JURNAL ECONOMINA e-ISSN: 2963-1181
Volume 5, Number 8, August 2026
Homepage: ejournal.45mataram.ac.id/index.php/economina

The Effects Of Financial Performance, Going-Concern Opinions, And Audit Costs On Key Audit Matters (KAM) And To Examine The Role Of The Size Of Public Accounting Firms As A Moderating Variable Among Banking Companies Listed On The Indonesia Stock Exchange For The Period 2022–2025

Fadiah Putri Priyantini[1*], Dewi Indriasih[2], Fahmi Firmansyah[3]
[1,2,3] Faculty of Economics and Business, Pancasakti University, Indonesia

**Corresponding Author: morvzrvyn@email.com*

Article History
Received: 19-07-2026
Revised: 04-08-2026
Published: 30-08-2026

ABSTRACT
This study aims to analyze the effects of financial performance, going-concern opinions, and audit costs on Key Audit Matters (KAM) and to examine the role of the size of public accounting firms as a moderating variable among banking companies listed on the Indonesia Stock Exchange for the period 2022–2025. The study employs a quantitative approach using secondary data obtained from annual reports and independent auditors' reports. The sample consists of 38 banking companies with a total of 152 observations selected using purposive sampling. Data analysis was conducted using panel data regression with the Random Effects Model (REM) as the best-fitting model based on the results of the model selection test. Moderation testing was conducted using Moderated Regression Analysis (MRA). The results indicate that financial performance, proxied by Return on Assets (ROA), has no effect on Key Audit Matters (KAM). The going-concern opinion has a negative effect on Key Audit Matters (KAM), while audit costs have no effect on Key Audit Matters (KAM). The results of the moderation test indicate that the size of the Public Accounting Firm (PAF) does not moderate the effects of profitability or audit costs on Key Audit Matters (KAM). The findings of this study indicate that the disclosure of Key Audit Matters (KAM) is more influenced by the auditor's professional judgment and the level of audit risk than by financial performance characteristics, audit costs, or the size of the public accounting firm.

Keywords: Key Audit Matters; Financial Performance; Going Concern Opinion; Audit Costs; Size Of Public Accounting Firm

INTRODUCTION

Independent auditors' reports are one of the sources of information used by investors, creditors, regulators, and other stakeholders to evaluate the quality of a company's financial statements. As the complexity of business activities and demands for transparency increase, users of financial statements no longer require only an audit opinion, but also information regarding areas that required significant attention during the audit process. To address this need, the International Auditing and Assurance Standards Board (IAASB) issued International Standard on Auditing (ISA) 701, which was subsequently adopted in Indonesia as Audit Standard (SA) 701. This standard requires auditors to disclose Key Audit Matters (KAM) as a form of communication regarding the matters that, in the auditor's professional judgment, are most significant in the audit of the financial statements. The disclosure of KAM is expected to enhance transparency, reduce information asymmetry, and provide added value to users of financial statements in understanding the risks and considerations of the auditor during the audit process (IAASB, 2015; IAPI, 2023).

Key Audit Matters (KAM) are audit areas deemed to be of the highest significance based on the auditor's professional judgment. The disclosure of KAM provides information regarding areas that involve a risk of material misstatement, involve complex accounting estimates, or require significant professional judgment on the part of the auditor. Although SA 701 establishes the obligation to disclose KAM, the standard does not specify a minimum or maximum number of KAM that must be disclosed. Consequently, the number and types of KAMs may vary from company to company depending on the level of risk, the complexity of transactions, and the characteristics of the audited entity. These conditions indicate that KAM disclosures are still influenced by various factors that require further examination (Angelita & Kuswanto, 2025).

The banking sector is one of the sectors with a high level of operational complexity and audit risk because its business activities involve mobilizing public funds, extending credit, managing financial instruments, and complying with strict regulations. This complexity means that auditors face more audit areas requiring professional judgment, such as the assessment of expected credit losses, loan loss reserves, and credit risk. Therefore, the disclosure of Key Audit Matters (KAM) for banking companies is important because it provides financial statement users with more comprehensive information regarding audit areas that pose significant risks (Angelita & Kuswanto, 2025).

The importance of KAM disclosure is reflected in various issues that have arisen in Indonesia's banking sector. One such case involves PT Bank Tabungan Negara (Persero) Tbk, which relates to alleged irregularities in the disbursement of a loan to PT Batam Island Marina (BIM). This case led to an increase in the non-performing loan (NPL) ratio and a rise in the allowance for loan losses (ALL) from Rp3.3 trillion in 2018 to Rp6.1 trillion in 2019, followed by a decline in the company's profits. These conditions indicate that the estimation of the Provision for Impairment Losses is a high-risk audit area, thus requiring the auditor's professional judgment in evaluating the fairness of the financial statements. Under such circumstances, the disclosure of Key Audit Matters (KAM) becomes crucial as a means for auditors to communicate with users of financial statements regarding audit areas that pose significant risks and require special attention (Satila & Triadmaja, 2023).

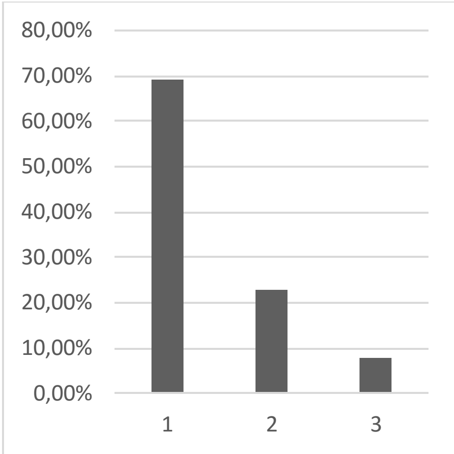

Figure1. Average Number of Key Audit Matters by year 2022 - 2025

This phenomenon is also reflected in the banking companies that are the subject of this study. Based on the results of the research data analysis, the number of Key Audit Matters (KAM) disclosures by banking companies listed on the Indonesia Stock Exchange for the 2022–2025 period varied across companies. A total of 69.08% of the observations disclosed 1 KAM, 23.03% disclosed 2 KAMs, and 7.89% disclosed 3 KAMs. This variation indicates that KAM disclosures are not yet uniform, even though the companies operate in the same industry sector. These differences suggest that certain factors—arising from both company characteristics and auditor characteristics—influence auditors' decisions regarding the number of Key Audit Matters disclosed.

Many studies have identified factors that influence the disclosure of Key Audit Matters (KAMs), but the results of previous research remain inconsistent. Ferreira and Morais (2020) found that firm characteristics influence KAM disclosure, while Metwalli et al. (2025) showed that a firm's risk level encourages auditors to disclose more KAMs. On the other hand, Rhamadhani and Heriyati (2025) found that audit characteristics, such as audit costs, also influence KAM disclosure. These differing findings suggest that the determinants of KAM disclosure have yet to yield consistent conclusions, particularly in the Indonesian banking sector. Therefore, further research is needed to obtain empirical evidence regarding the factors that influence the disclosure of Key Audit Matters (KAM).

This study examines the effects of financial performance, going concern opinion, and audit fees on the disclosure of Key Audit Matters (KAM). Financial performance reflects a company's ability to generate profits and thus serves as an indicator of its financial condition that auditors consider when determining significant audit areas. A going-concern opinion indicates the auditor's doubt regarding the company's ability to maintain business continuity, while audit costs reflect the complexity of the engagement and the scope of audit procedures performed. In addition, this study includes the size of the public accounting firm as a moderating variable because auditors affiliated with the Big Four generally have more comprehensive resources, experience, and audit methodologies compared to non-Big Four auditors, which could potentially influence the relationship between company characteristics and KAM disclosure.

This study offers novelty compared to previous research because it simultaneously examines the effects of financial performance, going-concern opinions, and audit costs on Key Audit Matters (KAM), with the size of the public accounting firm (PAF) serving as a moderating variable, among banking companies listed on the Indonesia Stock Exchange for the 2022–2025 period. Unlike previous studies, which generally only examined the direct effects of firm characteristics or audit characteristics on KAM, this study also analyzes whether the size of the public accounting firm can strengthen or weaken these relationships. Thus, this study is expected to provide an empirical contribution to the development of the literature on the disclosure of Key Audit Matters, particularly in the banking sector in Indonesia.

Based on this background, this study aims to analyze the effects of financial performance, going-concern opinions, and audit costs on Key Audit Matters (KAM) and to test the role of the size of Public Accounting Firms (KAP) as a moderating variable for banking companies listed on the Indonesia Stock Exchange for the 2022–2025 period. The results of this study are expected to contribute to the development of the literature on audit reporting and serve as a basis for consideration by auditors, regulators, investors, and users of financial statements in understanding the factors that influence the disclosure of Key Audit Matters (KAM).

Financial performance reflects a company's ability to generate profits from its available resources. In this study, financial performance is proxied by Return on Assets (ROA), which measures the company's effectiveness in utilizing its total assets to generate earnings. Companies with stronger financial performance generally face lower business risk, whereas poor financial performance may increase uncertainty and agency conflicts due to information asymmetry between management and shareholders. Under agency theory, auditors reduce such information asymmetry by disclosing Key Audit Matters that communicate significant audit risks and critical audit judgments (Jensen & Meckling, 1976; Alshdaifat et al., 2025).

Previous studies have reported that corporate financial characteristics influence the disclosure of Key Audit Matters. Ferreira and Morais (2020) found that firms' financial conditions affect the number and nature of KAM disclosed. However, prior empirical evidence remains inconclusive, indicating the need for further investigation regarding the relationship between financial performance and KAM disclosure. Therefore, the first hypothesis is formulated as follows:

H1: Financial performance affects Key Audit Matters.

A going concern opinion indicates substantial doubt regarding a company's ability to continue its operations in the foreseeable future. Such conditions increase audit risk, encouraging auditors to devote greater attention to areas involving significant uncertainty. From the perspective of agency theory, the disclosure of Key Audit Matters serves as a monitoring mechanism that reduces information asymmetry by providing stakeholders with more transparent information concerning significant audit issues (Jensen & Meckling, 1976; Boonlert-U-Thai & Suttipun, 2023).

Ferreira and Morais (2019), Pinto and Morais (2018), and Metwalli et al. (2025) reported that companies facing going concern uncertainty tend to disclose a greater number of Key Audit Matters. Accordingly, the second hypothesis is proposed as follows:

H2: Going concern opinion affects Key Audit Matters.

Audit fees represent the complexity, risk, and level of audit effort required to perform a financial statement audit. Higher audit fees generally indicate broader audit procedures, allowing auditors to identify more significant audit issues that warrant disclosure as Key Audit Matters. According to agency theory, audit fees represent monitoring costs incurred to mitigate agency conflicts between management and shareholders (Jensen & Meckling, 1976; Rhamadhani & Heriyati, 2025).

Previous studies by Srisuwan et al. (2024), Amin and Handayani (2025), and Khoerunnissa et al. (2025) found that audit fees positively influence KAM disclosure. Therefore, the third hypothesis is formulated as follows:

H3: Audit fee affects Key Audit Matters.

Audit firm size reflects the auditor's capacity in terms of resources, expertise, experience, and audit quality. Big Four audit firms generally possess greater professional competence and more comprehensive audit methodologies than non-Big Four firms. Consequently, audit firm size is expected to strengthen the relationship between firm characteristics and Key Audit Matters disclosure by enabling auditors to perform more extensive audit procedures and provide higher-quality audit reporting (Segal, 2019; Rhamadhani & Heriyati, 2025).

Accordingly, the following hypotheses are proposed:

H4: Audit firm size moderates the relationship between financial performance and Key Audit Matters.

H5: Audit firm size moderates the relationship between going concern opinion and Key Audit Matters.

H6: Audit firm size moderates the relationship between audit fee and Key Audit Matters.

RESEARCH METHOD

The population of this study comprised all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2025 period. This observation period was selected because the disclosure of Key Audit Matters (KAM) became mandatory for listed companies in Indonesia following the implementation of SA 701 in 2022. The sample was selected using a purposive sampling technique. The sampling criteria included banking companies that published complete annual reports and independent auditors' reports for the 2022–2025 period. All data were manually collected from annual reports and independent auditors' reports publicly available on the official website of the Indonesia Stock Exchange and the respective companies' official websites.

Table 1. Operational Variable

Variable	Measurement	Scale	Source
Key Audit Matters	The number of items disclosed in the Key Audit Matters section	Ratio	(Triani et al., 2023)
Financial perfomance	Return on Assets= $\frac{\text{Net income}}{\text{Total assets}}$	Ratio	(Aning Fitriana, 2024)
Going concern opinion	Dummy variable: Code 1 if a company's financial statements contain a going concern opinion. Code 0 if a company's financial statements do not contain a going concern opinion.	Nominal	(Retnosari & Apriwenni, 2021)
Fee audit	Ln(Fee Audit)	Ratio	(Rhamadhani & Heriyati, 2025)
Size of public accounting firms	Dummy Variable: Code 1 for companies audited by a Big 4 accounting firm Code 0 for companies not audited by a Big 4 accounting firm	Nominal	(Khoerunnissa et al., 2025)

Statistical analyses were conducted using Stata 17. The analysis commenced with descriptive statistics to provide an overview of the characteristics and distribution of the research variables. Panel data regression analysis was then performed to examine the relationships among the variables. The appropriate regression model was determined through the Chow test, Hausman test, and Lagrange Multiplier test. Furthermore, Moderated Regression Analysis (MRA) was employed by incorporating interaction terms to assess the moderating effect of audit firm size. All hypotheses were tested using significance levels of 1%, 5%, and 10%. The regression models used in this study are presented as follows:

1. $KAM = a + \beta_1 ROA + \beta_2 OGC + \beta_3 FEE + \varepsilon$... (1)
2. $KAM = \mathrm{a} + \beta_1 \mathrm{ROA} + \beta_2 \mathrm{OGC} + \beta_3 \mathrm{FEE} + \ + \beta_4 (ROA^{*}\mathrm{KAP}) + \beta_5 (OGC^{*}\mathrm{KAP}) +$ β_6 $(FEE^{*}\mathrm{KAP}) + \varepsilon$ .... (2)

RESULT AND DISCUSSION

Descriptive Statistic

Table 2 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	152	.011	.019	-.082	.084
OGC	152	.02	.14	0	1
FEE	152	21.128	1.197	18.172	24.279
KAM	152	1.388	.631	1	3

Souce : Author's Calculation

Table 2 presents the descriptive statistics of the variables used in this study based on 152 firm-year observations. The average Key Audit Matters (KAM) disclosure is 1.388, with values ranging from 1 to 3, indicating that the sampled banking companies generally disclosed between one and three Key Audit Matters in their independent auditors' reports. The relatively low standard deviation (0.631) suggests that the variation in KAM disclosure among the sampled firms is relatively limited.

Financial performance, proxied by Return on Assets (ROA), has a mean value of 0.011, with a minimum value of –0.082 and a maximum value of 0.084. The standard deviation of 0.019 indicates differences in profitability across the sampled banking companies, although the average ROA suggests that the firms generated relatively modest returns on their total assets during the observation period.

The going concern opinion (OGC) variable reports a mean value of 0.020, indicating that only a small proportion of the observations received a going concern opinion. This is consistent with the minimum and maximum values of 0 and 1, reflecting the binary measurement of the variable. The low standard deviation (0.140) further suggests that most banking companies in the sample received unqualified audit opinions without going concern uncertainty.

The audit fee (FEE) variable has an average value of 21.128, with values ranging from 18.172 to 24.279. The standard deviation of 1.197 indicates moderate variation in audit fees among the sampled firms, reflecting differences in company size, operational complexity, and audit engagement characteristics.

Panel Data Model Section

The selection of the appropriate panel data estimation model was conducted using the Chow test, Lagrange Multiplier (LM) test, and Hausman test, as presented in Table 3. The Chow test produced a probability value of 0.0000, which is below the 5% significance level, indicating that the Fixed Effect Model (FEM) is preferred over the Common Effect Model (CEM). Subsequently, the Lagrange Multiplier (LM) test yielded a probability value of 0.0000, suggesting that the Random Effect Model (REM) provides a better fit than the Common Effect Model.

Furthermore, the Hausman test generated a probability value of 0.0916, which exceeds the 5% significance level. Consequently, the null hypothesis of the Hausman test cannot be rejected, indicating that the Random Effect Model (REM) is more appropriate than the Fixed Effect Model for the data used in this study. Based on the results of these model selection tests, the Random Effect Model (REM) was selected as the final estimation model and subsequently employed for hypothesis testing and moderation analysis.

Multicollinearity Test

To ensure that the independent variables were not highly correlated, a multicollinearity test was performed using the Variance Inflation Factor (VIF). Since the final estimation model employed in this study is the Random Effect Model (REM), which is estimated using the Generalized Least Squares (GLS) approach, classical assumption tests such as normality and heteroscedasticity are not considered primary requirements. Therefore, this study only examined multicollinearity to ensure the absence of high correlations among the explanatory variables before conducting panel regression analysis (Wahyuningrum et al., 2025).

Table 3. Variance Inflation Factor

	VIF	1/VIF
KAP	1.259	.794
FEE	1.224	.817
OGC	1.045	.957
ROA	1.035	.966
Mean VIF	1.141	.

Source : Author's Calculation

As reported in Table 3, all independent variables have VIF values ranging from 1.035 to 1.259, which are well below the commonly accepted threshold of 10. Likewise, the corresponding tolerance values (1/VIF) range from 0.794 to 0.966, exceeding the minimum acceptable level of 0.10. The mean VIF is 1.141, indicating a very low degree of multicollinearity among the independent variables. Accordingly, the regression model satisfies the multicollinearity assumption and is considered appropriate for subsequent regression and hypothesis testing.

Multiple Linear Regression

Table 4 presents the results of the panel regression analysis examining the effects of financial performance, going concern opinion, and audit fee on Key Audit Matters (KAM) disclosure. The Random Effect Model (REM), selected through the Chow, Lagrange Multiplier, and Hausman tests, was employed to estimate the regression coefficients.

Table 4. Regression results

KAM	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
ROA	.647	.954	0.68	.498	-1.222	2.516	
OGC	-.096	.042	-2.28	.023	-.179	-.013	**
FEE	.1	.089	1.12	.264	-.075	.274	
Constant	-.722	1.844	-0.39	.696	-4.335	2.892	

Mean dependent var	1.388	SD dependent var	0.631
Overall r-squared	0.103	Number of obs	152
Chi-square	17.851	Prob > chi2	0.000
R-squared within	0.002	R-squared between	0.118

****p<.01, **p<.05, *p<.1*

Source : Author's Calculation

The regression model is statistically significant, as indicated by the Prob > chi² value of 0.000, which is below the 5% significance level. This result indicates that the independent variables jointly explain variations in KAM disclosure. The model produces an overall R-squared value of 0.103, indicating that 10.3% of the variation in KAM disclosure is explained by financial performance, going concern opinion, and audit fee, while the remaining 89.7% is attributable to other factors outside the model.

The regression results show that financial performance (ROA) has a positive regression coefficient (β = 0.647), but the relationship is not statistically significant (p = 0.498). This finding indicates that financial performance does not significantly influence the disclosure of Key Audit Matters, leading to the rejection of Hypothesis 1.

The going concern opinion (OGC) has a negative and statistically significant coefficient (β = −0.096; p = 0.023). This result indicates that companies receiving a going concern opinion tend to disclose fewer Key Audit Matters than companies without such an opinion. Therefore, Hypothesis 2 is supported.

Meanwhile, audit fee (FEE) has a positive coefficient (β = 0.100), but its effect on KAM disclosure is not statistically significant (p = 0.264). Accordingly, the findings indicate that audit fee does not significantly affect the disclosure of Key Audit Matters, resulting in the rejection of Hypothesis 3.

Moderated Regression Analysis

Table 5. Regression results

KAM	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
ROA	-1.131	1.788	-0.63	.527	-4.634	2.373	
OGC	.02	.074	0.27	.785	-.125	.165	
FEE	-.074	.117	-0.63	.53	-.304	.156	
KAP	-5.392	3.478	-1.55	.121	-12.208	1.425	
ROAxKAP	1.928	1.968	0.98	.327	-1.93	5.785	
o	0	.	.	.	.	.	
FEExKAP	.262	.167	1.57	.115	-.064	.589	
Constant	2.784	2.412	1.15	.248	-1.943	7.511	

Mean dependent	1.388	SD dependent var	0.631

var			
Overall r-squared	0.072	Number of obs	152
Chi-square	18.421	Prob > chi2	0.005
R-squared within	0.055	R-squared between	0.074

****p<.01, **p<.05, *p<.1*

Source : Author's Calculation

Table 5 presents the results of the moderated regression analysis examining the moderating role of audit firm size (KAP) in the relationships between financial performance, going concern opinion, audit fee, and Key Audit Matters (KAM) disclosure. The regression model is statistically significant, as indicated by the Prob > chi² value of 0.005, which is below the 5% significance level. This finding suggests that the model is appropriate for explaining variations in KAM disclosure.

The model reports an overall R-squared value of 0.072, indicating that 7.2% of the variation in KAM disclosure is explained by financial performance, going concern opinion, audit fee, audit firm size, and the interaction terms included in the model. The remaining 92.8% of the variation is attributable to other factors outside the scope of this study. Compared with the baseline regression model, the explanatory power of the moderated model is relatively limited, suggesting that the inclusion of the moderating variable does not substantially improve the model's ability to explain KAM disclosure.

The interaction between financial performance and audit firm size (ROA × KAP) produces a positive coefficient ($\beta = 1.928$) but is not statistically significant ($p = 0.327$). This finding indicates that audit firm size does not moderate the relationship between financial performance and KAM disclosure, leading to the rejection of Hypothesis 4.

Similarly, the interaction between going concern opinion and audit firm size (OGC × KAP) does not provide evidence of a significant moderating effect. The regression results indicate that neither the interaction nor the relationship is statistically significant ($p = 0.785$), suggesting that audit firm size does not strengthen or weaken the effect of going concern opinion on KAM disclosure. Therefore, Hypothesis 5 is rejected.

Furthermore, the interaction between audit fee and audit firm size (FEE × KAP) has a positive coefficient ($\beta = 0.262$), but the effect is not statistically significant ($p = 0.115$). This result indicates that audit firm size does not moderate the relationship between audit fee and KAM disclosure. Accordingly, Hypothesis 6 is rejected.

Hypothesis Testing and Discussion

H1: Financial Perfomance affects KAM disclosure

The multiple regression results indicate that financial performance, measured by Return on Assets (ROA), has a coefficient of 0.647 with a p-value of 0.498. Since the significance value exceeds the 5% threshold, financial performance does not significantly affect Key Audit Matters (KAM) disclosure. Therefore, H1 is rejected.

These findings indicate that the level of a bank's financial performance does not determine the extent of KAM disclosure. Although higher profitability reflects better financial conditions and more efficient asset utilization, auditors do not consider profitability as the primary basis for determining Key Audit Matters. Instead, auditors focus on audit areas involving material misstatement risk, significant professional judgment, and complex audit procedures. Consequently, companies with high profitability do not necessarily disclose more KAMs, while companies with lower profitability may also disclose relatively few KAMs if the audit engagement does not involve significant audit issues.

From the perspective of Agency Theory, independent auditors function as monitoring mechanisms to reduce information asymmetry between management and shareholders (Jensen & Meckling, 1976). The disclosure of KAM is intended to improve transparency by communicating matters that required significant auditor attention rather than reflecting the company's financial performance alone. Accordingly, auditors determine KAM based primarily on audit risk and the significance of audit matters encountered during the engagement rather than on the level of profitability (Alshdaifat et al., 2025).

This finding is consistent with Swatdikun and Suttipun (2021), who reported that profitability does not significantly influence KAM disclosure because auditors prioritize audit risk and audit complexity over financial performance. However, the result contradicts Mah'd and Mardini (2022), who found that stronger financial conditions may influence the extent of KAM disclosure, particularly when they are associated with increased audit risk.

H2: Going Concern Opinion affects KAM disclosure

The regression results indicate that the going concern opinion has a coefficient of −0.096 with a p-value of 0.023. Since the significance value is below the 5% level, the going concern opinion has a significant negative effect on Key Audit Matters (KAM) disclosure. Therefore, H2 is supported.

These findings indicate that companies receiving a going concern opinion tend to disclose fewer Key Audit Matters than companies without such an opinion. One possible explanation is that auditors communicate substantial uncertainty regarding the entity's ability to continue as a going concern through a separate section in the independent auditor's report. Consequently, some entity-level risks that could otherwise be disclosed as KAM are incorporated into the going concern paragraph, reducing the number of KAMs reported.

From the perspective of Agency Theory, independent auditors serve as monitoring mechanisms to reduce information asymmetry between management and shareholders (Jensen & Meckling, 1976). When a going concern issue exists, auditors are required to communicate material uncertainty regarding the entity's continuity. Therefore, transparency may be achieved not only through additional KAM disclosures but also through a dedicated going concern section, allowing stakeholders to better understand the company's financial condition and business risks.

This finding is consistent with Dusadeedumkoeng et al. (2023), who argue that going concern disclosures may substitute for certain Entity-Level Risk Key Audit Matters, resulting in fewer KAM disclosures. The result also supports the view of Lennox and Kausar (2016) and Ferreira and Morais (2020) that going concern issues represent significant audit risks requiring explicit communication in the auditor's report, although such communication is not necessarily reflected in a greater number of KAM disclosures.

H3: Audit Fee affects KAM disclosure

The regression results indicate that audit fee has a coefficient of 0.100 with a p-value of 0.264. Since the significance value exceeds the 5% threshold, audit fee does not significantly affect Key Audit Matters (KAM) disclosure. Therefore, H3 is rejected.

These findings suggest that the amount of audit fees paid by companies does not necessarily influence the extent of KAM disclosure. Although higher audit fees generally reflect greater audit effort, more extensive audit procedures, and increased audit complexity, auditors determine KAM based primarily on matters that require significant professional judgment and involve material audit risks. Consequently, a higher audit fee does not automatically result in more extensive KAM disclosure.

From the perspective of Agency Theory, audit fees represent monitoring costs incurred to reduce information asymmetry between management and shareholders by supporting an independent and high-quality audit process (Jensen & Meckling, 1976; Rhamadhani & Heriyati, 2025). However, the findings suggest that KAM disclosure is influenced more by the significance of audit issues and auditors' professional judgment than by the amount of audit fees paid by the client.

This finding is inconsistent with Srisuwan et al. (2024), who argued that higher audit fees increase audit effort and, consequently, the likelihood of disclosing more KAMs. It also differs from the findings of Loverita and Januarti (2024) and Amin and Handayani (2025), which reported a positive relationship between audit fees and KAM disclosure. A possible explanation is that the banking industry in Indonesia is subject to stringent regulatory oversight and standardized auditing requirements. As a result, KAM disclosure is determined primarily by audit risk and professional judgment rather than by the level of audit fees.

H4: Audit firm size moderates the relationship between financial performance and KAM disclosure

The moderated regression results indicate that the interaction between financial performance and audit firm size (ROA × KAP) has a coefficient of 1.928 with a p-value of 0.327. Since the significance value exceeds the 5% significance level, audit firm size does not significantly moderate the relationship between financial performance and Key Audit Matters (KAM) disclosure. Therefore, H4 is rejected.

These findings suggest that audit firm size does not strengthen or weaken the relationship between financial performance and KAM disclosure. Regardless of whether a company is audited by a Big Four or a non-Big Four audit firm, auditors continue to identify and disclose KAM based on matters involving material misstatement risk and significant professional judgment. Consequently, companies with stronger financial performance do not necessarily disclose fewer KAMs, while firms with weaker financial performance do not automatically disclose more KAMs solely because they are audited by larger audit firms.

From the perspective of Agency Theory, independent auditors serve as monitoring mechanisms to reduce information asymmetry between management and shareholders (Jensen & Meckling, 1976). Although Big Four audit firms generally possess greater resources, expertise, and standardized audit methodologies, the determination of KAM remains primarily driven by the significance of audit issues rather than the financial performance of the audited company. Therefore, audit firm size does not strengthen the relationship between financial performance and KAM disclosure (Alshdaifat et al., 2025).

This finding is inconsistent with Pinto and Morais (2019), Sierra-García et al. (2019), and Rhamadhani and Heriyati (2025), who suggested that larger audit firms tend to provide more comprehensive KAM disclosures due to their superior audit quality and resources. However, the present study indicates that audit firm size does not significantly moderate the relationship between financial performance and KAM disclosure, implying that KAM disclosure is determined primarily by audit risk and auditors' professional judgment rather than by the size of the audit firm.

H5: Audit firm size moderates the relationship between going concern opinion and KAM disclosure

The moderated regression analysis indicates that the interaction between going concern opinion and audit firm size (OGC × KAP) could not be estimated because the variable was automatically omitted from the model due to perfect multicollinearity. Consequently, there is insufficient empirical evidence to determine whether audit firm size moderates the relationship between going concern opinion and Key Audit Matters (KAM) disclosure. Therefore, H5 is rejected.

These findings are likely attributable to the limited variation in the going concern variable within the sample. During the 2022–2025 observation period, only one banking company received a going concern opinion, resulting in an extremely unbalanced distribution of observations. This lack of variation caused the interaction term between going concern opinion and audit firm size to exhibit perfect multicollinearity, preventing the regression model from estimating its coefficient.

From the perspective of Agency Theory, auditors function as independent monitoring mechanisms that reduce information asymmetry by providing transparent audit disclosures (Jensen & Meckling, 1976). The disclosure of Key Audit Matters (KAM) is expected to improve stakeholders' understanding of significant audit risks, including uncertainties related to a company's ability to continue as a going concern (Hegazy & Kamareldawla, 2021). However, the present study is unable to determine whether this relationship is strengthened or weakened by audit firm size because of the limited variation in the empirical data rather than the absence of a theoretical relationship.

Previous studies have emphasized the importance of KAM disclosure in improving audit transparency and reducing information asymmetry. Boonlert-U-Thai and Suttipun (2023) reported that KAM enhances investors' decision-making by providing more relevant audit information, while Sirois et al. (2018) argued that excessive KAM disclosure may increase the complexity of audit reports. In addition, Alharasis (2025) highlighted the importance of accurate going concern assessments due to their significant economic consequences. Nevertheless, the present study could not empirically verify the moderating role of audit firm size because of the insufficient variation in the going concern variable.

H6: Audit firm size moderates the relationship between audit fee and KAM disclosure

The moderated regression results indicate that the interaction between audit fee and audit firm size (FEE × KAP) has a coefficient of 0.262 with a p-value of 0.115. Since the significance value exceeds the 5% threshold, audit firm size does not significantly moderate the relationship between audit fee and Key Audit Matters (KAM) disclosure. Therefore, H6 is rejected.

These findings suggest that the relationship between audit fees and KAM disclosure is not influenced by whether the company is audited by a Big Four or a non-Big Four audit firm. Although higher audit fees generally reflect greater audit effort and more extensive audit procedures, auditors determine KAM primarily based on material audit risks, significant professional judgment, and auditing standards. Consequently, higher audit fees do not necessarily result in more extensive KAM disclosure, regardless of the size of the audit firm.

From the perspective of Agency Theory, audit firms act as monitoring mechanisms that reduce information asymmetry between management and shareholders through independent and high-quality audits (Jensen & Meckling, 1976). Larger audit firms are generally expected to provide stronger monitoring because of their greater expertise and resources. However, the findings indicate that audit firm size does not strengthen the relationship between audit fees and KAM disclosure. This suggests that both Big Four and non-Big Four auditors disclose KAM based on the significance of audit matters and professional judgment rather than on the level of audit fees paid by the client (Rhamadhani & Heriyati, 2025).

This finding is inconsistent with Pinto & Morais (2019), Sierra-García et al. (2019), and Rhamadhani & Heriyati (2025), who suggested that audit firm size strengthens the relationship between audit characteristics and KAM disclosure. It also differs from Ferreira & Morais (2020), who reported that Big Four auditors tend to provide more comprehensive KAM disclosures than non-Big Four auditors. A possible explanation is that the Indonesian banking sector is subject to strict regulatory oversight and uniform auditing standards, resulting in relatively consistent KAM disclosure practices regardless of audit firm size.

CONCLUSION

This study examines the effects of financial performance, going concern opinion, and audit fee on Key Audit Matters (KAM) disclosure, as well as the moderating role of audit firm size, using banking companies listed on the Indonesia Stock Exchange during the 2022–2025 period.

The empirical findings indicate that financial performance and audit fee do not significantly influence KAM disclosure, suggesting that auditors primarily determine KAM based on material audit risks and professional judgment rather than on a company's profitability or the amount of audit fees paid. In contrast, going concern opinion has a significant negative effect on KAM disclosure, indicating that the presence of a going concern opinion is associated with differences in auditors' KAM reporting practices.

Furthermore, audit firm size does not moderate the relationships between financial performance and KAM disclosure or between audit fee and KAM disclosure. In addition, the moderating effect of audit firm size on the relationship between going concern opinion and KAM disclosure could not be empirically evaluated because the interaction term was omitted due to perfect multicollinearity. This condition resulted from the limited variation in the going concern variable, as only one sample company received a going concern opinion during the observation period.

Overall, these findings suggest that KAM disclosure in Indonesian banking companies is driven primarily by auditors' professional judgment and the significance of audit risks rather than by financial performance, audit fees, or audit firm size. The results should also be interpreted within the context of the relatively recent implementation of SA 701 in Indonesia, where KAM reporting practices are still evolving. This study contributes to the growing literature on KAM by providing empirical evidence from an emerging market and highlighting the importance of considering regulatory context and industry characteristics when evaluating factors associated with KAM disclosure.

Finally, this study has several limitations. The observation period is relatively short because mandatory KAM disclosure in Indonesia began only in 2022, and the sample is limited to banking companies listed on the Indonesia Stock Exchange. Future studies are encouraged to include a broader range of industries, extend the observation period, and examine additional determinants of KAM disclosure to provide a more comprehensive understanding of auditors' reporting behavior.

REFERENCES

Ahmad Khotim, D., et al. (2014**).** Analysis of Optimal Portfolio Formation Using the Single Index Model and Stochastic Dominance. *Jurnal Administrasi Bisnis.*

Hapsari, L. C. (2013). Analysis of Optimal Portfolio Formation Using the Markowitz Model for LQ-45 Stocks During the 2008–2012 Period. *Jurnal Manajemen.*

Hartono, J. (2013). Portfolio Theory and Investment Analysis. Yogyakarta: BPFE-Yogyakarta.

Husnan, S. (2005). Fundamentals of Portfolio Theory and Securities Analysis. Yogyakarta: AMP YKPN.

Mukodim, S. (2012). Stock Portfolio Formation Using the Single Index Model in Banking Companies Listed on the Indonesia Stock Exchange. *Jurnal Manajemen.*

Rahayu, S. B. (2014). Analysis of Stock Portfolio Formation Using the Single Index Model for Investment Decision Making. *Jurnal Ekonomi dan Bisnis.*

Syahyunan, S., et al. (2013). Analysis of Optimal Stock Portfolio Formation Using the Single Index Model (A Study of LQ-45 Stocks Listed on the Indonesia Stock Exchange). *Jurnal Manajemen.*

Tandelilin, E. (2001). Investment Analysis and Portfolio Management. Yogyakarta: BPFE-Yogyakarta.

Trihariyanto, R. R. (2013). Optimal Portfolio Analysis Based on the Single Index Model (A Case Study of Sharia Stocks Listed on the Indonesia Stock Exchange). *Jurnal Matematika.*

Bank Indonesia. (2012, May 25). Retrieved from http://www.bi.go.id