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Determinants of Key Audit Matters (KAMs) Disclosure: Empirical Evidence from an Emerging Economy

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ABSTRACT

The introduction of new audit requirements regarding the disclosure of KAMs enhances the communicational value of audit reports. Therefore, the objectives of this study are to examine the impact of auditors' characteristics and corporate governance characteristics on key audit matters (KAMs) disclosure in auditors' report in an emerging economy like Bangladesh. Herein, DS30 companies listed in DSE from 2018 to 2023 are taken as a sample because it starts after the mandatory implementation of ISA 701 and KAM reporting requirements in Bangladesh and provides enough time to observe meaningful changes in KAM disclosure practices. Using a multivariate pooled OLS regression analysis, this study finds significant positive association of auditors' attributes (BIG4, FEMA, AFEE and ATENURE) on disclosure of KAMs. Additionally, among the corporate governance characteristics BIND and ACIND have significant positive impacts on the disclosure of KAMs whereas ACEXP has significant negative effect on the disclosure of KAMs. This study additionally reinforces the significance of women's involvement in the growth of emerging economies and emphasizes the value of women's engagement and ongoing professional development. Thus, the findings of the study contribute to Agency Theory, Resource Dependence Theory and Upper Echelons Theory by showing how auditor and governance characteristics influence KAM disclosure through monitoring, resource, and judgement-based mechanisms. The study's findings also assist standard-setters, regulators, and those who produce financial statements by giving them a better knowledge of the factors that could influence a decision to report KAMs by an auditor. However, new areas for future research could include the perception of new regulations by auditors, the strength of auditors' resources, the presence of women in senior management, the interaction between female auditors and female audit committee members, as well as family ownership.

1. Introduction

In the era of globalization, national regimes are evolving, and information takes the wheel of competitive advantage. Organizations with more relevant and valuable information access are in the most advantageous position in the industry. In today's dynamic business environment, the concept of audit has gained much importance, as it helps safeguard the accuracy and reliability of financial statements produced by a company. With the increasing complexity of the financial reporting process, auditors are faced with numerous challenges in identifying and reporting significant financial and operational matters to stakeholders. To address these challenges, the International Standards on Auditing (ISA) introduced the

concept of Key Audit Matters (KAM), which requires auditors to communicate with stakeholders regarding the most significant matters that occurred at the time of audit. The intention of this reporting is to provide stakeholders with a better understanding of the auditing issues that were significant in the company's financial statements. When it comes to financial statements, there are times when management has to make tough calls based on their own judgment. ISA 701 now means auditors have to pay close attention to these areas, but even with the rules in IAS 1, managers still get to decide what details they share (Christensen *et al.*, 2012; Hodgdon & Hughes, 2016). That's why KAM reporting matters, it brings those critical issues to light, helping readers see the bigger

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picture, even if management hasn't spelled everything out. This approach makes financial information clearer and more trustworthy for everyone (Hosseinniakani *et al.*, 2024). Even though there are standards for finding out whether a matter qualifies as a KAM, there is little information available regarding how many KAMs should be reported. Understanding the elements that affect the auditor's actions is crucial because the quantity of KAMs depends on expert judgment.

Prior scholars have examined different determinants of financial reporting quality and audit quality i.e., corporate governance and internal audit quality (Kaawaase *et al.*, 2021), efficiency and opportunism on audit quality (Houque *et al.*, 2012). Many researchers have attempted to scrutinize the determinants of KAMs disclosure and its impact on investors' reaction and on firms' performance and most of the studies conducted on developed countries (like USA and EU) found mixed results (Pinto & Morais, 2019). While several studies have examined KAM disclosure practices in Bangladesh, limited attention has been given to how corporate governance mechanisms influence these disclosures (Khan *et al.*, 2025). This study addresses this gap by examining the effects of both auditor attributes and corporate governance characteristics on KAM reporting. Rather than focusing on a single dimension of disclosure, this study evaluates KAM disclosure using two measures: the number of KAMs disclosed and the length of KAM disclosure. This dual approach provides a more comprehensive understanding of how audit-related and governance-related factors shape the extent and detail of KAM reporting among publicly listed firms in Bangladesh. In addition, important issues such as corporate governance effectiveness and women's participation in the audit profession remain underexplored in the Bangladeshi audit-reporting context. This study therefore contributes by examining whether auditor diversity, particularly the involvement of female auditors, influences KAM disclosure. Bangladesh offers a relevant emerging economy setting for this investigation due to its expanding capital market, increasing investor participation, and continuing corporate governance challenges. Within this context, DS30 companies are particularly appropriate for the study, as they represent leading firms listed on the Dhaka Stock Exchange and generally maintain more structured reporting and disclosure practices.

Therefore, the objectives of this study are to examine the determining factors of key audit matters (KAMs) disclosure in the auditors' report in an emerging economy like Bangladesh. In order to examine the factors affecting key audit matters disclosures in the auditor's report we categorized the factors into three categories including auditor attributes, corporate governance factors and firm attributes where firm characteristics are used as control variables.

Following the objectives, the research question is developed as follows.

RQ: Do auditors' characteristics and Corporate Governance characteristics determine the key audit

matters (KAMs) disclosure in auditors' report?

The rest of the paper is structured as follows: section two outlines the theoretical framework. Literature review and hypothesis development is presented in section three while section four presents the research methods. Section five illustrates the research findings and discussion including key findings, additional analyses, and robustness test results. Finally, section six concludes the paper.

2. Theoretical Framework

The theoretical framework of this study is grounded primarily in Agency Theory, but it is also extended through Resource Dependence Theory and Upper Echelons Theory to provide a more comprehensive explanation of Key Audit Matters (KAMs) disclosure. The study exploits multiple theories as KAM disclosure is influenced not only by agency-related monitoring demands, but also by the resources, expertise, reputation, and individual judgement of auditors and governance actors.

Agency Theory initially explains the conflict due to the separation of ownership and control. In modern era, delegation of decision-making authority to managers gives greater access to internal information by managers that exerts agency problems and information asymmetry, as managers may act in their own interests than protecting shareholders' interests (Jensen & Meckling, 1976). Thus external auditing emerged as an important monitoring mechanism to minimize this conflict through independent assurance. However, the role of auditing has evolved over time. Traditional audit reports were often criticized for providing limited communicative value because they mainly offered a standardized opinion without explaining the significant audit issues encountered during the audit (Srijunpetch, 2017). In response to this limitation, the introduction of ISA 701 expanded the auditor's reporting responsibility by requiring auditors to disclose Key Audit Matters (IAASB, 2015). Therefore, KAM disclosure can be viewed as an extension of the monitoring role proposed by Agency Theory, as it provides external users with more transparent information about areas involving significant audit judgement, risk, and complexity.

Nevertheless, Agency Theory alone is insufficient to explain why the extent and quality of KAM disclosure may vary across firms. While Agency Theory explains the demand for monitoring and transparency, it does not fully explain the resources and capabilities that enable auditors and governance bodies to provide more informative disclosure. Therefore, this study incorporates Resource Dependence Theory that argues on organizations' dependence on valuable internal and external resources to reduce uncertainty, and enhance organizational outcomes (Pfeffer & Salancik, 1978). In the context of audit reporting, auditors, boards of directors, and audit committees provide critical resources such as expertise, independence, reputation, and monitoring capacity. For instance, Big 4 audit firms may contribute stronger technical expertise, international experience, and reputational capital (Belal *et al.*, 2017), which may improve

the transparency and quality of KAM disclosure. Similarly, independent boards and audit committees may provide stronger monitoring resources that limit managerial influence and assert more credible audit communication. Although, the extent and variation of KAM disclosure are mostly explained by conflicts of interest, information asymmetry and resource possession among different parties, this study includes Upper Echelons Theory to explain the judgement-based nature of KAM disclosure. The reporting of KAM requires auditors' professional judgement in identifying, evaluating, and communicating the most significant audit matters. Similarly, Upper

Echelons Theory suggests that organizational outcomes are shaped by the characteristics, experiences, values, and cognitive bases of key decision-makers (Hambrick & Mason, 1984; Hambrick, 2007). In this study, the theory helps explain how auditor attributes, particularly auditor gender, expertise, tenure, and professional orientation, may influence KAM disclosure decisions. The involvement of female auditors, for instance, may introduce different perspectives, risk awareness, and communication styles, which may affect the extent and quality of audit reporting.

3. Literature Review and Hypothesis Development

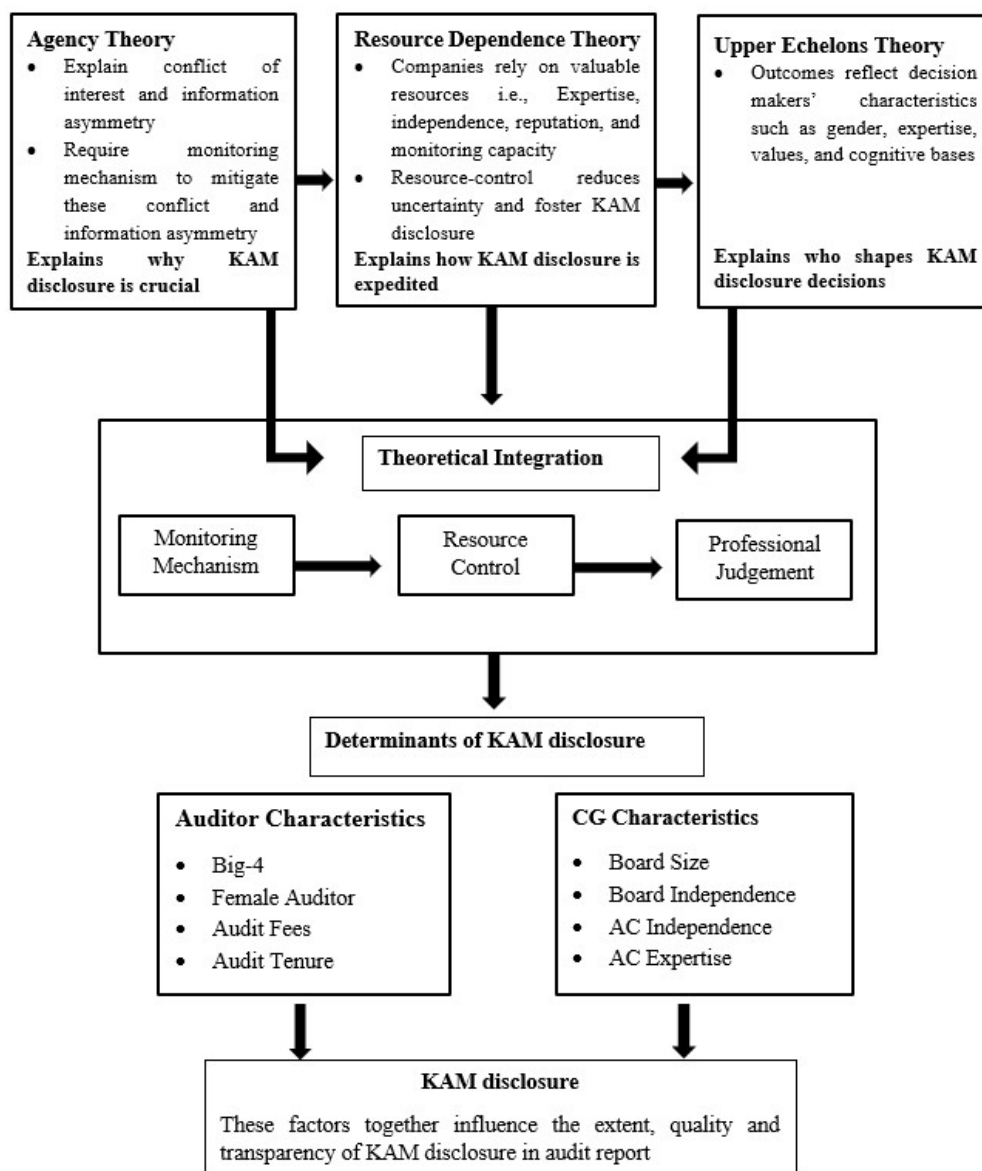


Figure 1: Integrated Theoretical Framework for KAM disclosure.

3.1. Contemporary Literature

Traditional audit reporting is insufficient to minimize information asymmetry and to communicate valuable information to the decision-makers although most of the investors base their decision on the information provided in financial statements. In the aftermath

of the global financial breakdown in 2008, users and decision-makers criticized audit reporting for having little communication value (Srijunpetch, 2017). Since significant accounting policies and estimates can have a major effect on financial results, managers often disclose them when it helps increase company valuation (Levine

& Smith, 2011). However, concerns about legal or reputational risks may also lead managers to reveal less favorable information, so financial statement users need insight into the main assumptions underlying complex accounting choices (Hosseinniakani *et al.*, 2024). In order to provide essential and uniform content that enhances the relevance, transparency, and informational value of the auditor's report to the stakeholders, in January 2015 IAASB implemented new ISA 701: Communicating Key Audit Matters in the Independent Auditor's Report and revised certain notable ISAs. According to Bepari *et al.* (2024), the goal of ISA 701 is to improve openness in financial reporting and auditing. They explain that the International Auditing and Assurance Standards Board (IAASB) defines key audit matters (KAMs) as the most important issues auditors identify using their professional judgment. Auditors are required to highlight these areas in their reports, explain why each matter is significant, and outline the procedures performed to audit them. According to Özcan (2021), auditors' professional judgment has an important influence on the identification of key audit matters, particularly in relation to macroeconomic conditions, organizational complexity, and the industry where firms operate.

Prior scholars have examined different determinants of financial reporting quality and audit quality i.e., corporate governance and internal audit quality (Kaawaase *et al.*, 2021), efficiency and opportunism on audit quality (Haque *et al.*, 2012), personal traits including education and expertise (Gul *et al.*, 2013) and partner narcissism on audit quality (Chou *et al.*, 2021). The informational and communicational value of independent audit reports fuels the adoption of KAM disclosure in audit reports by both developed and emerging countries although the developed countries incorporated KAM disclosure earlier (UK in 2013, French in 2016, Singapore in 2016) than the emerging nations (Thailand in 2016, Bangladesh in 2018, India in 2018). During the period of simultaneous pandemic and economic slump, there was a growing pressure for such disclosure by different groups. Latest evidence determined the factors that affect KAM disclosure across a variety of contexts, including audit characteristics (Pinto & Morais, 2019; Wuttichindanon & Issarawornrawanich, 2020), corporate governance features (Wuttichindanon & Issarawornrawanich, 2020; Velte, 2020), audit committee characteristics (Mah'd & Mardini, 2022; Velte, 2020), firm characteristics (Pinto & Morais, 2019; Suttipun, 2020) and industry features (Rahaman *et al.*, 2022). Studies have looked at how KAMs are reported in Bangladesh as well. Bepari *et al.* (2024) observed that auditors in Bangladesh usually report more KAMs compared to other countries, but the explanations are often short and sometimes focus on common industry issues. Their research also showed that audit quality in Bangladesh improved after KAM reporting was introduced. Similarly, Khan *et al.* (2025) found that the most commonly disclosed KAMs by companies were related to revenue recognition, accounts receivable,

inventory valuation, and fixed asset valuation. Only a few prior studies have determined the association between KAM disclosure and individual characteristics of audit committees, considering education and experience (Wuttichindanon & Issarawornrawanich, 2020; Velte, 2020).

3.2. Auditor Characteristics and KAMs Disclosure

Auditors who specialize in a certain industry, such as the Big 4 firms, are considered more skilled because they have a deeper understanding of industry practices than other auditors. Their expertise helps them detect mistakes or fraud more effectively, and their strong reputation motivates them to maintain high audit quality and avoid errors (Kharuddin *et al.*, 2021). According to Ratzinger-Sakel and Theis (2019), the presence of KAM disclosure pertaining moral licensing allows auditor to provide less skeptical judgement that enhance communicative value of the audit report. The auditors are shielded against lawsuits with the disclosure of KAMs linked to undetected misstatements, but the impact is lessened by the more desirable KAM disclosures (Brasel *et al.*, 2016). As a result, the Big4 audit firms, auditor's litigation risk, upturns the number of KAMs along with words in KAMs and KAM's readability in the auditor's reports (Wuttichindanon & Issarawornrawanich, 2020) where Rahaman *et al.* (2022) found big4 audit firms disclosed new and more detailed KAMs compared to non big4 audit firms. Drawing on these points, the following hypothesis can be proposed.

H-1a: *There is a positive relationship between audit quality and key audit matters (KAMs) disclosure.*

Moreover, gender and accounting skills of audit committee members improve the quality of the audit that also enhances the KAMs disclosure (Abbasi *et al.*, 2020; Velte, 2020). Women tend to be more cautious and ethical, making them more likely to spot financial misstatements and consider the interests of all stakeholders. Vickneswaran (2026) pointed out, earlier research shows that female audit partners are not only more likely to disclose a higher number of KAMs, but they also tend to provide more detailed and thorough explanations in their reports compared to male auditors. This suggests that gender may play an important role in shaping how audit information is communicated. In addition, women are more risk averse (Miller & Ubeda, 2012) and try to avoid the litigation risk (Velte, 2020). As a result, female auditors may encourage more thorough KAM disclosures to improve reporting quality. This suggests that female auditors are likely to disclose a greater number of KAMs. The corresponding hypothesis is outlined below:

H-1b: *There is a positive relationship between female auditor and key audit matters (KAMs) disclosure.*

Previous studies have reported mixed findings regarding the relationship between KAM disclosures and audit tenure. For example, Rahaman and Karim (2023) noted that longer audit tenures can lead to closer relationships between auditors and clients, which may threaten

auditor independence due to increased familiarity. In contrast, Fitriany *et al.* (2019) argued that longer tenures allow auditors to develop a deeper understanding of a company's systems, controls, and risks. Hussin *et al.* (2023) also found that extended audit periods help auditors gain more client-specific knowledge and provide more detailed KAM disclosures. However, Wuttichindanon and Issarawornrawanich (2020) found no significant link between audit tenure and KAM reporting. Based on previous research, the following hypothesis has been formulated.

H-1d: *There is a positive relationship between audit tenure and key audit matters (KAMs) disclosure.*

When auditors receive higher audit fees, they tend to put in more effort and often disclose more KAMs. On the other hand, clients who pay higher fees also expect more thorough audit work and greater transparency in reporting. This means that both the auditor and the client contribute to an increase in KAM disclosures when audit fees are higher. Because of this, audit fees could be linked to the level of KAM disclosures (Vickneswaran, 2026). Pinto and Morais (2019) found a positive relationship between audit fees and the number of KAMs reported. In contrast, Rahaman, Hossain, and Bhuiyan (2022) reported that audit fees and auditor rotation do not have an effect on KAM disclosures. Based on these findings, this study proposes the following hypothesis:

H-1c: *There is a positive association between audit fee and key audit matters (KAMs) disclosure.*

3.3. Corporate Governance Characteristics and KAMs Disclosure

Velte (2020) established the link between corporate governance and KAMs disclosure for the first time in a UK context, confirming that the presence of women on audit committees had a significant impact on the readability of KAMs disclosure in auditor's report. Having a larger board means there are more directors with a wider range of knowledge, skills, and experience to oversee management. This can help the board better review complex financial reports and question management's decisions. Some studies (Bazrafshan *et al.*, 2016; Singh *et al.*, 2018) have found that bigger boards improve oversight, reduce earnings management, and boost efficiency and firm performance. On the other hand, other research (Azeez, 2015; Shan & Xu, 2012; Torchia & Calabro, 2016) has linked smaller boards with greater transparency and more informative earnings reports, as well as better performance. Similarly, Noureldeen *et al.* (2024) report that both the size and independence of the supervisory board are connected to fewer and shorter KAM disclosures. These contrasting findings have inspired the next hypothesis presented below.

H-2a: *There is a positive relationship between board size and key audit matters (KAMs) disclosure.*

Vickneswaran (2026) argues that board independence reflects strong corporate governance, which calls for greater audit effort, and this perspective aligns with

agency theory, information asymmetry theory, and audit quality theory. Research has shown mixed findings about the effect of board independence on KAM disclosures. For example, Noureldeen *et al.* (2024) suggest that boards with more independent directors strengthen financial reporting and governance, which can reduce the risk of errors and may result in fewer KAMs being reported. On the other hand, independent directors also play a key role in protecting shareholder interests and curbing managers' opportunistic behavior (Jensen & Meckling, 1976), which can lead to more transparent and higher quality KAM disclosures (Velte, 2020). The corresponding hypothesis is outlined below:

H-2b: *There is a positive relationship between board independence and key audit matters (KAMs) disclosure.*

The audit committee (AC) plays a crucial role in improving the quality of financial reporting and helps protect shareholders by ensuring that companies follow required disclosure rules (Mnif & Znazen, 2020). According to agency theory, having a larger audit committee with members from diverse backgrounds can lead to better oversight and, in turn, more comprehensive disclosures (Rahaman & Karim, 2023). Khan *et al.* (2025) add that managing audit reporting is a key responsibility of the AC, highlighting the importance of KAM disclosures in meeting materiality standards. As investors seek more transparency, studies have found a positive link between the size of the audit committee and the level of KAM disclosure. Abu Alia *et al.* (2026) noted that since KAMs highlight issues needing special attention from auditors, an effective audit committee could potentially affect how many KAMs are reported. However, their study did not find any significant link between the size of the audit committee and the level of KAM disclosure. Similarly, the following hypothesis is proposed.

H-2c: *There is a positive association between audit committee size and key audit matters (KAMs) disclosure.*

According to agency theory, an independent audit committee is better able to oversee management, which leads to stricter financial reporting and stronger supervision of external auditors. This, in turn, promotes greater transparency in KAM disclosures. Khan *et al.* (2025) also found that audit committee independence helps auditors remain impartial and shields them from management's undue influence, with their study showing a significant positive link between KAM disclosure and audit committee independence. On the other hand, Noor Joudeh and Saher Aqel (2024) pointed out that independent audit committees are less likely to side with management when auditors recommend changes to the financial statements. Their study also found that neither the number nor the length of KAM disclosures is linked to audit committee characteristics. Based on these points, this study proposes the following hypothesis.

H-2d: *There is a positive relationship between audit committee independence and key audit matters (KAMs) disclosure.*

Audit committees with financial and industry expertise can improve audit quality. Bepari (2023) found that such

expertise made KAMs easier to understand and allowed for more specific KAM disclosures. On the other hand, Velte (2019) noted that financial expertise within the audit committee helps reduce information gaps and addresses agency issues. Interestingly, some studies have found the opposite effect on disclosure: Aboud *et al.* (2024) reported a negative relationship between audit committee accounting experience and the number and detail of KAMs disclosed in the UK, and Khan *et al.* (2025) found a similar negative impact in Bangladesh. In line with these findings, this paper proposes the following hypothesis.

H-2e: *There is a negative association between audit committee expertise and key audit matters (KAMs) disclosure.*

When audit committees meet regularly to review and monitor financial statements, the frequency of these meetings can influence both the quality and the amount of information included in audit reports, such as KAM disclosures. Boonlert-U-Thai and Suttipun (2023) found that more frequent audit committee meetings are linked to increase KAM reporting. Khan *et al.* (2025) suggested that holding more audit committee meetings can help improve financial reporting quality and address risks, which might be expected to lead to more KAM disclosures. However, their study found no significant relationship between the frequency of audit committee meetings and the number of KAMs reported. Similarly, Wuttichindanon and Issarawornrawanich (2020) reported no significant connection between the number of meetings and KAM disclosures. These contrasting findings have inspired the next hypothesis presented below.

H-2f: *There is a positive relationship between audit committee meeting and key audit matters (KAMs) disclosure.*

4. Research Methods

4.1. Sample Selection and Data Collection

The sample of this study consists of DS30 companies listed on the Dhaka Stock Exchange (DSE) from 2018 to 2023. The DS30 index includes 30 leading listed companies in Bangladesh and is constructed based on market capitalization, liquidity, profitability, and share price. These companies are considered appropriate for this study because of their active market and more structured reporting and disclosure practices. Although

the introduction of new audit reporting requirements was in late 2016, Bangladeshi companies had started compliances from 2018 and therefore we preferred the timeframe from 2018 to 2021. As KAM disclosure is intended to improve the communicative value of audit reports for investors and other external users, DS30 firms provide a relevant setting for examining the determinants of KAM disclosure in an emerging economy. The study uses secondary data collected from company websites and published annual reports. KAM disclosure data were collected from independent auditors' reports through content analysis. Corporate governance, accounting, and financial data were manually extracted from annual reports. The final sample consists of 178 firm-year observations, after excluding observations with unavailable annual reports or missing data.

4.2. Definition of Variables

The dependent variable is key audit matters disclosure (KAMs) in the audit report that is demonstrated by the number of KAMs (N_KAM) disclosures and length of KAMs (L_KAM) disclosed in the audit reports. In order to examine the factors affecting key audit matters disclosures in the auditor's report we have classified the factors into three categories i.e., auditor characteristics, corporate governance factors and firm attributes. Herein, auditor characteristics include audit quality, female auditor, audit fee, and audit tenure and corporate governance mechanisms incorporate board size, board independence, audit committee size, audit committee independence, audit committee expertise and audit committee meetings as independent variables. Whereas firm' characteristics include firm size, firm complexity, ROA and leverage that are considered as control variables. These variables are commonly used in prior KAM, audit quality, and corporate governance literature to explain variation in audit reporting and disclosure practices. In addition, year fixed effects are included to control for time-specific regulatory, economic, and reporting changes, while industry fixed effects are included to control for industry-level differences in business risk, reporting complexity, and audit requirements. The measurement of variables and their prior evidence are given below in Table 1.

Table 1: Definition of Variables.

Variable Characteristics	Variable Names	Symbol	Measurements	Prior Source Reference
Dependent Variable	Number of Key Audit Matters	N_KAM	Natural logarithm of the number of KAMs disclosed in the auditor's report.	(Khan <i>et al.</i> , 2025; Pinto & Morais, 2019; Rahaman <i>et al.</i> , 2022)
	Length of Key Audit Matters	L_KAM	Natural logarithm of the number of words in KAM disclosures in the auditor's report.	(Rahaman & Karim, 2023; Rahaman <i>et al.</i> , 2022)

Auditor Characteristics	Audit Quality	BIG4	A dichotomous variable that takes 1 if the firm have big4 audit firm otherwise 0.	(Khan <i>et al.</i> , 2025; Wuttichindanon & Issarawornrawanich, 2020; Özcan, 2021; Rahaman <i>et al.</i> , 2022)
	Female Auditor	FEMA	A dichotomous variable that takes 1 if the auditor is a woman and 0 otherwise.	(Vickneswaran , 2026; Wuttichindanon & Issarawornrawanich, 2020; Shao, 2020)
	Audit Fee	AFEE	Natural logarithm of the total audit fees.	(Vickneswaran, 2026; Pinto & Morais, 2019, Oghuvwu & Orakwue, 2019; Rahaman <i>et al.</i> , 2022)
	Audit Tenure	ATENURE	Natural logarithm of the number of years of the actual duration of the current auditor tenure.	(Rahaman & Karim, 2023; Pinto & Morais, 2019; Shao, 2020)
Corporate Governance Characteristics	Board Size	BSIZE	Natural logarithm of the number of members in the board.	(Vickneswaran, 2026; Noureldeen <i>et al.</i> 2024)
	Board Independence	BIND	Natural logarithm of the number of independent directors in the board.	(Vickneswaran, 2026; Noureldeen <i>et al.</i> 2024; Wuttichindanon & Issarawornrawanich, 2020)
	Audit Committee Size	ACSIZE	Natural logarithm of the number of members in the audit committee.	Abu Alia <i>et al.</i> 2026; Khan <i>et al.</i> , 2025; Rahaman & Karim, 2023
	Audit Committee Independence	ACIND	Natural logarithm of the number of independent directors in the audit committee.	(Joudeh & Aqel, 2024; Velte, 2020)
	Audit Committee Expertise	ACEXP	Natural logarithm of the number of audit committee members with a background in accounting and/or finance.	(Khan <i>et al.</i> , 2025; Aboud <i>et al.</i> , 2024; Wuttichindanon & Issarawornrawanich, 2020; Shao, 2020; Velte, 2020)
	Audit Committee Meetings	ACM	Natural logarithm of the number of audit committee meetings in a year.	(Khan <i>et al.</i> , 2025; Wuttichindanon & Issarawornrawanich, 2020; Velte, 2020)
Firm Characteristics	Firm Size	FSIZE	Natural logarithm of total asset.	(Joudeh & Aqel, 2024; Bepari <i>et al.</i> , 2024; Pinto & Morais, 2019; Özcan, 2021)
	Return on Asset	ROA	ROA is measured by dividing the net profit after tax by total asset.	(Rahaman & Karim, 2023)
	Firm Complexity	FCMPLX	The ratio of receivable and inventory to total assets.	(Rahaman & Karim, 2023; Pinto & Morais, 2019; Wuttichindanon & Issarawornrawanich, 2020)
	Leverage	LEV	Leverage is computed by dividing the book value of total debt by the book value of total asset.	(Joudeh & Aqel, 2024; Bepari <i>et al.</i> , 2024; Özcan, 2021; Wuttichindanon & Issarawornrawanich, 2020)

Source: The authors

4.3. Empirical Model

This study empirically tested three regression equations related to Auditor characteristics' model, corporate governance characteristics model and combined model to respond to our research objectives. These are as follows:

Model-1 (Auditors' Characteristics Model):

$$N_KAM_{it} = \beta_0 + \beta_1 BIG4_{it} + \beta_2 FEMA_{it} + \beta_3 AFEE_{it} + \beta_4 ATENURE_{it} + \beta_5 FSIZE_{it} + \beta_6 ROA_{it} + \beta_7 FCMLPX_{it} + \beta_8 LEV_{it} + YEAR_FE + INDUSTRY_FE + \varepsilon_{it} \quad (1)$$

$$L_KAM_{it} = \beta_0 + \beta_1 BIG4_{it} + \beta_2 FEMA_{it} + \beta_3 AFEE_{it} + \beta_4 ATENURE_{it} + \beta_5 FSIZE_{it} + \beta_6 ROA_{it} + \beta_7 FCMLPX_{it} + \beta_8 LEV_{it} + YEAR_FE + INDUSTRY_FE + \varepsilon_{it} \quad (2)$$

Model-2 (CG Characteristics Model):

$$N_KAM_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 ACSIZE_{it} + \beta_4 ACIND_{it} + \beta_5 ACEXP_{it} + \beta_6 ACM_{it} + \beta_7 FSIZE_{it} + \beta_8 ROA_{it} + \beta_9 FCMLPX_{it} + \beta_{10} LEV_{it} + YEAR_FE + INDUSTRY_FE + \varepsilon_{it} \quad (3)$$

$$L_KAM_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 ACSIZE_{it} +$$

$$\beta_4 ACIND_{it} + \beta_5 ACEXP_{it} + \beta_6 ACM_{it} + \beta_7 FSIZE_{it} + \beta_8 ROA_{it} + \beta_9 FCMLPX_{it} + \beta_{10} LEV_{it} + \beta_{11} YEAR_FE_{it} + \beta_{12} INDUSTRY_FE_{it} + \varepsilon_{it} \quad (4)$$

Model-3 (Combined Model):

$$N_KAM_{it} = \beta_0 + \beta_1 BIG4_{it} + \beta_2 FEMA_{it} + \beta_3 AFEE_{it} + \beta_4 ATENURE_{it} + \beta_5 BSIZE_{it} + \beta_6 BIND_{it} + \beta_7 ACSIZE_{it} + \beta_8 ACIND_{it} + \beta_9 ACEXP_{it} + \beta_{10} ACM_{it} + \beta_{11} FSIZE_{it} + \beta_{12} ROA_{it} + \beta_{13} FCMLPX_{it} + \beta_{14} LEV_{it} + \beta_{15} YEAR_FE_{it} + \beta_{16} INDUSTRY_FE_{it} + \varepsilon_{it} \quad (5)$$

$$L_KAM_{it} = \beta_0 + \beta_1 BIG4_{it} + \beta_2 FEMA_{it} + \beta_3 AFEE_{it} + \beta_4 ATENURE_{it} + \beta_5 BSIZE_{it} + \beta_6 BIND_{it} + \beta_7 ACSIZE_{it} + \beta_8 ACIND_{it} + \beta_9 ACEXP_{it} + \beta_{10} ACM_{it} + \beta_{11} FSIZE_{it} + \beta_{12} ROA_{it} + \beta_{13} FCMLPX_{it} + \beta_{14} LEV_{it} + \beta_{15} YEAR_FE_{it} + \beta_{16} INDUSTRY_FE_{it} + \varepsilon_{it} \quad (6)$$

5. Research Findings and Discussion

5.1. Descriptive Statistics

A descriptive summary statistic for the data gathered for this investigation is inserted below in Table 2.

Table 2: Descriptive Statistics.

Variable Name	Symbol	Obs.	Mean	Median	Min.	Max.	Standard Deviation
Number of KAMs (Number)	N_KAM	178	2.848	3	0	8	2.682
Length of KAMs (Words)	L_KAM	178	218.787	281	0	503	198.717
Audit Quality (Dummy)	BIG4	178	.364	0	0	1	.481
Female Auditor (Dummy)	FEMA	178	.458	0	0	1	.498
Audit Fee (BDT)	AFEE	178	1155567	1300000	159722	1840000	623695.8
Audit Tenure (Years)	ATENURE	178	2.484	2	1	8	1.769
Board Size (Number)	BSIZE	178	7.848	8	6	14	1.460
Board Independence (Number)	BIND	178	2.393	2	1	7	1.248
Audit Committee Size (Number)	ACSIZE	178	4.424	4	7	3	1.173
Audit Committee Independence (Number)	ACIND	178	1.393	1	1	3	.555
Audit Committee Expertise (Number)	ACEXP	178	1.606	2	1	3	.658
Audit Committee Meetings (Number)	ACM	178	4.727	4	4	9	1.505
Firm Size (Millions)	FSIZE	178	118049.8	77555.88	4738.698	449084.1	130089.6
Return on Asset (Ratio)	ROA	178	.120	.131	.081	.223	.023
Firm Complexity (%)	FCMLPX	178	.267	.300	0.001	.479	.156
Leverage (Times)	LEV	178	.553	.49	.35	.91	.181

Source: The authors

Herein, key audit matters (KAMs) disclosure is proxied by both number of KAMs (N_KAM) and length of KAMs (L_KAM) disclosed in the auditor's reports. N_KAM has a mean value of 2.848 with minimum 0, maximum 8 and a standard deviation of 2.682. Brac Bank, City Bank, GP disclosed the greater number of KAMs 08 and BATBC disclosed a smaller number of KAMs in its audit report. Similarly, L_KAM has a mean value of 219 words that ranges from 0 to 503 words with a standard deviation of 198.717. Audit quality is proxied by Big4 audit firms that takes 1 if the auditor is a big4

audit firm or 0 otherwise and has a standard deviation of 0.481. The women participation in the accountancy profession is still insignificant in Bangladesh. Herein, female auditor (FEMA) is also a dummy variable that takes 1 if the engagement partner is female or 0 otherwise and has a standard deviation of 0.498. Audit fee (AFEE) has a mean value of BDT 1155567 that ranges from BDT 159722 to BDT 2242500 with a standard deviation of 623695.8. Hence, Beximco has the highest audit fee and Beacon Pharmaceuticals Ltd. has the lowest audit fee. Audit tenure (ATENURE) has a mean value of 2.5 years

with a minimum 1 year, maximum 8 years, and a standard deviation of 1.769.

Board size has a mean value of 7.848 with a minimum of 5 members, maximum 20 members and a standard deviation of 1.460. Herein, Islami Bank Bangladesh Limited has highest board size with 20 members and Beacon Pharmaceuticals Ltd., BSRM Ltd and Fortune have only 5 board members. Moreover, board independence has a mean value of 2.393 with minimum 1 member, maximum 12 members and a standard deviation of 1.248. Beximco has the lowest independent directors on its board with only one member whereas Brac Bank has the highest number of independent directors on its board with 7 directors. Audit committee size has a mean value of 4.424 and it ranges from 3 members to 7 members with a standard deviation of 1.173. Herein, British American Tobacco Bangladesh, BBS Cables and Islami Bank Bangladesh Limited has the highest audit committee size. Similarly, audit committee independence has a mean value of 1.393 with minimum 1 member, maximum 3 members and a standard deviation of .555. Brac Bank and Powergrid Company have the highest independent directors in its audit committee with 3 members. Audit committee

expertise has a mean value of 1.606 and it ranges from 1 member to 3 members with a standard deviation of .658. Hence, Beacon Pharmaceuticals Ltd. and BBS Cables have the highest amount of accounting or finance expertise in its audit committee. Additionally, audit committee meeting (ACM) has a mean of 4.727 that ranges from 4 meetings to 9 meetings with a standard deviation of 1.505.

Firm Size (total asset) has a mean of BDT 118049.8 million and ranges from BDT 4738.698 million to BDT 449084.1 million. Firm complexity (FCMPLX) has a mean of 27% with a minimum 0.01%, maximum 48% and a standard deviation of .156. Return on Asset (ROA) has a mean of 12% that ranges from 8.1% to 22.3% with a standard deviation .023. The observed mean of Leverage is .553 times indicating that the sample firms are highly leveraged in its capital structure.

5.2. Correlation Matrix

The following Table 3 lists the correlation coefficients for the explanatory variable and the potential multicollinearity issue among the regressors is addressed herein by using the Pearson correlation matrix and variance inflation factor (VIF).

Table 3: Correlation Matrix.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	VIF
(1) N_KAM	1.000																
(2) L_KAM	0.9385 (***)	1.000															
(3) BIG4	0.1090 (*)	0.1814 (*)	1.000														3.86
(4) FEMA	0.2055 (*)	0.2945 (*)	0.0082	1.000													1.03
(5) AFEE	0.3118 (*)	0.2763 (*)	0.4062 (**)	0.0894	1.000												3.94
(6) ATENURE	0.2161	0.2393	-0.2416	-0.2694	-0.2224 (***)	1.000											2.65
(7) BSIZE	0.1444	0.2737	0.5429 (***)	0.1776	0.5226 (***)	0.0172	1.000										2.34
(8) BIND	0.3963 (**)	0.3921 (**)	0.1522	0.5510 (**)	0.0492	-0.0667	0.3522 (**)	1.000									2.26
(9) ACSIZE	-0.2741	-0.0716	0.4762 (***)	-0.0821	-0.0122	0.0537	0.4764 (***)	0.1522	1.000								2.96
(10) ACIND	0.5464 (***)	0.5375 (***)	0.0833	0.0985	-0.3283 (*)	-0.0447	0.1914 (**)	0.4312 (***)	0.1786	1.000							1.33
(11) ACEXP	-0.1013 (*)	-0.1728 (*)	0.5073 (***)	0.1054	-0.0531 (*)	-0.3216 (*)	0.3259 (*)	0.3418 (**)	0.5813 (***)	0.2292	1.000						3.77
(12) ACM	0.5514 (*)	0.4425 (*)	0.2241 (*)	0.3155 (*)	-0.4646	-0.1755	0.2791 (**)	0.4328 (**)	0.5864 (***)	0.5864 (***)	0.2067 (*)	1.000					3.49
(13) FSIZE	0.4374 (***)	0.4634 (***)	0.3098 (*)	0.0711	0.6798 (***)	0.2006 (*)	0.5253 (*)	0.0103 (**)	0.0721 (***)	0.4920 (***)	0.0840 (***)	0.4394 (***)	1.000				4.68
(14) ROA	0.5192 (**)	0.4312 (*)	0.6559 (***)	0.0341	0.3786 (***)	0.1913	0.2616	0.1416	-0.1241	0.2416	0.2791 (**)	0.1723	1.000				5.96
(15) FCMPLX	0.5418 (***)	0.4184 (**)	0.0529	0.2532	0.4337 (**)	0.0624	0.0360	-0.376 (**)	0.5322 (**)	0.5595	0.0245	-0.5198 (***)	-0.6004 (***)	0.6621 (*)	1.000		5.36
(16) LEV	-0.6011 (*)	-0.4064 (*)	0.2679	0.2277	-0.5355 (***)	-0.1263 (*)	0.3452 (**)	0.3719 (**)	-0.2433 (***)	0.6522 (***)	0.2624	0.6569 (***)	0.5389 (*)	0.3078 (*)	-0.5541 (**)	1.000	6.53
Mean VIF = 3.76																	

Source: The authors

NOTE: At 1% significance level (***), at 5% significance level (**) and at 10% significance level (*)

The observed data affirm that there is significant correlation between explanatory and explained variables where among the auditor's characteristics, BIG4, FEMA, AFEE are highly and positively correlated with both the number of KAMs (N_KAM) and the length of KAMs (L_KAM). Additionally, among the corporate governance factors BIND, ACIND and ACM have significant positive correlation with both N_KAM and L_KAM. On the other hand, ACEXP has a significant negative association with N_KAM and L_KAM. Moreover, FSIZE, ROA and FCMLPX are also significantly positively correlated with N_KAM and L_KAM where LEV is significantly negatively correlated with N_KAM and L_KAM. According to the Breusch-Pagan test, all the models are free from heteroskedasticity problems. On the other

hand, the mean variance inflation factor (VIF) of the combined regression equation is 3.76 that is slightly above 3.00 but less than 10 suggesting no multicollinearity issue in the stated models. The test results are also encouraged by Kutner *et al.* (1996), who recommend multicollinearity if VIF coefficient reaches 10, and Bowerman and O'Connell, (1994) also validate biased results if mean VIF coefficient falls below 1.

5.3. Multivariate Regression Analysis

The multivariate pooled OLS regression results in this study, presented in Table 4, demonstrates the impact of auditors' characteristics, corporate governance characteristics and their joint impacts on the disclosure of the number of KAMs.

Table 4: Multivariate Regression Results of Auditor Characteristics Model, CG Characteristics Model and Combined Model on the number of KAMs (N_KAM).

Variables	RQ-1		RQ-2		Combined Model	
	Auditor Characteristics		CG Characteristics			
	(E-1)		(E-3)		(E-5)	
	(Without Robust)	(With Robust)	(Without Robust)	(With Robust)	(Without Robust)	(With Robust)
BIG4	.384 (**)	.384 (***)	n/a	n/a	.757 (***)	.757 (***)
FEMA	.256 (*)	.256 (**)	n/a	n/a	.303 (***)	.303 (***)
AFEE	.702 (***)	.702 (***)	n/a	n/a	1.195 (***)	1.195 (***)
ATENURE	.468 (***)	.468 (***)	n/a	n/a	.435 (***)	.435 (***)
BSIZE	n/a	n/a	.049	.049	.024	.024
BIND	n/a	n/a	.405 (*)	.405 (***)	.136 (*)	.136 (**)
ACSIZE	n/a	n/a	.224	.224	.579	.579
ACIND	n/a	n/a	.813 (***)	.813 (***)	1.011 (***)	1.011 (***)
ACEXP	n/a	n/a	-.017 (**)	-.017 (***)	-.077 (**)	-.077 (***)
ACM	n/a	n/a	1.045	1.045	.402	.403
FSIZE	.341 (***)	.341 (***)	.171 (*)	.171 (**)	.446 (***)	.446 (***)
FCMLPX	2.201 (**)	2.201 (***)	.086	.086	.619	.619
ROA	.483 (**)	.483 (***)	.375 (*)	.375 (**)	.562 (**)	.562 (***)
LEV	-.633	-.633	-2.204	-2.204	-1.031	-1.031
Constant	-3.711 (***)	-3.711 (***)	-2.493 (**)	-2.493 (***)	-4.019 (**)	-4.019 (**)
Observations	178	178	178	178	178	178
Adjusted R ²	0.535	0.564	0.550	0.647	0.759	0.818
YEAR_FE	Yes	Yes	Yes	Yes	Yes	Yes
INDUSTRY_FE	Yes	Yes	Yes	Yes	Yes	Yes
Pro > F	0.000	0.000	0.000	0.000	0.000	0.000

Source: The authors

NOTE: (***) The level of significance at 1%, (**) The level of significance at 5%, (*) The level of significance at 10%.

In consistent with H1a, H1b, H1c and H1d the components of auditors' characteristics namely BIG-4, FEMA, AFEE and ATENURE are positively and significantly related with the number of KAMs (N_KAM) disclosed in the audit reports. Big4 audit firms disclose greater number of KAMs than non-Big4 auditors as Big4 auditors ensure greater efforts and higher scrutiny during the audit engagement to protect their worldwide reputation. Similarly, Big4 auditors have ample resources and capacity to ensure better audit quality and reputational image. Hence, we found a significant positive association between audit quality and number of KAMs disclosure, and the findings are also consistent with Wuttichindanon and Issarawornrawanich (2020) and Rahaman, Hossain, and Bhuiyan (2022). Thus according to the Agency Theory, the positive effects of BIG4, AFEE, ATENURE, BIND, and ACIND support the argument that high-quality auditors and strong governance structures reduce information asymmetry and strengthen external monitoring.

There is also a significant positive relation between FEMA and N_KAM. Although women participation in accountancy profession is still scarce in the emerging nations, the number of KAMs disclosure is enhanced due to female auditors. As women are wary about their job responsibility and risk averse, they are more skeptic during audit to ensure due diligence. Hence, the Upper Echelons Theory also asserts the significant effect of FEMA suggests that individual auditor characteristics and professional judgement can shape KAM disclosure decisions. Moreover, audit fees have a significant impact on the disclosure of number of KAMs. Prior studies demonstrated audit fees as a key determinant of audit quality. Big4 audit firms charge higher fees due to their brand equity and therefore ensure the audit quality. Therefore, audit fees increase the number of disclosures of KAMs in the audit reports. On the other hand, audit tenure is also positively related to N_KAM at 1% significance level. The finding corroborates that the longer the audit tenure the more information has been gathered resulting in better understanding about client's businesses and risks. Hence, the number of disclosures of KAMs is improved by audit tenure. The findings validating H1a, H1b, H1c and H1d the components of auditors' characteristics are also robust with consistent results with greater significance level. However, the variations of N_KAM is explained about 56.40% by the auditors' characteristics model.

In consistent with, H2b, H2d, and H2e among the components of corporate governance characteristics, BIND and ACIND are significantly positively related to N_KAM and ACEXP is significantly negatively associated with N_KAM. Board independence improves the disclosure of the number of KAMs. Even though the board of directors protects the interests of shareholders, their varied actions favor managers' interests to the detriment of shareholders. With the addition of more independent directors to the board, these kinds of actions

have been reduced, limiting the conflict of interest. Due to the increased accountability and openness in an organization's operations brought about by the board's independence, the disclosure of the number of KAMs has also improved. Hence, the more independent directors are in the audit committee, the greater number of KAMs disclosed in the audit report. The audit committee's independence, according to agency theory, decreases the agency problem by serving as an oversight on auditor selection that results in improved audit quality along with more precise information about enterprises. Hereby, audit committee independence increases number of KAMs disclosure. On the other hand, audit committee expertise has a significant negative association with the number of KAMs disclosure. Audit committee members with accounting or finance expertise can understand better the firm's business and processes that boost the internal audit quality. Hence, the quality of financial statements is also improved under their direct supervision that results in a smaller number of KAMs disclosure in the audit report. The findings also validate the Resource Dependence Theory perspective as auditors, boards, and audit committees provide valuable resources such as expertise, independence, reputation, legitimacy, and monitoring capacity, which support more transparent audit reporting.

On the contrary, this study found no significant relations of BSIZE, ACSIZE and ACM on N_KAM. Board size has little role in protection of shareholder interest as most of the board members are family members or old friends (Chowdhury, 2013). Therefore, board size and audit committee size have no impact on the number of KAMs, but board independence and audit committee independence have significant positive impact on the number of KAMs. Moreover, audit committee meeting does not necessarily influence the disclosure of the number of KAMs. In a poor institutional and weak regulatory setting, frequency of audit committee meetings may not influence the disclosure of the number of KAMs as it has little impact on the quality of financial statements. The findings, validating H2b, H2d, and H2e among the components of corporate governance characteristics, are also robust with consistent results and greater significance level. However, the variations of N_KAM is explained about 64.70% by the corporate governance characteristics model.

On the other hand, among the firm characteristics' variables controlled herein, FSIZE, ROA and FCMLPX have significant positive effect on N_KAM, and LEV has significant negative influence on N_KAM. Along with the increase in firm size and complexity, audit risk also increases and therefore the number of disclosures of KAMs is also enhanced. However, according to the debt contract hypothesis leverage increases the scrutiny by debtholders on the firms' operations and financial outcomes that encourages managers to prepare financial statements so that cost of debt should not increase. Hence, leverage significantly decreases the disclosure of number of KAMs.

Furthermore, the joint impact of auditors' features and corporate governance characteristics in the combined model also affirm the same consistent results and the findings are also robust checked. However, the variations of N_KAM is explained about 81.80% by the combined model that corroborates a high goodness of fit by the model.

5.4. Additional Analysis

The multivariate pooled OLS regression results in this study, presented in Table 5, demonstrates the impact of auditors' characteristics, corporate governance characteristics and their joint impacts on the disclosure of the length of KAMs.

Table 5: Multivariate Regression Results of Auditor Characteristics Model, CG Characteristics Model and Combined Model on the length of KAMs (L_KAM).

Variables	RQ-1		RQ-2		Combined Model	
	Auditor Characteristics		CG Characteristics			
	(E-1)		(E-3)		(E-5)	
	(Without Robust)	(With Robust)	(Without Robust)	(With Robust)	(Without Robust)	(With Robust)
BIG4	3.002 (***)	3.002 (***)	n/a	n/a	3.642 (***)	3.642 (***)
FEMA	1.774 (***)	1.774 (***)	n/a	n/a	2.011 (***)	2.011 (***)
AFEE	4.489 (***)	4.489 (***)	n/a	n/a	4.844 (***)	4.844 (***)
ATENURE	1.787 (***)	1.787 (***)	n/a	n/a	2.183 (***)	2.183 (***)
BSIZE	n/a	n/a	.681	.681	.229	.229
BIND	n/a	n/a	2.463 (**)	2.463 (***)	1.291 (*)	1.291 (**)
ACSIZE	n/a	n/a	.331	.331	1.876	1.876
ACIND	n/a	n/a	3.704 (***)	3.704 (***)	3.989 (***)	3.989 (***)
ACEXP	n/a	n/a	-.358 (**)	-.352 (***)	-.007 (**)	-.007 (***)
ACM	n/a	n/a	5.678	5.678	.208	.208
FSIZE	2.129 (**)	2.129 (***)	.864 (**)	.864 (***)	1.916 (***)	1.916 (***)
ROA	2.842 (*)	2.842 (**)	1.361 (**)	1.361 (**)	2.139 (**)	2.139 (***)
FCMPLX	9.317 (*)	9.317 (**)	1.315	1.315	3.024	3.024
LEV	-.763	-.763	-7.019	-7.019	-7.283	-7.283
Constant	-7.239 (*)	-7.239 (*)	-8.113 (**)	-8.113 (***)	-52.421 (***)	-52.421 (***)
Observations	178	178	178	178	178	178
Adjusted R ²	0.477	0.512	0.357	0.498	0.716	0.821
YEAR_FE	Yes	Yes	Yes	Yes	Yes	Yes
INDUSTRY_FE	Yes	Yes	Yes	Yes	Yes	Yes
Pro > F	0.000	0.000	0.000	0.000	0.000	0.000

Source: The authors

NOTE: (***) The level of significance at 1%, (**) The level of significance at 5%, (*) The level of significance at 10%.

The number of words used to describe KAMs (L_KAM) is also acknowledged in this study as an additional analysis for determining KAM disclosure in the audit reports. Herein, our additional analysis validates the stated research questions with the same consistent results as our

primary analysis. In consistent with H1a, H1b, H1c and H1d the components of auditors' characteristics namely BIG4, FEMA, AFEE and ATENURE are positively and significantly related with the length of KAMs (L_KAM) disclosure. Hence, Big-4 audit firms significantly increase

the length of KAMs disclosure due to avoid the litigation risk to safeguard their reputation. In addition, audit fees have improved the quality of the audit by allowing for more thorough disclosure KAMs in the audit reports.

Moreover, consistent with H2b, H2d, and H2e among the components of corporate governance characteristics, BIND and ACIND are significantly positively related to L_KAM and ACEXP is significantly negatively associated with L_KAM. More interestingly, accounting or finance expertise of audit committee minimizes the length of KAMs disclosure. Audit committee expertise ensures greater knowledge and understanding about businesses and their process and therefore prepare better financial statements. Hence, the length of KAMs disclosure have been minimized.

On the other hand, this study found no significant relations of BSIZE, ACSIZE and ACM on L_KAM. Among the firms' attributes the analysis found significant positive impact of FSIZE, ROA and FCMLPX on the length of KAMs whereas LEV has significant negative impact on L_KAM.

Additionally, the combined model also validates the same consistent results of the auditors' characteristics model and corporate governance model with same consistent results. The variations of L_KAM is explained about 82.10% by the combined model that corroborates a high goodness of fit by the model.

5.4.1. Endogeneity apprehension

This study applies Propensity Score Matching (PSM) as a robustness test in the additional analysis to mitigate

potential endogeneity and self-selection bias. The use of PSM is appropriate because firms with stronger governance structures may be more likely to appoint Big 4 auditors or adopt more transparent audit reporting practices, which may bias the estimated relationship between auditor and governance characteristics and KAM disclosure. The PSM results reported in Table-6 indicate that the findings are generally consistent with the baseline regression results (Table 6).

In particular, BIG4, High AFEE, High BIND, and High ACIND show positive effects on the number of KAMs disclosed, while High ACEXP shows a negative and significant effect. For the length of KAM disclosure, BIG4 and High AFEE remain positively significant, whereas High ACEXP remains negatively significant. These results suggest that the observed relationships are not driven solely by observable differences between treated and control firms. Therefore, the PSM findings provide additional support for the robustness of the main empirical results, although unobservable sources of endogeneity cannot be fully eliminated.

6. Conclusion

While public interest protection has been less emphasized in emerging economies, it is now increasingly important. Several initiatives have been put into place to restore the investor trust undergone at all-time low due to repeated financial crisis. Accordingly, Financial Reporting Council in Bangladesh defined Public Interest Entity (PIE) in Financial Reporting Act (FRA) 2015 to protect the public interest. Moreover, KAMs disclosure is a new regulation in the auditing practice to ensure better transparency and accountability that may enhance the communicative value of financial statements information (Ratzinger-Sakel & Theis, 2019). Therefore, the objectives of this study are to examine the impact of auditors' characteristics and corporate governance features on KAMs disclosure in the auditors' report in Bangladesh. Herein, DS30 companies listed in DSE from 2018 to 2023 are taken as a sample to fulfil the objectives. Among the auditors' characteristics, this study found significant positive association of audit quality and audit fees with disclosure of both number of KAMs and length of KAMs. Moreover, female auditors and audit tenure are also significantly positively related to disclosure of both the number of KAMs and length of KAMs.

Among the corporate governance characteristics, board independence and audit committee independence have significant positive impact on the disclosure of both the number of KAMs and length of KAMs. Thus, board independence and audit committee independence are encouraged to safeguard shareholders' interest and therefore improve the disclosure of KAMs (N_KAM, L_KAM) in the auditors' reports. On the other hand, accounting, or finance expertise of audit committee enhances the quality of internal audit and financial statements and therefore ACEXP has significantly reduced the disclosure of both number of KAMs and length of

Table 6: Endogeneity Tests.

Variables	Propensity Score Matching (PSM)	
	Combined Model	
	N_KAM (ATT)	L_KAM (ATT)
BIG4	0.755 (***)	0.497 (***)
High AFEE	0.242 (**)	0.217 (**)
High ATENURE	-0.062	-0.371 (*)
High BIND	0.221 (**)	0.050
High ACIND	0.146 (*)	0.631
High ACEXP	-0.692 (***)	-1.089 (***)
Observations	123	123
Controls	Yes	Yes

NOTE: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

ATT refers to Average Treatment Effect on the Treated. High AFEE, High ATENURE, High BIND, High ACIND, and High ACEXP indicate observations above the sample median for the respective variables.

Source: The authors

KAMs in the audit reports. However, audit committee meetings have insignificant impact on KAMs disclosure (N_KAM and L_KAM). Among the firm characteristics, firm size, ROA and firm complexity have significant positive impact on disclosure of KAMs and leverage has significant negative effect on the disclosure of KAMs. All the findings of the study are robustness checked and free from heteroskedasticity and multicollinearity problems. The findings of the study provide concrete data on what drives auditors to disclose KAMs. In an emerging country like Bangladesh the results of this study help to make a generalized conclusion about other emerging country whose political, economic, and regulatory structures are similar. The study offers practical implications for regulators, audit committees, investors, and audit firms in emerging economies. For regulators and standard-setters, the findings suggest that the effectiveness of KAM reporting depends not only on mandatory disclosure requirements but also on audit quality (BIG4), audit effort (AFEE), and auditor experience (ATENURE). For audit committees and boards, the positive effects of BIND and ACIND indicate that independent governance oversight plays an important role in improving KAM disclosure. Finally, investors may therefore use KAMs as an additional source of information when assessing audit quality, financial reporting credibility, and investment decisions. The findings validate the role of women participation in the development of an emerging economy, whereas continuous professional development and engagement of women is highly appreciated. This study has some limitations that open avenues for future research. Since the study relies on secondary data from annual reports, future studies may use interviews or questionnaire surveys with company representatives, auditors, audit committee members, and regulators to gain deeper insights into the determinants of KAM disclosure. Future research may also examine auditors' perceptions of new audit reporting regulations, auditors' resource capacity, and women's participation in senior management and the role of family ownership in influencing KAMs disclosure.

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