

# Analysis of Key Audit Matters Disclosures in Financial Reporting: The First Evidence from Indonesia

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**Abstract:** *This study aims to explore the first year of Key Audit Matters disclosure in Indonesia, which has been fully adopted since 2022. The research reports on matters published in 806 statutory audit reports of listed companies in 2022. This study provides the first description of the disclosure of key audit matters by Indonesian public companies. The findings suggest that the most common Key Audit Matters disclosures are related to "allowance for doubtful debt," "revenue (excluding fraud)," "valuation of inventories," "fixed assets (including depreciation)," and "property valuation." The study found differences between Big-4 auditors and non-Big-4 auditors concerning the average number of Key Audit Matters disclosed.*

**Keywords:** *Key Audit Matters, Audit Firm, External Audit*

## 1. Introduction

The concept of Key Audit Matters (KAMs) was introduced as part of the enhanced auditor reporting standards by the International Auditing and Assurance Standards Board (2015) to increase the transparency and usefulness of auditor reports. KAMs are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements. The disclosure of KAMs aims to provide insights into the areas that require significant auditor attention, thereby giving stakeholders a clearer understanding of the most critical aspects of the financial audit (Yoga and Dinarjito, 2021).

Before the audit report reform, the standardized or traditional approach received much criticism because this approach created a gap between stakeholders' perceptions of the auditor's report and what was actually communicated to them (Humphrey et al., 2021). However, in the proposed new regulations, the standardized approach began to be abandoned, and company-specific information became part of the auditor's report. This specific information

is referred to as key audit matters (KAMs) or *Hal Audit Utama* (Institut Akuntan Publik Indonesia, 2021). KAMs are disclosed in the auditor's report with the aim of enhancing the relevance of the auditor's report for stakeholders, thereby enabling users of financial statements to understand the most significant matters in the audit of the company's financial statements (Kend and Nguyen, 2020; Kitiwong and Sarapaivanich, 2020).

When disclosing KAMs, auditing standards require auditors to explain why the matter is important, how it was addressed, and how it relates to the relevant financial statement disclosures. The new audit reporting requirements are likely to enhance auditor accountability and professional skepticism, which will lead to improved audit quality (Kend and Nguyen, 2020; Peecher et al., 2013).

KAMs are selected from matters communicated to those charged with governance. They are determined by considering areas of high risk, significant auditor judgment, and their impact on the audit of significant events or transactions (Pratt, 2016). When describing KAMs in the auditor's report, auditors are required to include the

reasons why a matter is considered a KAMs and how the auditor addressed the issue. The overall objective of reporting KAM is to respond to criticism by providing more relevant information to users based on the audit performed. Therefore, the new requirements and layout aim to enhance the quality of audit reporting and the informational value of the auditor's report to shareholders (Pratt, 2016).

The International Auditing and Assurance Standards Board (2015) states that in determining key audit matters, auditors should select a smaller number of matters from the matters communicated with those charged with governance. However, the type and number of KAM disclosed in the auditor's report vary depending on the characteristics of the auditee. KAMs depend on the size, complexity, nature, and business conditions of the auditee, as well as the facts found during the audit. The content of KAMs disclosures varies across industries due to the differing nature of each industry (Rahaman et al., 2023; Jafari et al., 2019). Rahaman et al. (2023) observed KAMs variations both within and across different industry sectors. Highly regulated firms disclose a greater number of KAMs, while environmentally sensitive firms are found to provide greater detail of the issues presented as KAMs. Further, both firm size and age positively impact the number of KAMs disclosed and the extent of the disclosure provided.

Besides being determined by the nature of the auditee, auditor characteristics also influence the type and extent of KAMs disclosed. Sierra-García et al. (2019) investigated the influence of auditor and auditee characteristics on the type and extent of KAMs disclosed in the audit reports of FTSE 100 companies in the UK during the period from 2013 to 2016. Their findings indicated that Deloitte, EY, and KPMG tended to report fewer entity-level risk KAMs compared to PwC. In comparison, KPMG and BDO reported fewer account-level risk KAMs than PwC. Overall, Sierra-García et al. (2019) found that the number and type of KAM disclosed in audit reports are determined by the characteristics of the auditor and the auditee. Regarding Big-4 auditors, although Big-4-affiliated auditors do not issue a significantly higher number of KAMs, they deliver extensive details to their KAM descriptions compared to non-Big-4 auditors. In addition, while auditors, in general,

tend to issue boilerplate KAMs, Big-4 associates are found to disclose newer KAMs. However, audit fees and auditor rotation do not influence KAM disclosure (Rahaman et al., 2023).

In Indonesia, the implementation of KAM disclosure was first carried out in the 2022 financial statements. Therefore, the results of this study can contribute as initial evidence from an emerging economy like Indonesia. The adoption of these enhanced auditing standards aligns with global best practices and reflects the country's commitment to improving corporate governance and financial reporting quality. The Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) mandates the disclosure of KAMs through the issuance of Financial Services Authority Regulations (POJK) Number 30 of 2023 concerning Communication of Key Audit Matters in Public Accountant Report on Audited Financial Report in the Capital Market. This regulatory requirement ensures that auditors provide detailed explanations about significant audit matters, thus facilitating better decision-making by investors, regulators, and other stakeholders (Otoritas Jasa Keuangan, 2023).

The 2022 financial statements of companies listed on the Indonesia Stock Exchange provide a rich dataset for analyzing the types and frequencies of KAMs reported. This analysis offers insights into the common challenges and risk areas faced by these companies. It also highlights the areas where auditors focused their efforts, thereby reflecting the broader economic and industry-specific conditions that influence financial reporting practices. Understanding these KAMs is crucial for various stakeholders, including investors, analysts, and regulators, as it helps them assess the financial health and operational risks of these companies. As Köhler et al. (2020) found in Germany, professional investors considered that companies whose audit reports revealed KAM with negative tendencies were more open/transparent, fairer, and more competent. Such companies provided them with awareness of information that they previously did not know so that they had more trust in the company.

Moreover, the disclosure of Key Audit Matters (KAMs) serves as a valuable tool for enhancing corporate transparency and fostering trust in the financial markets. Most stakeholders believe that the disclosure of KAMs provides

report users with the necessary information related to the entity through audit reports (Kitiwong et al., 2024; Prasad and Chand, 2017; Litjens et al., 2015; Simnett and Huggins, 2014). By highlighting the most significant audit matters, KAMs offer a deeper understanding of the financial statements and the audit process itself. This transparency can lead to more informed investment decisions, better risk management, and increased market confidence.

However, some parties remain indifferent to KAMs disclosure. Boolaky and Quick (2016) found that the disclosure of KAMs did not influence bank directors' perceptions of the financial statements, the quality of the audit, or the value of the information contained in the audit report. Additionally, the disclosure of KAMs did not impact bank directors' decisions to grant or approve credit to the entity. Moreover, Kitwong et al. (2024) also found that the market in Thailand does not value KAMs.

Studying the newly implemented KAMs in Indonesia not only contributes to the academic literature on auditing and financial reporting but also has practical implications for enhancing the overall quality of financial disclosures in Indonesia. When it comes to the audit firms that conduct the audit, the increase in perceived value and perceived credibility through the disclosure of KAM was only felt when non-Big-4 audit firms carried out the audit. Meanwhile, when Big-4 audit firms conducted the audit, investors believed that the perceived value of the audit and the credibility of the auditors remained high, regardless of whether KAM was disclosed or not (Moroney et al., 2020).

## 2. Literature Review

### 2.1 Auditor Report Reform

The traditional or standardized approach to preparing auditor reports originates from the separation of roles and responsibilities in a company's annual report. Company management is responsible for preparing the information in the annual report. External auditors enhance the credibility of financial information by validating it in the auditor's report. External auditors do not add specific company-related information in the auditor's report (Simnett and Huggins, 2014). Before the

reform of the audit report, the standardized approach faced challenges because it created a gap between stakeholders' perceptions of the auditor's report and what was actually communicated to them (Simnett and Huggins, 2014).

The first gap is the expectation gap, which manifests in various forms. This can include the difference between the absolute assurance level expected by stakeholders and the reasonable assurance level offered by auditors or the difference between the broad scope expected by stakeholders and the limited scope provided by auditors (Gold et al., 2012).

The second gap is the information gap, which is the difference between the disclosures stakeholders wish to see as part of the auditor's reporting process and the disclosures provided. Before the audit report reform, stakeholders viewed the auditor's report merely as a document that gave a "pass" or "fail" verdict on the financial statements. No other relevant information was disclosed (Turner et al., 2010).

The third gap is the communication gap, which is the difference between what stakeholders desire and understand and what is communicated by the external auditors (Simnett and Huggins, 2014). Before the reform of the auditor's report, the information in the auditor's report failed to communicate crucial details effectively (Gold et al., 2012).

In the proposed new regulations, the standardized approach was abandoned, and specific company information became part of the auditor's report. The type of specific company information included varied depending on the regulator. In the United States, there was more resistance to the proposed changes compared to other parts of the world (Simnett and Huggins, 2014), and this resistance was mainly based on the burden of responsibility for disclosures, which was deemed too heavy by audit firms (DeLaurell and Burbage, 2014). However, there was a consensus to disclose the most significant risks of material misstatement in the company's financial statements and how auditors addressed those risks in their audit (Kiss et al., 2015).

### 2.2 Key Audit Matters and Auditee Characteristics

The International Auditing and Assurance

Standards Board (IAASB) states that two to seven Key Audit Matters (KAMs) should be included in the auditor's report for each audited entity (Institute of Indonesia Chartered Accountants, 2021). However, the type and number of KAMs disclosed in the auditor's report vary depending on the characteristics of the auditee. KAMs depend on the size, complexity, nature, and business conditions of the auditee, as well as the facts discovered during the audit. The content of KAM disclosures varies across industries due to the differing nature of the industries (Jafari et al., 2019).

Sierra-García et al. (2019) investigated the influence of auditor and auditee characteristics on the type and extent of KAMs disclosed in the audit reports of FTSE 100 companies in the UK from 2013 to 2016. Their findings show that Deloitte, EY, and KPMG tend to report fewer entity-level risk KAMs compared to PwC, while KPMG and BDO report fewer account-level risk KAMs compared to PwC. In general, Sierra-García et al. (2019) found that the number and type of KAMs disclosed in audit reports are determined by the characteristics of the auditor and auditee.

In Australia, an analysis of 56 audit reports of entities listed on the Australian Securities Exchange (ASX 500) highlighted that 155 key audit matters were reported before the initial year of implementation. In New Zealand, an analysis of 179 public company audit reports found 293 key audit matters (XRB

& FMA, 2017). Findings from these reports indicate the most frequently reported key audit matters in Australia were "impairment of goodwill and intangible assets," "revenue recognition," "taxation," and "acquisitions" (KPMG, 2017). In New Zealand, the most frequently reported key audit matters were "intangible assets," "impairment of goodwill," and "investment in related entities" (XRB & FMA, 2017).

### 3. Method, Data, and Analysis

This study utilizes both qualitative and quantitative methods. The first part involves conducting descriptive statistics and discussing the results. This analysis aims to identify which type of KAM is most frequently disclosed, both overall and within each industry.

Following the descriptive analysis, the study uses the Mann-Whitney test, conducted in R software, to determine if there are differences in the number of KAMs disclosed between Big-4 auditors and non-Big-4 auditors. The Mann-Whitney test is chosen due to the abnormal distribution of the data.

KAMs will be grouped into 36 (thirty-six) categories based on the AKMs categories from the Association of Chartered Certified Accountants (2018). Table 1 shows these categories.

**Table 1. KAM Categories**

No.	KAMs category	No.	KAMs category
1.	Asset impairments (other than goodwill)	19.	Equity and capital
2.	Revenue (not mentioning fraud)	20.	Management override/related parties
3.	Allowance for doubtful debt	21.	Fraud in revenue recognition
4.	Goodwill impairment	22.	Development costs
5.	Taxation, including deferred tax	23.	Pensions
6.	Investments	24.	Biological assets
7.	Financial instruments	25.	Leases
8.	Valuation of inventories	26.	Consolidation issues
9.	Property valuation	27.	Assets held for sale
10.	Insurance	28.	Contingent liabilities
11.	Fixed assets, including depreciation	29.	Hyperinflation
12.	Acquisitions and disposals	30.	Restatement/re-presentation
13.	Going concern	31.	Share-based payments
14.	Legal provisions	32.	Controls/Regulations
15.	IT-related issues	33.	Change in accounting policy
16.	Provisions, other than legal	34.	Supplier Rebates, discounts, incentives
17.	Accounting for long-term contracts	35.	Exceptionals
18.	Mining/Oil & Gas accounting	36.	Accruals

## 4. Result And Discussion

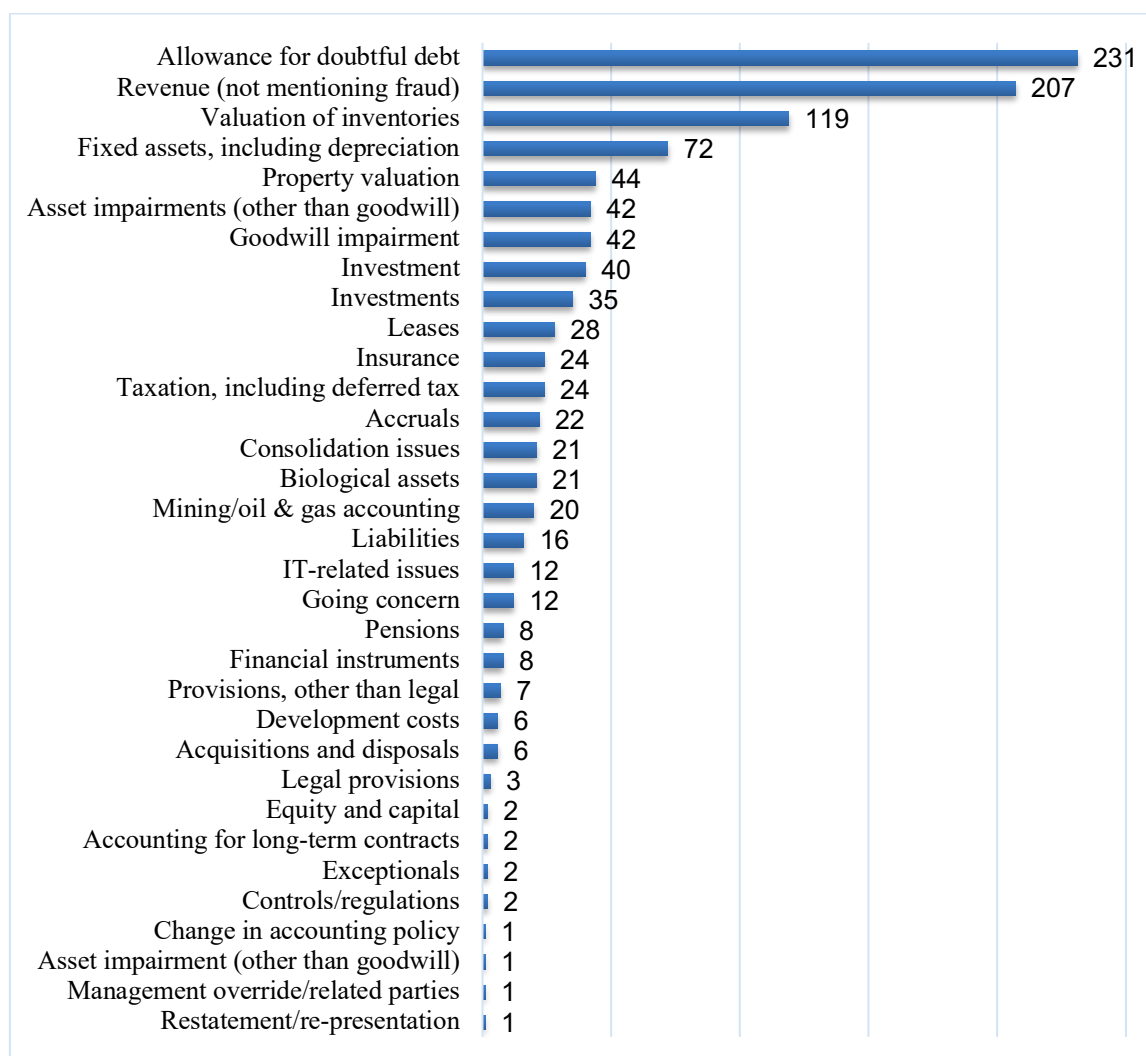
### 4.1 KAMs Disclosure Analysis of Indonesia Public Companies

The first objective of this study is to explore the first year of KAM disclosure in 806 Indonesian public companies in 2022. Figure 1 details the frequency of various Key Audit Matters (KAMs) highlighted in the 2022 financial statements of companies listed on the Indonesia Stock Exchange. This analysis provides insights into the primary concerns and focus areas for auditors when auditing the financial statements and reporting practices of these companies.

The most frequently cited KAM was the "Allowance for doubtful debt," appearing 231 times. This suggests that auditors were particularly concerned with the accuracy and adequacy of provisions made for potential

non-repayment of receivables. Given the economic volatility and the potential for default among debtors after COVID-19, ensuring that these allowances are correctly calculated and reported is crucial for reflecting companies' true financial position.

The second most common KAM was related to "Revenue (not mentioning fraud)," with 207 occurrences. This indicates significant attention to how companies recognize and report their revenues. Revenue recognition is critical as it directly impacts profitability and investor perception. The high frequency suggests that auditors are vigilant about ensuring that revenue figures are not overstated or misrepresented, which could otherwise lead to misleading financial statements.



**Figure 1.** Frequency of various KAMs highlighted in the 2022 financial statements of companies listed on the Indonesia Stock Exchange

"Valuation of inventories" was the third most frequent KAM, cited 119 times. Inventory valuation is essential for companies as it affects the cost of goods sold and overall profitability. Inaccurate valuation can lead to significant discrepancies in financial reporting. Auditors' focus on this area underscores the need for robust and reliable inventory management and valuation systems to ensure that reported figures accurately reflect the true value of inventories held.

Other notable KAMs included "Fixed assets, including depreciation" and "Goodwill impairment," each appearing 72 and 44 times, respectively. These areas are critical for companies with significant investments in physical and intangible assets. The proper valuation and impairment testing of these assets are vital to ensure that financial statements are not overstated. Auditors' emphasis on these KAMs highlights the need for ongoing assessment and appropriate accounting treatments to reflect the true economic value of these assets.

Table 2 provides a breakdown of the number of companies within various industry sectors that have disclosed a KAM related to

"allowance for doubtful debt." The financial sector leads significantly, with 74 companies highlighting this KAM, reflecting the sector's inherent financial complexities and higher exposure to credit risk. Basic Materials and Consumer Cyclical follow with 29 and 28 companies, respectively, indicating a moderate concern over doubtful debts in these industries. The Consumer Non-Cyclicals sector, which includes essential goods and services, also shows a notable presence, with 25 companies reporting this KAM. The industrial sector has 15 companies, while healthcare and infrastructures report 14 companies each, highlighting that concerns over doubtful debts are fairly consistent across diverse sectors. The Energy and Technology sectors report 11 and 9 companies, respectively, which may reflect the varied nature of their business models and risk profiles. The Transportation & Logistic sector has seven companies, and Properties & Real Estate has the fewest, with only five companies, suggesting that issues related to doubtful debts are less prominent or perhaps differently managed in these industries.

**Table 2.** Industry Breakdown of Companies Reporting "Allowance for Doubtful Debt" KAM

Industrial Classification	Number of Companies with "Allowance for doubtful debt" KAM
Financials	74
Basic Materials	29
Consumer Cyclical	28
Consumer Non-Cyclicals	25
Industrials	15
Healthcare	14
Infrastructures	14
Energy	11
Technology	9
Transportation & Logistic	7
Properties & Real Estate	5
Total	231

The financial sector has the highest number of companies reporting "Allowance for Doubtful Debt" as a Key Audit Matter (KAM), with 74 out of 103 (71,8%) companies highlighting this issue. This finding aligns with the working paper by Loew and Mollenhauer (2019), which investigated KAMs in the European financial industry. The most frequently reported KAM was the

Impairment of Loans, with 83 occurrences. Only seven banks in the sample did not report this specific KAM, meaning that a staggering 92% of the banks did.

This predominance can be attributed to several key factors inherent to the nature of the financial industry. Firstly, financial institutions such as banks, insurance companies, and investment firms have

extensive portfolios of loans and receivables. The valuation of these assets is crucial for their financial health and stability. Given the volume and value of these receivables, the assessment of credit risk and the estimation of potential losses from doubtful debts become complex and significant areas of focus. The inherent uncertainty in estimating future cash flows from borrowers means that auditors must closely scrutinize the methodologies and assumptions used by management to estimate allowances for doubtful debts. In addition, the regulatory environment for financial institutions is stringent, with numerous requirements aimed at ensuring transparency

and accuracy in financial reporting. Regulators, such as central banks and financial oversight bodies, mandate rigorous risk management practices and expect high standards in the reporting of credit risk. As a result, the allowance for doubtful debts becomes a critical area of review during audits to ensure compliance with these regulations and to maintain investor confidence (Loew and Mollenhauer, 2019).

Table 3 provides insight into the distribution of companies across various industry sectors that report revenue (not mentioning fraud) KAMs. This analysis includes 207 companies.

**Table 3.** Industry Breakdown of Companies Reporting “Revenue (not mentioning fraud)” KAM

<b>Industrial Classification</b>	<b>Number of Companies with "Revenue (not mentioning fraud)" KAM</b>
Consumer Cyclical	39
Consumer Non-Cyclical	32
Properties & Real Estate	32
Infrastructures	23
Industrials	21
Energy	14
Basic Materials	13
Technology	12
Transportation & Logistic	11
Healthcare	7
Financials	3
Total	207

The Consumer Cyclical sector leads with 39 companies reporting this KAM. This sector includes businesses that are sensitive to economic cycles, such as retail, automotive, and hospitality industries. The high number of companies in this category suggests that revenue recognition in these industries can be complex and subject to significant judgment, necessitating focused auditor attention. Following closely, the Consumer Non-Cyclical and Properties & Real Estate sectors each have 32 companies reporting revenue-related KAMs. Consumer Non-Cyclical, which include essential goods and services such as food and beverages and household products, indicate a notable concern over revenue recognition even in stable demand conditions. The Properties & Real Estate sector's significant reporting highlights the complexity involved in revenue recognition from property sales, leases, and related

transactions.

The infrastructure and Industrial sectors show a moderate presence, with 23 and 21 companies, respectively. These sectors often deal with long-term contracts and projects, where revenue recognition can be challenging due to the need to estimate progress and completion stages accurately. The Energy sector follows with 14 companies, reflecting the complexities of revenue reporting in areas such as oil, gas, and utilities, where market conditions and regulatory requirements play significant roles.

The Basic Materials, Technology, and Transportation & Logistics sectors report 13, 12, and 11 companies, respectively. These industries face unique revenue recognition challenges related to production cycles, technological advancements, and logistic operations. The Healthcare sector has seven companies, indicating relatively fewer

complexities or perhaps a different emphasis on revenue-related issues compared to other sectors. The financial sector has the fewest companies, with only three reporting revenue-related KAMs. This may be because financial institutions' revenue streams, such as interest income, fees, and commissions, are typically more straightforward to audit compared to

other industries, or it could indicate a focus on other significant audit areas like credit risk.

Table 4 provides an overview of the number of companies within various industry sectors that report “valuation of inventories” as a KAM. This analysis represents 119 companies.

**Table 4.** Industry Breakdown of Companies Reporting “Valuation of inventories” KAM

Industrial Classification	Number of Companies with "Valuation of inventories" KAM
Consumer Cyclical	33
Basic Materials	26
Consumer Non-Cyclicals	21
Properties & Real Estate	15
Industrials	9
Technology	6
Healthcare	5
Infrastructures	3
Energy	1
Total	119

The Consumer Cyclical sector tops the list, with 33 companies highlighting inventory valuation as a significant audit concern. This sector includes industries like retail, automotive, and consumer goods, where inventory management and valuation are critical due to high turnover rates, seasonal variations, and the potential for obsolescence. The complexities in accurately valuing a diverse range of products and managing inventory levels to meet fluctuating consumer demand contribute to the prominence of this KAM.

The Basic Materials sector follows, with 26 companies reporting inventory valuation KAMs. This sector encompasses industries involved in the extraction and processing of raw materials, such as mining, forestry, and chemicals. The valuation of inventories in these industries can be challenging due to factors like fluctuating commodity prices, production costs, and the quality and condition of raw materials and finished goods. Consumer Non-Cyclicals, which include essential goods such as food, beverages, and household products, report 21 companies with inventory valuation KAMs. Although these industries face relatively stable demand, the complexity in inventory valuation arises from the need to manage perishable

goods, maintain quality standards, and address potential waste and spoilage.

The Properties & Real Estate sector has 15 companies reporting this KAM, reflecting the importance of accurately valuing construction materials, properties held for sale, and other related inventories. The nature of real estate transactions and development projects often involves significant judgment in determining the value of inventories. Industrials, with nine companies reporting, face inventory valuation challenges related to manufacturing processes, work-in-progress inventories, and finished goods. Accurate valuation is crucial to reflect production costs, efficiency, and market conditions.

The Technology sector, with six companies, deals with determining the value of inventories related to developing information systems. This includes software components, hardware, and related technological products, where rapid advancements and development cycles can complicate accurate valuation. Healthcare, with five companies, includes pharmaceuticals and medical devices, where inventory valuation is affected by regulatory requirements, product expiration, and the high cost of goods. Infrastructures with three companies may involve inventories related to

construction and maintenance materials, which require precise valuation due to long-term project cycles. Lastly, the Energy sector reports only one company with inventory valuation KAM, indicating that inventory management might not be as critical in this sector compared to others or that the sector places greater emphasis on other audit matters.

#### 4.2 KAM Disclosure between Big-4 and non-Big-4 Auditors

The second objective of this study is to identify whether there is any difference in the average number of KAMs disclosed between Big-4 auditors and non-Big-4 auditors. First, we conduct the Shapiro test using R software to determine the distribution of the data. Data is not normally distributed. Next, we conduct a studentized Breusch-Pagan test to determine whether the homogeneity assumption is met. Error variance is homogeneous; thus, the homogeneity assumption is met. Lastly, we

conduct a Wilcoxon rank sum test with continuity correction to determine whether there is a significant difference in the number of KAM between the Big-4 and non-Big-4 auditors. Summary. There is a significant difference in the number of KAM between the "Big-4" and "non-Big-4" groups.

The statistical test results indicate a significant difference in the number of KAMs reported between the "Big-4" audit firms and the "non-Big-4" audit firms. This finding underscores the distinct auditing practices and emphasis areas that differentiate the leading global audit firms from their smaller counterparts. The Big 4 firms, which include Deloitte, PwC, EY, and KPMG, tend to have more resources, standardized methodologies, and a broader range of expertise, potentially influencing the extent and nature of KAM disclosures. Table 5 shows the description of KAMs disclosed between Big-4 and non-Big-4 auditors.

**Table 5.** Description of KAM disclosed between Big-4 and non-Big-4 auditors

Type of Auditors	Number of companies audited	Total KAMs	Average KAMs	Minimum KAMs per company	Maximum KAMs per company
Big-4	207	285	1,38	1	4
Non-Big-4	599	764	1,27	0	6

One possible reason for this difference is the rigorous audit methodologies employed by the Big-4 audit firms. Big-4 firms often follow stringent internal quality control standards and have access to advanced auditing technologies and specialized teams. As a result, they may identify and report a higher number of KAMs, reflecting a more thorough audit process. This thoroughness can lead to more detailed and extensive KAM disclosures, providing stakeholders with deeper insights into the audit process and the company's financial health.

Additionally, the client profile of Big-4 audit firms might contribute to the disparity in KAM reporting. Big four firms generally audit larger, more complex multinational corporations with intricate financial structures and operations. These companies are likely to face more significant and varied risks, leading to a higher number of KAMs. In contrast, non-Big-4 firms typically audit smaller, less complex organizations with simpler financial statements, resulting in fewer KAMs being

identified and reported.

The significant difference in KAM reporting between Big-4 and non-Big-4 audit firms has important implications for investors and other stakeholders. It suggests that audits conducted by Big-4 firms may offer a more detailed risk assessment and transparency, potentially influencing investor confidence and decision-making. This difference also highlights the value of considering the audit firm's identity when evaluating the audit report's comprehensiveness and reliability.

## 5. Conclusion

The industry breakdown of companies reporting different types of KAMs provides valuable insights into the priorities and challenges faced by companies across various sectors. The variation in the number and types of KAMs reported reflects the unique risk profiles and complexities inherent in each industry.

The significant difference in the number

of KAMs disclosed between Big-4 and non-Big-4 auditors underscores the impact of audit firm size and capabilities on the audit process and reporting. Big-4 audit firms, with their extensive resources, standardized methodologies, and specialized expertise, tend to identify and report a higher number of KAMs compared to their non-Big-4 counterparts. This disparity reflects the thoroughness and comprehensiveness of audits conducted by Big-4 firms, providing stakeholders with more detailed insights into the audit process and the company's financial health. However, it's essential to note that the number of KAMs disclosed does not necessarily indicate the quality or effectiveness of the audit but rather the scope and depth of the audit.

Stakeholders should consider these factors when interpreting audit reports and making informed decisions based on the disclosed KAMs. Additionally, the findings emphasize the importance of robust audit practices tailored to the specific risks and complexities of each industry to ensure transparency, accuracy, and trust in financial reporting.

Future research in could focus on several avenues to further enhance understanding of Key Audit Matters (KAMs). Exploring the correlation between the number of KAMs disclosed and financial performance metrics, such as profitability, liquidity, and solvency ratios, could shed light on the effectiveness of KAMs in capturing and addressing significant audit risks. Furthermore, understanding the perspectives of financial report users regarding KAMs and their impact on decision-making processes could provide valuable insights into the effectiveness of KAM reporting. Exploring how investors, creditors, and other stakeholders perceive the value of KAM disclosures in enhancing transparency and aiding in informed decision-making could be a productive area of investigation. This could involve conducting surveys, interviews, or behavioral experiments to gauge the extent to which KAMs influence stakeholders' trust, risk perceptions, and investment decisions.

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