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Audit Report Lag and Audit Fee Analysis Before and After the Implementation of Key Audit Matters in Indonesia

Vindy Felycia Loverita[1], Indira Januarti[2*]

[1,2]*Accounting Department, Faculty of Economics and Business, Universitas Diponegoro, Semarang, Indonesia*

*Corresponding author: ienjanuarti@gmail.com

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ABSTRACT

This study aims to examine the differences in audit report lag and audit fees in the year before and after the implementation of Key Audit Matters (KAM) in independent auditor reports. Provisions regarding KAM disclosure in Indonesia began with the 2022 financial reports. The population for this study includes all companies listed on the Indonesian Stock Exchange for the years 2021 and 2022. The dataset used in this research comprises 966 observations, consisting of 483 companies for each period (2021 and 2022). Using the Wilcoxon signed-rank test, the results indicate that the audit report lag was longer in the year before KAM communication compared to the year after its implementation. This finding could be attributed to the impact of the COVID-19 pandemic and the additional one-month extension granted by the Financial Services Authority (OJK) for the submission of audited financial reports. The results show that audit fees increased following the implementation of KAM. This suggests that auditors incur higher costs when required to include KAM in their audit opinions. This research highlights the implications of KAM communication on audit processes, including timeframes and associated costs.

Analisis Audit Report Lag dan Biaya Audit Sebelum dan Sesudah Penerapan Key Audit Matters di Indonesia

ABSTRAK

Penelitian ini bertujuan untuk menguji perbedaan audit report lag dan audit fee pada tahun sebelum dan sesudah penerapan Key Audit Matters (KAM) pada laporan auditor independent perusahaan yang terdaftar di Bursa Efek Indonesia (BEI). Ketentuan mengenai keterbukaan KAM di Indonesia telah dimulai dari laporan keuangan tahun 2022. Populasi penelitian ini adalah seluruh perusahaan yang terdaftar di BEI pada tahun 2021-2022. Jumlah sampel penelitian adalah 483 perusahaan atau 966 obervasi. Analisis data menggunakan uji Wilcoxon signed-rank, penelitian ini menemukan bahwa audit report lag pada tahun sebelum komunikasi KAM justru lebih lama dibandingkan setelah penerapan komunikasi KAM. Hal ini bisa jadi disebabkan oleh dampak pandemi COVID-19 dan OJK memberikan tambahan waktu satu bulan untuk menyampaikan laporan keuangan emiten yang telah diaudit. Sedangkan biaya audit setelah penerapan KAM lebih besar dibandingkan sebelum komunikasi KAM. Penelitian ini memberikan gambaran bahwa auditor melaksanakan audit dengan biaya yang lebih besar ketika diminta menambahkan KAM dalam opini auditnya.

1. Introduction

Audit reports are an important source of information used by financial statement users to make investment decisions. The International Auditing and Assurance Standards Board (IAASB) identified that there is a demand for more detailed information about the audit process than just the binary "fair" or "unfair" opinion. This leads to an "information gap", which is the gap between the information that financial statement users believe is necessary to make informed investment and fiduciary decisions, and what is available to them through audited financial statements or other public information (IAASB, 2011). Chen et al. (2019a) stated that new audit disclosure requirements are associated with efforts to improve audit quality. Therefore, the IAASB issued International Standards on Auditing (ISA) 701 on the auditor's responsibility to communicate Key Audit Matters (KAM) to improve the transparency and quality of information presented in the auditor's report. KAM communication is expected to provide users of financial statements with an understanding of the audit process, audit quality, and provide the auditor's unique perspective on the risks and challenges facing the company (PwC, 2015).

KAM disclosures require the independent auditor to select those matters that in the auditor's professional judgment are the most significant to the audit of the financial statements and describe them in the independent auditor's report. The matters communicated in KAMs are selected from those that need to be communicated to Those Who Are Charged with Governance (TCWG). Typically, matters disclosed as KAMs are areas with a high risk of material misstatement, areas with high transaction complexity, or areas involving management judgment and use of estimates (PwC, 2015). Through KAMs, auditors can explain their audits focus and describe how they respond to KAM. By communicating KAMs, it is expected to address the gap between the information that financial statement users need and the information available to them.

Internationally, KAM communication has been implemented since the standard was formalized by the IAASB in 2015, such as in Australia, New Zealand, Malaysia, Singapore, and Thailand (Li et.al.,2019; Almulla & Bradbury, 2019; Nguyen & Kend, 2021; Suttipun, 2022; Rahaman et al.,2023). Meanwhile, in Indonesia, KAM became effective for audits of issuers' financial statements starting on or after January 1, 2022. This disclosure is regulated in Auditing Standard (SA) 701, which specifies the auditor's obligation to communicate KAM in the independent auditor's report. The purpose of communicating KAM is to increase communicative value and provide greater transparency regarding the audit that has been conducted (IAPI, 2021). Increased information can promote understanding of the audit process, thereby increasing confidence in the audit and also in the financial statements (PwC, 2015). In addition, an expanded audit report is expected to increase auditor accountability, commitment to transparency, and responsibility for presenting accurate and objective judgments. Auditors who feel that KAM disclosure leads to greater accountability tend to perform higher-quality audits, are more cautious, more sceptical of audit evidence, and tend to seek better audit evidence (Bédard et al., 2019).

Communicating KAM is an integral part of auditors' efforts to increase transparency and accountability regarding the audit process. Some research suggests that to meet the new audit regulations on KAM disclosure, auditors need to perform additional procedures, compliance training, and further quality control checks (Elmarzouky et al., 2023). In addition, KAM disclosure potentially requires more discussions with the audit committee and management, independent reviews, and internal discussions. The additional effort expended by auditors may incur additional costs and be time consuming (Nguyen & Kend, 2021). Chen et al. (2019b) show that KAM disclosures are positively related to auditor effort. Increased effort to complete an audit can have an impact on the audit report lag and audit fees. Elmarzouky et al. (2023) show that audit fees have a positive effect on the disclosure of key audit matters (KAM). However, Rahaman et al. (2023) proved that audit fees have no effect on KAM. Li et al. (2019) explains that an increase in audit fees can occur because additional disclosures require more audit effort and the potential for increased responsibility due to more disclosed information. Increased audit effort also has the potential to increase audit report lag (Lai, 2019). Expanding the content of the audit report to meet KAM disclosure requirements may require additional time for the auditor to prepare and review the report (Bédard et al., 2019). This can take a lot of time for auditors to complete the audit process and issue opinions. However, Rahaman et al. (2023) and

Bepari et al. (2024) provide evidence that mandatory KAM disclosure does not change audit fees.

Implementing KAM disclosure also allows managers to be more open and cooperative in providing information needed by auditors to reduce the amount of KAM reported (Lee et al., 2024). This can lead to the efficiency of the audit process, potentially reducing audit report lag. Sirois et al. (2018) argue that to implement KAM disclosure, auditors are not required to conduct additional examinations. KAM communication only requires the auditor to disclose more information about what the auditor has done to reach a final opinion (Velte, 2020). Therefore, KAM does not cause a change in audit effort or intensity, because auditors take this step to ensure audit quality.

Many research results regarding the impact of KAM communication on audit report lag and audit fees from various countries have shown mixed results (Li et al., 2019; Chen et al.,2019b; Rahaman et al.,2023). In Indonesia, there has not been much research examining the consequences of KAM communication, especially regarding audit report lag and audit fees. Several researchers related to the topic of KAM, including Qadrina & Raharja (2024), tested the influence of auditor type, auditor gender, frequency of audit committee meetings, financial expertise of the audit committee, commissioners independent, and executive compensation for Key Audit Matters (KAM) manufacturing companies in Indonesia in 2022. Batara et al. (2024) describe the KAM of public companies in Indonesia. Ferizki & Reskino (2024) researched the audit committee, audit firms, company size against KAM in Kompas 100 indexed companies. This is due to the communication of KAM which is still relatively new in Indonesia. Therefore, this research is still relevant because there is no research in Indonesia related to KAM communication. In Indonesia, the new KAM implementation is for the 2022 financial year; therefore, the data are still relatively short in time. Therefore, this research aims to examine the differences in audit report lag and audit fees between the years before KAM implementation (2021) and after KAM implementation (2022). Meanwhile, overseas research has mostly examined the factors that influence KAM disclosure. This study is expected to provide academic contributions related to the impact of KAM communication on independent auditor reports in Indonesia.

2. Theoretical framework and hypotheses development

This study uses agency theory as the main theory to explain KAM communication. Agency theory is based on the assumption that all individuals are rational economic persons, where each individual tends to act in self-interest and that their main interest is to optimize their own profits (Godfrey et al., 2010). If all parties are assumed to act in their own interests, then the owner will realize that the manager (agent) may make decisions that are not always in the interest of the owner (principal) (Jensen & Meckling, 1976). The position of the agent entrusted with managing the assets of the principal provides an advantage in accessing important information that may not be available to the principal. This causes the emergence of information asymmetry problems that can lead to increased opportunities for managers to act opportunistically which is beneficial to themselves, but at the expense of the owner's interests.

Based on agency theory, external audits can be used as a monitoring mechanism to reduce agency problems (Deegan, 2014). External audits play an important role in ensuring that the prepared financial statements are correct, and management (agents) do not try to manipulate financial statements that can have an impact on the misinformation held by stakeholders. Through KAM communication, auditors can provide additional information to stakeholders regarding significant matters or risks in their financial statements (Alharasis et al., 2024). Through KAM, stakeholders will have more knowledge and focus their attention on critical issues in financial statements (Sirois et al., 2018). To identify KAMs, auditors need to reveal the reasons why certain items are considered KAM. Several studies (Asbahr & Ruhnke, 2019); Sierra-Garcıa et al. (2019); Kitiwong & Sarapaivanich (2020); Kohler et al. (2020) stated that auditors are sensitive in selecting and reporting KAMs. They distinguish between KAMs related to the risk of account misstatement and the risk of entity-wide misstatement.

Apart from agency theory, KAM disclosure is based on normative institutional theory (Scott,2001). The KAM disclosure is based on regulations issued by relevant professional institutions and regulators. The rules that require them include the International Audit Standard 701 issued by the International Audit and Assurance Standard Board (IAASB) in 2015. The Governing Board of the Indonesian Public Accountants Association (IAPI) has adopted this standard to become Audit Standard (SA) 701, which was ratified on July 19, 2021, and effective for audited financial reports of issuers in Indonesia after January 1, 2022 (IAPI, 2021). Financial Services Authority Regulations (POJK) Number 30 of 2023 concerning Communication of Key Audit Matters to the Public Accountant's report on audit financial reports, because the nature of each industry is different. These regulatory requirements ensure that auditors are required to provide a detailed explanation of significant audits and their importance (OJK, 2023).

The increased obligation of auditors to communicate KAM may lead to an increased effort to perform an audit. KAM has the potential to increase audit complexity and requires the development of methodologies to identify relevant and significant KAM. Additional information related to the audit process that needs to be presented in the auditor's report can increase the auditor's accountability, so that the auditor feels more responsible and careful in carrying out the audit (Suttipun, 2022). KAM reporting was introduced with the aim of increasing the information content and transparency of audit reports (Coram & Wang, 2020; Minutti-Meza, 2021). Coram & Wang (2020) argue that KAM reporting is one of the most significant changes to audit reports. Li et al. (2019) stated that based on KAM reporting requirements, auditors disclose the risk of material misstatement in financial reports to increase audit transparency. Increased transparency of the audit process may cause auditors to perform more audit procedures and ensure that the audit performed is well documented and complete. The increase in audit effort can cause auditors to need more time so that the ARL becomes longer (Lai, 2019). In addition, KAM may cause auditors to require more discussions with relevant parties, such as management or audit committees (Nguyen & Kend, 2021). According to Bédard et al. (2019), an increase in audit report content to meet KAM disclosure requirements requires additional time to prepare and review reports. The increased time required to complete an audit can have an impact on the longer audit report lag. Thus, the research hypothesis is formulated as follows:

Ha1: The audit report lag after KAM is longer than before KAM.

An auditor's role in providing more information through KAM communication may lead to increased audit effort. Many studies have shown that audit fees and effort are interrelated (Alareeni, 2017; Li et al., 2019). Auditors may require additional time and attention from senior auditors to determine KAM (Almulla & Bradbury, 2019). An increase in auditors' information regarding the audit process can make auditors feel more responsible, so they spend more effort examining financial statements and audit procedures. Increased auditor effort and responsibility encourages additional costs to be charged to clients, thereby increasing audit costs (Suttipun, 2022). Research conducted by Li et al. (2019) and Suttipun (2022) showed an increase in audit fees for the implementation of KAM reporting. Additionally, KAM communication increases transparency in the auditor's audit process. This can cause stakeholders to have high expectations of the auditor's work in terms of identifying any risks or irregularities in audited financial statements. Auditors may face greater litigation risks if they fail to identify significant risks. Therefore, auditors tend

to carry out high-quality audits and make every effort to assess every matter reported in their financial statements. Any increase in the effort and risk faced by auditors may cause auditors to charge higher fees for services. Thus, the research hypothesis is formulated as follows:
Ha2: Audit fees after KAM are greater than before KAM.

3. Research method

This study uses the variables audit report lag and audit fee to describe auditors' efforts. The data used for hypothesis testing are secondary data obtained from the company's annual report, which is accessed through the Indonesia Stock Exchange website or the company's official website, and Bloomberg laboratories.

The research population includes all companies listed on the Indonesia Stock Exchange in 2021-2022. The total research population comprised of 767 companies. From this population, 282 companies did not disclose audit fees separately from other professional fees, and one company did not have a KAM paragraph in the 2022 independent auditor's report. Thus, the final research sample was 483 companies. The data observed were two years of data, namely 2021 (before KAM communication) and 2022 (after KAM communication). The sample selection process is based on the criteria listed in Table 1.

Table 1. Sample selection

No.	Sample criteria	Total
1	Go public companies listed on the Indonesia Stock Exchange during 2021-2022.	767
2	Companies that do not disclose audit fees.	(282)
3	Companies that do not have a KAM paragraph in independent auditor's report 2022.	(1)
Total Sample		**483**
Total Observations (483 × 2 (2021 & 2022))		**966**

Source: data processing results (2024)

Before testing the hypotheses, a normality test was conducted. If the Kolmogorov-Smirnov value was > 5%, the data were considered normal. Therefore, the Paired Sample T-Test would be used in this study. However, if the test results are normal, the data do not meet the assumption of normality, and the Wilcoxon Signed-Rank Test would be used (Ghozali, 2018).

Table 2. Variable measurement

Variables		Measurement
Audit report lag	ARL	The difference between the audit opinion date and the closing date of the fiscal year (Lai, 2019).
Audit fees	AF	The value of audit fees disclosed in the annual report (Ln) (Lai, 2019).
Key audit matters	KAM	Number of item reported as KAM (Baatwah et al.,2022)

Source: various sources

If the significance value is <5%, it can be concluded that there is a difference and vice versa (Ghozali, 2018).

4. Results and discussion

Table 3 shows the results of the descriptive statistical analysis, where the average ARL 2021 was 93.96, while the ARL 2022 was 83.70. This average value indicates that most 2021 ARL are longer than 2022 ARL. In the AF variable, the average AF 2021 is 1,822,625, 000, while AF 2022 is 1,967,725,000. This shows that most of the 2022 AF cases were greater than 2021 AF.

Table 3. Descriptive statistics results

	N	Min	Max	Median	Mean	Std. Dev
ARL - 2021	483	19	299	90	93.96	32.14
ARL - 2022	483	17	249	88	83.70	22.19

AF*- 2021	483	46,750	93,000,000	565,000	1,822,625	6,039,853
AF* - 2022	483	52,000	103,000,000	575,000	1,967,725	6,488,188
KAM	483	0	6	1	1.35	0.77

*In thousands of rupiahs
Source: data processing results (2024)

Each company has a different number of KAM disclosures than other companies. Table 4 presents the number of KAM disclosures in each sector. Table 4 shows 17 companies that have a KAM paragraph in the 2022 independent auditor's report, with the statement that there is no KAM that needs to be communicated. There are 324 companies that disclose one type of KAM in their independent auditor's reports. Only two companies from the health sector disclosed six KAM.

Table 4. Frequency distribution of number of KAM

Number of KAMs	Frequency	Distribution per sector
0	17	Consumer non-cyclicals 3, basic materials 3, properties & real estate 3, consumer cyclicals 2, infrastructures 2, industrials 1, energy 1, transportation & logistic 1, information technology 1.
1	324	Financials 50, consumer cyclicals 50, consumer non-cyclicals 44, basic materials 43, properties & real estate 34, energy 33, infrastructures 21, industrials 15, information technology 12, transportation & logistic 11, health care 11.
2	113	Basic materials 21, financials 20, consumer cyclicals 16, consumer cyclicals 15, energy 13, infrastructures 8, industrials 6, properties & real estate 6, information technology 3, health care 3, transportation & logistic 2.
3	18	Financials 5, infrastructures 3, consumer cyclicals 2, industrials 2, properties & real estate 2, consumer non-cyclicals 1, energy 1, information technology 1, health care 1.
4	7	Infrastructures 2, financials 1, consumer cyclicals 1, consumer non-cyclicals 1, basic materials 1, transportation & logistic 1.
5	2	Health care 1, industrials 1.
6	2	Health care 2.

Source: data processing results (2024)

Table 5 shows that the largest sample is from the financial sector (76 companies). The financial services and health sectors show a minimum value of 1, which means that all companies in that sector report only one type of KAM. Based on the average, the health services sector is the sector that has the highest average, namely 2.06. This means that companies in the health sector, on average, report more KAMs than other sectors.

Table 5 Descriptive statistics of number of KAM per sector

Sector	N	Min	Max	Mean
Health Care	18	1	6	2.06
Industrials	25	0	5	1.52
Infrastructures	36	0	4	1.50
Financials	76	1	4	1.43
Basic Materials	68	0	4	1.31
Consumer Cyclicals	71	0	4	1.30
Energy	48	0	3	1.29
Consumer non-cyclicals	64	0	4	1.27

Transportation & Logistic	15	0	4	1.27
Information Technology	17	0	3	1.24
Properties & Real Estate	45	0	3	1.16

Source: data processing results (2024)

Table 6 shows that the most frequently reported type of KAM is trade receivables/credit. The KAM of trade receivables or loans disclosed is mostly related to the evaluation of the adequacy of allowance for losses on receivables or loans, especially expected credit losses (ELC). ELC is an estimate used by management to estimate how much cash flow may be lost due to uncollectible receivables or loan defaults.

Auditors focus heavily on the estimation of KAMs because they have significant carrying value, use complex models, apply significant judgments and assumptions, and involve the use of estimates. Companies in the financial sector mostly report the KAM of trade receivables or credit. This is because lending is one of the main activities of companies in the financial sector.

Table 6 Five most reported KAM types

No.	KAM Type	Description	Top five sectors
1	Accounts Receivable / Credit	Related to expected credit loss (ELC), impairment evaluation, or valuation of receivables.	1. Financials 2. Basic materials 3. Consumer cyclicals 4. Consumer non-cyclicals 5. Health care
2	Revenue Recognition	Related to the measurement, method used, or source of income.	1. Consumer non-cyclicals 2. Consumer cyclicals 3. Properties & real estate 4. Infrastructures 5. Basic materials
3	Inventory	Related to valuation, existence, completeness, classification, impairment, or net realizable value.	1. Consumer cyclicals 2. Basic materials 3. Consumer non-cyclicals 4. Properties & real estate 5. Health care
4	Fixed Assets	Related to valuation, impairment, revaluation, or useful life.	1. Energy 2. Basic materials 3. Consumer non-cyclicals 4. Consumer cyclicals 5. Infrastructures
5	Investment	Related to valuation, existence, fair value, or impairment.	1. Financials 2. Properties & real estate 3. Industrials 4. Energy 5. Consumer cyclicals

Source: data processing results (2024)

Table 7 shows the results of the normality test on the residual values of ARL and AF which obtained a sig value of 0.000 for Diff ARL and 0.000 for Diff AF. The conclusion obtained from the test results is that the residual value of audit report lag and audit fee does not meet the assumption of data normality. Therefore, the hypothesis test used for this research is a non-parametric test using the Wilcoxon Signed-rank Test (Ghozali,2018).

Table 7 Normality test results - Kolmogorov-Smirnov

	Statistic	df	Sig.
Diff ARL	0.144	483	0.000
Diff AF	0.341	483	0.000

Source: data processing results (2024)

Table 8 shows a statistical test based on positive rank which produces a z-score of -9.149 and this value is significant at 0.000. The first alternative hypothesis is rejected because the ARL before KAM is longer than after KAM. The statistical test uses the smallest value (between positive/negative ratings) and table 8 shows that the ARL statistical test based on positive ratings can be concluded that there is a significant decrease from ARL 2021 to ARL 2022 (Field, 2009).

Table 8 Results of Wilcoxon signed-rank test

	ARL_2022 – ARL_2021	AF_2022 – AF 2021
Z	-9.149 [a]	-7.739 [b]
Asymp. Sig. (2-tailed)	0.000	0.000
	a. Based on positive ranks.	b. Based on negative ranks.

Source: data processing results (2024)

Thus, the positive rating was selected because ARL 2021 is longer (average 93.96) than ARL 2022 (average 83.70).

The KAM was implemented in Indonesia in 2022 financial statements. There are factors that have the potential to cause the ARL before KAM disclosure to be longer because in 2021, there will still be the impact of Covid, so the ARL will still be longer (Budisantoso et al., 2024). First, in 2021, the COVID-19 pandemic is still occurring, which has hampered many activities. The government has issued many policies to address the spread of COVID-19, one of which is limiting face-to-face activities. This affects many activities, including the implementation of audits by external auditors. An auditor's ability to collect and examine audit evidence may be disrupted because the audit process is forced to be carried out remotely and virtually.

Auditors also potentially require careful oversight to ensure that the financial reports presented by companies are reliable and fair. This may result in delays in the audit reports. In addition, the Financial Services Authority (OJK) is a government agency tasked with regulating and supervising activities in the financial services sector in Indonesia, including banking, capital markets, insurance, pension funds, financing institutions, and other financial service institutions (OJK, 2024). As a capital market supervisory institution, OJK has also relaxed the submission of audited financial reports to issuers due to the pandemic (OJK, 2023).

Shorter ARLs occurred in the period following the KAM disclosure. Based on the research data, 53 percent still use the same public accountant and KAP, so auditors tend to have a deeper understanding of the company's characteristics and risks; therefore, the ARL is short. The results of this test are in line with the research of Baatwah et al. (2022), who found that KAM communication leads to a shorter ARL.

Compared to extending the audit execution time, KAP tends to respond to KAM communication by allocating a skilled and experienced audit team. This finding suggests that audit firms choose to increase their efforts based on resources rather than time. The disclosure of KAM is a solution that minimizes agency costs arising from agency conflicts. With KAM disclosure, it is hoped that users of financial statements can consider company-related risks.

The results of testing the second hypothesis (Table 8) show that there are differences in audit fees (AF) in the years before and after the implementation of KAM communication, with AF 2022 being significantly higher than AF 2021. This is shown by the statistical test based on negative ranks, resulting in a z-score of -7.739, and this value is significant at 0.000. Using the smallest value (between positive/negative ratings) in Table 8, which shows the AF statistical test based on negative ratings, it can be concluded that there is a significant increase in AF 2021 to AF 2022 (Field, 2009). The negative rating is concluded because based on table 3 the average AF in 2021 is lower (1,822,625,000) while the average AF in 2022 is (1,967,725,000).

The auditor is the party that can minimize agency conflicts because the auditor is an independent party in carrying out his duties and responsibilities. The results of this analysis support the second hypothesis that the implementation of KAM communication causes differences in audit fees before and after implementation. After the pandemic subsided, companies' operations slowly began to recover, resulting in an increasing number of transactions. When transactions become more numerous and complex, auditors' risk level also increases.

The existence of new regulations that require auditors to present KAMs also increases the amount of effort auditors must spend. When an auditor accepts an engagement, he always considers the risks involved in carrying out the assignment. Therefore, when risks become heavier, the rewards received should also be greater. Audit fees increased after KAM communication due to increased auditor effort and increased risks faced by auditors. Providing additional information related to KAM in the audit report can provide more transparency to the auditor's work. This increases auditor accountability and encourages auditors to be more careful when conducting audits. This explanation explains why the audit fee after the implementation of KAM was greater than before the implementation of KAM. The results of this test are in line with those of previous studies, such as Suttipun (2022), Baatwah et al. (2022), and Elmarzouky et al. (2023), that KAM disclosure has an impact on audit fees. KAM disclosure causes auditors to face higher risks and responsibilities, thus exerting greater effort during the audit process (Baatwah et al., 2022). Auditors tend to allocate more resources to verify the fairness of their financial statements. This ultimately results in larger audit fees. However, this study contradicts the results of Rahaman et al. (2023) and Bepari et al. (2024), providing evidence that KAM disclosure of audit fees does not change.

5. Conclusions

This study aims to test whether there is a difference in audit report lag and audit fee in the years before and after the implementation of KAM communication. The test results show a difference in audit report lag in the year before KAM communication and audit report lag in the year after KAM communication, with a shorter audit report lag in the year after KAM communication. Some of the factors that cause the audit report lag before KAM to be shorter are the effects of the COVID-19 pandemic in the year before KAM communication. In addition, using the same auditor can also lead to the efficiency of the audit process because the auditor already has experience and knowledge related to the characteristics and risks of the company, which can have an impact on a shorter audit report lag.

The results of the audit fee test show a difference in audit fees in the year before KAM communication and audit fees in the year after KAM communication, with a larger audit fee in the year after KAM communication. This supports the research hypothesis that KAM communication causes the effort required to carry out the auditor to increase. Increased transparency in the audit process encourages auditors to feel more responsible, skeptical, and careful.

The limitation of this study is that the data used only cover one year before and one year after the implementation of KAM communication. The early implementation in Indonesia resulted in limited data related to KAM. Additionally, this study did not use control variables to describe other external factors that could affect the test variables, for example, between holding and non-holding companies. Holding and non-holding have different levels of complexity and risk; therefore, it is possible to influence audit time and costs. Therefore, future research can use more observations as KAM implementation progresses from 2022, so that the research results can be more comprehensive. Future research could also consider the use of other variables related to KAM, such as company complexity (holding and non-holding companies), type of KAP, and audit quality, to add to the literature related to the impact of KAM communication.

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