Audit Partner Tenure and Key Audit Matters in the Gulf Cooperation Council: The Moderating Effect of Culture

Research Paper
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January, 2024

Original Draft

Published by the Journal of Accounting Literature August, 2024 under the title:

Cultural dynamics and tenure trajectories: How auditor tenure and culture influence key audit matters in the GCC

https://www.emerald.com/insight/content/doi/10.1108/jal-04-2024-0081/full/html

Abstract

This study investigates the relationship between audit partner tenure and reporting Key Audit Matters (KAMs) and whether Hofstede cultural dimensions affect this relation. This study is based on a sample of 456 non-financial firms from all six Gulf Cooperation Council countries during the 2016–2021 period. Our findings offer strong evidence that partner tenure is positively associated with the KAMs disclosure. Our regression results for partner tenure remain positive and significant for all regression models used including robustness checks that control for endogeneity. We also found that long tenured partners disclose KAMs with more details and furnish more readable audit reports. Interestingly, we found that long tenured auditors tend towards boilerplate reporting. Our findings regarding Hofstede culture moderators show that the relationship between partner tenure and KAMs is relatively high when considering power distance and uncertainty avoidance as moderating factors while the relation is relatively low when individualism is considered. We could not find evidence for the moderating role of masculinity. We also conducted content analysis for the 4,792 hand collected KAMs. Our study provides new insights to the extended audit reporting literature regarding the factors that can influence the disclosure of KAM such as partner tenure and cultural values.

Keywords*:* key audit matters; expanded audit reporting; audit partner tenure; Hofstede; national culture; Gulf Cooperation Council (GCC).

1. Introduction

Extended Audit Reporting (EAR) has been introduced by standard setters and regulators as an enhancement to the audit reporting model with the aim of reducing information asymmetry and improving transparency (Mock et al., 2013; Vanstraelen et al., 2012). In 2015, the International Auditing and Assurance Standards Board (IAASB) required the adoption of ISA 701 involving the disclosure of Key Audit Matters (KAMs), a form of EAR. KAM is defined as the most significant matters and risks requiring an auditor's professional judgment and attention with respect to complex, challenging and subjective matters. The newly required disclosures are intended to provide greater communicative value and enhanced decision usefulness of audit reports.

Gulf Cooperation Council (GCC) countries adopted and implemented ISA 701 in 2016 and (in the case of Saudi Arabia in 2017). The GCC was established in 1981 to promote economic collaboration and development among six Arab states bordering the Persian Gulf: The Kingdom of Saudi Arabia (KSA), Sultanate Oman, The United Arab Emirates (UAE), The State of Kuwait, The State of Qatar and The State of Bahrain. Generally, cultural in the region is attributed with strong social ties associated with appreciation of family and personal relations, hierarchical structures, and religion influence in prescribing a way of life (Baatwah, 2023; R. Haniffa & Hudaib, 2007; Patai, 1952). Though GCC countries share several common features distinct to the region such that all six are monarchies and their populations are mostly Arab Muslims with similar customs, traditions and laws, this study does not treat GCC countries as one group since they differ in the degree of cultural values (Akhter et al., 2023; At-Twaijri & Al-Muhaiza, 1996). The GCC countries have high Gross Domestic Product (GDP) per capita, a very high Human Development Index, and are largely considered as oil-rich countries. This attracted audit partners from different regions with distinct cultures to choose the GCC as their destination as well as provide an opportunity for the GCC region to utilize their expertise in audit reporting.

The purposes of this paper are twofold. Firstly, we examine the association between partner tenure and KAMs. Secondly, we explore the moderating effect of Hofstede national culture dimensions, namely power distance, individualism, masculinity and uncertainty avoidance, on the relationship between partner tenure and KAMs. To our knowledge, tenure has not been investigated at the audit partner level in the EAR literature so far. However, tenure at the firm audit firm, has been investigated in earlier literature with diverse results (Elshafie, 2023; Hussin et al., 2022; Pinto & Morais, 2019; Rahaman & Karim, 2023). Moreover, earlier literature concerning extended audit reporting, covered some countries in the GCC such as Oman, UAE, and Bahrain (Al Lawati &

Hussainey, 2022; Baatwah, 2022; Baatwah et al., 2022; Barghathi et al., 2021; Mah'd & Mardini, 2022) while other GCC countries are yet to be explored (Saudia Arabia, Oman, Kuwait and Qatar). As far as we are aware, we are the first to explore KAM across the complete six GCC countries.

The rationale for selecting national culture dimensions as moderators between partner tenure and the audit disclosure is that variation in cultural values across countries can substantially affect the conduct of accounting and auditing practises (Haniffa & Cooke, 2002; Khlif, 2016; Neu, 1992). Moreover, differences in workplace behavior can be explained by culture (e.g. Gray, 1988; Hofstede, 1980).We therefore try to incorporate the variation in cultural values across countries in explaining the behaviour of the long tenured auditor toward the disclosure of KAMs. Furthermore, we selected Hofstede national culture dimensions as it has been widely used in the disclosure and auditing literatures (Chan et al., 2003; Gray & Vint, 1995; Hope, 2003; O. Hope et al., 2008; Jaggi & Low, 2000; Zarzeski, 1996). We also respond to calls for further research to understand the impact of national cultural on auditors behaviour with regards to EAR reporting (Bédard et al., 2019b; Pinto & Morais, 2019).

The six countries comprising the GCC offer an ideal context for our study. First, the GCC countries together form one of the rapidly growing and flourishing developing markets (Al-Shammari et al., 2008). Second, the ISA 701 standard has been established for use in countries all over the world that are adopting International Standard of Auditing (ISA), regardless of culture and the degree of economic development. In the GCC region, corporate governance principles and practices are unique and distinct from those in other developing and developed economies, in view of the complexities of their institutional and cultural contexts (Baydoun et al., 2013; Bley & Chen, 2006). Third, most of the GCC countries are considered as a central location in the region for international trade as they made significant efforts to expand their economies and attract foreign investments to reduce petroleum dependence (Al-Matari et al., 2021; Al Ani & Chavali, 2023). This internationalization drove listed firms in the region for exposure to more scrutiny from regulators and international investors, requesting for ensuring proper governance, more transparency, accountability and objectivity, and reporting of significant risks (Abu-Nassar & Rutherford, 1996; Al-Hadi et al., 2016a; Al-Hadi et al., 2016b).

The process of judgement and choice is complex as it places reliance on different components, methods and tasks (Einhorn & Hogarth, 1981). This paper utilizes Hogarth (1980) decision behavior theory on information assimilation to determine the effect of tenure on partner's judgement and choice with regards to KAM reporting in the GCC countries. As per ISA 701, the audit partner should identify the significant risks faced by the client that could be regarded as KAMs. In

selecting these risks, the audit partner exercise professional judgement. We assume that partner attributes (particularly tenure) and the moderating role of culture are key drivers of the level of KAMs reported. The recently implemented ISA 700 standard, necessitating the disclosure of engagement partner names, has opened new avenues for investigation, potentially facilitating examination of factors like age, tenure, race, ethnicity, social ties, and joint audit participation. Emerging research is studying how partner specific attributes such as gender (Abdelfattah et al., 2021; Bepari et al., 2022; Boonlert-U-Thai & Suttipun, 2023; Hussin et al., 2022; Wuttichindanon, 2020), rotation (Chen et al., 2023; de Ricquebourg & Maroun, 2023; Lin & Yen, 2022), and industry specialization (Bepari et al., 2022; Liu et al., 2022), can affect KAM disclosure. This paper studies the effect of tenure, an attribute that has not been explored at the partner level on KAM reporting. Longer auditor–client relationships can generally have negative impact on audit quality (Carey & Simnett, 2006; Ye et al., 2011) as it can compromise independence and objectivity, resulting in partners disclosing fewer KAMs to sustain this close relationship. On the other hand, longer auditor–client relationships can have positive impact on audit quality (Baatwah, 2016; Chi et al., 2017; Manry et al., 2008) as partners can accumulate knowledge about the client and industry, resulting in partners disclosing more KAMs (Lennox & Wu, 2018). Moreover, long tenured partners may be more inclined to take their reputation into account and exert more efforts to identify significant matters as KAMs (Rahaman & Karim, 2023). Overall, the diverse results could reflect the various institutional and cultural features of the jurisdictions examined.

The GCC setting is characterised with high power distance and uncertainty avoidance while low for individualism (Gray, 1988; Hofstede, 1980). High power distance countries are associated with concentration of power at the higher level, hieratical structures and limited information exchange. High uncertainty avoidance countries are associated with being uncomfortable in ambiguous environments and more caution to take risk. Moreover, A collectivism society is where members are part of an integrated group. Low masculinity is associated with reliant on others and seeking settlement of conflict by compromise and negotiation, this can be due to the inclination to maintain social ties. Prior studies (Gray & Vint, 1995; Orij, 2010) have documented that power distance is negatively associated with accounting disclosures. Long tenure partners can gain credibility, authority and maintain close bonds with the client over the period of tenure. This in turn can result in being able to influence power structures and information sharing, which can result in more KAM disclosure. Prior studies documented that individualism in general positively influence accounting disclosures (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996). In collectivist societies like the GCC in order to demonstrate a commitment and loyalty to the society, long tenured partners may be prone to report less KAM. Empirical studies documented that uncertainty avoidance in general is associated with improved disclosure practises (Gray & Vint, 1995; O.-K. Hope, 2003; Khlif, 2016).

Considering the high uncertainty avoidance, long tenured partners can be inclined to disclose more KAMs in order to protect their reputation and avoid litigation exposure.

Using a hand-collected sample of 2,415 firm-year observations (456 firms) of listed non-financial firms in the GCC from 2016-2021, we argue that partner tenure is positively associated with KAM reporting. Consistent with our expectations, we offer evidence that long tenured partners influenced the disclosure of more KAMs. This suggest that partners gradually acquire more knowledge about the audit client and its industry over the long tenure period (Lennox & Wu, 2018). Findings connect with Hogarth's (1980) theory that client specific knowledge and industry expertise attained over the long tenure period can assist partners in selecting, deeming a matter significant risk or not, resulting in more identification of KAMs. We also argue that power distance and uncertainty avoidance strengthen the relationship between partner tenure and KAMs while individualism weakens the relation, and we are unclear whether the extent of masculinity can moderate the relationship. In alignment with our assumptions, we provide evidence that the increase in power distance and uncertainty avoidance as moderators are associated with an increase in the relationship between partner and KAMs while the increase in individualism is associated in a decrease in the relation. We do not provide evidence for the role of masculinity as a moderator as the results were insignificant. We also explore as an additional analysis whether Hofstede cultural dimensions influence the disclosure of KAM. We found power distance and uncertainty avoidance are associated with less KAM reporting while individualism is associated with more KAM reporting. Results are generally consistent with existing literature in the context of disclosures (Gray, 1988; Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Orij, 2010; Zarzeski, 1996). Results are having opposite signs when compared to the results of Hofstede dimensions as moderators which could probably as a result of the nature of the relationship between audit partner tenure and KAM reporting.

Our study provides several contributions to the existing literature offers insights into previous studies in both developed and developing economies. First, it provides unprecedent evidence on the effect of audit partner tenure on KAM reporting. Specifically, it indicates that long tenured partners disclose greater number of KAMs, lengthier KAMs and more readable KAMs, which can enhance audit reporting. Interestingly, long tenured partners are associated with boilerplate reporting. Second, it is the first attempt to assess the content of KAMs (type and theme) in the GCC region, adding considerably to related literature. Third, we provide first-time evidence on how national culture values using Hofstede dimensions can influence the behavior of long tenured partners with KAM reporting. Fourth, we offer novel findings reflecting the context of the GCC to contribute to the literature. it is important that listed firms in the GCC have proper disclosures in their audit reports to provide transparency and protect shareholders considering the complexities of their institutional and cultural

contexts which can potentially impact KAM disclosure by external auditors. Lastly, it reveals how partner tenure can drive audit reporting, therefore supporting regulators and scholars to better assess the implications of long tenure partners on audit reporting and consequently produce regulations and research accordingly.

The paper progresses as follows. Section 2 reviews the extant literature and develops our hypotheses. Section 3 covers research design, including empirical models, sample selection, and distribution. Section 4 discusses empirical results, including multivariate analysis, endogeneity, robustness check and additional analysis. Section 5 concludes the paper and outlines the limitation and avenues for future research.

2.1 Key audit matters literature in the GCC

Earlier literature concerning extended audit reporting, covered some countries in the GCC (Oman, UAE, and Bahrain) while other GCC countries are yet to be explored (Saudia Arabia, Oman, Kuwait and Qatar). Additionally, research in the GCC is yet to explore the relationship between engagement partner characteristics and KAM reporting. As far as we are aware, we are the first to explore KAM across the complete six GCC countries and examine the relationship between engagement partner characteristic (tenure) and KAM reporting in the region.

Prior literature in the GCC examined the association between auditor characteristics (mainly type) and KAM disclosure. Baatwah (2022) archival study in Oman, examined KAMs for Big Four audit companies and confirmed heterogeneity in the number and style of KAMs disclosed. Mah'd & Mardini's (2022) archival cross country study in the Middle East, covered Oman, the UAE, Bahrain, and Jordan, observed a significant positive association between auditor types (Big Four and non-Big Four firms) with KAM disclosure in the majority of sampled countries. Barghathi et al. (2021) conducted a qualitative study in UAE using semi-structured interviews with auditors from both Big Four and non-Big Four firms. Findings revealed confirmation from Big Four auditors that KAM

decreased earnings management. This was demonstrated by Big Four audit firms' reluctance to conceal earnings management attempts. Contrariwise, non-Big Four firms conveyed worries about pressure to suppress earnings management connected to the possibility of losing the audit client. These findings could be related to the cultural context of the Middle East and the comparatively weak authority possessed by non-Big Four firms.

2.2 Audit partner tenure and key audit matters

The present study focuses on the effect of audit partner tenure (auditor characteristics) [Sara Comments: can we consider partner tenure as auditor characteristic] on the level of KAMs disclosed in the audit report. Similar to previous archival literature concerning external auditor characteristics as a determinant of KAM reporting (Bepari et al., 2022; Ferreira & Morais, 2020; Honkamäki et al., 2022; Pinto & Morais, 2019; Sierra-García et al., 2019), we utilize Hogarth (1980) theory on information assimilation for reasoning and decision making. Audit partner exercise judgement for identifying KAMs. Hogarth's theory is used to describe how audit partners exercise judgements and determine significant matters and risks that should be considered as KAM in the audit report. Hogarth theory states that judgement occurs in a system composed of the following elements: the person, the task environment where decisions are made and the resulting outcome. In connection with this in the context of extended audit reporting, the audit partner represents the person, client characteristics represents the environment of the decision-making task, and the choice of reporting or not reporting a significant matter or risk as a KAM represents the resulting outcome.

Based on Einhorn & Hogarth (1981) behavioral decision theory concerned with the process of judgement and choice states that actual decision-making is established as a result of several conflicting goals or criteria. Rreporting of KAMs is guided by the audit partner perceived impact of the economic trade-off concerning the likelihood of litigation risk and reputation loss for not reporting a significant matter or risk as a KAM on one end and the expected cost of losing a client on the other end (Pinto & Morais, 2019). This is also bearing in mind that reporting too many KAMs could reduce the signalling significance of KAMs (Sierra-García et al., 2019). To resolve this conflict, audit partners can exercise the trade-off applying avoidance or compensatory strategies. Applying conflict avoidance implies that audit partners will not report or postpone the reporting of a significant matter or risk as a KAM. This avoidance is assumed when the audit partner foresees less liability with the impact of not reporting a KAM. Applying compensatory strategies implies that the conflict is

confronted, and resolution is accomplished through compromise. [Sara Comments: I did not much understand this last sentence though took it from the original article (attached p18) and was mentioned in one of KAM articles (attached Pinto & Morais p148) that used Hogarth theory. The original article is difficult to read as it is more about psychology and decision making. I attached for you to have a look please.]

A range of studies weighed the impact of audit firm characteristics such as type (Bepari et al., 2022b; Dwyer et al., 2023; Ferreira & Morais, 2020b; Honkamäki et al., 2022; Kend & Nguyen, 2020; Rahaman et al., 2022; Sierra-García et al., 2019), rotation/switch (Boonlert-U-Thai & Suttipun, 2023; Chen et al., 2023; de Ricquebourg & Maroun, 2023; Suttipun, 2022) and tenure (Elshafie, 2023; Hussin et al., 2022; Pinto & Morais, 2019; Rahaman & Karim, 2023). While these studies have predominantly focused on the attributes of audit firm, emerging research is delving into how other audit partner specific characteristics, such as gender (Abdelfattah et al., 2021; Bepari et al., 2022; Boonlert-U-Thai & Suttipun, 2023; Hussin et al., 2022; Wuttichindanon, 2020), rotation/switch (Chen et al., 2023; de Ricquebourg & Maroun, 2023; Lin & Yen, 2022), and industry specialization (Bepari et al., 2022; Liu et al., 2022), might influence KAM disclosure. The recently implemented ISA 700 mandate, requiring the disclosure of engagement partner names, has opened up new avenues for investigation, potentially allowing for the exploration of how factors like age, tenure, race, ethnicity, social ties, and joint audit participation might affect KAM disclosure.

In this paper we look at the effect of partner level tenure on the number of KAMs disclosed which is a characteristic concerning the audit partner that has not been explored so far in EAR literature as per the authors knowledge. However, it is worth noting that audit firm tenure has been examined in prior literature. Findings were mixed, Elshafie (2023) using date from USA and Pinto & Morais (2019) cross country study (UK, France, and Netherlands) did not find evidence that audit firm tenure affect KAM disclosure, Rahaman & Karim (2023) using data from Bangladesh found that audit firm tenure is positively associated with KAM disclosure while Hussin et al., (2022) Malaysian study found that it is negatively associated with KAM disclosure. The inconsistency of these findings suggests that a multitude of aspects, probably including regulation, cultural elements, or legal aspects, could influence these relationships. Therefore, a broader and more in-depth examination of these variables is recommended. [Sara Comments: Do we really need this paragraph, or it is not necessary.]

Prior literature shows that research examining tenure at the audit firm level revealed that in general longer auditor–client relationship improves the quality of financial reporting (e.g., Myers et al., 2003; Johnson et al., 2002; Stanley & DeZoort, 2007). Since, the audit partner is considered as the principal connector among the audit firm and client, literature explored the influence of tenure at the

partner level on audit quality. Research document mixed evidence. From one angle, longer tenure period could impair audit quality since audit partner independence and objectivity which are key attributes in auditing may be compromised in case the audit partner maintains close relationship bond with the client management. To maintain this close relationship, audit partner could possibly repot less KAMs at the request of client management or for the sake of pleasing the client management. Relatedly, Carey & Simnett (2006) and Ye et al. (2011) using data from Australia documented that longer auditor–client relationship lowers the tendency for the audit partner to issue going concern opinion, indicating lower audit quality. From another angle, longer tenure may possibly improve audit quality since it could result in in audit partner accumulating more client specific knowledge and industry expertise over the long tenure period (Lennox & Wu, 2018). This extensive knowledge could possibly support audit partners in determining more significant matters and risks as KAMs Moreover, longer tenured auditors taking into account their reputational concerns and audit firm image are predicted to exert more efforts to improve audit quality thereby resulting in disclosing more KAMs (Rahaman et al., 2022). Relevantly, Manry et al. (2008) and Chi et al. (2017) using data from USA and Taiwan respectively documented that longer auditor–client relationship is associated with smaller discretionary accruals, indicating improvements in audit quality. In the same viren (Baatwah, 2016) using data from Oman reported that long tenured audit partners are positively associated with issuing modified audit opinions and are not positively associated with high discretionary accruals, indicating higher audit quality. Overall, the mixed results could be due to the diverse institutional attributes of the jurisdictions investigated. Considering the above discussion, the positive relationship between audit partner tenure and KAM reporting generally outweighs the negative association. We therefore hypothesize that:

***H*1**. *Ceteris paribus, there is a positive relationship between audit partner tenure and KAMs disclosure.*

2.3 Hofstede's cultural dimensions and the association between audit partner tenure and key audit matters

Geert Hofstede defines culture as “the collective programming of the mind which distinguishes the members of one human group from another (Hofstede, 1980, p.25).” Hofstede (2001) originally offered four cultural dimensions featuring the distinction between countries which includes power distance, individualism, masculinity and uncertainty avoidance. Subsequently. Hofstede & Hofstede (2005) suggested long term distance as a fifth dimension. Cultural consequences and difference in values among nations can considerably influence the conduct of accounting and auditing (Khlif, 2016). Prior literature documents that national culture can affect the decision of auditor choice (O.

Hope et al., 2008), the level of audit detected accounting errors (Chan et al., 2003), differences in accounting standards (Ding et al., 2005) and accounting disclosures (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996). As such in this study, in addition to using Hogarth theory concerned with judgment and choice as our theoretical framework, we also utilize Hofstede national cultural framework to examine the role of Hofstede cultural dimensions in the relationship between audit partner tenure and KAM disclosure. Professional judgment and decision making are influenced by social-cognitive elements (Salter et al., 2013) and cultural values and beliefs are instrumental forces influencing perceptions, characters and attitudes (Markus & Kitayama, 1991). In this regard we attempt to integrate the variations across cultures in explaining the behaviour of the long tenured auditor with regards to the disclosure of KAMs.

In the next sections, we develop hypotheses on the moderating role of the original four Hofstede cultural dimensions and the association between audit partner tenure and KAM reporting are developed.

2.3.1 Power distance

Hofstede (1980) defines power distance as the extent of power distribution in society where less powerful members accept and presume that power is unequally distributed. Accordingly, cultures associated with high power distance display concentration of power at the higher level, vertical communication, limited information exchange, and hierarchical decision-making structures where members of society are more conservative in making their own decisions. On the other hand, cultures associated with low power distance display dispersion of power, horizontal communication, unbounded information exchange and decentralization in decision-making.

Empirical studies reported mixed findings in relation to power distance and its effect on disclosure. Both Gray & Vint (1995) and Orij (2010) found that found that power distance is negatively associated with accounting disclosure and corporate social disclosure respectively. This is consistent with the expectation that high power distance countries will disclose less information. High power distance cultures are attributed with hierarchically structured, less dispersion of power to preserve inequalities and information sharing restrictions, suggesting a negative association with disclosure. On the other hand, Jaggi & Low (2000) using data from 28 civil and common law countries found that power distance is positively associated with disclosure while Zarzeski (1996) documented that power distance is not significantly associated with disclosure. [Sara Comments: I

looked thoroughly at the papers of Jaggi & Low (2000) and Zarzeski (1996) and they did not provide explanation for their results as they both expected a negative association in their hypothesis.]

In the field of auditing, Chan et al. (2003) using data from 22 countries examined the influence of national culture on accounting errors detected by audit and found that the possibility of overriding controls is more in cultures with high power distance resulting in greater risks of material misstatements and accounting errors. When power is concentrated with certain members, it can result in higher risk of material misstatements in the financial statements (Haskins, 1987).

Two studies (Kimbro, 2002; Mihret, 2014) using date from 61 countries and 66 countries respectively explored the impact of Hofstede's national cultural dimensions on corruption. As anticipated, Kimbro (2002) found that countries with high power distance are more corrupt than countries with low power distance mostly considering that corruption is enabled in pyramidical cultures where there is a higher acceptance of inequality. Similarly, Mihret (2014) found that high power distance countries have higher exposure to fraud risk as proxied by a corruption perception index.

Considering the above discussion, we expect that the increase in power distance as a moderator is associated with an increase in the relationship between audit partner tenure and KAM reporting. This is because longer tenured audit partners could have more influence over the power structures by gaining more credibility and authority over time to influence the disclosure of more KAMs in high power distance cultures like the GCC. Therefore, we hypothesize that:

H_{2a}. ***Ceteris paribus, power distance*** *positvely* ***moderates the association between partner tenure and KAMs disclosure***

2.3.2 Individualism

Hofstede (1980) defines individualism as the extent to which individuals are detached from groups. Individualistic societies promote individual independence and decision making and appraises individual efforts, endeavours and achievements. In collectivistic societies on the other end, individuals are considered as part of groups that focus on collective and shared interests.

Empirical results reported that individualism in general positively influence on accounting disclosures (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996) and corporate social disclosures (Orij, 2010). In individualistic cultures, individuals are independent, look after

themselves and less secretive, suggesting a positive effect with disclosures. In the field of auditing, Chan et al. (2003) found that individualism is positively associated with the level accounting errors as individualism in the workplace is attributed with low staff loyalty and higher staff turnover. Thus, frequent staff changes can result in the increase of accounting error due to their novelty with the business. Studies reported mixed result with regards to impact of individualism on the level of corruption. Kimbro (2002) found that individualism is positively associated with corruption as in individualistic cultures, individuals are expected to look after themselves prioritizing their own needs and goals over those of the group. On the other hand, Mihret (2014) did not find a significant association with fraud risk as proxied by corruption perception index.

Grounded on the above discussion, we assume that the increase in the individualism as a moderator is associated with an decrease in the relationship between audit partner tenure and KAM reporting. This is because longer tenured audit partners in collectivistic society like the GCC may tend to disclose less KAMs to sustain the relationship with the audit client and belong to the in-groups. [Sara Comments: However, last sentence contradicts with our rationale in the Literature review for audit partner tenure where we indicate that long tenured auditors disclose more KAMs regardless of the relationship with client as they accumulate more information about the client during the long tenured period] Therefore, we hypothesize that:

H_{2b}. *Ceteris paribus*, *individualism negatively* moderates the association between partner tenure and KAMs disclosure

2.3.3 Masculinity

Hofstede (1980) cultural dimension of masculinity reflects virtues that are considered as being masculine, including assertiveness, remunerations, credit for achievements and competitiveness, as opposed with virtues that are considered as being feminine including modesty, care, reliance, and settlement of conflict by compromise and negotiation.

Empirical evidence indicated mixed findings in relation to the masculinity influence on disclosure. On one hand, Hope (2003) and Jaggi & Low (2000) reported that masculinity is negatively associated with disclosure. On the other hand Zarzeski (1996) and Gray & Vint (1995) documented that masculinity is positively associated with disclosure as individuals in masculinity societies are more likely to value accomplishments of goals, recognition, success, competition and settlement of conflict by demonstration of strength or fighting. Other scholars, regard the connection between masculinity and disclosures as doubtful or less significant (e.g., Gray, 1988).

Considering the above discussion, it is unclear whether the extent of masculinity can moderate the relationship between audit partner tenure and KAMs disclosure. Therefore, our hypothesis is non-directional as follows:

H_{2c}. Ceteris paribus, masculinity moderates the association between partner tenure and KAMs disclosure

2.3.4 Uncertainty avoidance

Hofstede (1980) cultural dimension of uncertainty avoidance reflects the society's acceptance for ambiguity, unfamiliar risks and uncertainty. It shows the degree to which members in the society feel comfortable or uncomfortable in ambiguous environments. At workplace cultures characterized with high uncertainty avoidance attempt to prevent uncertainty through formal and informal rules, strict laws and internal regulations to manage the methods of work.

Empirical studies reported that uncertainty avoidance in general is associated with enhanced disclosure practises (Khlif, 2016). For example, both Gray & Vint (1995) reported that uncertainty avoidance positively impact disclosure. In the same vein, Jaggi & Low (2000) and Hope (2003) both reported that in civil low countries, uncertainty avoidance is associated with higher degree of disclosure. Moreover, Mihret (2014) found that countries with high uncertainty avoidance have higher exposure to fraud risk as proxied by corruption perception index.

Reflecting the above discussion, in uncertainty avoiding cultures like the GCC, individuals tend to be hesitant, less tolerant and uncomfortable with change. Individuals at workplace environment with high level of uncertainty avoidance are more cautious to take risks and are more worried about loss (Zhang et al., 2015). Considering that the disclosure of KAMs requires professional judgment of the long tenured audit partner which is a substantially uncertain process where the audit partner is not comfortable to undertake the unknown risk, we hypothesize that:

H_{2d}. Ceteris paribus, uncertainty avodiance positvely moderates the association between partner tenure and KAMs disclosure

3. Research Design

3.1 Empirical Model

Table 1 contains a list and description of the variable measurement for our models. Regression analyses were used to evaluate the association between the measured variable and independent variable. We employed a regression model to assess our hypotheses using non-financial listed firms in the GCC over six years period from 2016 to 2021. For the main independent variable, we used partner tenure. To the best of our knowledge, partner tenure has not been studied as a main independent variable in EAR literature so far and specifically it has not been explored in the GCC since studies in the GCC focused more on auditor type (Baatwah, 2022; Barghathi et al., 2021; Mah'd & Mardini, 2022). The first model for H_1 examines the relationship between audit partner tenure and KAMs reporting. The second models for $H_{2a}$to H_{2d}, evaluates the moderating effect of each of the four Hofstede national cultural dimensions (power distance H_{2a}, individualism H_{2b}, masculinity H_{2c} and uncertainty avoidance H_{2d}) on the relationship between audit partner tenure and KAMs reporting.

Table 1- list and description of variables.

Abbreviated Name	Full Name	Description
Measured variable		
kamNum	KAMs number	Number of KAMs disclosed by the audit partner.
Independent variable		
EA_partTen	Partner tenure	Number of years of the audit partner tenure (base year is 2016).
Control variables		
EA_audLag	Audit report lag	The time lag between fiscal year of a company and its audit report date.
EA_partnFem	Female partner	Indicator variable, 1= if audit partner is a female, otherwise 0.
EA_audBig4	Auditor type	Indicator variable, 1= if firm is audited by a Big 4 audit firm, otherwise 0.
EA_GCO	Going concern	Indicator variable, 1= if there is a going concern related matter disclosed in the audit report, otherwise 0.
ln_firmSize	Firm size	Natural logarithm of firm total assets.
loss	Loss	Indicator variable, 1= if firm reported a net loss for the year, otherwise 0.
liquid1	Liquidity	Ratio of total current assets to total current liabilities.
roa3	Return on assets	Ratio of operating profit to total assets.
levg2	Leverage	Ratio of total debt to equity.
Country-level variables		
*Inst_gdp**	GDP per capita	Gross domestic product (in U.S. dollars).
*Inst_inflation**	Inflation	The annual ratio changes in the price to the average consumer obtaining goods and services.
*H_PD_Cntr2***	Power distance	The extent of power distribution in the society which includes the degree of equality/inequality between individuals.
*H_IDV_Cntr2***	Individualism	The extent to which individuals are detached from groups.
*H_MAS_Cntr2***	Masculinity	The extent to which masculine society values competitiveness, strength and assertiveness.
*H_UAV_Cntr2***	Uncertainty avoidance	The extent of society's acceptance and tolerance with regards to uncertainty and ambiguity.

*Source: Data is obtained from the World Bank Development Indicators
**Source: Data is obtained from Hofstede Insights.

3.1.1 Research model specification for audit partner tenure

The first set of hypothesis evaluates the relationship between audit partner tenure and the number of KAMs reported. Longer tenure supports the audit partner in accumulating client specific knowledge and industry expertise over the long tenure period (Lennox & Wu, 2018). This thorough knowledge could assist audit partners reveal more significant matters and risks as KAMs. Therefore, we assume a positive relationship between the independent variable (audit partner tenure) and the dependent variable (the level of KAMs disclosed). To test our hypothesis, we employ model 1 to associate the number of KAMs disclosed with audit partner tenure, along with other auditor and client related determinants. Thus, our main regression model is recognized as follows:

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 EA\_audLag + \beta_3 EA\_partnFem + \beta_4 EA\_audBig4 + \beta_5 EA\_GCO + \beta_6 ln\_firmSize + \beta_7 loss + \beta_8 liquid1 + \beta_9 roa3 + \beta_{10} levg2 + \beta_{11} Inst\_gdp + \beta_{12} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon \quad (1)$$

Following previous EAR archival research (Abdelfattah et al., 2021; Bédard et al., 2019; Bepari et al., 2022; de Ricquebourg & Maroun, 2023; Rahaman & Karim, 2023; Sierra-García et al., 2019;), we measure the dependent variable in model 1 (*kamNum)* as the total number of matters reported by the external auditor in the KAM section of the audit report.

In line with audit partner tenure studies conducted by Manry et al. (2008), Baatwah's (2016) and Ye et al. (2011), $EA\_partTen$ represents the number of years of the audit partner tenure. We hand-collected audit partner names from audit reports for the six GCC countries. The recently implemented ISA 700 mandate, requiring the disclosure of engagement partner names, has facilitated the recognition of audit partner name from the audit reports.

Model 1 also applies several control variables used in auditing literature and EAR research to convey auditor and audit client related attributes. External auditor specific variables include audit report lag EA_audLag, gender $EA\_partnFem$, auditor type $EA\_audBig4$ and going concern opinion EA_GCO. Following Al-mulla & Bradbury (2022), Baatwah et al. (2022), Bédard et al. (2019), Elsayed et al. (2023), Li & Luo (2023), Lin & Yen (2022) and Reid et al., (2019), EA_audLag represents the time lag between fiscal year of a company and its audit report date. Similar to Abdelfattah et al. (2021), Bepari et al. (2022), Hussin et al. (2022) and Wuttichindanon & Issarawornrawanich (2020), $EA\_partnFem$ - an indicator variable equal to 1 if the audit partner is a female, otherwise 0. Like Abdelfattah et al. (2021), Chang et al. (2022), Elmarzouky et al. (2023), Velte (2018) and Velte (2020), auditor type $EA\_audBig4$ - an indicator variable equal to 1 if the firm

is audited by a Big 4 audit firms, otherwise 0 - and going concern opinion EA_GCO - an indicator variable equal to 1 if there is a going concern related matter disclosed in the audit report, otherwise 0.

Audit client specific variables involve firm size $ln\_firmSize$ natural logarithm of firm total assets, $loss$ indicator variable, 1= if firm reported a net loss for the year, otherwise 0, liquidity $liquid1$ ratio of total current assets to total current liabilities, return on assets $roa3$ ratio of operating profit to total assets, leverage $levg2$ ratio of total debt to equity. Extant literature regard larger, leveraged and firms running at a loss inclined to aggressive financial reporting and consequently disclose more KAMs (Abdelfattah et al., 2021; Miñano et al., 2023; Pinto & Morais, 2019; Sierra-García et al., 2019).

We control for country level variables in line with previous studies conducted in the GCC (Al-Hadi et al., 2015, 2019; Bley & Saad, 2011; Boubakri et al., 2021; Elamer et al., 2020; Gerged et al., 2021; Martinez-Garcia et al., 2022). We use GDP per capita $Inst\_gdp$ gross domestic product in US dollars and Inflation $Inst\_inflation$ the annual ratio changes in the price to the average consumer obtaining goods and services. The source for these variables covering the six GCC countries is obtained from World Bank Development Indicators. Moreover, we include year, and industry fixed effects to control for variation in the number of KAM reported across the six years, and ten industries.

3.1.2 Research model specification for Hofstede's cultural dimensions moderators

The second set of hypotheses assesses the moderating effect of the four Hofstede national cultural dimensions (power distance H_{2a}, individualism H_{2b}, masculinity H_{2c} and uncertainty avoidance H_{2d}) on the relationship between audit partner tenure and KAMs reporting. Hofstede's cultural model is adopted to measure the country's cultural values. Difference in cultural values across countries can significantly affect the practise of accounting and auditing (Khlif, 2016). Previous literature provides empirical evidence on using Hofstede's cultural values in the disclosure (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996) and auditing (Chan et al., 2003; Hope et al., 2008) contexts, We therefore attempt to integrate the differences across national cultures in explaining the actions of the long tenured auditor toward the disclosure of KAMs.

Four out of six cultural values are considered in the present paper as a moderating role in the association between audit partner tenure and KAMs: power distance, individualism, masculinity and uncertainty avoidance. The long-term orientation and indulgence cultural values are not included as part of our study because of the lack of GCC country-level data. The scores of each of the Hofstede cultural values ranges from 0 to 100. As countries advance economically, changes in cultural values

are expected, which can possibly impact countries' indices on Hofstede's dimensions (Beugelsdijk et al., 2015). Similar to (Akhter et al., 2023), the scores for each of the four Hofstede cultural values, were obtained from the Hofstede's insights website, mainly due to the availability of scores for GCC countries as well as the scores for Arab countries were being updated based on recent publications.

The cultural value of power distance H_PD_Cntr2 focuses on the degree of power distribution and hierarchy between members within society. High power distance displays that less powerful members acknowledge and assume that power is unequally distributed. The cultural value of individualism H_IDV_Cntr2 reflects the extent to which individuals are detached from groups. Individualistic societies encourage independence and individual achievements. The cultural value of masculinity H_MAS_Cntr2 captures the virtues that are considered as being masculine, such as assertiveness, remunerations, and competitiveness in contract to virtues that are regarded as being feminine such as modesty, care and reliance. Finally, the cultural value of uncertainty avoidance H_UAV_Cntr2 captures the degree of acceptance of uncertainty within a society. Nations with high uncertainty avoidance are considered as more risk averse in comparison to nations with low uncertainty avoidance which feel more comfortable in unfamiliar environments.

Similar to the first model for H_1, we measure the dependent variable and main independent variable of interest in the second models ($H_{2a}$to H_{2d}), *kamNum* as the number of KAMs disclosed by the external auditor in one audit and $EA\_partTen$ as the number of years of the audit partner tenure respectively. Moreover, we use the same control variables used in the first model to express auditor and audit client related characteristics.

To test our hypotheses, we employ model 2 to associate the impact of each of the four Hofstede cultural value on the relationship between audit partner tenure and KAMs reporting, along with other auditor and client related determinants. Thus, our regression models are determined as follows:

Model 2a: Power distance cultural value moderates the association between audit partner tenure and KAMs.

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_PD\_Cntr2 + c.\beta_1 EA\_partTen\#c.\beta_2 H\_PD\_Cntr2 + \beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss + \beta_9 liquid1 + \beta_{10} roa3 + \beta_{11} levg2 + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon \quad 2\ (a)$$

Model 2b: Individualism cultural value moderates the association between audit partner tenure and KAMs.

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_IDV\_Cntr2 + c.\beta_1 EA\_partTen\#c.\beta_2 H\_IDV\_Cntr2 + \beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss + \beta_9 liquid1 + \beta_{10} roa3 + \beta_{11} levg2 + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon \quad 2\ (b)$$

Model 2c: Masculinity cultural value moderates the association between audit partner tenure and KAMs.

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_MAS\_Cntr2 + c.\beta_1 EA\_partTen\#c.\beta_2 H\_MAS\_Cntr2 + \beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss + \beta_9 liquid1 + \beta_{10} roa3 + \beta_{11} levg2 + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon \quad 2\ (c)$$

Model 2d: Uncertainty avoidance cultural value moderates the association between audit partner tenure and KAMs.

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_UAV\_Cntr2 + c.\beta_1 EA\_partTen\#c.\beta_2 H\_UAV\_Cntr2 + \beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss + \beta_9 liquid1 + \beta_{10} roa3 + \beta_{11} levg2 + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon \quad 2\ (d)$$

3.2 Sample selection and distribution

Data has been hand collected for 456 firms listed in the GCC stock exchanges over a six-year period. Data collection consisted of two phases: data gathering and data entry. Phase 1, data gathering involved downloading auditor reports for KAM disclosure and auditor related control variables, and financial statements for firm specific control variables. Phase 2, data entry involved manually extracting data from the downloaded reports and capturing these into the relevant data fields. A quality control review was performed for all variables preceding to data analysis.

The period of the sample is from 2016-2021 for five out of the six GCC countries (Kuwait, Oman, UAE, Qatar, and Bahrain). This is since KAM became required in these countries from 2016 as per ISA 701. Nevertheless, the sample for KSA is from 2017-2021 because the Saudi Organization for Certified Public Accountants (SOCPA) recognized ISA 701 in 2017.

Table 1, Panel A demonstrates that initially, there were 4,235 firm-years observation. The sample excluded financial firms (1,719 firm-year observations) due to variations in regulation, delisted, suspended, or liquidated firms (59 firm-year observations) and dual listed firms in other GCC stock exchanges (42 firm-year observations). This provides a final sample of 2,415 firm-year observations

representing 456 companies in the GCC. Panel B shows the sample distribution by country and year. KSA represents the maximum firm-year observations with 830 (34%), whereas Kuwait, Oman, and UAE represent 548 (23%), 409 (17%), and 356 (15%) firm-year observations respectively. Qatar and Bahrain represent the lowest numbers of firm-year observations at 166 (7%) and 106 (4%) respectively. Panel C shows the sample break-down per industry based on the Global Industry Classification Standard (GICS). The highest industry is industrials with 472 (20%) firm-year observations, followed by materials, with 407 (17%). The lowest industry is Information Technology with 39 (2%) firm-year observations. Panel D indicates the sample break-down per audit partner tenure. When duration is less than three years, it is considered short tenure and when duration is more than 3 years, it is considered long tenure. Short audit partner tenure dominates the sample and represents 2,212 (93%) firm-year observations.

Table 1- Sample selection and distribution

Panel 1-A: Sample selection

GCC Country	KSA	UAE	Kuwait	Oman	Qatar	Bahrain	Grand Total
Total Population	1150	926	944	679	286	250	4235
Total Exclusion (Less)	(320)	(570)	(396)	(270)	(120)	(144)	(1820)
Financials	(315)	(510)	(378)	(252)	(120)	(144)	(1719)
Delisted, suspended/ liquidated	(5)	(30)	(6)	(18)	-	-	(59)
Dual Listing	-	(30)	(12)	-	-	-	(42)
Total Observations	**830**	**356**	**548**	**409**	**166**	**106**	**2415**

Panel 1-B: Sample distribution country and year

GCC Country	2016	2017	2018	2019	2020	2021	Total	Percent
Kingdom of Saudi Arabia	-	146	158	165	180	181	830	34%
State of Kuwait	90	91	91	92	92	92	548	23%
Sultanate of Oman	66	67	68	69	69	70	409	17%
United Arab Emirates	52	53	57	63	65	66	356	15%
State of Qatar	26	27	27	28	29	29	166	7%
Kingdom of Bahrain	17	17	18	18	18	18	106	4%
Total Observations	**251**	**401**	**419**	**435**	**453**	**456**	**2415**	**100%**

Note: KSA did not have any firm year observations in 2016 as KAM was endorsed in 2017 by SOCPA.

Panel 1-C: Sample distribution industry and year

Industry	2016	2017	2018	2019	2020	2021	Total	Percent
Industrials	54	78	79	82	89	90	472	20%
Materials	28	71	73	77	79	79	407	17%
Consumer Discretionary	54	66	67	69	70	70	396	16%
Real Estate	35	60	62	64	66	66	353	15%
Consumer Staples	31	47	53	54	57	57	299	12%
Communication Services	16	22	23	24	24	24	133	6%
Utilities	15	21	22	23	23	24	128	5%
Health Care	8	18	19	20	22	22	109	5%
Energy	8	14	14	14	14	15	79	3%
Information Technology	2	4	7	8	9	9	39	2%
Total Observations	**251**	**401**	**419**	**435**	**453**	**456**	**2415**	**100%**

Panel 1-D: Total audit partner tenure length per year

	2016	2017	2018	2019	2020	2021	Total	%
Audit partner tenure (<=3 short)	247	396	415	411	358	385	2212	93%
Audit partner tenure (>3 long)				22	93	60	175	7%
Total Observations	**247**	**396**	**415**	**433**	**451**	**445**	**2387**	**100%**

Note: 28 observations did not have value for the tenure number as the name of partners were not disclosed (2387+28=2415).

Table 2- Distribution of KAMs

Panel 2-A: Distribution of KAMs by unique audit partner and country

GCC Countries	2016				2017				2018				2019				2020				2021				Total Unique Partners	% Partners	# KAMs (Partner name not disclosed)	Total KAMs	% KAMs
	# Unique Partners	% Unique Partners	# KAMs	% KAMs	# Unique Partners	% Unique Partners	# KAMs	% KAMs	# Unique Partners	% Unique Partners	# KAMs	% KAMs	# Unique Partners	% Unique Partners	# KAMs	% KAMs	# Unique Partners	% Unique Partners	# KAMs	% KAMs	# Unique Partners	% Unique Partners	# KAMs	% KAMs					
Kingdom of Saudi Arabia					46	36%	410	45%	51	37%	344	40%	47	35%	355	43%	40	30%	335	41%	40	31%	336	43%	71	32%	2	1782	37%
State of Kuwait	16	22%	164	30%	24	19%	153	17%	21	15%	151	18%	23	17%	143	17%	22	17%	146	18%	21	16%	139	18%	32	14%	0	896	19%
Sultanate of Oman	15	21%	147	27%	18	14%	127	14%	20	14%	130	15%	18	13%	109	13%	20	15%	117	14%	20	16%	98	12%	39	18%	39	767	16%
United Arab Emirates	24	33%	145	27%	23	18%	138	15%	26	19%	144	17%	31	23%	121	15%	29	22%	132	16%	27	21%	132	17%	46	21%	0	812	17%
State of Qatar	9	12%	51	9%	10	8%	51	6%	10	7%	59	7%	10	7%	61	7%	12	9%	55	7%	11	9%	49	6%	18	8%	0	326	7%
Kingdom of Bahrain	9	12%	35	6%	8	6%	35	4%	11	8%	31	4%	7	5%	36	4%	9	7%	35	4%	9	7%	33	4%	17	8%	4	209	4%
Total	**73**	**100%**	**542**	**100%**	**128**	**100%**	**914**	**100%**	**138**	**100%**	**859**	**100%**	**135**	**100%**	**825**	**100%**	**132**	**100%**	**820**	**100%**	**128**	**100%**	**787**	**100%**	**221**	**100%**	**45**	**4792**	**100%**

Note 1: KSA did not have any firm-years observations in 2016 as KAM was endorsed in 2017 by SOCPA.
Note 2: There are 28 Observations (45 KAMs) where the partner name has not been disclosed.
Note 3: The "Total unique Partners" is not the sum of partners in from different years as the same partners may be repeated across the years. Moreover, two partners conducted audits in two difference countries. Therefore, total number of unique partners across GCC countries from 2016-21.

Panel 2-B: Distribution of the total number of KAMs disclosed, added and dropped by industry and year.

Industry sector	KAM_NUM (Total number of KAMs)								KAM_ADD (Total number of KAMs added)								KAM_DROP (Total number of KAMs dropped)							
	2016	2017	2018	2019	2020	2021	Total	%	2016	2017	2018	2019	2020	2021	**Total**	%	2016	2017	2018	2019	2020	2021	**Total**	%
Industrials	127	194	188	162	169	171	1011	21%	127	86	69	49	52	50	**433**	21%	0	16	72	58	41	41	228	19%
Materials	60	168	149	147	146	143	813	17%	60	128	76	49	58	31	**402**	19%	0	18	89	55	57	32	251	21%
Real Estate	112	133	138	121	124	120	748	16%	112	39	46	19	25	11	**252**	12%	0	19	41	30	18	14	122	10%
Consumer Discretionary	68	130	121	130	111	102	662	14%	68	85	40	42	30	27	**292**	14%	0	24	50	31	45	36	186	15%
Consumer Staples	70	118	109	110	101	90	598	12%	70	69	37	44	24	21	**265**	13%	0	21	48	41	33	29	172	14%
Communication Services	44	60	62	61	64	59	350	7%	44	22	17	14	22	5	**124**	6%	0	6	15	15	19	10	65	5%
Utilities	31	33	32	31	39	39	205	4%	31	13	17	11	18	11	**101**	5%	0	11	17	9	10	11	58	5%
Health Care	14	43	32	36	35	41	201	4%	14	33	15	16	13	16	**107**	5%	0	2	26	11	12	11	62	5%
Energy	17	32	26	24	26	28	153	3%	17	21	12	13	12	7	**82**	4%	0	5	14	15	10	5	49	4%
Information Technology	4	7	9	8	9	14	51	1%	4	4	4	3	2	7	**24**	1%	0	1	2	3	1	2	9	1%
Total	**547**	**918**	**866**	**830**	**824**	**807**	**4792**	**100%**	**547**	**500**	**333**	**260**	**256**	**186**	**2082**	**100%**	**0**	**123**	**374**	**268**	**246**	**191**	**1202**	**100%**
Average	**2.18**	**2.29**	**2.07**	**1.91**	**1.82**	**1.77**	**2.01**		**2.18**	**2.62**	**1.52**	**1.38**	**1.49**	**1.30**	**1.66**		**-**	**1.28**	**1.65**	**1.54**	**1.38**	**1.40**	**1.45**	

Panel 2-C: Distribution of KAMs based on their type and theme.

Entity KAM	Total	Entity KAM %	Overall KAM %	Description of classification
IFRS (General)	74	20.5%	1.5%	First time adoption of IFRS in KSA (2017 and 2018 observations)
Going Concern	56	15.5%	1.2%	Related to going concern, discontinued operation and disposal of subsidiary
Acquisition & Joint Venture	45	12.5%	0.9%	Related to acquisition, business combination, merger and joint venture.
Financial Statements	41	11.4%	0.9%	Matters related to major changes to or restatement of financial statements.
Controls	40	11.1%	0.8%	Related to internal control gaps or audit issues.
Tax	34	9.4%	0.7%	Related to recognition or measurement of tax and zakat.
Related Party	33	9.1%	0.7%	Related party issues, management fees, and subsidiary matters.
Litigation	23	6.4%	0.5%	Realized and unrealized risks from litigation and legal damages.
IT	7	1.9%	0.1%	Risks in relation to the company's information technology assets.
Inflation & Translation Adjustment	7	1.9%	0.1%	Financial statement adjustments related to currency inflation and/or translation
Covid	1	0.3%	0.0%	Related to business risks arising from covid-19 and Corona.
Total Entity KAM	**361**	**100%**	**7.5%**	
Account Level KAM	Total	Account KAM %	Overall KAM %	Description of classification
Revenue recognition	861	19.4%	18.0%	Related to revenue, sales, and discounts
Investment	775	17.5%	16.2%	Related to investments, convertible bonds, and assets held for sale.
Property, Plant, & Equipment	559	12.6%	11.7%	Related to property, plant, equipment as identified by keywords project, lease, capitalize, fixed asset, useful life, depreciate, machine.
Inventories	471	10.6%	9.8%	Related to inventory.
Intangibles	379	8.6%	7.9%	Related to intangible assets as identified by key words intangible, stripping, goodwill, copyright, intellectual property, patent, and right of use
Impairment of Assets	369	8.3%	7.7%	Related to impairment of assets, both current and non-current.
Receivables	304	6.9%	6.3%	Matters related to accounts and trade receivables.
Valuation	260	5.9%	5.4%	Valuation issues with the following key words: value, discount, allowance, recoverability, reassessment, rebate, measurement, recognition, net profit, credit loss, cost of completion and provision.
Financial Assets	235	5.3%	4.9%	Equity, financial instrument, financial asset, derivative, investment, marketable security, share, receivable
IFRS (Specific)	125	2.8%	2.6%	IFRS 1, 3, 9, 10, 11, 15, 16, and 28; IAS 8, 16, 17, 29, and 39.
Liabilities	92	2.1%	1.9%	Loan, debt, borrowing, employee benefit, obligation, claim, refinance, defer and liability.
Supplier Rebates	1	0.0%	0.0%	Related to contractor, supplier, vendor and rebate.
Total Account Level KAM	**4431**	**100%**	**92.5%**	
Total KAM	**4792**		**100%**	

Panel 2-C describes the themes that reflect the 23-item codification of the hand collected KAMs, categorized into two types: entity-level KAMs (EL-KAMs) and account-level KAMs (AL-KAMs). The type and theme of the KAM are shown in the first column. The following columns display the total number of KAMs reported, percentage for EL-KAMs and AL-KAMs and percentage for the overall percentage of KAMs. In the EL-KAMs section, KAMs are classified into 11 themes and in the AL-KAMs section, KAMs ae classified into 12 themes. For the classification of themes we referred to (Camacho-Miñano et al., 2023; Sierra-García et al., 2019) studies.

Table 2, Panel A shows the distribution of KAMs by unique audit partner and country. A total of 4,794 KAMs were disclosed by 221 unique partners within our sample's 2415 firm-years. Panel B shows the distribution of KAMs by industry which generally follows a similar distribution of firm-years observations by industry in Table 1 Panel C. Across the sample period, the average number of newly added KAMs (1.66) is almost offset by the average number of dropped KAMs (1.45). [Sara Comments [Is the underlined sentence relevant as we already describe it in the following sentences and I'm afraid it could be contradicting the next sentences]. In 2016 the number of KAMs added is the highest as it is the year that ISA 701 mandated the disclosure of KAMs in the audit reports. In the same vein, in 2017 the number of KAMs added is also high as KSA endorsed ISA 701 in this year and it is having the

highest firm-years observations in the sample 830 (34%). In later years, on average the number of dropped KAMs were slightly higher than the number of newly added KAMs. Panel C, demonstrates the types of the 4,792 manually collected KAMs in our sample. Following Lennox et al. (2023)**,** we categorize KAMs into two types: entity-level KAMs (EL-KAMs) which are concerned with the overall audit client risks and account-level KAMs (AL-KAMs) which are concerned with to accounting entries and particular items in the financial statements. From the comparison between both types, AL-KAMs 4,431 (92.5%) are dominantly being reported in comparison to EL-KAMs 361 (7.5%) KAMs. This is in line with the audit partner concentrating on the financial statement accounts that displays the inherent risks to the audit client. There is a total of 861 revenue recognition related KAM which is the most commonly disclosed KAMs representing (18%) on an overall level and (19.4%) amongst AL-KAMs. This is consistent with earlier literature (Bepari et al., 2022; Camacho-Miñano et al., 2023; Kend & Nguyen, 2020; Pérez-Pérez et al., 2021; Sierra-García et al., 2019) since revenue recognition can involve complex contract arrangements, extended commitments, and considerable management judgement and estimation. Amongst EL-KAMs, IFRS (General) related KAM is the most commonly disclosed 74 (20.5%) which relate to first time adoption of IFRS in KSA, followed by going concern related KAMs 56 (15.5%) where these were disclosed for firms in financial distress and half of these firms recorded a loss in the same year of the going concern related KAM disclosure.

4 Empirical Results

4.1 Descriptive statistics results

Table 3 presents the descriptive statistics of the variables used in the regression models. For our dependent variable $kamNum,$ the greatest number reported is seven; the lowest is zero where audit partners did not report any KAMs. The mean value is 1.985, with a standard deviation of 1.21. This shows that audit partners reported an average of two KAMs. This is consistent with the number of KAMs disclosed by audit partners in most developing countries (Baatwah, 2022; Baatwah et al., 2022; L. Chen et al., 2023; Liu et al., 2022; Wuttichindanon & Issarawornrawanich, 2020). Concerning $EA\_partTen,$ our main independent variable, the shortest duration of tenure is 1 year and the longest duration is 6 years during the period of our sample. The mean value for $EA\_partTen$ is 1.785 which is almost two years, with a standard deviation of 0.994.

Regarding external auditor control variables, EA_audLag which is also called audit delay ranges from minimum 6 days to maximum 799 days, with 70 days mean. Female engagement partners audited 1.1% of our sample which is not surprising for the GCC context. 57% of our sample was audited by Big Four audit firms. 5.7% of the firm issued a going concern decision. For the firm characteristics control variables, the mean value for firm size is 18.89 (natural logarithm of total assets), leverage 130.1%, liquidity 248.7%, loss 24%, and return on assets 2.8%. Overall, descriptive summary shows substantial diversity between sample firms.

Regarding the country level variables, the mean value for the $Inst\_gdp$ is $ 28702.194 per capita and $Inst\_inflation$ rate is 118.2%. The high values reflect the GCC countries wealth of natural resources and economic growth. The four Hofstede cultural dimensions (power distance, individualism, masculinity and uncertainty avoidance) have mean scores of about 74, 38, 39 and 70 respectively. The scores are regarded as high for power distance and uncertainty avoidance while low for individualism and masculinity considering the culture in the GCC. Refer to Appendix A, for the scores of Hofstede cultural dimensions per GCC country.

Table 3- Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
kamNum	2415	1.984	1.208	0	7
EA partTen	2387	1.785	.994	1	6
EA audLag	2396	70.624	39.471	6	799
EA partnFem	2376	.011	.102	0	1
EA audBig4	2415	.571	.495	0	1
EA GCO	2415	.057	.231	0	1
ln firmSize	2415	18.887	2.314	11.834	27.929
loss	2415	.24	.427	0	1
liquid1	2415	2.487	4.635	.005	87.463
roa3	2415	.028	.166	-4.498	1.334
levg2	2415	1.301	4.788	-65.078	160.039
Inst gdp	2323	28702.194	12194.091	16707.623	66838.357
Inst inflation	2349	1.182	1.862	-2.54	3.445
H PD Cntr2	2415	74.649	12.31	46	93
H IDV Cntr2	2415	39.869	10.719	18	52
H MAS Cntr2	2415	39.66	13.414	12	55
H UAV Cntr2	2415	70.951	6.8	64	80

Table 4- Pairwise correlation

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1) kamNum	1.000																
(2) EA_partTen	0.000	1.000															
(3) EA_audLag	-0.162***	-0.028	1.000														
(4) EA_partnFem	-0.074***	0.030	0.046**	1.000													
(5) EA_audBig4	-0.120***	0.009	-0.076***	-0.062***	1.000												

(6) EA_GCO	0.012	-0.014	0.104***	0.010	-0.077***	1.000											
(7) ln_firmSize	0.174***	0.089***	0.032	-0.056***	0.327***	-0.087***	1.000										
(8) loss	0.075***	0.033*	0.132***	0.029	-0.172***	0.303***	-0.190***	1.000									
(9) liquid1	-0.070***	-0.016	-0.063***	0.145***	-0.109***	-0.081***	-0.168***	-0.019	1.000								
(10) roa3	-0.071***	-0.017	-0.010	-0.026	0.136***	-0.132***	0.158***	-0.372***	0.022	1.000							
(11) levg2	-0.042**	0.007	0.075***	-0.005	0.005	0.136***	0.016	0.073***	-0.074***	-0.003	1.000						
(12) Inst_gdp	0.024	0.071***	-0.105***	0.009	0.255***	-0.013	0.366***	-0.080***	0.013	-0.001	-0.013	1.000					
(13) Inst_inflation	-0.076***	0.000	0.011	0.034*	-0.019	0.006	-0.082***	-0.011	0.015	0.026	0.015	-0.105***	1.000				
(14) H_PD_Cntr2	-0.076***	0.062***	0.079***	0.085***	0.040*	-0.003	0.164***	0.012	0.053***	-0.007	0.038*	0.534***	0.169***	1.000			
(15) H_IDV_Cntr2	0.079***	-0.081***	0.067***	-0.089***	-0.170***	0.016	-0.072***	0.024	-0.074***	0.026	-0.023	-0.776***	-0.069***	-0.786***	1.000		
(16) H_MAS_Cntr2	0.074***	0.102***	0.096***	0.020	0.143***	-0.034*	0.532***	-0.040**	0.029	0.037*	-0.027	0.612***	0.002	0.413***	-0.554***	1.000	
(17) H_UAV_Cntr2	-0.165***	0.038*	-0.160***	0.091***	0.065***	-0.007	-0.408***	-0.001	0.084***	-0.054***	0.041**	0.298***	0.105***	0.472***	-0.726***	-0.089***	1.000

*** *p<0.01*, ** *p<0.05*, * *p<0.1*

4.2 Correlation results

Table 4 displays the pairwise correlation results for the measured variable and the independent variables. This is to support looking at the statistical relationship among the independent variables. It provides the correlation between the number of KAMs reported and audit partner tenure (main independent variable), in addition to the correlations between the other control variables. We found that the correlation with $ln\_firmSize$ and $loss$ are significantly positive. The correlation sign for these variables is consistent with our predictions and existing literature that larger and loss-making firms are inclined to undertake aggressive financial reporting and potentially have more KAMs disclosed (Abdelfattah et al., 2021; Miñano et al., 2023; Pinto & Morais, 2019; Sierra-García et al., 2019). In contrast, the correlation with A_audLag, $EA\_partnFem$, $EA\_audBig4$, $liquid1$, $roa3$, $levg2$ and $Inst\_inflation$ are significantly negative. This indicates that when firms are audited by Big Four or female audit partners, there are fewer KAMs. Moreover, the correlation with $EA\_partTen$, EA_GCO and $Inst\_gdp$ are not significant.

For four Hofstede national cultural dimensions, we found that the correlation with individualism and masculinity are significantly positive while the correlation with power distance and uncertainty avoidance are significantly negative at the 99% confidence level. This stipulates initial indication on the nature of the relationship between KAM disclosure and Hofstede cultural dimensions, which we further examine in the additional analysis section. Table 4 shows a strong correlation between the four Hofstede cultural dimensions, suggesting a possible risk of multi-collinearity; we overcome this risk by testing the effect of each dimension separately in our multivariate analysis. We also run variance inflation factor (VIF) analysis (not presented for purposes of brevity) to discover multicollinearity (correlation among independent variables) in our regression models (Daoud, 2017). This is including the main model and the four Hofstede's cultural dimensions moderators' models. We found no indication of any multicollinearity concerns since the VIF results are less than 10 for all our independent variables.

4.3 Multivariate analysis

In this section, we provide and explain the empirical findings for our regression models. We used various regression models ordinary least squares (OLS), Tobit, robust, Poisson and fixed effects. We employ OLS to examine the relationship between our variables since our sample includes panel data (Winship & Western, 2016).To mitigate heteroscedasticity issues, we employ collective cross-sectional regression with year, and industry fixed effect. Given that our measured variable ($kamNum$) is censored as it is absolute where there is always non-negative value for the number of KAMs, we ran Tobit regression. Tobit model is also named censored regression and employed to measure linear relationships between variables when censoring exists (either left or right) only in the measured variable (Winship & Western, 2016). We also used robust regression to mitigate outlier effect. This type of regression is used when data is assumed to have many outliers or for revealing influential observations (Rousseeuw & Leroy, 2005). Additionally, we ran Poisson regression consistent with (Bepari et al., 2022; Lennox et al., 2023; Pinto & Morais, 2019) since the dependent variable ($kamNum$) is a count variable. Finaly, we used fixed effect as proposed by the outcomes of the Hausman test since the p-value <0.05.

Table 5 shows the regression analysis, endogeneity test results and robustness check for model 1, our main model. Panel A shows the regression results. Panel B provides results for the endogeneity test, we used stage least square (2SLS) and generalized method of moments (GMM). Finally, Panel C shows the robustness check performed using sub-sampling. A collective cross-sectional regression with year and industry fixed effect is employed.

4.3.1 Audit partner tenure and KAM reporting

Table 1 Panel A provides the regression results for the constructed audit partner tenure (model 1) with number of KAMs as the measured variable. The adjusted R2 is 0.19.

The regression estimates for our main independent variable, audit partner tenure $EA\_partTen$, suggest that the coefficient of audit partner tenure is 0.078 which is positive

and significant at the 99% confidence level. Results indicate that audit partner tenure has significantly increased KAM reporting. This strongly supports our hypothesis 1: audit partner tenure is positively associated with the number of KAMs disclosed. The findings came supporting longer tenure, which suggests that longer tenure partners progressively acquire more knowledge about the audit client and an understanding of its industry over the long tenure period (Lennox & Wu, 2018). The findings relate to Hogarth's (1980) theory in that longer tenure can support audit partners exercise better judgement (deeming a matter significant or a risk, or not) based on client specific knowledge and industry expertise obtained over the long tenure period, resulting in more KAM disclosure.

Our findings suggest that longer tenure can have a positive effect in spite of the debate that it can impair audit partner independence and objectivity as result of the close relationship maintained with client management during the long tenure period. From auditor–client relationships, prior audit partner studies reported that longer auditor–client relationships are associated with smaller discretionary accruals (Manry et al. 2008; Chi et al. 2017), and issuance of modified opinion (Baatwah's, 2016) suggesting improvements in audit quality. Auditors with longer tenure are therefore expected be more prone to take their reputation into consideration including that of the audit firm and exercise more effort to improve audit quality, and hence report more KAMs (Rahaman & Karim, 2023). This relates to Einhorn & Hogarth's (1981) behavioral decision theory which is concerned with the process of judgement and choice, suggesting conflict inherent in taking action (reporting a KAM or not) could be guided by the audit partner’s perception of an economic trade-off between exposure to litigation risk and reputation loss (viz. for not reporting a significant matter or risk as a KAM) versus the projected cost of losing a client (Pinto & Morais, 2019).

We have used various regressions (OLS, Tobit, robust, Poisson and fixed effect) to lower the standard deviation. The findings for $EA\_partTen$ continue to be consistent with a coefficient that is positive and significant. The coefficient between the audit partner tenure and KAMs is 0.078, 0.078, 0.078, 0.038 and 0.048 for OLS, Tobit, robust, Poisson, fixed effect regression respectively. This coefficient indicates that every additional year for audit partner tenure will increase KAM disclosure by 0.078 units, 0.078 units, 0.078 units, 0.038 units and 0.048 using OLS, Tobit, robust, Poisson, fixed effect appropriately. This confirms

the robustness of our results for the independent variable $EA\_partTen$ and indicates a strong positive association between audit partner tenure and the number of KAMs reported.

The above findings concerning audit partner tenure $EA\_partTen$ connection with the number of KAMs disclosed contributes to the extant research on extended audit reporting, particularly as the first study to explore this connection as per the authors knowledge [Sara Comments, will re-write and double check with the Oman article that discussed partner tenure]. Overall, the findings provide evidence that propose positive effects for audit partner tenure and that it plays a significant part in external auditors' reporting. This can assist scholars, regulators, and policymakers in understanding the determinants of KAM reporting.

In relation to the auditor control variables, we learned that EA_audLag, $EA\_partnFem$ and $EA\_audBig4$ are statistically significant and negatively associated with the number of KAMs reported. The results are significant in almost all the regressions models (OLS, Tobit, robust, Poisson and fixed effect). With regards to audit report lag, the findings indicate that KAM actually decreased audit report lag which is consistent with the findings reported in (Baatwah et al., 2022) study using data from Oman. This is explained in that audit firms were already aware of the requirements to disclose KAM and therefore had allocated experienced and qualified auditors to prepare timely reports. In relation to female audit partners, results suggest that female audit partners, report fewer KAMs. There are differences in the findings between studies in developed countries (Abdelfattah et al., 2021; Bepari et al., 2022) that documented female audit partners report more KAMs and studies in developing countires (Hussin et al., 2022; Wuttichindanon, 2020) that found a negative or no association between female auditors and KAM disclosure. These differences could be due to cultural, legal, and governance factors that may affect KAM reporting. The results also indicate that when firms are audited by Big Four, there are a smaller number of KAMs reported. This is not consistent with research in relation to auditor type that have generally shown a positive relationship between Big 4 audit firms and increased KAM reporting which is explained in terms of their superior expertise, reputation, and credibility. The differences in our results could be due to the GCC's regionally specific characteristics.

Finally, in relation to the firm related control variables, we found that, $ln\_firmSize$ and $loss$ are statistically significant and positively connected to the number KAMs disclosed. This means that larger and loss-making firms will have more KAMs disclosed. This in line with the literature. On the other hand, $roa3$, $levg2$, $Inst\_gdp$ and $Inst\_inflation$ are statistically significant and negatively connected to the number of KAMs disclosed. This suggests that firms with elevated levels of these variables probably get fewer KAMs. Control variable results are robust as they did not change substantially and generally remain significant across all the models (OLS, Tobit, robust, Poisson and fixed effect).

4.3.2 Moderating effect of Hofstede culture dimensions

To test our second hypotheses (H_{2a} - H_{2d}), we empirically examined how Hofstede cultural dimensions (power distance, individualism, masculinity and uncertainty avoidance) moderates the relation between audit partner tenure and KAM disclosure. Table 6 Panel A provides the empirical results. Supporting our second hypotheses, we found that power distance and uncertainty avoidance strengthen the relation between audit partner tenure and KAM disclosure since the results are significant at a 90% and 95% confidence level, respectively while individualism weakens the relation at a 95% confidence levels. Results were insignificant for masculinity. All control variables continued to have the same relation with the KAM disclosure.

Prior studies (Gray & Vint, 1995; Orij, 2010) have documented that power distance is negatively associated with accounting disclosures. High power distance cultures such as the GCC are attributed with concentration of power at the higher level and limited information exchange, resulting in less disclosure. This concentration of power can result in higher risk of material misstatements in the financial statements (Haskins, 1987) and higher exposure of corruption (Kimbro, 2002; Mihret, 2014). Therefore, based on our empirical results, we argue that longer tenured audit partners can have influence over the power structures and information sharing through acquiring more credibility and authority over time to disclose more significant matters as KAMs.

Furthermore, regarding the moderating role of uncertainty avoidance we found that uncertainty avoidance has a positive and significant role in the relationship between audit partner tenure and KAM disclosure. Empirical studies documented that uncertainty avoidance in general is associated with improved disclosure practises (Gray & Vint, 1995; O.-K. Hope, 2003; Khlif, 2016). Countries in the GCC are regarded as high power distance countries where members of the society prefer to avoid

uncertainty, feel uncomfortable in ambiguous environments and more caution to take risk, resulting in more disclosures. Based on our results, we argue that uncertainty avoidance influences long tenured auditors to report more KAMs to avoid litigation risk.

In contrast to the positive moderating role of power distance and uncertainty avoidance in the relationship between audit partner tenure and KAM reporting, individualism negatively and significantly moderates the relation. Prior studies documented that individualism in general positively influence accounting disclosures (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996). The GCC culture is considered as a collectivism society where members of the society are part of an integrated group demonstrating a commitment and loyalty to the society. In this regard, our empirical results, suggest that the interaction between individualism and long tenured auditors likely decrease KAM reporting.

Finally, regarding the role of masculinity, the results were insignificant. This is consistent with scholars such as (Gray, 1988) that considered the connection between masculinity and disclosures as doubtful. Other empirical studies reported mixed findings in relation to the masculinity influence on disclosure (Gray & Vint, 1995; O.-K. Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996). As per our empirical results, we find no evidence showing any relationship between the moderating effect of masculinity.

We test the robustness of our results using the Hofstede measure for the partner's country as an alternate proxy for Hofstede measure used earlier for GCC countries. As per our sample there are 221 unique audit partners from 20 different countries. Majority of partners are Saudi's (73, 33.3%), Kuwaitis (31, 14.2%), Indians (28, 12.8%), Lebanese (20, 9.1%) and British (18, 8.2%). Table 6 Panel B presents shows that the results are negatively significant at a 95% confidence interval when the individualism dimension is moderating the relation between audit partner tenure and KAM reporting. This indicates that for individualism our earlier conclusion remains the same regardless of Hofstede specification (whether based on GCC or partner's nationality). Results are insignificant for the other three Hofstede dimensions. This could be due to the distribution of Hofstede scores for partners nationality. Ccontrol variables remained unchanged in terms of the relation with the KAM reporting.

Lastly, we run a regression considering the Hofstede moderating variables in the previous models as control variables. This is to explore their impact of KAM reporting. Table 6 Panel C shows the results, suggesting negatively significant association between power distance and uncertainty avoidance and KAM reporting at a significance level of 99% while positively significant association between individualism and KAM reporting at a significance level of 99%. It is shown that the results

are having opposite signs when compared to the results of Hofstede dimensions as moderator which could possibly be due to the nature of the relationship between audit partner tenure and KAM reporting. The findings are not surprising given the GCC context that is characterised with high power distance and certainty avoidance while low for individualism as evidenced by their Hofstede cultural scores. It can be interpreted from the results that power distance significantly reduces KAM reporting. This supports earlier studies (Gray & Vint, 1995; Orij, 2010) reporting negative influence of hierarchal structures and limited information sharing on disclosures. Regarding individualism, results are in alignment with most of the prior literature which generally reports positive association between individualism and disclosure. Individualistic societies promote individual independence and decision making, suggesting more disclosure. For uncertainty avoidance, results are not aligned with existing literature that found it enhanced disclosure practises (Khlif, 2016) as auditors in may use disclosure to reduce ambiguity and to avoid the risk of litigation in case a significant matter is not disclosed as a KAM.

Table 9- Hofstede dimensions

	Panel A: Hofstede dimensions as moderators [6 GCC countries]				**Panel B: Hofstede dimensions as moderators [20 Partner countries]**				**Panel C: Hofstede dimensions as control [6 GCC countries]**			
Main Model	Including PD kamNum	Including IDV kamNum	Including MAS kamNum	Including UAV kamNum	Including PD kamNum	Including IDV kamNum	Including MAS kamNum	Including UAV kamNum	Including PD kamNum	Including IDV kamNum	Including MAS kamNum	Including UAV kamNum
EA_partTen	-0.156	0.284***	-0.042	-0.430*	-0.058	0.233***	-0.075	0.071	0.081***	0.089***	0.077***	0.091***
	(-1.09)	(3.17)	(-0.44)	(-1.75)	(-0.43)	(3.03)	(-0.59)	(0.55)	(3.02)	(3.29)	(2.86)	(3.36)
H_PD	-0.015***				-0.004				-0.009***			
	(-3.40)				(-1.20)				(-3.40)			
c.	0.003*				0.002							
	(1.69)				(1.04)							
H_IDV		0.026***				0.006*				0.017***		
		(4.42)				(1.74)				(3.89)		
c.		-0.005**				-0.004**						
		(-2.29)				(-2.16)						
H_MAS			-0.004				0.006				0.000	
			(-0.95)				(1.12)				(0.12)	
c.			0.003				0.003					
			(1.30)				(1.25)					
H_UAV				-0.035***				-0.010***				-0.021***
				(-4.23)				(-2.71)				(-4.10)
c.				0.007**				0.000				
				(2.13)				(0.09)				
EA_audLag	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***
	(-9.29)	(-9.74)	(-9.68)	(-10.33)	(-9.75)	(-9.85)	(-9.58)	(-9.35)	(-9.30)	(-9.69)	(-9.71)	(-10.22)
EA_partnFem	-0.591**	-0.549**	-0.607**	-0.556**	-0.622**	-0.631**	-0.593**	-0.557**	-0.574**	-0.535**	-0.610**	-0.540**
	(-2.19)	(-2.04)	(-2.25)	(-2.07)	(-2.30)	(-2.34)	(-2.21)	(-2.07)	(-2.13)	(-1.98)	(-2.26)	(-2.00)
EA_audBig4	-0.625***	-0.593***	-0.606***	-0.564***	-0.609***	-0.605***	-0.628***	-0.593***	-0.622***	-0.590***	-0.601***	-0.566***
	(-11.68)	(-11.16)	(-11.28)	(-10.50)	(-11.32)	(-11.35)	(-11.77)	(-11.14)	(-11.63)	(-11.09)	(-11.21)	(-10.52)
EA_GCO	0.099	0.089	0.114	0.100	0.110	0.114	0.105	0.080	0.101	0.088	0.114	0.097
	(0.88)	(0.80)	(1.02)	(0.90)	(0.98)	(1.02)	(0.94)	(0.72)	(0.90)	(0.78)	(1.01)	(0.87)
ln_firmSize	0.170***	0.152***	0.169***	0.129***	0.169***	0.174***	0.169***	0.163***	0.169***	0.150***	0.169***	0.129***
	(13.78)	(11.38)	(12.10)	(8.14)	(13.61)	(13.26)	(13.72)	(13.14)	(13.73)	(11.25)	(12.09)	(8.11)
loss	0.334***	0.325***	0.324***	0.310***	0.326***	0.331***	0.341***	0.329***	0.330***	0.320***	0.324***	0.306***
	(5.23)	(5.10)	(5.07)	(4.86)	(5.10)	(5.18)	(5.35)	(5.18)	(5.17)	(5.02)	(5.07)	(4.79)
liquid1	-0.008	-0.008	-0.009	-0.010*	-0.008	-0.008	-0.009	-0.008	-0.008	-0.008	-0.009	-0.010*
	(-1.50)	(-1.50)	(-1.58)	(-1.77)	(-1.54)	(-1.53)	(-1.64)	(-1.53)	(-1.54)	(-1.55)	(-1.59)	(-1.79)

roa3	-0.422***	-0.419***	-0.436***	-0.401***	-0.430***	-0.437***	-0.380**	-0.409***	-0.415***	-0.413***	-0.425***	-0.406***
	(-2.82)	(-2.81)	(-2.91)	(-2.69)	(-2.86)	(-2.92)	(-2.54)	(-2.74)	(-2.78)	(-2.77)	(-2.84)	(-2.72)
levg2	-0.017**	-0.016**	-0.017**	-0.015**	-0.017**	-0.018***	-0.017**	-0.016**	-0.016**	-0.015**	-0.017**	-0.015**
	(-2.43)	(-2.27)	(-2.55)	(-2.14)	(-2.55)	(-2.64)	(-2.45)	(-2.33)	(-2.42)	(-2.25)	(-2.56)	(-2.13)
Inst_gdp	-0.000*	0.000	-0.000***	-0.000*	-0.000***	-0.000***	-0.000***	-0.000***	-0.000*	0.000	-0.000***	-0.000
	(-1.82)	(0.59)	(-3.86)	(-1.67)	(-4.33)	(-4.42)	(-5.22)	(-4.95)	(-1.78)	(0.68)	(-3.80)	(-1.54)
Inst_inflation	-0.041**	-0.041**	-0.057***	-0.047***	-0.056***	-0.052***	-0.048***	-0.039**	-0.042**	-0.045***	-0.057***	-0.051***
	(-2.47)	(-2.48)	(-3.51)	(-2.89)	(-3.46)	(-3.23)	(-3.01)	(-2.42)	(-2.52)	(-2.74)	(-3.53)	(-3.19)
_cons	0.975**	-0.971***	0.220	3.177***	0.305	-0.277	-0.205	0.776**	0.541*	-0.601*	0.029	2.180***
	(2.41)	(-2.74)	(0.70)	(4.21)	(0.84)	(-0.90)	(-0.55)	(2.16)	(1.73)	(-1.91)	(0.10)	(3.68)
year	included	included	included	included	included	included	included	included	included	included	included	included
industry	included	included	included	included	included	included	included	included	included	included	included	included
N	2206	2206	2206	2206	2206	2206	2206	2206	2206	2206	2206	2206
R-sq	0.21	0.21	0.20	0.21	0.20	0.20	0.21	0.21	0.21	0.21	0.20	0.21
adj. R-sq	0.20	0.20	0.19	0.20	0.19	0.19	0.20	0.20	0.20	0.20	0.19	0.20

4.3.3 Endogeneity

We used both 2SLS and GMM to address endogeneity concerns. 2SLS is used to lessen the endogeneity influence in the regression model by employing the lagged levels only as the potential instruments (Winship & Western, 2016). GMM also address this concern with minimum standard deviation while employing comprehensive exogenous variations and lagged levels as the instruments. Audit partner tenure likely affect the number of KAMs, so we used $EA\_partTen$ as our instrumental variable. Table 5 Panel B shows that the findings generally remain significant. Audit partner tenure is positively associated with the number of KAMs at a 99% confidence level (the coefficient is positive for 2SLS and GMM are 0.243 and 0.127, respectively).

4.3.4 Robustness Check

Table 1 Panel C presents the robustness check using sub-sampling method. The purpose for employing a sub-sampling test is to abstain from any bias in our OLS regression results and to furnish a robust assessment that ascertain the reliability of our model (Camponovo et al., 2012; Fidler et al., 2006). We calculate the mean for firm size measured as the natural logarithm of total assets. We separate our sample into two sets: large firms and small firms. This is to estimate how audit partner tenure could affect KAM reporting taking

into account firm size. We independently ran the OLS regression for the first and second sets. The first set is for firms with size lower than or equal to the average of 18.5 (small firms) which represents 49.6% of the sample, and those of the second set for firms with size more than the average which represents 50.3% of the sample.

Our findings indicate that for both small and large firms, the association between audit partner tenure and KAM disclosure is positive and significant at 95% confidence level. The coefficient for large firms is better. The coefficient value for small and large firms is 0.080 and 0.089, respectively. This suggest that for every additional year in audit partner tenure, KAM reporting is likely to increase by 0.080 units and 0.089 units for small and large firms, respectively. This came as per expectation with our hypothesis. This also confirms the robustness of our results as our main independent variable remain positive and significant as in the primary OLS model.

Table 5- Regression analysis, endogeneity test results and robustness check

Panel A: Regression results Panel B: Endogeneity test results Panel C: Robustness check

Model (1)	OLS	Tobit	Robust	Poisson	Fixed
	kamNum	kamNum	kamNum	kamNum	kamNum
EA_partTen	0.078***	0.078***	0.078***	0.038**	0.048**
	(2.87)	(2.88)	(3.01)	(2.14)	(2.12)
EA_audLag	-0.006***	-0.006***	-0.006***	-0.005***	-0.002***
	(-9.81)	(-9.87)	(-8.21)	(-7.90)	(-3.73)
EA_partnFem	-0.610**	-0.610**	-0.610*	-0.479**	0.370
	(-2.26)	(-2.27)	(-1.86)	(-2.00)	(1.22)
EA_audBig4	-0.602***	-0.602***	-0.602***	-0.305***	-0.386***
	(-11.30)	(-11.37)	(-11.49)	(-8.96)	(-4.88)
EA_GCO	0.113	0.113	0.113	0.074	0.101
	(1.01)	(1.02)	(0.98)	(1.06)	(0.91)
ln_firmSize	0.169***	0.169***	0.169***	0.085***	-0.213***
	(13.69)	(13.77)	(12.74)	(10.76)	(-3.10)
loss	0.325***	0.325***	0.325***	0.173***	0.199***
	(5.08)	(5.11)	(4.88)	(4.39)	(3.38)
liquid1	-0.009	-0.009	-0.009*	-0.006	-0.002
	(-1.58)	(-1.59)	(-1.89)	(-1.41)	(-0.26)
roa3	-0.426***	-0.426***	-0.426*	-0.186**	-0.233*
	(-2.84)	(-2.86)	(-1.94)	(-2.37)	(-1.91)
levg2	-0.018**	-0.018***	-0.018**	-0.009**	-0.015**
	(-2.57)	(-2.58)	(-2.04)	(-2.18)	(-2.49)
Inst_gdp	-0.000***	-0.000***	-0.000***	-0.000***	0.000
	(-4.42)	(-4.44)	(-4.27)	(-3.46)	(0.76)
Inst_inflation	-0.057***	-0.057***	-0.057***	-0.025**	-0.035***
	(-3.54)	(-3.56)	(-3.39)	(-2.38)	(-2.71)
_cons	0.021	0.021	0.021	-0.257	6.487***
	(0.08)	(0.08)	(0.08)	(-1.43)	(4.83)
year	included	included	included	included	included
industry	included	included	included	included	included
var(e.kamNum)		1.206***			
		(33.21)			
N	2206	2206	2206	2206	2206
R-sq	0.20		0.20		0.09
adj. R-sq	0.19		0.19		-0.16

t statistics in parentheses ="* p<0.10 ** p<0.05 *** p<0.01"

Model (1)	2SLS	GMM
	kamNum	kamNum
L. kamNum		0.003
		(0.20)
EA_partTen	0.243***	0.127***
	(2.70)	(6.86)
EA_audLag	-0.006***	-0.005**
	(-6.64)	(-10.67)
EA_partnFem	-0.815***	0.585*
	(-2.84)	(1.86)
EA_audBig4	-0.585***	-0.186**
	(-9.90)	(-2.49)
EA_GCO	0.181	0.312***
	(1.56)	(9.95)
ln_firmSize	0.155***	-0.047*
	(11.40)	(-1.89)
loss	0.299***	0.306***
	(4.43)	(7.36)
liquid1	-0.006	-0.012**
	(-0.99)	(-4.95)
roa3	-0.314**	0.135**
	(-2.07)	(2.50)
levg2	-0.015**	-0.023**
	(-2.06)	(-15.64)
Inst_gdp	-0.000***	0.000***
	(-2.77)	(7.57)
Inst_inflation	-0.013	-0.001
	(-0.72)	(-0.11)
year	included	included
industry	included	included
N	1749	1762
R-sq		
adj. R-sq		

5 Conclusion

ISA 701 mandates the reporting of key audit matters to enhance the communicative value of audit reports. KAMs are described as the most significant matters and risks in the audit requiring external auditors' professional judgment. This study examines the association between audit partner tenure and KAM disclosure. We also examine the moderating effect of Hofstede cultural dimensions, namely power distance, individualism, masculinity and uncertainty avoidance, on the relationship between partner tenure and KAM reporting. We utilized several regression methods to test our hypotheses. The study applied to 456 non-financial listed firms in the six GCC countries from 2016 until 2021. We also conducted content analysis for the 4,792 hand collected KAMs.

Our findings show a strong positive association between partner tenure and the number of KAMs disclosed. This implies that long tenured partners disclose more KAMs, suggesting they gradually obtain more knowledge about the audit client and an understanding of its industry over the long tenure period (Lennox & Wu, 2018). The regression results for partner tenure remain positive and significant for all regression models used including robustness checks that control for endogeneity. Our findings also provide a strong positive association between audit firm tenure (alternative measure for partner tenure) and the number of KAMs disclosed. This contributes to the existing literature. Moreover, when we manipulated the measured variable, we found that partner tenure is positively associated with the length and readability of KAM. This suggests better explanation of KAMs, resulting in improved communication value. Interestingly, we found that long tenured auditors tend to report the same KAM in subsequent years, resulting in boilerplate reporting.

Our findings regarding Hofstede culture moderators show that power distance and uncertainty avoidance positively affect the relationship between partner tenure and KAM disclosure while individualism negatively affects the relation. Our paper does not provide evidence for the role of masculinity as the results were insignificant. Results suggest, longer tenured partners can affect the hierarchical structures and information exchange to report more significant matters as KAMs. Moreover, long tenured auditors may tend to report more KAMs to avoid being exposed to litigation and reputation loss. When Hofstede cultural dimensions were used as control variables, our findings show that power distance and uncertainty avoidance are associated with less KAM reporting while individualism is associated with more KAM reporting. Results are consistent with existing literature in the context of disclosures (Gray, 1988; Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Orij, 2010; Zarzeski, 1996).

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