and thereby, it can be a prime source of funds for the entrepreneurs. Policies should be underway in this regard.

Power and Energy

Bangladesh has been suffering for many decades on account of inadequate supply of power and energy which is affecting the industrialization. As a sustainable solution, the dependence on imported LNG may be rationalized. Also, country needs to explore new gas wells - both onshore and offshore.

Export

Contribution of Readymade garments to the total export earnings of Bangladesh is 81.49% in FY 25. This sector directly employs 4.2 million people, approximately 60% of whom are women. Moreover, this sector indirectly supports as many as 40 million Bangladeshis which represents about 25% of the population (source: International Labor Organization). So, this sector plays a vital role for the socio-economic stability of Bangladesh. RMG Export target in ongoing FY 26 has been set at USD 44.49 billion which is 13% higher than FY 25. Bangladesh's export earnings were USD 31.91 billion during the July-February period of the FY 2025-26 while it was USD 32.92 billion during same period of immediately preceding FY. Government should engage its effort to negotiate with the export destination countries for accessing preferential entry in those regions.

The incumbent Government inherited a vulnerable economy left off by its predecessors. On the contrary, voters believed in the bunch of pre-election commitments of it while exercising franchise. So, government should be vying to reciprocate to them through implementation thereof. However, it has to take caution & must not consider the "Power" for granted. It rather should engage its fullest endeavor to keep with their election pledges going forward. The goal to multiply the economy and reach at USD 1 trillion landmark will not be an easy task. especially amid the global turbulent political and economic state. Yet, the nation in general hopes that the new leadership would motivate this large population to work shoulder to shoulder in working for the country. The works to dream & going forward to the Trillion-Dollar economy are enormous. But those are not un-obtainable. It needs to be noted that strategies to reach the destination are to be homemade based upon local perspectives. The changing constant world situations also need care while we have to be purposed for the dedications needed keeping in mind that development with equity is a national goal of Bangladesh.

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The Institute of Chartered Accountants of Bangladesh (ICAB) is the apex accountancy body of Bangladesh. The professional qualification it offers is highly prized. Membership of ICAB testifies to recognition of high standards and exceptional skills. Under a twinning project, the syllabus of ICAB has been revised and is equivalent to that of the Institute of Chartered Accountants in England and Wales (ICAEW), the premier global accountancy body.

ICAB publishes a quarterly Journal, The Bangladesh Accountant, to keep its members updated on technical issues and global developments in the profession. It is regularly read by all the members of ICAB both in Bangladesh and across the world. Circulation includes many major companies and financial institutions, governmental and semi-governmental organisations, NGOs and international accounting and professional bodies.

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Recognition of ICAB membership by ICAEW

Membership Scheme of The Institute of Chartered Accountants of England and Wales (ICAEW) allows the members of ICAB to apply for ICAEW membership based on their experiences.

Eligibility criteria of this membership scheme are a series of questions which assess ICAB Member's experience, achievements, skills and expertise. Each application must be supported by an eligible sponsor. Applicants need to complete an Examination of Experience.

Details of ICAEW Membership Scheme is available at http://www.icaew.com/membership/becoming-a-member/members-of-other-bodies/campaigns/pathways-to-membership.

ICAB signed it's first Memorandum of Understanding (MoU) with the Institute of Chartered Accountants in England and Wales (ICAEW) in 2009. Since them, ICAB has been working with ICAEW as the learning and professional development partner, and also recognized as an approved tuition provider of ICAEW.

As per MoU, ICAB Members can be the members of ICAEW after successful completion of 04 papers out of 15. These members have the opportunity to apply for UK Practicing Certificate (PC) subject to meeting the standard ICAEW PC requirement.

Recognition of ICAB Membership by CIPFA, UK

Members of the Institute of Chartered Accountants of Bangladesh (ICAB) are eligible to apply for membership of the Chartered Institute of Public Finance and Accountancy (CIPFA), a globally recognised membership body for the public sector.

An MoU between ICAB and CIPFA, UK was signed on 28 January 2017. Under this MoU, an ICAB member can also become a members of CIPFA subject to fulfillment of certain criteria.

An ICAB Member with good standing having five or more years post-qualification public sector experience are eligible for Full Membership of CIPFA as Chartered Public Finance Accountant (CIPFA) and the members having fewer than five years post-qualification public sector experience are eligible as Affiliate member of CIPFA (CIPFA Affiliat).

ICAB members having CIPFA Affiliate membership, or having no working experience in public sector can gain CIPFA status with the successful completion of exams of only two papers i.e. Public Sector Financial Reporting and Strategic Public Finance.

Membership through Chartered Accountants Australia & New Zealand (CA ANZ) International Pathway Program (IPP)

The Institute of Chartered Accountants of Bangladesh (ICAB) signed an MoU with the Chartered Accountants Australia & New Zealand (CA ANZ). Under this, ICAB members living in Australia or New Zealand having five years post qualification experience at anywhere will be eligible to be member of CA ANZ after successful completion of CA ANZ International Pathway Program (IPP).

There will be no requirement of passing CA ANZ general route examinations by eligible ICAB members as their International Pathway Program (IPP) workshop through case studies would examine the contemporary Australasian business, accounting and finance environment relevant for members of ICAB. On the other hand, CA ANZ members can also be members of ICAB subject to having Bangladeshi citizenship and other requirements as prescribed by ICAB Bye-laws.

Membership of the International Valuation Standards Council (IVSC)

Efforts are underway for ICAB to Become a member of the International Valuation Standards Council (IVSC). This would create an opportunity for the members of ICAB to involve in the valuation process of local and foreign investment in Bangladesh.

This would allow Chartered Accountants to put up their highly essential services and play positive roles in attracting foreign investment. With regard to this, ICAB has already conducted a Members Conference. More so, a virtual meeting with the CEO of IVSC was held on 8 June 2021 where the IVSC proposed ICAB to become member of IVSC on pro-rata basis.

Other Memberships

ICAB is an active member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants(CAPA) and South Asian Federation of Accountants (SAFA). ICAB is also an associate member of Chartered Accountants Worldwide (CAW).