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The Influence of Big 4 Audit Firms and Audit Fees on the Communication of Key Audit Matters with the Moderating Role of Audit Committee Financial Expertise

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Abstract: This study examines the effect of Big 4 audit firms and audit fees on the communication of Key Audit Matters, with audit committee financial expertise as a moderating variable. The study was conducted on companies listed on the Indonesia Stock Exchange during 2022–2024. This research uses a purposive sampling method, resulting in a sample of 501 companies from a population of 930, with a total of 1,503 observations. The analytical method used is negative binomial regression. The results of this study show that Big 4 audit firms have a significant positive effect on both the number of issues and number of words in KAMs. Audit fees do not have a significant effect on the number of KAMs issues but have a significant negative effect on the number of KAMs words. In addition, audit committee financial expertise is able to strengthen the relationship between Big 4 audit firms and both the number of issues and the number of words in KAMs. Conversely, it is not able to moderate the relationship between audit fees and both the number of issues and words in KAMs.

Keywords: Key Audit Matters, Big 4 Audit Firms, Audit Fees, Audit Committee Financial Expertise.

INTRODUCTION

In the face of increasingly complex economic and business uncertainties, as well as the ongoing modernisation of business practices, users of financial statements are demanding that auditors' reports be prepared more transparently and provide more in-depth information (Fatin, 2024). Auditors' reports are intended to communicate the auditor's opinion and matters of concern regarding the fairness, reliability, and completeness of financial statements to users such as investors, shareholders, creditors, standard-setters, and regulators (Suttipun, 2020).

The International Auditing and Assurance Standards Board (IAASB) revealed that users of independent auditor reports tend to focus solely on the audit opinion, while the overall content of auditor reports is often perceived as less informative (IAASB, 2011). This condition may create an information gap that affects decision-making processes (Robiah & Sudrajat, 2025). Therefore, many users argue that the previous auditor report format is no longer

adequate and provides insufficient in-depth information regarding the condition of the audited entity (Abdullatif & Al-Rahahleh, 2020). In response to users' demands, the International Auditing and Assurance Standards Board (IAASB) approved new international standards related to auditor reports, incorporating significant changes to the information contained in auditor reports (IAPI, 2023).

The International Auditing and Assurance Standards Board (IAASB) issued International Standard on Auditing 701 in 2015, namely *International Standard on Auditing (ISA) 701: Communicating Key Audit Matters in the Independent Auditor's Report*, which became effective for audits of financial periods ending on or after December 15, 2016 (IAASB, 2015). In Indonesia, this standard was adopted by the Institut Akuntan Publik Indonesia (IAPI) as the professional organization for public accountants, which began implementing ISA 701 in 2021 through Standar Audit 701 concerning the communication of Key Audit Matters, also known as Hal Audit Utama (HAU), in the Independent Auditor's Report (LAI) (IAPI, 2023). SA 701 became effective for audits of financial statements for periods beginning on or after January 1, 2022 (IAPI, 2021). Key Audit Matters reported by auditors may vary. Standar Audit 701 does not specify limitations on the number of issues (numkam) or the number of words (wordkam) in Key Audit Matters that must be communicated by auditors; consequently, the extent of KAMs communication presented by each auditor may vary (IAPI, 2021). Differences in the number of communicated Key Audit Matters indicate that the quantity of KAMs is influenced by certain factors.

In this study, legitimacy theory is used to explain how organizations maintain legitimacy in the public's view through the disclosure of information considered aligned with public expectations (Dowling & Pfeffer, 1975). Legitimacy theory can explain the relationship between the communication of Key Audit Matters and external auditors, as social expectations may influence corporate decisions and activities, including the presentation of information to obtain public legitimacy. Auditors tend to be more cautious in communicating significant issues in order to maintain their reputation and professional legitimacy (Boonlert-U-Thai & Suttipun, 2023).

In addition, agency theory underpins this study by emphasizing the importance of effective corporate governance mechanisms in reducing information asymmetry between management and shareholders (Jensen & Meckling, 1976). Agency theory explains that an audit committee with diverse expertise among its members can provide more varied perspectives in the monitoring process and perform oversight functions more effectively, which ultimately encourages broader communication and reduces agency problems (Rahaman & Karim, 2023).

The communication of Key Audit Matters in auditor reports requires auditors to work more meticulously and apply professional judgment in determining significant issues that need to be communicated. Auditors are expected to possess high levels of expertise and reputation, making audit firm size an important consideration in selecting audit service providers. Big 4 audit firms are perceived to have greater resources, expertise, reputational pressure, and more extensive experience compared to non-Big 4 audit firms. Therefore, they are expected to be more capable of identifying and communicating significant risks through Key Audit Matters in a more comprehensive and detailed manner (Wuttichindanon & Issarawornrawanich, 2020).

Large-scale companies generally pay higher audit fees than smaller companies due to the greater volume and complexity of transactions that must be examined. The amount of audit fees is typically determined through an agreement between the auditor and the client, taking into account the duration of the engagement, the type of services provided, and the number of professional personnel involved throughout the audit process (Maulana et al., 2024). Therefore, higher audit fees enable auditors to allocate more resources and time, allowing them to better

identify significant areas to be communicated as Key Audit Matters (Boonlert-U-Thai & Suttipun, 2023).

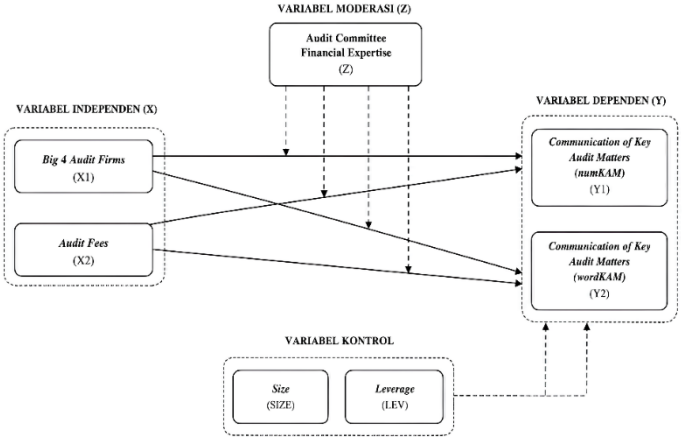
In addition to auditors, the role of the audit committee is also highly important. The audit committee is one of the parties responsible for corporate governance and also has the responsibility to oversee the audit process (Abu & Jaffar, 2020). An audit committee with relevant expertise is expected to play an active role in interacting with auditors in identifying significant issues and monitoring auditors' understanding of risks and complex transactions, thereby potentially strengthening or weakening the more optimal communication of Key Audit Matters (Rahaman & Karim, 2023).

Research in this area remains relatively limited, particularly in Indonesia. This limitation is due to the implementation of Key Audit Matters communication, which only became effectively applicable for periods beginning after January 1, 2022. This study refers to previous studies conducted by Joudeh & Aqel (2024), Rahaman & Karim (2023), Boonlert-U-Thai & Suttipun (2023), and Hosseinniakani et al. (2024), which examine auditor characteristic factors influencing the communication of Key Audit Matters. This study adopts a different perspective by positioning audit committee financial expertise as a moderating variable in the relationship between auditor characteristics and the communication of Key Audit Matters. The role of the audit committee as a moderating variable in the context of Key Audit Matters remains rarely discussed in the literature; therefore, this study seeks to address the existing research gap.

METHODS

This study uses a quantitative research method, in which quantitative research refers to a study that uses numerical data processed and analyzed through statistical calculations. Quantitative data were obtained using secondary data in the form of company annual reports collected from www.idx.co.id. This study tests the hypotheses using Poisson regression analysis and negative binomial regression analysis with the assistance of STATA software. The population of this study consists of all companies listed on the Bursa Efek Indonesia (BEI), represented by their annual reports. The sampling method used in this study is purposive sampling. The sample in this study includes all companies listed on the BEI during the three-year period from 2022 to 2024. Based on the predetermined sampling criteria, from a population of 930 companies, 501 companies were selected as research samples for each year. Therefore, the total number of samples used in this study is 1,503.

The conceptual framework of this study explains that Big 4 audit firms and audit fees are considered the main factors influencing the communication of Key Audit Matters in auditor reports, with this relationship further moderated by audit committee financial expertise.



Source: Researcher

Figure 1. Conceptual Framework

RESULTS AND DISCUSSION

The analytical methods used in this study are Poisson regression. Before the research variables are analyzed, the data for each variable will first be described using descriptive statistics.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
numkam	1,503	1.397206	.5780427	0	4
wordkam	1,503	442.7508	199.2973	0	1975
big4	1,503	.4477711	.4974302	0	1
afee	1,503	20.2249	1.334683	11.74	27.17
acfe	1,503	.874165	.1760729	.33	1
size	1,503	28.59146	2.052663	17.98	35.43
lev	1,503	.7666667	6.454113	0	240.04

Source: Data Processed, 2026

The results of the descriptive analysis in Table 1 indicate that, based on 1,503 observations, the variable representing the number of Key Audit Matters issues, namely numkam (Y), has a minimum value of 0 and a maximum value of 4, with a mean value of 1.397206 and a standard deviation of 0.5780427. Meanwhile, the variable representing the number of words in Key Audit Matters, namely wordkam (Y), has a minimum value of 0 and a maximum value of 1,975, with a mean value of 442.7508 and a standard deviation of 199.2973.

The Big 4 audit firms variable (X1) has a minimum value of 0 and a maximum value of 1, with a mean value of 0.4477711 and a standard deviation of 0.4974302. The audit fees variable (X2) has a minimum value of 11.74 and a maximum value of 27.17, with a mean value of 20.2249 and a standard deviation of 1.334683. The audit committee financial expertise variable (Z) has a minimum value of 0.33 and a maximum value of 1, with a mean value of 0.874165 and a standard deviation of 0.1760729. For the control variables, firm size has a minimum value of 17.98 and a maximum value of 35.43, with a mean value of 28.59146 and a standard deviation of 2.052663. The other control variable, leverage, has a minimum value of 0 and a maximum value of 240.04, with a mean value of 0.7666667 and a standard deviation of 6.454113.

Table 2. Multicollinearity Test Results without the Moderating Variable

Variable	VIF	1/VIF
afee	1.55	0.644795
big4	1.39	0.720484
size	1.17	0.853078
lev	1.02	0.980105
Mean VIF	1.28	

Source: Data Processed, 2026

Table 2 above shows that the centered VIF values of each independent variable are below 10, or VIF < 10. Therefore, it can be concluded that each independent variable examined in this study is free from multicollinearity issues.

Table 3. Multicollinearity Test Results with the Moderating Variable

Variable	VIF	1/VIF
afee	1.57	0.638566
big4	1.40	0.713994
size	1.18	0.846809
lev	1.02	0.978928
acfe	1.02	0.982843
Mean VIF	1.24	

Source: Data Processed, 2026

Table 3 above shows that the centered VIF values of each independent variable are below 10, or VIF < 10. Therefore, it can be concluded that each independent variable examined in this study is free from multicollinearity issues.

Poisson Regression Model

The data on the number of issues and the number of words in Key Audit Matters are assumed to follow a poisson regression because they represent count data (Suryadi et al., 2023).

Table. 4 Poisson Regression Model Results without the Moderating Variable

	numkam			wordkam		
Parameter	**Coef.**	**Std. Error**	**P-value**	**Coef.**	**Std. Error**	**P-value**
BIG4	0.0525144	0.0509911	0.303	0.08363	0.0028899	0.000
AFEE	-0.0172429	0.0193614	0.373	-0.0249814	0.0010746	0.000
SIZE	0.0201851	0.0112975	0.074	0.0330377	0.0006362	0.000
LEV	0.0018153	0.0030751	0.555	0.0008464	0.0002073	0.000
Intercept	0.0829132	0.4174287	0.843	5.590305	0.0235459	0.000

Source: Data Processed, 2026

Based on the regression model results above, the following poisson regression model equation without the moderating variable for the numkam and wordkam variable is obtained:

$$\mu_{numkam} = exp\ (0.0829132 + 0.0525144BIG4 - 0.0172429AFEE + 0.0201851SIZE + 0.0018153LEV)$$

$$\mu_{wordkam} = exp\ (5.590305 + 0.08363BIG4 - 0.0249814AFEE + 0.0330377SIZE + 0.0008464LEV)$$

Table. 5 Poisson Regression Model Results with the Moderating Variable

	numkam			wordkam		
Parameter	**Coef.**	**Std. Error**	**P-value**	**Coef.**	**Std. Error**	**P-value**
BIG4	-0.1968757	0.253476	0.437	-0.1887718	0.143996	0.000
AFEE	-0.081112	0.0643283	0.207	-0.0572642	0.0036751	0.000
ACFE	-1.554464	1.511428	0.304	-0.7558922	0.0858661	0.000
BIG4 × ACFE	0.2796198	0.2850535	0.327	0.3101634	0.0161936	0.000
AFEE × ACFE	0.0776401	0.0777916	0.318	0.0377095	0.0044195	0.000
SIZE	0.0172862	0.0117495	0.141	0.0318508	0.0006609	0.000
LEV	0.0016093	0.0030807	0.601	0.0007596	0.0002073	0.000
Intercept	1.444077	1.34416	0.283	6.270657	0.0765423	0.000

Source: Data Processed, 2026

Based on the regression model results above, the following poisson regression model equation with the moderating variable for the numkam and wordkam variable is obtained:

$$\mu_{numkam} = exp\ (1.444077 - 0.1968757BIG4 - 0.081112AFEE - 1.554464CFE + 0.2796198(BIG4 \times ACFE) + 0.0776401(AFEE \times ACFE) + 0.0172862SIZE + 0.0016093LEV)$$

$\mu_{wordkam}$= *exp* (6.270657 − 0.1887718BIG4 – 0.0572642AFEE – 0.7558922ACFE + 0.3101634(BIG4×ACFE) + 0.0377095(AFEE×ACFE) + 0.0318508SIZE+ 0.0007596LEV)

Assumption Testing

Violations of the assumption of equality between the mean and variance values (equidispersion) in the Poisson regression model may occur in the form of underdispersion or overdispersion (Cameron & Trivedi, 2005).

Table 6. Assumption Testing Result

Variable	Mean	Variance
numkam	1.397206	.3341333
wordkam	442.7508	39719.41

Source: Data Processed, 2026

Based on the results of examining the mean and variance values of the dependent variables, different results were obtained for each variable. For the numkam variable, the mean value of 1.397206 is greater than the variance value of 0.3341333. This condition indicates that the variance is smaller than the mean, thus it can be concluded that the numkam variable experiences underdispersion. Meanwhile, for the wordkam variable, the variance value of 39,719.41 is greater than the mean value of 442.7508. This indicates that the variance exceeds the mean value, thus it can be concluded that the wordkam variable experiences overdispersion.

Under conditions of either overdispersion or underdispersion, the use of the Poisson regression model becomes less appropriate because it may produce biased standard error estimates. Therefore, one commonly used method to address overdispersion is Negative Binomial Regression (Cameron & Trivedi, 2005). Meanwhile, to address both underdispersion and overdispersion, Generalized Poisson Regression can be used (Haris & Arum, 2022).

Negative Binomial Regression Model

The next step is to develop a Negative Binomial Regression model as an alternative model used when the data in Poisson regression analysis experience overdispersion (Cameron & Trivedi, 2005).

Table 7. Negative Binomial Regression Model Results without the Moderating Variable

	numkam			wordkam		
Parameter	**Coef.**	**Std. Error**	**P-value**	**Coef.**	**Std. Error**	**P-value**
BIG4	0.0525144	0.0251511	0.037	0.0792507	0.0238526	0.001
AFEE	-0.0172429	0.0115991	0.137	-0.0233512	0.0095858	0.015
SIZE	0.0201851	0.0059745	0.001	0.0299667	0.0053621	0.000
LEV	0.0018153	0.0006383	0.004	0.0007095	0.00081131	0.383
Intercept	0.0829132	0.2357557	0.725	5.647433	0.2265926	0.000

Source: Data Processed, 2026

Based on the regression model results above, the following negative binomial regression model equation without the moderating variable for the numkam and wordkam variable is obtained:

μ_{numkam}= *exp* (0.0829132 + 0.0525144BIG4 – 0.0172429AFEE + 0.0201851SIZE + 0.0018153LEV)

$\mu_{wordkam}$= *exp* (5.647433 + 0.0792507BIG4 – 0.0233512AFEE + 0.0299667SIZE + 0.0007095LEV)

Table 8. Negative Binomial Regression Model Results with the Moderating Variable

	numkam			wordkam		
Parameter	**Coef.**	**Std. Error**	**P-value**	**Coef.**	**Std. Error**	**P-value**
BIG4	-0.1968767	0.1184737	0.0097	-0.2133095	0.1158842	0.066
AFEE	-0.0811109	0.0380279	0.033	-0.0611449	0.0307071	0.046
ACFE	-1.554443	0.8906729	0.081	-0.878778	0.6568443	0.181
BIG4 × ACFE	0.2796208	0.1359704	0.040	0.3336551	0.1297456	0.010
AFEE × ACFE	0.0776391	0.0454274	0.087	0.0431547	0.0343155	0.209
SIZE	0.0172826	0.0057064	0.002	0.0290455	0.0052312	0.000
LEV	0.0016093	0.0006345	0.011	0.0006066	0.0008042	0.451
Intercept	1.444057	0.7778961	0.063	6.44255	0.5917965	0.000

Source: Data Processed, 2026

Based on the regression model results above, the following negative binomial regression model equation with the moderating variable for the numkam and wordkam variable is obtained:

$$\mu_{numkam} = exp\ (1.444057 - 0.1968767BIG4 - 0.0811109AFEE - 1.554443ACFE + 0.2796208\ (BIG4{\times}ACFE) + 0.0776391\ (AFEE{\times}ACFE) + 0.0172826SIZE + 0.0016093LEV)$$

$$\mu_{wordkam} = exp\ (6.44255 - 0.2133095BIG4 - 0.0611449AFEE - 0.878778ACFE + 0.3336551\ (BIG4{\times}ACFE) + 0.0431547\ (AFEE{\times}ACFE) + 0.0290455SIZE + 0.0006066LEV)$$

Generalized Poisson Regression Model

The next step is to develop a Generalized Poisson Regression model as an alternative model used when the data in Poisson regression analysis experience either overdispersion or underdispersion (Haris & Arum, 2022).

Table 9. Generalized Poisson Regression Model Results without the Moderating Variable

	numkam			wordkam		
Parameter	**Coef.**	**Std. Error**	**P-value**	**Coef.**	**Std. Error**	**P-value**
BIG4	0.0525144	0.0509911	0.303	0.0761223	0.0259871	0.003
AFEE	-0.0172429	0.0193614	0.373	-0.0220264	0.010286	0.032
SIZE	0.0201851	0.0112975	0.074	0.0278702	0.0056385	0.000
LEV	0.0018153	0.0030751	0.555	0.0006296	0.0014751	0.670
Intercept	0.0829133	0.4174287	0.843	5.681924	0.2061661	0.000

Source: Data Processed, 2026

Based on the regression model results above, the following generalized poisson regression model equation without the moderating variable for the numkam and wordkam variable is obtained:

$$\mu_{numkam} = exp\ (0.0829133 + 0.0525144BIG4 - 0.0172429AFEE + 0.0201851SIZE + 0.0018153LEV)$$

$$\mu_{wordkam} = exp\ (5.681924 + 0.0761223BIG4 - 0.0220264AFEE + 0.0278702SIZE + 0.0006296LEV)$$

Table 10. Generalized Poisson Regression Model Results with the Moderating Variable

	numkam			wordkam		
Parameter	**Coef.**	**Std. Error**	**P-value**	**Coef.**	**Std. Error**	**P-value**
BIG4	-0.19687	0.253476	0.437	-0.2294117	0.1301953	0.078
AFEE	-0.0811179	0.0643277	0.207	-0.0648712	0.0436673	0.137
ACFE	-1.554587	1.511417	0.304	-0.9868877	0.9720628	0.310
BIG4 × ACFE	0.2796138	0.2850534	0.327	0.3490723	0.1467162	0.017

AFEE × ACFE	0.0776463	0.0777911	0.318	0.0480939	0.0495396	0.332
SIZE	0.0172863	0.0117495	0.141	0.0272518	0.0057089	0.000
LEV	0.0016093	0.0030807	0.601	0.0005153	0.0014754	0.0727
Intercept	1.444192	1.34415	0.283	6.577541	0.882666	0.000

Source: Data Processed, 2026

Based on the regression model results above, the following generalized poisson regression model equation with the moderating variable for the numkam and wordkam variable is obtained:

$$\mu_{numkam} = exp\ (1.444192 - 0.19687BIG4 - 0.0811179AFEE - 1.554587ACFE + 0.2796138(BIG4 \times ACFE) + 0.0776463(AFEE \times ACFE) + 0.0172863SIZE + 0.0016093LEV)$$

$$\mu_{wordkam} = exp\ (6.577541 - 0.2294117BIG4 - 0.0648712AFEE - 0.9868877ACFE + 0.3490723\ (BIG4 \times ACFE) + 0.0480939\ (AFEE \times ACFE) + 0.0272518SIZE + 0.0005153LEV)$$

Best Model Selection

Model selection aims to identify the most appropriate model among the two regression models used to address overdispersion or underdispersion issues in the Poisson regression model. The criteria used are the AIC and BIC values, where the model with the smallest values is considered the best (Suryadi et al., 2023).

Table 11. Best Model Selection Results

Model	Nilai AIC		Nilai BIC	
	numkam	wordkam	numkam	wordkam
Negative Binomial Regression	3692.836	19717.63	3724.727	19754.84
Generalized Poisson Regression	3694.836	19924.84	3732.042	19962.04

Source: Data Processed, 2026

Based on Table 11, the AIC and BIC values for the Negative Binomial Regression model are lower than those of the Generalized Poisson Regression model. Therefore, the best model used in this study is the Negative Binomial Regression model.

Partial Test

Table 12. Partial Test Results of Negative Binomial Regression

	numkam			wordkam		
Variable	Coef.	P-value	Results	Coef.	P-value	Results
BIG4	0.0525144	0.037	Significant	0.0792507	0.001	Significant
AFEE	-0.0172429	0.137	Not Significant	-0.0233512	0.015	Not Significant
BIG4 × ACFE	0.2796208	0.040	Significant	0.3336551	0.010	Significant
AFEE × ACFE	0.0776391	0.087	Not Significant	0.0431547	0.209	Not Significant

Source: Data Processed, 2026

Based on Table 12 above, which examines the effect of big 4 audit firms and audit fees on the communication of Key Audit Matters with audit committee financial expertise as a moderating variable, the hypotheses can be tested as follows:

The Influence of Big 4 Audit Firms on the Number of Issues in the Communication of Key Audit Matters

This study finds that the Big 4 audit firms variable has a probability value of 0.037 < 0.05 and a positive coefficient (coefficient = 0.0525144) in the numkam model. This indicates that the Big 4 audit firms variable has a positive and significant effect on the number of Key Audit Matters issues (numkam). Therefore, Hypothesis 1 is accepted.

Theoretically, this analysis is grounded in legitimacy theory developed by Dowling & Pfeffer (1975). This theory refers to how external auditor opinions help companies meet social expectations by providing a true and fair perspective. Big 4 audit firms are generally perceived to deliver higher-quality auditor reports because they are required to maintain their reputation by communicating significant issues in auditor reports with greater quality (Suttipun, 2022). Therefore, in the context of this study, the empirical results indicate that Big 4 audit firms are sufficiently strong to serve as a credible indicator in predicting the number of issues, or numkam, in the communication of Key Audit Matters.

This study indicates that Big 4 audit firms tend to influence the number of key audit issues disclosed in auditor reports. Big 4 audit firms are generally supported by greater resources, such as industry specialist auditors, more advanced audit technologies, global audit guidelines, and stricter quality control procedures. These conditions enable Big 4 audit firms to conduct more comprehensive risk assessments and audit evaluations, resulting in more areas being considered as requiring significant auditor attention and worthy of communication as Key Audit Matters. In addition, Big 4 audit firms have strong reputational incentives to maintain audit quality and reporting transparency (Sumartono & Ardianto, 2025).

The results of this study are consistent with Wuttichindanon & Issarawornrawanich (2020) dan Sumartono & Ardianto (2025) which states that Big 4 audit firms have a positive and significant effect on the number of KAMs issues. Therefore, the presence of Big 4 audit firms encourages an increase in the number of KAMs issues not because companies are automatically more problematic, but because auditors are more capable of and more motivated to identify and communicate significant audit areas more extensively.

The Influence of Big 4 Audit Firms on the Number of Words in the Communication of Key Audit Matters

This study finds that the Big 4 audit firms variable has a probability value of 0.001 < 0.05 and a positive coefficient (coefficient = 0.0792507) in the wordkam model. This indicates that the Big 4 audit firms variable has a positive and significant effect on the number of words in Key Audit Matters (wordkam). Therefore, Hypothesis 2 is accepted.

In this study, legitimacy theory is used to explain how organizations maintain legitimacy in the eyes of the public through the communication of information considered aligned with public expectations. The presence of auditors, particularly those with high reputation, encourages the disclosure of more informative KAMs as a form of communication regarding audit areas with significant risks, high professional judgment, or complex management estimates (Boonlert-U-Thai & Suttipun, 2023). Therefore, the empirical results indicate that Big 4 audit firms are sufficiently strong to serve as a credible indicator in predicting the number of words, or wordkam, in the communication of Key Audit Matters.

This study shows that Big 4 audit firms have an effect on the number of words in KAMs. Big 4 audit firms generally have higher audit standards and a greater level of caution, so they tend to provide more detailed and comprehensive explanations in the communication of KAMs compared to non-Big 4 audit firms. More detailed explanations are required so that users of financial statements understand why an issue is classified as a KAMs, how auditors respond to the risk, and the audit procedures performed (Joudeh & Aqel, 2024). As a result, Big 4 audit firms tend to prepare KAMs descriptions with longer, more informative narratives and more technical explanations, thereby increasing the number of words in the communication of KAMs.

The results of this study are consistent with Suttipun (2022) dan Joudeh & Aqel (2024), who stated that Big 4 audit firms have a significant positive effect on the number of words in Key Audit Matters. This indicates that Big 4 audit firms tend to disclose a greater number of issues and provide more detailed and lengthier information regarding KAMs. These findings are also supported by an international literature review conducted by (Vickneswaran, 2026), which states that audit firm characteristics, particularly Big 4 audit firms, influence the length, readability, and level of specificity of KAMs.

The Influence of Audit Fees on the Number of Issues in the Communication of Key Audit Matters

This study found that the audit fees variable has a probability value of 0.137 > 0.05 and a negative coefficient (coefficient = -0.0172429) in the numkam model. This indicates that the audit fees variable does not have a significant effect on the number of issues disclosed in Key Audit Matters (numkam). Therefore, Hypothesis 3 is rejected.

This study is grounded in legitimacy theory. Legitimacy theory states that companies and auditors seek to obtain and maintain legitimacy from stakeholders by demonstrating that their activities and reporting practices are consistent with societal norms, regulations, and expectations (Putra & Dwita, 2024). In the context of this study, the empirical results indicate that audit fees are not sufficiently strong to be used as an indicator in predicting the number of Key Audit Matters issues, as the communication of KAMs is more strongly driven by the auditor's need to maintain credibility, transparency, and compliance with ISA/SA 701 auditing standards rather than by the magnitude of the audit fees received.

The results of this study are consistent with the study conducted by Robiah & Sudrajat (2025), which stated that there is no effect of audit fees on the communication of Key Audit Matters. This can be explained by the fact that the number of KAMs issues is fundamentally determined by auditing standards, which emphasize that KAMs represent the "most significant" matters in the audit. Therefore, the number of KAMs is relatively limited and highly dependent on risk complexity and the auditor's professional judgment, rather than on the magnitude of the audit fees (IAPI, 2021). Therefore, auditors continue to disclose significant issues in the audit report based on the level of audit risk and complexity, rather than solely due to higher audit compensation. This condition causes audit fees to have no significant effect on the number of KAMs issues disclosed.

The Influence of Audit Fees on the Number of Words in the Communication of Key Audit Matters

This study found that the audit fees variable has a probability value of 0.015 < 0.05 and a negative coefficient (coefficient = -0.0233512) in the wordkam model. This indicates that the audit fees variable has a significant negative effect on the number of words in Key Audit Matters (wordkam). Therefore, Hypothesis 4 is rejected.

Based on legitimacy theory, companies seek to maintain public legitimacy by demonstrating that their activities and financial statements have been adequately audited and are consistent with stakeholders' expectations. In this context, higher audit fees may reflect better audit quality, greater auditor competence, and the effectiveness of the audit process in identifying the company's material risks. When auditors receive higher audit fees, they tend to possess more adequate resources and experience, enabling them to communicate Key Audit Matters in a more concise, clear, and focused manner (Dhull et al., 2025). As a result, the number of words used in KAMs disclosures (wordkam) becomes lower because auditors do not need to provide excessively lengthy explanations to obtain legitimacy from financial statement users. In other words, auditors are able to communicate relevant audit information more efficiently without reducing the quality of disclosure.

These findings indicate that the magnitude of the audit fees received does not affect the professionalism of public auditors in performing their duties. Auditors continue to work in accordance with applicable regulations and standards and strive to present reports based on the findings obtained during the audit process. The professionalism of public accounting firms is an important factor in maintaining legitimacy and ensuring effective operations within their environment (Alvania & Astuti, 2025). Fundamentally, audit fees are determined prior to the audit process by considering various factors, such as company size, level of complexity, risks or responsibilities that must be borne by the audit firm, and the amount of labor required during the audit engagement. This study is consistent with the research conducted by (Alvania & Astuti, 2025).

The Influence of Big 4 Audit Firms on the Number of Issues in the Communication of Key Audit Matters Moderated by Audit Committee Financial Expertise

This study found that the interaction variable BIG4 × ACFE has a probability value of 0.040 < 0.05 and a positive coefficient (coefficient = 0.2796208) in the numkam model. This indicates that audit committee financial expertise is able to moderate or strengthen the relationship between Big 4 audit firms and the number of issues disclosed in Key Audit Matters (numkam). Therefore, Hypothesis 5 is accepted.

Based on agency theory, the presence of an audit committee with financial expertise can strengthen the relationship between Big 4 audit firms and the disclosure of Key Audit Matters, as the audit committee serves as a monitoring mechanism to reduce conflicts of interest between management and shareholders. Big 4 audit firms generally possess higher audit quality, stronger independence, and greater ability to detect audit risks more comprehensively, leading them to disclose a greater number of issues in Key Audit Matters (Rahaman & Karim, 2023). However, the influence of Big 4 audit firms on the number of KAMs issues becomes stronger when the company has an audit committee with adequate financial expertise.

An audit committee with a strong understanding of accounting and auditing will be more capable of evaluating financial reporting risks, understanding the complexity of the audit process, and encouraging auditors to provide more detailed and informative disclosures. The presence of an audit committee with financial expertise can strengthen this relationship because they are able to communicate more effectively with external auditors. This condition encourages Big 4 audit firms to examine Key Audit Matters more thoroughly in order to enhance transparency and reduce information asymmetry between management and shareholders (Joudeh & Aqel, 2024). Therefore, audit committee financial expertise serves as a moderating variable that strengthens the influence of Big 4 audit firms on the number of KAMs issues disclosed in the independent auditor's report.

The results of this study are consistent with the studies conducted by Adamu et al. (2024) and Hosseinniakani et al. (2024), which indicate that audit committee financial expertise has a positive effect on the number of issues communicated in Key Audit Matters, suggesting that financially competent audit committees are able to encourage auditors to disclose a greater number of significant audit issues.

The Influence of Big 4 Audit Firms on the Number of Words in the Communication of Key Audit Matters Moderated by Audit Committee Financial Expertise

This study found that the interaction variable BIG4 × ACFE has a probability value of 0.010 < 0.05 and a positive coefficient (coefficient = 0.3336551) in the wordkam model. This indicates that audit committee financial expertise is able to moderate or strengthen the relationship between Big 4 audit firms and the number of words in Key Audit Matters (wordkam). Therefore, Hypothesis 6 is accepted.

From the perspective of agency theory, the relationship between shareholders (principals) and management (agents) gives rise to conflicts of interest and information asymmetry because management possesses more information than the owners of the company (Jensen & Meckling, 1976). To reduce these conflicts, companies require effective monitoring mechanisms, one of which is the use of Big 4 audit firms and the presence of an audit committee with financial expertise (Abu & Jaffar, 2020). The effectiveness of Big 4 audit firms in producing more extensive KAMs disclosures, including a greater number of words (wordkam), becomes stronger when supported by an audit committee possessing financial expertise.

An audit committee with financial expertise is also able to communicate more effectively with external auditors regarding accounting estimates, risks of material misstatement, and the auditor's professional judgment (Rahaman & Karim, 2023). This condition creates greater monitoring pressure on Big 4 audit firms to prepare KAMs that are more informative, extensive, and detailed. Therefore, audit committee financial expertise not only enhances the quality of oversight but also strengthens the influence of Big 4 audit firms on the extent of KAMs disclosures in the audit report.

These findings are consistent with the study conducted by Velte (2020), which found that audit committee financial and industry expertise is positively associated with the readability and quality of KAMs disclosures. In addition, the study by Qadrina & Raharja (2024) showed that corporate governance characteristics, including the audit committee, influence KAMs disclosures in Indonesia. Another finding from Hussin et al. (2022) also explained that public accounting firm attributes, including Big 4 audit firms, affect KAMs readability, thereby strengthening the argument that high-quality auditors will produce more extensive KAMs disclosures when supported by competent internal monitoring mechanisms.

The Influence of Audit Fees on the Number of Issues in the Communication of Key Audit Matters Moderated by Audit Committee Financial Expertise

This study found that the interaction variable AFEE × ACFE has a probability value of 0.087 > 0.05 and a positive coefficient (coefficient = 0.0776391) in the numkam model. This indicates that audit committee financial expertise is not able to moderate the relationship between audit fees and the number of issues disclosed in Key Audit Matters (numkam). Therefore, Hypothesis 7 is rejected.

From the perspective of agency theory, an audit committee with financial expertise is expected to enhance the quality of oversight, thereby encouraging auditors who receive higher audit fees to disclose a greater number of KAMs issues (Alduneibat, 2024). However, in practice, auditors possess professional independence in determining the number of issues considered material and relevant for disclosure in KAMs, meaning that the influence of the audit committee is not always dominant. Therefore, agency theory is not sufficiently strong to serve as a credible indicator in predicting the moderating role of audit committee financial expertise on the relationship between audit fees and the number of Key Audit Matters issues.

The results of this study indicate that although the audit committee possesses financial expertise, their presence is not necessarily effective in influencing the auditor's decision regarding the number of issues disclosed in KAMs. One possible reason is that KAMs disclosures are more strongly influenced by the auditor's professional judgment, company complexity, audit risk, and applicable auditing standards rather than by pressure or oversight from the audit committee. In addition, higher audit fees are not necessarily used to explore a greater number of KAMs issues, but may instead be allocated to improving the efficiency of audit procedures or addressing certain technical complexities (Joudeh & Aqel, 2024).

The results of this study are consistent with the studies conducted by Wuttichindanon & Issarawornrawanich (2020) and Qadrina & Raharja (2024), which stated that the quality of oversight provided by audit committee financial expertise is not able to influence the amount

of content communicated in KAMs. This indicates that the effectiveness of audit committee financial expertise is highly dependent on the overall strength of corporate governance.

The Influence of Audit Fees on the Number of Words in the Communication of Key Audit Matters Moderated by Audit Committee Financial Expertise

This study found that the interaction variable AFEE × ACFE has a probability value of 0.209 > 0.05 and a positive coefficient (coefficient = 0.0431547) in the wordkam model. This indicates that audit committee financial expertise is not able to moderate the relationship between audit fees and the number of words in Key Audit Matters (wordkam). Therefore, Hypothesis 8 is rejected.

The preparation of KAMs is essentially more influenced by the auditor's professional judgment and applicable auditing standards than by pressure or supervision from the audit committee (Alvania & Astuti, 2025). Auditors still maintain independence in determining the extent and level of detail of KAMs disclosures; therefore, higher audit fees are not always followed by an increase in the number of KAMs words, even when the company has an audit committee with financial expertise. In addition, audit committee financial expertise functions only as a form of oversight rather than specifically influencing the narrative or length of KAMs disclosures (Boonlert-U-Thai & Suttipun, 2023). This condition shows that agency theory is not fully able to explain the effectiveness of audit committee financial expertise as a moderating variable in the relationship between audit fees and wordkam.

This study is consistent with Velte (2020), who found that audit committee characteristics can influence the quality of KAMs; however, this effect is not always consistent and depends on the overall effectiveness of corporate governance. In addition, KAMs communication is also strongly influenced by the auditor's professional judgment and audit regulations.

CONCLUSION

Based on the research objectives, it can be concluded that Big 4 audit firms have a significant positive effect on both the number of issues and the number of words in Key Audit Matters, indicating that the presence of high-reputation auditors is proven to enhance the quality and quantity of KAMs disclosures. Meanwhile, audit fees do not have a significant effect on the number of KAMs issues; however, they have a significant negative effect on the number of KAMs words, indicating that higher audit remuneration is not always followed by expanded disclosure and may even be associated with greater efficiency or a reduction in narrative reporting

In addition, audit committee financial expertise is proven to strengthen the relationship between Big 4 audit firms and both the number of issues and the number of words in KAMs, indicating the important role of audit committee competence in enhancing monitoring effectiveness and audit disclosure quality. However, audit committee financial expertise is not able to moderate the relationship between audit fees and both the number of issues and the number of KAMs words, suggesting that the effect of audit fees on KAMs disclosure is more influenced by other factors beyond the role of the audit committee. For future literature development, subsequent studies are recommended to expand variables such as corporate governance characteristics, industry complexity, and regulatory pressure, as well as to use broader or cross-country data coverage in order to provide a more comprehensive understanding and improve the generalizability of the research findings.

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