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Research on Disclosure of Key Audit Matters for Listed Companies in the Logistics Industry by Lixin Certified Public Accountants

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Abstract: The disclosure of Key Audit Matters (KAMs) in audit reports not only provides more detailed and scientific operational guidance for audit practice but also imposes stricter standards on the overall regulation of the audit industry and the professional competence of auditors, marking the industry's entry into a new phase of development. This study employs text analysis and comparative research methods to conduct an in-depth analysis of the key audit matters paragraphs in audit reports issued by Lixin Certified Public Accountants (hereinafter referred to as "Lixin") for listed logistics companies from 2017 to 2024. The study finds that Lixin's KAM disclosures suffer from insufficient quantity, highly concentrated types, and high textual similarity, resulting in limited disclosure quality and incremental information. Based on these findings, this paper proposes countermeasures from the perspectives of firm quality control, auditor competency enhancement, and industry regulation. These include establishing dynamic disclosure standards, optimizing audit working paper design, and strengthening review and assessment mechanisms. The aim is to enhance the decision usefulness of key audit matter disclosures, providing audit-level references to safeguard the healthy development of the logistics industry.

1. Introduction

China's Ministry of Finance promulgated China Auditing Standard No.1504—Communicating Key Audit Matters in the Audit Report (hereinafter referred to as "Auditing Standard No. 1504") in 2016. This standard requires certified public accountants to select key audit matters from significant misstatement risks, significant audit judgments, and significant transaction matters for disclosure in the audit report. The implementation of this standard not only enhances the visibility and transparency of CPAs' work but also enables investors to utilize disclosed information for informed decision-making[1].

As a key development sector under China's 14th Five-Year Plan, the logistics industry has been explicitly mandated to enhance quality and efficiency[2]. The complexity and asset-intensive nature of its operations—such as multimodal transport and cross-border supply chains—impose heightened demands on auditing[3]. By the end of 2024, the Key Audit Matters standard had been implemented in China for eight years. As the most "customized" section of audit reports, it not only enhances information content and transparency[4], but also elevates auditors' professional responsibility and competency[5]. However, current disclosures of key audit matters exhibit certain issues, such as insufficient quantity[6], homogenized content[7], and weak relevance[8], falling short of the reform objectives outlined in the auditing standards.

This paper selects Lixin Accounting Firm, which holds the largest market share in the logistics industry audit sector and is representative of the industry, as the research subject. Through systematic analysis, it aims to reveal the current status and risks of Lixin's disclosure of key audit matters. Focusing on the unique characteristics of the logistics industry, it provides empirical evidence and targeted recommendations for optimizing disclosure practices.

2. Theoretical Framework and Related Concepts

2.1. Key Audit Matters

Auditing Standard No. 1504 defines key audit matters as those matters selected by the CPA based on professional judgment from those communicated with management, which are most significant to the audit of the financial statements for the period. According to the standard, the scope of key audit matters primarily encompasses three areas: domains with assessed higher risks of material misstatement or identified specific risks, areas involving significant management judgments, and significant transactions or events during the period. Communicating key audit matters in the audit report provides a foundation for intended users of the financial statements to further communicate with management and governance regarding matters related to the audited entity, the audited financial statements, or the audit work performed.

2.2. Information Asymmetry Theory

The theory of information asymmetry describes an economic phenomenon where one party in a transaction possesses more comprehensive information than the other, potentially leading to market failure. This phenomenon may result in issues such as adverse selection and moral hazard, enabling sellers of low-quality products to enter the market more easily. This harms the interests of high-quality sellers and may trigger a series of ethical problems.

Due to information asymmetry, CPAs may encounter obstacles in obtaining audit evidence, hindering their ability to accurately identify or adequately disclose key audit matters. Conversely, if auditees proactively cooperate with CPAs, providing investors with more comprehensive and fair information, they may gain investor favor to some extent[9]. This fosters a virtuous cycle, ultimately generating greater benefits for the enterprise.

2.3. Signaling Theory

Signaling theory is based on the information asymmetry theory, where the information-rich party releases certain positive, favorable "signals" to attract more participants and reduce the impact of information asymmetry.

Based on this theory, enterprises with relatively better operational quality often proactively disclose more favorable information and actively cooperate during the CPA audit process, facilitating the smooth progress of the audit work. This provides users of financial statements with more truthful and fair audit reports[10]. Furthermore, the CPA's disclosure of key audit matters also conveys a professional and reliable "signal" to investors and enterprises, thereby gaining investor trust.

3. Disclosure of Key Audit Matters: Potential Risks

Lixin Certified Public Accountants, one of China's earliest and most influential accounting firms, has consistently ranked among the top 100 firms listed by the Chinese Institute of Certified Public Accountants (CICPA) since its founding in 1927. This standing is underpinned by its deep industry expertise and extensive client base. It holds a significant position in the logistics industry audit sector, having provided 45 audit engagements for eight listed logistics companies between 2017 and 2024. Its business volume ranks first in the industry, serving representative enterprises such as YTO Express and Jiayou Guoji, as shown in Table 1. Through multi-domain and multi-model audit services, Lixin has accumulated extensive industry experience, enabling it to comprehensively address key audit concerns and challenges within the complex operational environment of the logistics sector. However, historical fluctuations in audit quality and regulatory penalty records indicate that potential risks in the firm's audit practices warrant ongoing attention, providing illustrative cases for examining disclosures of key audit matters.

Table 1: Lixin Certified Public Accountants' Audit of A-Share Listed Logistics Companies.

NO	Company Abbreviation	Audit Year	Number of Audits
(1)	YTO Express	2017–2024	8
(2)	Jiayou Guoji	2017–2024	8
(3)	Shanghai Yashi	2017–2024	8
(4)	Yunfei Chucun	2017–2023	7
(5)	Huapengfei	2019–2024	6
(6)	Haicheng Bangda	2021–2024	4
(7)	HuamaoWuliu	2021-2022	2
(8)	Pulutong	2017-2018	2

3.1. Insufficient Disclosure, Below Industry Average

During the period from 2017 to 2024, when providing audit services to listed logistics companies, Lixin Certified Public Accountants exhibited an insufficient disclosure of key audit matters. Table 2 presents the statistical analysis of key audit matter disclosures in the audit reports of eight A-share listed logistics enterprises audited by Lixin from 2017 to 2024. The table indicates that during this period, the firm issued a cumulative total of 45 audit reports, disclosing 82 key audit matters. The average disclosure count was 1.82 items, below the industry average of 2.09 items.

Table 2: Number of Key Audit Matters Disclosed by Lixin Certified Public Accountants for Logistics Enterprises

Year	2017	2018	2019	2020	2021	2022	2023	2024	Total
Number of Audit Reports	5	5	5	5	7	7	6	5	45
Total number of key audit matters	7	8	10	9	14	13	11	10	82
Average number of disclosures in annual audit reports	1.40	1.60	2.00	1.80	2.00	1.86	1.83	2.00	1.82

As shown in Table 3, among the 24 accounting firms auditing logistics enterprises, Lixin ranked only 16th in average disclosure frequency, significantly lower than some peers. Although Lixin conducted more audits than firms like Zhongsheng Zhonghuan, its total disclosures amounted to only 2.05 times that of Zhongsheng Zhonghuan, with a lower average disclosure rate. This indicates that Lixin needs to enhance the adequacy of disclosures in its audit engagements.

Table 3: Comparison of Key Audit Matters Disclosures in the Logistics Industry (Top 16 Firms)

Audit Firm	Audit Frequency	Total Key Audit Matters	Average Disclosure Count	Highest Disclosure Count	Minimum Number of Disclosures
Zhongsheng Yatai	1	3	3.00	3	3
Zhongsheng Zhonghuan	15	40	2.67	4	2
PwC Zhongtian	8	21	2.63	3	2
Tianjian	38	97	2.55	5	1
Dahua	35	86	2.46	4	2
Rongcheng	28	68	2.43	3	2
Zhitong	23	52	2.26	3	2
Daxin	5	10	2.00	2	2
Zhongxi	2	4	2.00	2	2
Tianyuanquan	2	4	2.00	2	2
GongzhengTianye	8	16	2.00	2	2
Zhongshenhua	2	4	2.00	2	2
Yatai	2	4	2.00	2	2
Tianheng	1	2	2.00	2	2
Guofu Jiaying	1	2	2.00	2	2
Lixin	45	82	1.82	3	1
Industry Average	303	634	2.09	5	1

Furthermore, comparative analysis with Lixin's average disclosure volume for key audit matters in listed real estate companies during the same period reveals that, as shown in Figure 1, Lixin allocated greater resources to the real estate sector-regulated by multiple authorities including the Ministry of Housing and Urban-Rural Development and the China Securities Regulatory Commission. Over eight years, its average disclosure volume remained above 2.3, significantly exceeding its disclosure practices for listed logistics companies.

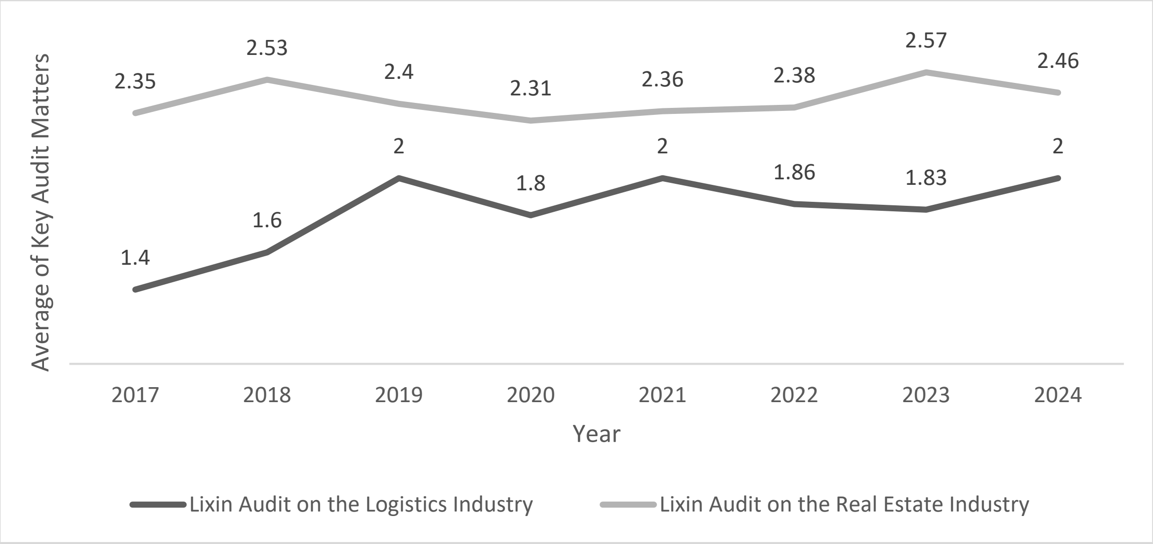

Figure 1: Comparison of Average Key Audit Matter Disclosures by Lixin for Different Industries.

3.2. Limited Disclosure Types with Vague Subheadings

Only disclosures regarding revenue recognition or asset impairment were classified as routine key audit matters, while disclosures on other matters were categorized as non-routine key audit matters[11] , Lixin's disclosures are highly concentrated in routine key audit matters. As shown in Table 4, the 82 key audit matters disclosed across 45 audit reports from 2017 to 2024 encompassed only six types. Among these, "revenue recognition" (43 instances), "goodwill impairment" (18 instances), and "receivables impairment" (17 instances) accounted for over 95% of disclosures. In contrast, the industry as a whole disclosed 33 types of matters during the same period, including fixed asset impairment, intangible asset impairment, related party transactions, and business combinations, demonstrating a diversified focus on risk dimensions. This narrow focus fails to reflect the heightened sensitivity expected from resource-rich and experienced firms like Lixin towards logistics-specific risks. For instance, significant matters such as YTO Express's valuation error in its equity investment in Zhejiang Yizhan, Jiayou Guoji's major cross-border acquisitions and related-party transactions, and Yinfei Chucun's substantial cash acquisitions were all omitted from key audit matters, exposing glaring oversights in risk identification.

Among the limited disclosures, Lixin's subheadings for key audit matters were overly simplified and failed to reflect specific business substance. For instance, it broadly categorized 37 revenue-related matters as "revenue recognition", only specifying "revenue recognition for express delivery services" in its audit of YTO Express. In stark contrast, major international accounting firms like PwC Zhongtian and Deloitte typically employ more targeted phrasing, such as "Revenue recognition for logistics and freight forwarding services" and "Goodwill impairment testing related to KLN business and Fenghao Supply Chain business". Such broad phrasing not only obscures the differing risks inherent in distinct business models but also fails to clearly convey the specific focus of the auditors' attention during the audit process, significantly reducing the comprehensibility and decision relevance of the disclosed information.

Table 4: Types of Key Audit Matters Disclosed by Logistics Companies Audited by Lixin Accounting Firms

Type of Matter \ Year	2017	2018	2019	2020	2021	2022	2023	2024	Total
Revenue Recognition	4	4	5	5	7	7	6	5	43
Goodwill Impairment	1	2	3	2	3	3	2	2	18
Impairment of Accounts	1	1	1	2	3	3	3	3	17
Combined Foreign Exchange	1	1	0	0	0	0	0	0	2
Matters Related to Cash	0	0	0	0	1	0	0	0	1
Inventory Valuation Allowance	0	0	1	0	0	0	0	0	1

3.3. High Text Similarity, Insufficient Information Increment

Text similarity is a metric quantifying semantic, syntactic, and lexical alignment between texts, typically represented as values between 0 and 1, where higher values indicate stronger textual relevance. Its calculation typically employs natural language processing techniques: First, text segmentation and noise reduction are performed using Python's "jieba" library. Next, the TF-IDF algorithm converts text into a vector matrix. Finally, the cosine similarity score is calculated based on the cosine value of the angle between vectors. This study applies the method to analyze disclosure texts of key audit matters for eight listed logistics companies audited by Lixin Certified Public Accountants between 2017 and 2024. By calculating the similarity of key audit matter content across different years for the same company, it objectively assesses whether disclosures exhibit template-based or non-targeted issues.

Analysis of key audit matter similarity across eight listed logistics companies reveals that the textual similarity of key audit matters disclosed by Lixin ranges from 0.39 to 1,as shown in Table 5, indicating a consistently high level overall. Regarding audit matter types, multiple companies maintain consistent key audit matter categories over extended periods. For instance, YTO Express has disclosed “revenue recognition for express delivery services” and “goodwill impairment” for eight consecutive years, while Yinfei Chucun and Haicheng Bangda showed no changes in matter types during their audit periods. The descriptions of these matters and the texts of the corresponding audit procedures also exhibit high similarity. Some companies merely updated the year and amount data while keeping the core wording identical. For example, Haicheng Bangda’s audit procedure texts for 2021-2024 were completely identical. The lowest text similarity of 0.39 for key audit matters frequently occurs after passive adjustments to significant risk events. For instance, Shanghai Yashi added “Inventory Valuation Allowance” following regulatory warnings, while Huapengfei changed its matter type due to accounts receivable impairment issues.

High similarity in key audit matters across consecutive years for the same company not only hinders users from gaining new risk insights and diminishes the decision-making value of such disclosures, but also contradicts the original intent of Audit Standard No. 1504 to enhance information transparency. Furthermore, mechanically copying disclosures from prior periods may raise public doubts about the independence of auditors' professional judgments, potentially damaging the market reputation of both the audited entity and the firm over the long term.

Table 5: Overall Similarity of Key Audit Matter Content in 8 Logistics Listed Companies Audited by Lixin Accounting Firm from 2017 to 2024.

Year \ NO		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2017VS	2018	0.81	0.61	0.65	0.61				1
	2019	0.8	0.64	0.39	0.59				
	2020	0.81	0.62	0.64	0.6				
	2021	0.81	0.62	0.66	0.59				
	2022	0.81	0.59	0.66	0.59				
	2023	0.81	0.59	0.66	0.61				
	2024	0.81	0.59	0.66					
2018VS	2019	0.94	0.88	0.56	0.9				
	2020	0.93	0.85	0.83	0.91				
	2021	0.93	0.85	0.83	0.86				
	2022	0.93	0.81	0.82	0.86				
	2023	0.92	0.8	0.82	0.84				
	2024	0.92	0.81	0.81					
2019VS	2020	0.92	0.95	0.6	0.89	0.51			
	2021	0.93	0.95	0.59	0.84	0.39			
	2022	0.92	0.89	0.59	0.84	0.42			
	2023	0.92	0.89	0.59	0.82	0.4			
	2024	0.92	0.89	0.59		0.4			
2020VS	2021	0.94	0.98	0.91	0.85	0.62			
	2022	0.93	0.93	0.91	0.86	0.68			
	2023	0.93	0.92	0.9	0.83	0.65			
	2024	0.93	0.91	0.91		0.62			
2021VS	2022	0.93	0.92	0.93	0.92	0.71	0.95	0.98	
	2023	0.93	0.92	0.92	0.9	0.69	0.95		
	2024	0.93	0.91	0.92		0.65	0.95		
2022VS	2023	0.93	0.98	0.93	0.91	0.9	0.96		
	2024	0.94	0.97	0.93		0.88	0.96		
2023VS	2024	0.94	0.97	0.93		0.93	0.96		

4. Risk Prevention and Control Strategies for Disclosure of Key Audit Matters

4.1. Enhancing Supervision and Standardization of Key Audit Matters Disclosure

While current auditing standards establish general requirements for disclosing key audit matters, they lack uniform regulations on the specific number of disclosures. Existing research indicates that audit reports disclosing more key audit matters often possess higher information content[12], offering a potential pathway to enhance report value. Therefore, regulatory bodies should strengthen oversight and guidance on the quantity of key audit matter disclosures, refining relevant disclosure standards[10]. From an industry-specific perspective, disclosing key audit matters tailored to the logistics sector not only reflects the enterprise's specific risks and operational substance more truthfully and accurately—thereby conveying more effective decision-making information to financial statement users—but also enhances the comparability of audit information among enterprises within the same industry. This facilitates horizontal comparisons and comprehensive evaluations by investors and regulators. Therefore, establishing a systematic disclosure framework, formulating dynamically adjustable assessment standards, and creating a quality evaluation system for key audit matters tailored to industry characteristics can tangibly enhance the informational increment and decision usefulness of audit reports.

4.2. Promoting Auditor Professionalism and Refining Firm Quality Control

The repetitive nature of key audit matters—characterized by limited diversity and multi-year recurrence—is closely tied to the diligence and prudence of auditors and audit firms. On one hand, CPAs may favor disclosing key audit matters similar to those in prior years to mitigate professional risks; On the other hand, audit firms often favor conservative disclosure to reduce costs or maintain client relationships. Therefore, rectifying auditors' work attitudes and optimizing oversight of audit firms can significantly promote the diversification of key audit matter types and descriptions. Moreover, CPAs must not only maintain their independence but also keep pace with technological advancements in their professional expertise[13] and enhance their industry expertise. Even if key audit matters are disclosed repeatedly, this can appropriately improve the quality of the audited entity's financial information[14]. Furthermore, optimizing the quality control review procedures at Lixin Certified Public Accountants can also enhance the quality of key audit matter disclosures. To ensure disclosure quality, audit review work must clearly define content priorities and personnel capability requirements . For instance, a detailed checklist should be developed prior to review to comprehensively evaluate the basis for matter identification and the appropriateness of response procedures, ensuring disclosures are clear, compliant, and possess decision-making value.

4.3. Optimizing Audit Documentation to Enhance the Distinctiveness of Key Audit Matters

Upgrading working papers from static "fill-in-the-blank" templates to dynamic "guided" checklists can effectively reduce excessive textual similarity in key audit matters across consecutive years. Traditional "fill-in-the-blank" templates serve as post-event documentation, focusing on recording completed procedures. In contrast, "guided" checklists function during project planning and execution, proactively directing professionals to focus on key risks, perform targeted procedures, and obtain critical evidence. Moreover, structured questioning mechanisms effectively curb mechanical replication, compelling auditors to conduct annual comparisons, risk reassessments, and industry-specific analyses. Simultaneously, incorporating disclosure quality into core performance metrics enables both back-end quality control and incentivizes working paper innovation through incentive structures. For instance, quality control departments can employ text analysis technology to calculate the similarity between current disclosures and historical texts, setting compliance thresholds as evaluation benchmarks. Transforming the “eliminate simple replication” principle into quantifiable, assessable hard metrics and linking them to the performance of project teams and review partners can eliminate ingrained habits at their source through incentive mechanisms.

5. Conclusion

Audit risk management in the logistics industry requires audit firms to comprehensively grasp industry trends, thoroughly identify key audit risks, and establish targeted risk prevention and control systems. Using the logistics industry audit practices of Lixin Certified Public Accountants as a case study, this paper emphasizes that audit institutions should optimize quality control processes, enhance auditors’ professional capabilities, and prioritize customized disclosures for key audit matters to increase audit transparency and information content. Therefore, audit institutions must prioritize risk prevention as a core task, continuously refine audit methods and procedures, thereby better adapting to the evolving logistics industry, safeguarding audit quality, and enhancing credibility.

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