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The Effect of Operational Complexity, Firm Size, Audit Tenure, and Audit Firm Size on Key Audit Matters Disclosure: Evidence from Indonesian Consumer Non-Cyclicals Companies (2022–2025)

Intan Puspita Sari[1], Fitrarena Widhi Rizkyana[1]
Universitas Negeri Semarang, Indonesia[1]
*Coresponding Email : intanpuspitasarii26@students.unnes.ac.id

ABSTRACT

This research investigates the effects of operational complexity, firm Size, audit tenure, and audit firm size on key audit matter (KAM) disclosure among consumer non-cyclical companies listed on the Indonesia Stock Exchange during the 2022–2025 period. A quantitative research design was employed using secondary data obtained from companies' annual reports and independent auditors' reports. The study covered a population of 132 companies, from which 85 companies were selected through purposive sampling, resulting in a total of 340 firm-year observations. The collected data were analyzed using descriptive statistical analysis, panel data regression, classical assumption tests, and hypothesis testing with the assistance of EViews 13. The empirical findings indicate that operational complexity, firm Size, and audit tenure do not have a statistically significant influence on KAM disclosure. Conversely, audit firm size has a significant negative impact on Key Audit Matters (KAM) disclosure, indicating that firms audited by Big Four accounting firms generally report fewer KAMs than those audited by non-Big Four accounting firms. Overall, the results imply that auditor-related characteristics, particularly audit firm size, remain important determinants of Key Audit Matters (KAM) disclosure. In contrast, company-specific characteristics have not yet made a substantial contribution.

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INTRODUCTION

The auditor's report serves as an important source of information for investors, creditors, and other stakeholders when evaluating the credibility of a company's financial statements. Traditionally, the report has been limited to expressing the auditor's opinion, providing only a conclusion on whether the financial statements are fairly presented. As a result, users receive little information about the significant audit issues considered or the auditor's professional judgments throughout the audit process. This lack of detailed disclosure creates an information gap between auditors and financial statement users, reinforcing the need for greater transparency in audit reporting. (Rahaman et al., 2023).

To promote greater transparency in audit reporting, the International Auditing and Assurance Standards Board (IAASB) released International Standard on Auditing (ISA) 701. This standard requires auditors to communicate Key Audit Matters (KAM), namely the issues that, in the auditor's professional judgment, were considered the most significant during the audit of the current period's financial statements (IAASB, 2015). Various studies have shown that KAM disclosure provides benefits for users of financial statements. Rahaman et al. (2023) present that the presentation of Key Audit Matters enhances the communicative value of audit documentation, thereby narrowing the knowledge gap between auditors and users of financial statements. In line with that, Federsel (2025) Notes That Accounting summaries are an effective way to facilitate discussions between auditors and readers of financial statements. However, the disclosure practices can differ from country to country because the institutional environment, regulations, and characteristics of the respective capital markets influence them. In addition, Yoga & Dinarjito (2021) explained that the existence of Key Audit Matters (KAM) makes auditor reports more informative than traditional audit reports by providing an overview of the most significant audit areas. Küster et al. (2025) also found that KAM information helps investors and analysts understand corporate risks, thereby improving the quality of economic decision-making and helping identify potential misrepresentations in the next period.

In Indonesia, ISA 701 was adopted into the Audit Standard (SA) 701 on Key Audit Matters (KAM) disclosure in the Independent Auditor's Report, which came into effect on January 1, 2022 (IAPI, 2021). The implementation of the standard marks an important change in audit reporting practices in Indonesia, as auditors are required to disclose Key Audit Matters (KAM) to companies that meet the requirements. Based on the report on the First Year of SA 701 on the Communication of Main Audit Matters in Indonesia, the auditor identified as many as 1,051 KAMs in public companies. Among these, several sectors have relatively high disclosure rates. One of them is the consumer non-cyclicals, which recorded 137 DVDs (IAPI, 2023). The high number of KAMs indicates that companies in the consumer non-cyclicals sector have business characteristics and audit risks that require the auditor's attention in their KAM disclosures.

However, the number of KAMs disclosed in the same sector does not necessarily indicate a uniform pattern across Companies. As with several companies in the consumer non-cyclicals sector, namely PT Kino Indonesia Tbk, which disclosed four KAMs in 2022, then decreased to two KAMs in 2023 and 2024, before increasing again to four KAMs in 2025. PT Falmaco Nonwoven Industri Tbk. did not disclose KAM in 2022, but began disclosing as many as three KAM in 2023 and two KAM each in 2024 and 2025. Meanwhile, PT Widodo Makmur Perkasa Tbk. revealed one KAM consistently during the 2022-2024 period, then increased to four KAM in 2025. The difference in the number of CAMs shows that KAM disclosures not only vary between companies but also change within the same Company over time, even though they are all in the same industry sector and have implemented SA 701. This phenomenon indicates that certain factors affect the auditor's decision to disclose the KAM. Therefore, understanding the fundamental variables that determine the scope of these Key Audit Matters (KAM) findings is crucial.

Research by Batara et al. (2024) indicates that the early implementation of SA 701 has improved the quality of auditor communication through the Key Audit Matters (KAM) disclosure. However, the number and characteristics of KAM disclosed still vary between companies, suggesting that the implementation of SA 701 has not resulted in a uniform pattern of KAM disclosure. These variations suggest that characteristics of companies and auditors may influence KAM's disclosure. However, the results of previous research remain mixed. As Vickneswaran (2026) The systematic literature review concludes that empirical evidence on the determinants of KAM disclosure remains mixed. It identifies various opportunities for further research on auditor characteristics, company characteristics, and corporate governance that influence KAM disclosure across different country contexts.

Based on these findings, this study focuses on the two most studied groups of determinants in the literature, namely company characteristics and auditor characteristics. One of the Company's characteristics that allegedly influenced the disclosure of KAM was its operational complexity. Vickneswaran (2026) groups the Company's complexity among client-related characteristics, which are widely studied as determinants of KAM disclosure. In their research, Durohman et al. (2025) found that operational complexity positively affected KAM disclosure. Meanwhile, Qadrina & Raharja (2024) include firm complexity as a baseline control variable, underscoring its importance in examining Key Audit Matter (KAM) disclosures. However, studies that specifically test the complexity of operations as

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an independent variable for KAM disclosure in Indonesia are still relatively limited.

In addition to operational complexity, the Size of the Company is also expected to affect KAM disclosure, as larger companies generally have more complex business activities, transactions, and audit risks that require greater auditor attention. Empirical evidence regarding how enterprise scale affects the extent of Key Audit Matter disclosures, nonetheless, yields conflicting conclusions. Ferizqi & Reskino (2024) found that the Size of the Company had no significant effect, whereas Al Lawati & Hussainey (2022) reported the opposite. The difference in findings suggests that the influence of company size on KAM disclosure still requires further empirical evidence.

In addition to the Company's characteristics and Auditor Characteristics, it is also suspected of influencing KAM's disclosure. One widely studied characteristic of auditors is audit tenure. Extended audit tenures theoretically equip practitioners with deeper insights into a client's specific operational traits, thereby enhancing their ability to pinpoint critical audit risks. Rahaman & Karim (2023) Research findings confirm that longer tenure has a positive impact on KAM disclosure, reinforcing the notion that auditor continuity enhances reporting on Key Audit Matters (KAM), while Amin & Handayani (2025) obtain insignificant results. Dhull et al. (2025) Also, conclude that the empirical evidence on the influence of *audit tenure* remains diverse.

Another auditor characteristic that allegedly affects KAM disclosure is the Size of the Public Accounting Firm (KAP). KAPs affiliated with the Big Four generally have more resources, audit methodologies, and experience auditing public companies, which may lead to different KAM disclosure practices than those of non-Big Four KAPs. However, the results of studies on the influence of KAP size remain inconsistent. Ferizqi & Reskino (2024) and Putri et al. (2026) Results indicate that audit firm size plays no decisive role in determining Key Audit Matters (KAM) disclosure practices, as no statistically significant effect was observed, while Kusumawati & Suhardianto (2025) found that the audit firm size has a significant negative influence on Key Audit Matters (KAM) disclosure. This suggests that clients engaged with non-Big Four accounting practices typically have a higher volume of Key Audit Matters disclosures than those audited by Big Four firms.

The inconsistency in previous research findings suggests that the factors influencing Key Audit Matters (KAM) disclosure warrant further empirical investigation, particularly in developing countries still in the early stages of fully implementing ISA 701 (Vickneswaran, 2026). This research gap can be further explained through agency theory, which views auditing as an oversight mechanism that helps reduce information asymmetry between corporate managers and investors by enhancing the quality and transparency of corporate disclosures. (Jensen & Meckling, 1976). In this context, KAM disclosure is one mechanism by which audit reporting can provide more transparent and relevant information to financial statement users. Therefore, further empirical examination is needed to identify the factors influencing KAM disclosure among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange.

This study focuses on Consumer Non-Cyclical companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2025. The study was conducted to determine whether operational complexity, firm size, audit tenure, and audit firm size influence the disclosure of Key Audit Matters (KAM) among Consumer Non-Cyclicals companies. This case study is important because KAM disclosure provides relevant information regarding matters that received significant auditor attention during the audit process. The findings of this study are expected to provide fresh empirical insights into the audit accounting domain and serve as important references for oversight institutions and stakeholders committed to fostering transparent and high-quality financial reporting.

Agency Theory

Agency Theory, put forward by Jensen & Meckling (1976) conceptualizes the organizational framework as a formal agreement in which equity holders, acting as principals, entrust executive management with operational decision-making authority to

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oversee the firm's activities. In this relationship, there is often a conflict of interest due to information asymmetry, a condition in which management has more information than shareholders. Information asymmetry can encourage management to act in its own interests, so a supervisory mechanism is needed to protect shareholders' interests.

An independent external audit serves as a primary supervisory tool, ensuring the accuracy of financial statements while highlighting critical operational areas that are vulnerable to significant misstatement or require substantial practitioner judgment. As financial reporting users need more transparent information, auditors not only deliver audit opinions, but also communicate the most significant audit areas through Key Audit Matters (KAM) in accordance with Audit Standard (SA) 701. Key Audit Matters (KAM) disclosure increases the transparency of auditor reports by providing information on audit risks, auditors' professional considerations, and the audit procedures performed, helping financial report users understand the basis for issuing an audit opinion (Al Lawati & Hussainey, 2022).

The interplay between enterprise attributes and auditing conditions plays a fundamental role in defining information asymmetry levels, which in turn conditions the degree of risk an auditor encounters during an engagement. As audit risk and information asymmetry increase, auditors devote greater attention to material and high-risk audit areas. Consequently, these matters are more likely to be identified and disclosed as Key Audit Matters (KAM) in the independent auditor's report.

Hypothesis Development

The Effect of Operational Complexity on Key Audit Matters (KAM) Disclosure

Operational complexity is characterized by ever-increasing diversity and the structural intricacy of the company's core business functions, as reflected in the variety of operations, the volume of transactions, and the level of operational risk. As operational complexity increases, auditors must assess a broader range of audit areas throughout the engagement. From an agency perspective, Jensen & Meckling (1976) Assert that heightened complexity within a firm's business operations generally widens the divide in access to information, separating corporate leadership from investors and making the role of independent auditors increasingly important in narrowing it through more extensive audit procedures. Consistent with the requirements of SA 701, audit matters that require the greatest attention and professional judgment from the auditor are reported as Key Audit Matters (KAM). Accordingly, companies with more complex operational structures are expected to disclose more KAMs.

This argument is supported by research by Dusadeedumkoeng et al. (2023), Son & Dwita (2024), Ferreira & Morais (2020), and Durohman et al. (2025) These empirical results demonstrate a direct positive relationship between enterprise complexity and the comprehensiveness of Key Audit Matters disclosure. The evidence suggests that as a company's business operations become increasingly intricate, a wider range of audit areas comes under closer scrutiny, which in turn increases the probability that auditors will report these issues as KAM in their independent audit report. Grounded in the theoretical and empirical arguments outlined above, this study proposes the following hypothesis:

H1: The complexity of operations has a positive effect on Key Audit Matters (KAM) disclosure.

The Effect of Firm Size on Key Audit Matters (KAM) Disclosure

The firm size indicates the Size of its operations and resources. Larger companies generally have more diverse operational activities, higher transaction volumes, and more complex business risks than smaller companies. Predicated on Agency Theory Jensen & Meckling (1976), such a situation widens the information gap between the organization's senior management and the shareholders. This operational complexity obligates auditors to extend the scope of their substantive procedures to secure reasonable assurance that

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the financial reports are free from material misstatements. In accordance with Audit Standard (SA) 701, the issues that demand the greatest audit focus throughout this process are designated and reported as Key Audit Matters (KAM). Therefore, larger companies are expected to disclose more Key Audit Matters.

This argument is supported by research. Al Lawati & Hussainey (2022) and Mah'd & Mardini (2022). Empirical evidence reveals that enterprise scale positively correlates with the volume and detail of Key Audit Matter disclosures. When a company expands, audit engagements tend to become broader in scope (due to more operational activities, increased business process complexity, and higher audit risk). This implies that audit teams will identify complex accounting areas requiring heightened analytical scrutiny and highlight them as Key Audit Matters (KAMs) in the final audit documentation. Accordingly, the empirical relationship is hypothesized as follows:
H2: The firm size has a positive effect on Key Audit Matters (KAM) disclosure.

The Effect of Audit Tenure on Key Audit Matters (KAM) Disclosure

Audit tenure denotes the total duration of uninterrupted, consecutive years during which an independent auditor or public accounting firm provides professional audit engagement services to a given corporate client. The longer an auditor works with a company, the better their understanding of the firm's characteristics, internal control systems, and business risks will be. In perspective, Agency Theory Jensen & Meckling (1976). This understanding can help auditors reduce information asymmetry between executive management and shareholders, enabling them to contribute more reliable audit information. In accordance with Audit Standard (SA) 701, auditors identify the matters of greatest significance during the audit process as Key Audit Matters (KAM). Therefore, auditors with longer audit tenures are better able to identify and reveal relevant Key Audit Matters.

This argument is supported by research. Rahaman & Karim (2023) and Al-Asmakh et al. (2024). These findings indicate that audit tenure positively affects the Key Audit Matters (KAM) disclosure. Through prolonged audit tenure, practitioners cultivate a comprehensive familiarity with the client's organizational dynamics, operational ecosystem, and underlying business exposure, enabling more targeted financial oversight. Accordingly, auditors are better positioned to identify audit matters that require the greatest level of professional judgment and should therefore be communicated as Key Audit Matters. Considering the preceding synthesis of theoretical literature and prior empirical evidence, the study advances the following hypothesis:
H3: The audit tenure has a positive effect on Key Audit Matters (KAM) disclosure.

The Effect of Audit Firm Size on Key Audit Matters (KAM) Disclosure

The Audit Firm Size refers to the capacity and resources that auditors have to carry out the audit process. KAPs affiliated with the Big Four generally have more experience, audit methodologies, and resources than non-Big Four KAPs. In this perspective, Agency Theory Jensen & Meckling (1976) Auditors with greater competence and resources are expected to reduce information asymmetry by implementing quality audits. In accordance with SA 701, the most significant audit areas are communicated as KAM disclosure. Therefore, the size of the audit firm is estimated to affect KAM disclosure.

This argument is supported by research by Al Lawati & Hussainey (2022), Mah'd & Mardini (2022), and Sania & Ali (2024). These observations imply that auditor size positively impacts the degree of Key Audit Matters (KAM) disclosure. Public Accounting Firms with stronger resources, greater auditor expertise, and more effective quality control systems are generally better equipped to identify significant audit areas more comprehensively. As a consequence, independent audit reports tend to include more Key Audit Matter (KAM) disclosures to highlight high-risk audit areas. Grounded in the arguments above, this study advances the following hypothesis:

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H4: The audit firm size has a positive effect on Key Audit Matters (KAM) disclosure.

Based on this description, the relationship among the research variables can be framed as follows.

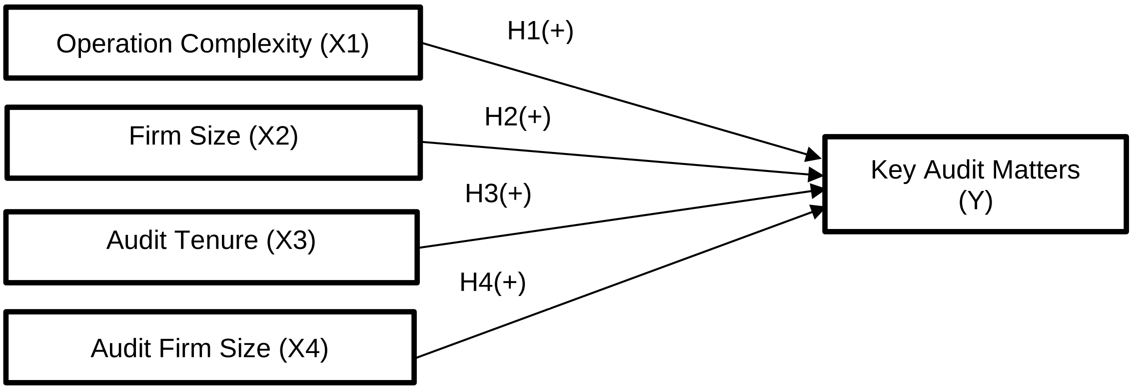

Figure 1. Thinking Framework
Source: Process Data (2026)

METHODS

This study employed a quantitative research method to examine the relationship between the research variables using measurable data and hypothesis testing. (Sugiyono, 2023). The study used secondary data obtained from the annual reports and independent auditor reports of Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2022–2025. The population comprised 132 Consumer Non-Cyclical companies listed on the IDX during the observation period. Data were collected using documentation techniques from the official IDX database and the respective company websites. The sample was selected using purposive sampling, a non-probability sampling technique based on specific considerations relevant to the research objectives. (Sugiyono, 2023). The final sample comprised 85 companies, yielding 340 firm-year observations.

The data analysis technique used in this study was panel data regression analysis. Panel data combines cross-sectional and time-series data. (Napitupulu et al., 2021). The analysis was conducted in EViews 13 through several stages, beginning with descriptive statistics, followed by panel data model selection using the Chow, Hausman, and Lagrange Multiplier (LM) tests. Classical assumption tests were then conducted, including tests for multicollinearity and heteroskedasticity. The panel regression analysis was performed using the selected model, followed by hypothesis testing using the t-test and coefficient of determination (R^2).

The regression model is specified as follows:

$$\mathrm{KAM} = \alpha + \beta_1 \mathrm{KO} + \beta_2 \mathrm{SIZE} + \beta_3 \mathrm{AT} + \beta_4 \mathrm{KAP} + e$$

Description:

KAM = Key Audit Matters (KAM) disclosure
α = Konstanta
$\beta_1, \beta_2, \beta_3, \beta_4$= Regression coefficient
KO = Complexity of Operations

SIZE = Firm Size
AT = Audit Tenure
KAP = Audit Firm Size
e = Error term

Table 1. Variables and Measurements

Variabel	Measurement	References
Dependent Variable		
Key Audit Matters (KAM) Disclosure	The total count of Key Audit Matters (KAM) disclosure presented in the independent auditor's report for a given reporting period.	(Al Lawati & Hussainey, 2022)
Independent Variable		
Operational Complexity	Number of subsidiaries the Company owns	(Wuttichindanon & Issarawornrawanich, 2020)
Firm Size	Ln(Total Assets)	(Al Lawati & Hussainey, 2022)
Audit Tenure	Number of consecutive years KAP has audited the same Company	(Hussin et al., 2023)
Audit Firm Size	Dummy variable: 1 = Big-4 auditor; 0 = Non-Big-4 auditor	(Rahaman & Karim, 2023)

Source: Process Data (2026)

RESULTS AND DISCUSSION

The variables examined in the descriptive statistical analysis include Key Audit Matters (KAM) disclosure, operational complexity, firm size, audit tenure, and audit firm size among Consumer Non-Cyclicals companies during 2022–2024. The variables were described using the minimum, maximum, mean, and standard deviation, and the analysis was conducted in EViews 13.

Table 2. Descriptive Statistics

	Min	Max	Mean	Std. Dev	Obs.
KAM	0	4	1.200	0.481	340
KO	0	20	4.197	4.583	340
SIZE	14	31	23.729	5.298	340
AT	1	4	2.135	1.105	340
KAP	0	1	0.338	0.474	340

Source: Compiled by the author based on data processed using EViews 13 (2026).

Table 2, which presents baseline characteristics for each metric analyzed, uses a sample of 340 firm-year observations from non-cyclical consumer goods companies listed on the Indonesia Stock Exchange during the 2022–2025 period. The number of Key Audit Matters (KAM) disclosure communicated by auditors averaged 1.200 per report (SD = 0.481), with the sample distribution ranging from 0 to 4 matters. Overall, these figures indicate that, on average, a company lists approximately one to two Key Audit Matters in its external audit documentation.

The Operational Complexity (KO) variable records an average value of 4.197, with the lowest observation at 0 and the highest at 20. This distribution reflects considerable differences in operational complexity among the sampled companies. The variable Firm Size (SIZE) had a mean of 23.729 and a range of 14 to 31 over the sampled period, indicating noticeable variation in firm size across the sample. Audit Tenure (AT) averages 2.135, with values ranging from 1 to 4, indicating that auditor-client engagements lasted approximately 2 years. Meanwhile, the audit firm size (KAP) variable has a mean value of 0.338, showing that Big Four firms audited 33.8% of the sampled companies, whereas non-Big Four firms audited 66.2%.

Overall, the descriptive statistics indicate that the research variables exhibit sufficient variation to support further empirical analysis. Following the examination of the distributional characteristics of the sample data, the analysis proceeded with panel data model selection, followed by classical assumption tests. The selected panel regression model was then used for regression analysis and hypothesis testing.

Table 3. Test Panel Data Model

Effects Test	Prob.	Criteria	Results
Chow Test	0.000	0,05	Fixed Effect Model (FEM)
Hausman Test	0.039	0,05	Fixed Effect Model (FEM)

Source: Compiled by the author based on data processed using EViews 13 (2026).

As depicted in Table 3, the results indicate that the Chow test yielded a p-value that, while greater than zero, did not reach the established threshold of 0.05, hence confirming the appropriateness of the Fixed Effects Model (FEM) over competing approaches. The Hausman test corroborated this specification, yielding a p-value of 0.039. Because this probability falls below the standard 0,5 significance threshold, it confirms that the Fixed Effects Model (FEM) is the optimal analytical framework for this panel dataset. Consequently, conducting the Lagrange Multiplier (LM) test is unnecessary, as the initial Hausman test results have clearly and conclusively determined the choice of estimation model.

Table 4. Multicollinearity Test

Variabel	Correllation	Breeding	Conclusion
KO - SIZE	0.240876	< 0.80	No Multicollinearity
KO – AT	0.108314	< 0.80	No Multicollinearity
KO – KAP	0.293858	< 0.80	No Multicollinearity
SIZE – AT	0.116193	< 0.80	No Multicollinearity
SIZE – KAP	0.399412	< 0.80	No Multicollinearity
AT - KAP	0.165910	< 0.80	No Multicollinearity

Source: Compiled by the author based on data processed using EViews 13 (2026).

The purpose of the multicollinearity test is to check for strong pairwise or multiple collinearity between the regressor variables prior to hypothesis testing. Ideally, a regression model requires the complete absence of severe linear dependencies among its explanatory variables to ensure unbiased parameter estimates. Based on the data analysis results presented in Table 4, all correlation coefficients among the independent variables are below 0.80; therefore, the regression model is free from multicollinearity.

Table 5. Heteroscedasticity Test

Variabel	Prob.	Criteria	Conclusion
KO	0.6915	> 0.05	No Evidence of Heteroscedasticity
SIZE	0.1487	> 0.05	No Evidence of Heteroscedasticity
AT	0.1978	> 0.05	No Evidence of Heteroscedasticity
KAP	0.9817	> 0.05	No Evidence of Heteroscedasticity

Source: Compiled by the author based on data processed using EViews 13 (2026).

The heteroskedasticity test results indicate that all independent variables yield p-values exceeding the 0.05 significance level. These results confirm that heteroskedasticity is not an issue.

Table 6. Fixed Effect Model Data Regression Analysis

Variable	Coefficient	Std. Error
(Constant)	2.047036	1.103448
KO	0.046868	0.046488
SIZE	- 0.036790	0.047127
AT	0.029644	0.021936
KAP	- 0.691911	0.253692

Source: Compiled by the author based on data processed using EViews 13 (2026).

Based on Table 6, the panel linear regression output under the Fixed Effects Model (FEM) framework generates the following empirical equation:

KAM = 2.047036 + 0.04686868KO - 0.036790SIZE + 0.029644AT - 0.691911KAP + e

According to the regression equation above, the regression coefficients are: operational complexity (KO) 0.046868; Firm size (SIZE) -0.036790; audit tenure (AT) 0.029644; and audit firm size (KAP) -0.691911. The positive regression coefficients observed for operational complexity and audit tenure confirm that these variables move in the same direction as Key Audit Matters (KAM) disclosure, supporting the theoretical expectations. Conversely, the negative regression coefficients for firm size and audit firm size indicate an inverse association with Key Audit Matters (KAM) disclosure, suggesting that larger corporate scale and major audit practices are associated with a lower volume of reported KAMs.

Table 7. Coefficient Determination Test

R-squared	0.540988
Adj R-squared	0.380060

Source: Compiled by the author based on data processed using EViews 13 (2026).

As detailed in Table 7, the model yields an adjusted R^2 of 0.380060, demonstrating that operational complexity, firm size, audit tenure, and audit firm size account for 38.01% of the variation in Key Audit Matter (KAM) disclosures. This reflects a moderate overall explanatory capability. Consequently, factors outside the present model drive the remaining 61.99% of the variance, highlighting potential avenues for future empirical research to explore additional determinants of KAM reporting.

Table 8. T-Test Results

Variabel	Coefficient	t-Statistic	Significance	Results
KO	0.046868	1.008179	0.3143	Positive, insignificant
SIZE	- 0.036790	-0.780668	0.4357	Negative, insignificant
AT	0.029644	1.351359	0.1778	Positive, insignificant
KAP	- 0.691911	-2.727360	0.0068	Negative, significant

Source: Compiled by the author based on data processed using EViews 13 (2026).

According to the results presented in Table 8, the t-test shows that operational complexity, firm size, and audit tenure do not exert a statistically significant influence on Key Audit Matters (KAM) disclosure. Conversely, audit firm size exerts a statistically significant negative influence on Key Audit Matters (KAM) disclosure. These findings demonstrate that among all explanatory variables evaluated in the empirical model, only audit firm scale significantly impacts KAM reporting, operating through an inverse relationship.

The Effect of Operational Complexity on Key Audit Matters (KAM) Disclosure

The findings indicate that operational complexity has no significant effect on Key

Audit Matters (KAM) disclosure. However, the regression coefficient is positive, leading to the rejection of the first hypothesis (H1). From the perspective of agency theory, greater operational complexity can increase information asymmetry between management and external stakeholders and increase the monitoring demands on auditors. However, the number of subsidiaries does not significantly determine KAM disclosure. In accordance with SA 701, auditors identify KAM based on matters that require significant auditor attention and professional judgment, particularly those involving significant risks of material misstatement. Therefore, a more complex organizational structure does not necessarily lead to more KAM disclosures.

The findings of this study are consistent with those of Durohman et al. (2025) and Rosdini (2025), who found that operational complexity positively affects KAM disclosure. However, their findings differ from the present study in terms of statistical significance. In contrast, Ramadhan & Putri (2026) reported a negative effect of operational complexity on KAM disclosure, which differs from the positive direction found in this study. These differences indicate that the relationship between operational complexity and KAM disclosure is not consistent across research settings. Overall, the insignificant result suggests that the number of subsidiaries alone is insufficient to explain variations in KAM disclosure, as KAM identification is also guided by the significance of audit matters and auditors' professional judgment in accordance with SA 701.

The Effect of Firm Size on Key Audit Matters (KAM) Disclosure

The empirical results show that firm size does not significantly affect Key Audit Matters (KAM) disclosure, although the estimated coefficient is negative. Consequently, the second hypothesis (H2) is not supported. Agency theory suggests that larger firms may face greater information asymmetry due to their broader operations and wider stakeholder interests, thereby increasing the need for effective monitoring. Nevertheless, the evidence indicates that company size does not significantly determine the number of KAM reported by auditors. Under SA 701, KAMs are selected based on matters that received significant auditor attention and involved substantial professional judgment during the audit, rather than on the size of the audited entity.

This result is consistent with Putra & Dwita (2024) and Ferizqi & Reskino (2024), who found no significant relationship between firm size and Key Audit Matters (KAM) disclosure. However, it contrasts with the findings of Al Lawati & Hussainey (2022) and Mah'd & Mardini (2022), who reported a positive relationship. The differences in findings indicate that firm size does not consistently explain variations in KAM disclosure across research settings. In this study, the insignificant result indicates that total assets alone are insufficient to explain variations in Key Audit Matters (KAM) disclosure, as KAM selection remains guided by the significance of audit matters and auditors' professional judgment.

The Effect of Audit Tenure on Key Audit Matters (KAM) Disclosure

The empirical results show that audit tenure has no statistically significant effect on Key Audit Matters (KAM) disclosure, leading to the rejection of the third hypothesis (H3). From the perspective of agency theory, auditing functions as a monitoring mechanism that helps reduce information asymmetry between management and external stakeholders. These findings indicate that the length of the auditor-client relationship does not determine the extent of KAM disclosure in the independent auditor's report. Although longer audit tenure may provide auditors with greater familiarity with the client's operations and business environment, KAM disclosure is primarily determined by the significance of matters identified during the current audit engagement. In accordance with SA 701, the selection of KAM is based on the auditor's professional judgment regarding matters that required significant auditor attention during the audit of the current period's financial statements.

The outcomes obtained in this study are consistent with the findings of Amin &

Handayani (2025), who found that audit tenure did not affect KAM disclosure. However, this result differs from Rahaman & Karim (2023), who found that audit tenure had a positive effect on KAM disclosure. These findings indicate that audit tenure is not a major factor in determining KAM disclosure, as auditors' decisions to disclose KAM are based on the significance of audit risks, audit evidence obtained, and professional judgment during the audit process.

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The Effect of Audit Firm Size on Key Audit Matters (KAM) Disclosure

The regression results demonstrate that audit firm size (KAP) has a statistically significant negative effect on Key Audit Matters (KAM) disclosure, leading to the rejection of the fourth hypothesis (H4). The results indicate that companies audited by Big Four firms disclose fewer KAMs than those audited by non-Big Four firms. From the perspective of agency theory, auditing functions as a monitoring mechanism that helps reduce information asymmetry between management and external stakeholders. KAM disclosure supports this monitoring function by providing users of financial statements with information about matters that received significant auditor attention during the audit. However, KAM disclosure is not determined solely by audit firm size. In accordance with SA 701, KAMs are selected based on matters that require significant auditor attention and the auditor's professional judgment during the audit of the current period's financial statements. Therefore, the negative relationship found in this study indicates that Big Four audit firm status is associated with lower KAM disclosure. At the same time, the selection of KAM remains guided by the significance of audit matters and auditors' professional judgment.

This finding is consistent with Baatwah (2023), who found that Big Four auditors tended to disclose fewer KAMs. In contrast, the result differs from Al Lawati & Hussainey (2022) and Mah'd & Mardini (2022), who reported a positive relationship between Big Four audit firms and KAM disclosure. These differences indicate that the relationship between audit firm size and KAM disclosure is not consistent across research settings. The negative effect observed in this study indicates that Big Four status is associated with lower KAM disclosure. At the same time, the selection of KAM continues to be based on the significance of audit matters and auditors' professional judgment in accordance with SA 701.

CONCLUSION

This study examined whether operational complexity, firm size, audit tenure, and audit firm size influence Key Audit Matters (KAM) disclosure in Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2022–2025. The findings indicate that operational complexity, firm size, and audit tenure do not significantly influence KAM disclosure, suggesting that the number of subsidiaries, company size, and length of the auditor-client relationship do not determine the number of KAM disclosed by auditors. In contrast, audit firm size has a negative and significant influence on KAM disclosure, indicating that companies audited by Big Four firms tend to disclose fewer KAM than those audited by non-Big Four firms. This finding does not support the proposed hypothesis, which predicted a positive relationship between audit firm size and KAM disclosure. Overall, the findings suggest that audit firm characteristics have a greater role in KAM disclosure than operational complexity, firm size, and audit tenure. Future research may consider alternative measures of operational complexity, incorporate additional corporate governance, firm, and auditor-related variables, and extend the observation period to provide broader evidence on the determinants of KAM disclosure.

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