The Effect of Key Audit Matters on Audit Quality, Audit Fee, and Audit Report Lag (Empirical Study on IDX listed company from 2021-2022)

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Article Info

ABSTRACT

This study aims to examine the effect of key audit matters on audit quality, audit fees, and audit report lag. Key audit matters is an independent variable, then the audit quality, audit fees, and audit report lag as dependent variables. This study adds firm size, profitability, solvability, audit committee size and big4 audit firms as control variables. The sample selected in this study were all non-financial sector companies listed on IDX in 2021-2022 with total sample 1024 company samples. The selection of samples used purposive sampling approach with criteria and prerequisites that have been determined by the author. Hypothesis analysis used by researchers in testing the hypothesis is multiple linear regression analysis. The results of the study obtained results that application of key audit matters has a significant effect on improving the quality of financial report audits. The application of key audit matters also has a significant negative effect on audit report lag. The main cause of the decrease in audit duration is not due to the application of key audit matters, but the revocation of the relaxation limit for financial report reporting. Finally, the application of key audit matters does not have a significant effect on audit fee.

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1. INTRODUCTION

The Enron problem that occurred in the early 21st century caused a decrease in public confidence in the public accounting profession, in addition to seeing this phenomenon, the audit supervisory body increased the independence and professionalism of auditors in order to restore the good name of the profession. The changes made to improve these two aspects are to establish supervisory bodies in each country and continue to update auditing standards by looking at developments in society. The renewal of binding regulations for auditors is due to the assumption that the auditor profession is increasingly directed towards commercial goals rather than aiming at the social sector. In addition to this phenomenon, the ease of obtaining information makes humans more open to everything such as the financial sector. The increase in public understanding of financial sector is marked

by the start of the younger generation starting to carry out investment activities from an early age and being familiar with the Investment decisions are based on the financial statements and annual reports of the company. International Auditing and Assurance Standards Board (IAASB) and Public Company Accounting Oversight Board (PCAOB) recognized the phenomenon that transpired in society, and they recognized that the usefulness of financial statements had increased in both quantitative and qualitative terms. Additionally, the public's desire for additional information disclosure in financial statements, in addition to the auditor's opinion on the fairness of the values contained in the financial statements, had increased. Consequently, on December 15, 2016, the IAASB issued ISA 701, which governs key audit matters (KAM) in order to enhance the value of a financial report and the value of financial statement users.

As a developing country or third world country, Indonesia can be said to be quite late in implementing the key audit matters policy. [1] as the regulator of the public accounting profession in Indonesia has only implemented the policy of adding key audit matters paragraphs to the financial statements for *fiscal year 2022*. Meanwhile, other developing countries in the Southeast Asian region, such as Thailand, Singapore and Malaysia, applied this policy earlier [2].

Key audit matter, abbreviated as KAM, is the auditors' expert opinion on the most important parts of the audited financial statements for a certain fiscal year [1]. The purpose of include a main audit issues paragraph in the independent auditor's report is to increase the financial report's openness by explaining the auditor's conclusions, according to IAPI. Improving the financial statements' informativeness for their intended users and assessing critical components of financial statement [1].

This research refers to research that has been compiled by [3] In this research, we look at the pros and cons of implementing major audit subjects in Australia. While the new format in the independent auditor's report does

increase audit fees, it also improves the quality of financial report [3]. In addition, a number of authorities have said that financial statement audits are often of higher quality after using key audit subjects. [3], [4]. In addition to improving audit quality, the application of key audit matters also has an effect on increasing audit costs [3], [5]. The increase in costs can be due to auditors needing additional resources, time, and audit procedures to avoid errors in communicating key audit matters. [6]–[9]. Although the addition of significant audit items was thought to improve audit quality, Gutierrez et al. [15] discovered no such association. This study was conducted to determine whether the inclusion of a key audit matters paragraph in the most recent independent auditor's report format has an impact on the quality of audits in Indonesian companies, as evaluated by the value of discretionary accruals, audit fees, and audit delay.

Through the results of research data analysis, it was found that with the application of key audit matters there was a decrease in the value of discretionary accruals by 1.210 or it can be said that there was an increase in audit quality by 1.210, besides that audit fees increased by 7.2 per cent, and a decrease in audit delay of 10 days.

Findings from the data analysis suggest that there may be other factors contributing to the increase in audit expenditures beyond the requirement for additional resources, time, and audit procedures compared to earlier times. An increased danger of legal action for auditors is introduced by the use of substantial audit subjects. Auditors decide to increase audit fees to offset this risk [10]. Meanwhile, the decrease in audit delay is quite contradictory, based on the assumptions that have been built with the application of key audit matters, auditors need more time so that in their determination there are no errors. However, in Indonesia there is a change in the regulation on the reporting limit for audited financial statements, After the Company's books were closed in 2021, a maximum of 120 days might pass. But in 2022, that duration

was shortened to 90 days. In light of the recent COVID-19 outbreak, the decision was taken to provide a 120-day relaxation period.

This research provides several contributions. First, it is a reference material for researchers who want to know the effect of the application of key audit matters on audit quality, audit fees, and audit delay in the Southeast Asian region, especially in Indonesia. Second, it is an initial research topic in Indonesia because the new key audit matters policy was implemented in Indonesia in the fiscal year 2022 financial statements.

2. LITERATURE REVIEW

High awareness of financial statement information in Indonesian society causes financial information disclosure to be promoted. This is what makes regulators [11] and [1] especially as a regulator of public accountants in Indonesia to implement SA 701 regarding key audit matters (KAM) which was established by the IAASB earlier in 2015. The financial accounts for the fiscal year 2022 in Indonesia were audited according to new, significant standards. Any company planning an IPO or already listed on the Indonesia Stock Exchange must comply with this regulation.

A portion of the financial statements—specifically, the independent auditor's report—had to have its structure changed due to the emergence of significant audit issues in Indonesia. The opinion section, which was previously located at the conclusion of the independent auditor's report, is now located on the first page of the redesigned format. The financial accounts are the responsibility of the Those Charged with Governance (TCWG) and management, while the auditor is responsible for auditing them. After that, the foundation of opinion and important audit issues are presented. At first glance, the latest independent auditor's report looks more communicative and comprehensive than the previous year's independent auditor's report or before the application of key audit matters.

2.1 Key Audit Matters

In July 2021, the Indonesian Public Accountants Standards Board established an audit standard on key audit matters. This SA is an adoption of the international audit standard 701 which has been listed in the "Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncement-2018" [1]. Key audit matters are considerations that have been determined by the auditor during the engagement period and must be communicated in the independent auditor's report [1].

Critical audit items are submitted to consumers of financial statements by auditors with the goal of:
1) Give understanding to financial statements users which parts need more research and analysis.
2) Find out which risks were regarded significant by the auditor and might lead to major mistakes in the financial accounts.
3) Describe how the auditor reacts to these risks and the conclusions the auditor reaches as a result of the audit procedures performed.

According to [12], If the independent auditor's comments are included in the financial statements, as published by the IAASB, readers of financial statements may pay more attention to the contents of the auditor's report. [13] conducted a study to examine the impact of significant audit issues on audit quality, the study resulted that the quality of audits can be enhanced by the implementation of key audit matters. when considering the initial implementation. [14] found that in the initial implementation of Justification of Assessment (JOA) similar to key audit matters in France in 2003 there was an increase in audit quality in its first implementation, but there were no findings regarding the improvement of audit quality after initial implementation. However, Important audit themes may or may not affect audit quality, according on the available data. According to research by Gutierrez et al. [15], audit quality was unaffected by the addition

of substantial audit items. Nevertheless, audit costs did rise as a consequence.

2.2 Audit Quality

The quality of audit results can be evaluated in a variety of ways, including their ability to adhere to the principles of transparency, accountability, and comprehensibility. Audit quality is defined as the likelihood of a public accountant disclosing client errors to the public [16]. According to [17], audit quality is determined by the extent to which auditors adhere to relevant audit standards. The disclosure of key audit matters set by the IAASB is expected to increase the communicative value and transparency to users of financial statements, with an increase in communicative value and transparency can have an impact on improving audit quality [11]; [21]; [18]; [19]. Expectations of increased communicative and transparency aspects cause auditors to have higher liabilities than before. Auditors will perform more comprehensive audit procedures, use more professional judgement, and will conduct an in-depth review of how to communicate KAM to the public so that there are no mistakes in conveying something that is considered significant during the audit engagement.

2.3 Audit Fee

In supporting the continuity of the audit process, auditors need support from several aspects such as human and financial resources. with the fulfilment of these two aspects, an auditor can carry out audit procedures properly. Therefore, the auditor will charge the client an audit fee to support the audit process. [20]. There are internal and external factors that can be a reference in determining the amount of audit fees. Internal factors are the working hours of the engagement team [21]. External factors that underlie the audit engagement fee are the complexity of audit services, company size, company risk, and the audit firm conducting the audit [16].

Seeing the purpose of implementing key audit matters in improving audit quality, there are other aspects that, if looked at

carefully, will also be affected, one of which is audit costs. at the initial implementation of key audit matters, public accounting firms will provide training on key audit matters to auditors and auditors will provide more time and effort than before [7], [9]. However, there are other opinions that say that auditors do not need more effort to find additional information for consideration of determining key audit matters, because the information needed by auditors may already be contained in the auditor's professional standards [8].

2.4 Audit Report Lag

From the time the company's books close on December 31st until the engagement partner signs the financial statements, there is a lag in the auditor's examination of those statements. This lag is also called an audit delay [22]. The timeliness of financial reporting is one aspect that needs attention. [23] explains that audited financial reports need to be reported immediately so that decision makers do not lose the relevance of the contents of a financial report.

With the introduction of Key Audit Matters (KAM) in 2023, the structure of the independent auditor's report will change. It takes auditors longer to complete the financial statement audit after the first KAM installation. One of the reasons auditors take a long time to disclose KAM is that the auditor in the preparation will be careful in conveying the paragraph to the public so that the litigation risk attached to the auditor is not too significant and the auditor is precise enough in disclosing KAM to the public.

3. METHODS

Using secondary data, this investigation is conducted. In this study, researchers employed all sectors of the Indonesia Stock Exchange, with the exception of the financial sector, as their population. The exclusion of the use of the financial sector is because in the presentation of financial statements, the financial sector has a different report format, therefore in order to avoid heterogeneous data, researchers exclude the financial sector from the study population. In

determining the research sample, the authors used a purposive sampling approach.

Panel data regression is implemented during data analysis. Panel data regression was implemented in this investigation as a consequence of the incorporation of data on numerous enterprises and a time series.

3.1 Data Collection

Data collection (*collecting data*) is carried out using several techniques, namely 1) documentation, reference materials for data that refer to previous research and similar research. 2) In order to get the needed data, we need to get annual and financial reports from service sector companies listed on the IDX (Indonesia Stock Exchange) between 2021 and 2022. 3) Literature study, which is a method of collecting data through the use of previous literature as a reference and support consisting of articles; journals; and books [24].

3.2 Sampling

The selection of research samples used a purposive sampling approach. The specified criteria are 1) All non-financial

company sectors that are registered or listed on the Indonesia Stock Exchange and have published audited financial reports for 2021 and 2022 respectively. The researcher chose all non-financial companies because he wanted to see the effects of the implementation of KAM on companies in Indonesia, 2) All non-financial companies that have been registered or listed on the IDX before 2021, 3) Companies that use the rupiah currency unit in audited financial reports. The selection of the rupiah currency unit aims to form a homogeneous research sample, 4) Financial reports or annual reports of public companies or listed on the IDX which contain all the information that will be used in the research variables. Research sample shows at table 1.

3.3 Data Analysis

This research uses the Eviews 12 application in processing and analyzing data. Apart from being used as data analysis and processing, Eviews 12 is used as a tool to test the hypotheses developed in this study.

Table 1 Research Sample

Model 1: Sample for Audit Quality

Total Indonesia Stock Exchange listed Company	809
Delete: Financial sector companies	(105)
Companies with foreign currency	(94)
The company does not publish financial statements for two consecutive years	(98)
Sample Audit quality research	535
Sample audit quality in the two years of observation	1070

Model 2: Sample for Audit Fee

Total Indonesia Stock Exchange listed Company	809
Financial sector companies	(105)
Companies with foreign currency	(94)
The company does not publish financial statements for two consecutive years	(98)
The company does not provide data to support research	(150)
Sample Research audit fees	362
Sample audit fees in the two years of observation	724

Model 3: Sample for Audit Report Lag

Total Indonesia Stock Exchange listed Company	809
Financial sector companies	(105)
Companies with foreign currency	(94)
The company does not publish financial statements for two consecutive years	(98)
Sample Research audit report lag	535

Sample audit report lag in the two years of observation   1070

4. RESULTS AND DISCUSSION

Table 2 Descriptive Analysis

Variables	N	Mean	Std Dev	Minimum	p25	p50	p75	Max
ABS_DA	1024	0,144	0,179	0,001	0,037	0,078	0,137	3,013
LN_FEE	724	20,080	1,231	18,133	19,078	19,936	20,906	25,358
DELAY	1024	92,565	28,470	27	83	88	102	414
DER	1024	0,823	1,762	-14,890	0,084	0,373	0,939	21,309
ROA	1024	0,019	0,125	-1,593	-0,010	0,021	0,068	0,408
SIZE	1024	27,999	1,997	14,849	26,698	27,899	29,380	33,655
AC	1024	2,985	0,357	1	3	3	3	6

Source: Processed primary data (2024)

Table 3 Dummy Variabel Descriptive Analysis

Dummy Variable	Category	Meaning of Category	Frequency	Percent
BIG4	0	*Non-Big4*	784	
	1	*Big4*	240	

Source: Processed primary data (2024)

4.1 Analysis Descriptive

4.1.1 Audit Quality

There are many ways to determine audit quality. one way that is quite reliable in determining audit quality is to use discretionary accrual calculations in a company [3]. Referring to the descriptive analysis table, the minimum value of discretionary accrual is 0.001 owned by PT. Adhi Commuter Property Tbk and PT Avia Avian Tbk then the maximum value is 3.013 presented by PT Plaza Indonesia Realty. The average value and standard deviation are 0.144 and 0.179, respectively.

4.1.2 Audit Fees

Audit fees are fees charged by public accounting firms to companies or clients. The calculation used in determining the audit fee is the natural logarithm of the total fee charged to the company. The descriptive analysis table presents that the maximum value of 25,358 belongs to PT Astra International Tbk. and the minimum value of 18,133 belongs to PT Hotel Fitra Internasional Tbk. The distribution of data on audit cost variables spreads evenly, judging from the average value of 20.080 greater than the standard deviation value of 1.231.

4.1.3 Audit Report Lag

All the time it takes for an auditor to complete an audit is known as audit lag, or audit delay. The variance between the date on which the independent auditor's report is prepared and the date on which the company's books are closed is known as the audit report lag.

4.1.4 Solvability

Solvency is a ratio used to see the company's ability to resolve all of its obligations in one year. The solvency ratio used in this study is the leverage ratio. A company's leverage ratio indicates its level of debt in relation to its equity. Companies with high leverage ratios indicate that the company carries out company activities with debt. The maximum value presented is 21,309 belonging to PT ATIC and the minimum value is - 14,890 belonging to PT VIVA. The distribution of solvency ratio data between one company and another is unevenly distributed as seen through the standard deviation value higher than the average value (1.762>0.144).

4.1.5 Profitability

One way to look at a company's financial health right now is by looking at its profitability. In addition to showing how profitable the business is, the profitability ratio is a good indicator of how well management is doing their job. To get the profitability ratio, take the firm's total assets and divide them by the net income for the current year. The descriptive analysis table shows that the lowest profitability value is owned by PT TRIO with a value of -1.59 and the highest is owned by PT BALI with a value of 0.408. The average value and standard deviation presented are 0.019 and 0.125, respectively.

4.1.6 Company Size

The size of a business is a measure of its magnitude. There are a lot of ways to find out how big a firm is. You may look at their assets, revenue for the year, number of subsidiaries, and employees to get a good idea. Using the natural logarithm of the total assets, this study measures the size of the firm. The company with a large size is PT Astra International Tbk. with a value of 33.655 and a small size is PT TCPI with a value of 14.849. The mean value presented is 27.999 and the standard deviation is 1.997.

4.1.7 Big4 Audit Firm

[25] explained that reputable KAP (big four) are the largest audit service providers in the world, called big four, namely Deloitte & Touche (Deloitte), Ernst & Young (EY), PricewaterhouseCoopers (PwC), and Klynveld Peat Marwick Goerdeler (KPMG). The title of big four KAP will be closely guarded by the KAP included in the list as a form of validation to the public that the big four KAP is indeed a company that provides the best audit services. In addition to the name, quality, and performance, the designation of big four KAP is also seen from the number and quality of employees, and the use of technology to support the audit process.

4.1.8 Audit Committee

The audit committee is a committee in a company that is responsible for assisting the duties and functions of the board of commissioners. POJK No. 55/POJK/04/2015 explains that every company is required to have an audit committee board. The minimum number of the company's audit committee board is three people and is chaired by an independent board of commissioners. The audit committee board must have one audit committee member with a background and specialization in accounting and finance.

4.2 Panel Data Regression

4.2.1 Panel Data Model 1

Table 4 Chow Test Model 1

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.210661	(511,506)	0.0157
Cross-section Chi-square	817.856986	511	0.0000

Source: Processed primary data (2024)

The chi-square probability value for the cross-section was found to be less than 0.05 according to the chow test results in model 1.

The fixed effect model is used for the regression analysis.

Table 5 Hausman Test Model 1

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.183414	6	0.0277

The cross-section random probability value is statistically significant at the 0.05 level, according to the Hausman test results in model 1. The fixed effect model is used for the regression analysis.

4.2.2 *Panel Data Model 2*

Table 6 Chow Test Model 2

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.066740	(361,356)	0.0000
Cross-section Chi-square	818.145834	361	0.0000

The cross-section chi-square probability value was found to be less than 0.05 according to the chow test results in model 2. The fixed effect model is used for the regression analysis.

Table 7 Hausman Test Model 2

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.143079	6	0.0088

Through the Hausman test results in model 2, Probability value lower than 0.05 was found for the cross-section random probability. The fixed effect model is used for the regression analysis.

4.2.3 *Panel Data Model 3*

Table 8 Chow Test Model 3

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.808175	(511,506)	0.0000
Cross-section Chi-square	1063.810379	511	0.0000

Through the chow test results in model 3, chi-square probability value lower than 0.05 was found for the cross-section. The fixed effect model is used for the regression analysis.

Table 9 Hausman Test Model 3

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.120475	6	0.9083

Hausman test results show that the cross-section random probability has a p-value bigger than 0.05. A random effect model is used for the regression analysis.

Table 10 Langrange Multiplier Test Model 3

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	43.22929	0.671065	43.90035

(0.0000)	(0.4127)	(0.0000)

Source: Processed primary data (2024)

cross-section Breusch-Pagan probability value was less than 0.05, as shown by the Langrange multiplier test. This analysis makes use of the common effect model for regression.

4.3 *Classic Assumption Test*

4.3.1 *Normality Test*

Figure 1 Normality Test Model 1
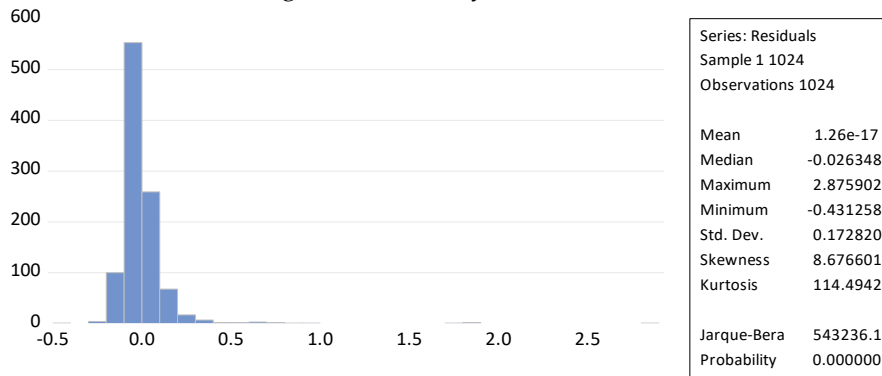
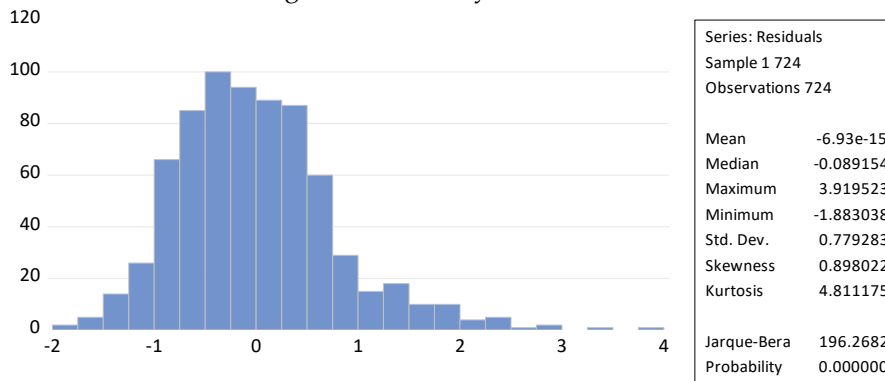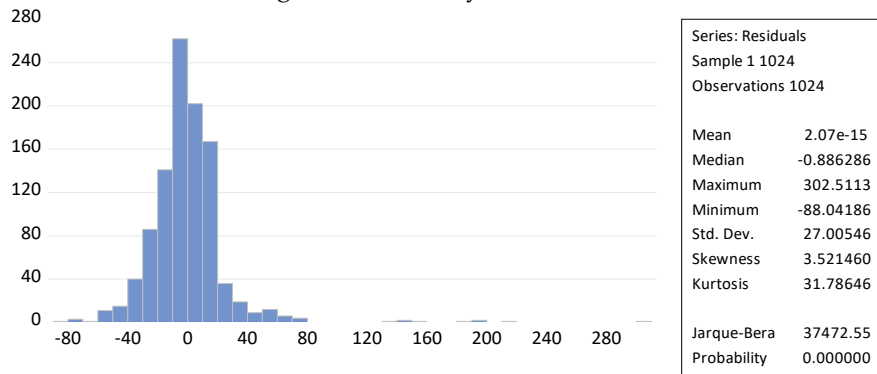Figure 1. normality test result model 1 (2024)

Figure 2 Normality Test Model 2

Figure 2. normality test result model 2 (2024)

Figure 3 Normality Test Model 3

Figure 3. normality test result model 3 (2024)

Through the normality results in models 1, 2, and 3 simultaneously, similar results are obtained, namely the model does not fulfil the normality assumption because the probability jarque-bera value is less than 0.05. [26] states that if the observation data is less than 100 data, the normality assumption must be met, while if the data size is large enough, it can relax the normality assumption on the research data.

4.3.2 Multicollinearity Test

Table 11 Multicollinieaarity Test Model 1

Variable	Coefficient Variance	Uncentered VIF	Centreed VIF
C	0.008009	272.9980	NA
KAM	0.000118	2.002979	1.001489
DER	9.75E-06	1.256843	1.031774
ROA	0.002036	1.113468	1.088394
SIZE	9.61E-06	258.1247	1.306002
AC	0.000248	76.30811	1.078059
BIG4	0.000204	1.631090	1.248803

Source: Processed primary data (2024)

Table 12 Multicollinearity Test Model 2

Variable	Coefficient Variance	Uncentered VIF	Centreed VIF
C	0.219473	259.4842	NA
KAM	0.003389	2.014683	1.001776
DER	0.000223	1.148969	1.007817
ROA	4.90E-08	1.044816	1.043365
SIZE	0.000265	251.7198	1.287524
AC	0.007390	79.57923	1.086092
BIG4	0.004945	1.639437	1.179760

Source: Processed primary data (2024)

Table 13 Multicollinearity Test Model 3

Variable	Coefficient Variance	Uncentered VIF	Centreed VIF
C	195.5767	272.9980	NA
KAM	2.869883	2.002979	1.001489
DER	0.238139	1.256843	1.031774
ROA	49.70934	1.113468	1.088394
SIZE	0.234698	258.1247	1.306002
AC	6.047253	76.30811	1.078059
BIG4	4.985680	1.631090	1.248803

Source: Processed primary data (2024)

Multicollinearity testing is carried out to determine whether one variable is related to another. The regression model is declared to escape multicollinearity if the variance inflation factor value is less than 10. The results of multicollinearity testing of the three models show that the variance inflation factor (VIF) value of all variables does not have a relationship between one variable and another

4.3.3 Heteroscedasticity Test

Table 14 Heteroscedasticity Test Model 1

F-statistic	2.539147	Prob. F(25,998)	0.0001
Obs*R-squared	61.23737	Prob. Chi-Square(25)	0.0001
Scaled explained SS	3427.696	Prob. Chi-Square(25)	0.0000

Source: Processed primary data (2024)

Table 15 Heteroscedasticity Test Model 2

F-statistic	17.15311	Prob. F(25,698)	0.0000
Obs*R-squared	275.5269	Prob. Chi-Square(25)	0.0000
Scaled explained SS	514.9369	Prob. Chi-Square(25)	0.0000

Source: Processed primary data (2024)

Table 16 Heteroscedasticity Test Model 3

F-statistic	3.676715	Prob. F(25,998)	0.0000
Obs*R-squared	86.35872	Prob. Chi-Square(25)	0.0000
Scaled explained SS	1311.227	Prob. Chi-Square(25)	0.0000

Source: Processed primary data (2024)

The heteroscedasticity test is a test carried out in order to see whether there is a similarity or inequality through observation residuals with other observations. The heteroscedasticity test used in this study is the white test. The regression equation is said to be homoscedasticity if the obs*R-square value is more than 0.05. So, it can be concluded that the entire model contains heteroscedasticity

4.3.4 Autocorrelation Test

Table 17 Autocorrelation Test Model 1

F-statistic	0.071825	Prob. F(2,1015)	0.9307
Obs*R-squared	0.144904	Prob. Chi-Square(2)	0.9301

Source: Processed primary data (2024)

Table 18 Autocorrelation Test Model 2

F-statistic	0.111887	Prob. F(2,1015)	0.8942
Obs*R-squared	0.225709	Prob. Chi-Square(2)	0.8933

Source: Processed primary data (2024)

Table 19 Autocorrelation Test Model 3

F-statistic	0.082106	Prob. F(2,715)	0.9212
Obs*R-squared	0.166240	Prob. Chi-Square(2)	0.9202

Source: Processed primary data (2024)

Autocorrelation testing is carried out in order to determine the error or confounding *error* in period t to t-1. The regression equation is said to avoid autocorrelation if the Obs * R-squared probability value. Chi-square (2) is more than 0.05. The results shown in the autocorrelation

test found that all regression models did fulfil the autocorrelation assumption.

4.4 Panel Data Regression Model

Table 20 Regression Analysis Result

Variables	Model 1 Coefficient (Std. error)	Model 2 Coefficient (Std. error)	Model 3 Coefficient (Std. error)
KAM	-0,031 (0,004)	0,081 (0,163)	-12,006 (0,000)
DER	-0,000 (0,768)	0,041 (0,002)	-0,490 (0,663)
ROA	-0,250 (0,023)	0,000 (0,000)	-31,672 (0,026)
SIZE	-0,005 (0,059)	0,265 (0,000)	-0,684 (0,187)
AC	-0,064 (0,163)	0,185 (0,117)	-1,042 (0,648)
BIG4	0,031 (0,032)	1,294 (0,000)	-9,014 (0,000)
Constant	0,462 (0,000)	11,610 (0,000)	123,941 (0,000)
Observations	1024	724	1024
Adjusted R2	0,059	0,596	0,096
p-value of model	0,000	0,000	0,000

Source: Processed primary data (2024)

Multiple linear regression analysis is conducted using the White's Heteroskedasticity-Consistent Variance and Standard Error (Huber White) approach. Huber White approach is used because the regression modeling contains heteroscedasticity. [27] argues that the Huber White model correction can be used in hypothesis testing because the heteroscedasticity problem has been overcome.

Regression equation used in this study is:

Model 1 (Audit Quality)

$$Abs\_DA = 0.462 - 0.031 - 0.000 - 0.250 - 0.005 - 0.064 + 0.031$$

Model 2 (Audit Fee)

$$LN\_FEE = 11.610 + 0.081 + 0.041 + 0.000 + 0.265 + 0.185 + 1.294$$

Model 3 (Audit Report Lag)

$$DELAY = 123.941 - 12.006 - 0.490 - 31.672 - 0.684 - 1.042 - 9.014$$

How well financial statements are audited is heavily impacted by the selection of key audit issues. A negative direction of 0.031 is shown by the probability value, which is less than 0.05 (0.004 < 0.05). The discretionary accrual value of the corporation might fall by 0.031 if significant audit problems are revealed. A decrease in discretionary accrual indicates an increase in audit quality. The amount of influence given in modelling 1 is 0.059 or 5.9%. It is concluded that regression modelling is able to explain the dependent variable by 5.9%, while 94.1% can be explained by other variables.

Key audit matters do not have a significant effect on audit fees. This can be seen by looking at the probability value given by key audit matters on audit costs of 0.163 greater than 0.05 (0.163>0.05). The amount of influence given in modelling 2 is 0.596 or 59.6%. It is concluded that regression modelling is able to explain the dependent variable by 59.6%, while 30.4% can be explained by other variables.

The time it takes to finish the company's audit report is significantly affected by how the key audit policy is implemented. A probability value lower than

0.05 (0.00 < 0.05) is shown by the results of the multiple linear regression analysis. A negative magnitude of 12.000 is the effect that has been noticed. Hence, essential audit items included in the audit report can shorten the audit duration by 12.006 days. The amount of influence given in modelling 3 is 0.096 or 9.6%. It is concluded that regression modelling is able to explain the dependent variable by 9.6%, while 90.4% can be explained by other variables.

4.5   Data Interpretation

4.5.1   Audit Quality

The results of the regression analysis presented are in line with the designed framework and the research hypothesis set by the researcher. Researchers determine the research hypothesis that the application of the key audit matters policy can have an impact on improving audit quality. the reason KAM can improve audit quality is because the main reason regulators (IAASB and IAPI) issue SA 701 is to increase the communicative value and transparency of the latest financial statements, where users of financial statements not only obtain audit opinion information, but obtain information about something that is considered significant by the auditor during the audit engagement period. Therefore, it can be concluded that **H1 is accepted**.

4.5.2   Audit Fee

The results of the analysis show that there is no significant change in audit expenditures in the year when the KAM policy is put into place. The increase in audit fees was not too significant in the KAM disclosure period because the audit had adjusted prices before the KAM period. This is reflected in the effect given by KAM in increasing audit costs. Through the results of the analysis that has been done, it can be concluded that **H2 is rejected**.

The reason for rejecting the second hypothesis is because the auditor already has a primary audit procedure that can be applied to several conditions and has prepared additional procedures if there are several things that are considered significant during the engagement period. So, when the KAM communication policy is enacted, the auditor does not need additional audit procedures, but due to the initial implementation of KAM in Indonesia, KAP conducts an assessment and review of the contents of the KAM paragraph to be submitted to the TCWG and the public. additional costs at the time of the initial implementation of KAM are due to the review and assessment. Several factors influence the rate of increase in audit expenses, such as the number of subsidiaries, the value of current year's sales, business risk, and the overall complexity of a company's operations.

4.5.3   Audit Report Lag

The implementation of KAM has an impact on reducing audit report lag by 12.006. The conclusions obtained from the analysis are not in line with the framework that has been designed and the hypothesis set, so **H3 is rejected**.

The occurrence of the covid-19 pandemic that hit the whole world had an impact on economic aspects throughout the world. Responding to this incident, the IDX provided relaxation for 30 days from the normal deadline for reporting financial statements to the public. [28]. Seeing that conditions are getting better, the IDX revoked the regulation regarding the relaxation of the financial report reporting limit, which was originally the limit for reporting financial reports for 120 days to 90 days. [29]. With this difference, the effect given by KAM on audit delay is negative. However, when viewed from the calculation of each year in 2021 (before KAM) the number of companies reporting late was 44 and in 2022 (after KAM) the total number of companies reporting late financial reports was 59, see table 6. Through these results, it can be seen that there is an increase in companies that are late in reporting financial reports. So it can be said that the initial implementation of KAM causes a longer audit duration.

5. CONCLUSION

The latest auditing standards that have been prepared by the IAASB and IAPI require all companies going public or companies listed on the Indonesia Stock Exchange to disclose key audit matters (KAM) or matters that are considered significant by the auditor during the audit engagement period. According to the findings, implementing KAM significantly affects the improvement of audit quality. There was a 3.1% improvement in audit quality. Key Account Management's (KAM) effect on the audit cost variable is also known to be small. In the end, the third variable shows that KAM significantly affects the time required to generate an audit report. Nevertheless, the total amount of time it takes to complete an audit has been reduced since KAM was put into place. An increase in audit quality correlates to an increase in a company's audit fees and this is in line with the framework designed from the start, but in the audit delay variable what happens is that the total audit delay when KAM is implemented decreases, not in line with the framework designed from the start.

Examining how the initial standards for disclosing important audit subjects in the independent auditor's report fared was the primary goal of this study. The results show that using Key Account Management (KAM) significantly improves the quality of audits of financial statements. The implementation of KAM does not provide significance on audit fees but provides a positive direction. Finally, on the audit delay variable, KAM has a significant effect but the direction given is negative.

In the preparation of this research, there are several limitations. First, not all public companies present total audit costs. Second, the use of discretionary accrual proxies, because there is no definite calculation in determining audit quality, the author decides to use a calculation that can represent the level of audit quality using discretionary accrual calculations. Third, there are some outlier data that are removed, so that the research results cannot represent the population.

Suggestions that can be made in future research are to compare the effect of KAM at the time of initial implementation and after one year of KAM implementation whether there are changes in the value of audit quality and audit costs in public companies.

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