

ABSTRACT

This study aims to determine the effect of the implementation of key audit matters regulated in Indonesian Auditing Standard 701, the number, and types of key audit matters on the readability (informative value) of the independent auditors' report. The dependent variable in this study is the readability of the auditors' report as measured by the FOG Index and BOG Index. The independent variables in this study consist of the implementation of KAM, the number of KAMs, and the types of KAMs disclosed. In addition, the control variables used include company size, leverage, ROA, ROE, audit firm, and auditors' opinion.

The sample used in this study was non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2022 period. The total number of final samples used in this study was 918 firm-year observations. The sample selection was carried out using the purposive sampling method with predetermined criteria. The analysis method used in this study is multiple linear regression analysis.

The results of this study indicate that the readability of the independent auditors' report increased after the implementation of Indonesian Auditing Standard 701. Furthermore, the number of key audit matters disclosed has a positive effect on the readability of the independent auditors' report. The type of key audit matter disclosed does not significantly affect the readability of the independent auditors' report. In addition, company size, leverage, audit firm, and auditors' opinion significantly affect the readability of the independent auditors' report.

Keywords: key audit matter, SA 701, number of KAMs, type of KAMs, informative value, readability, independent auditors' report.