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Determinants of Key Audit Matters Disclosure in the External Auditor's Report: An Applied Study

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Abstract: This research paper will attempt to thoroughly look at the relationship existing between different corporate governance and audit related variables and the extent of Key Audit Matters (KAMs) disclosure in the reports prepared by external auditors. To determine the influence of the variables of audit committee, the characteristics of the company board of directors, audit fee, type of external auditor, and the length of relationship with the client on the level of disclosures of these pervasive issues is the primary objective of the study. Theoretical Framework and Research Methodology: To effectively achieve its research purpose, an effective multiple regression model was adopted as a statistical instrument to be used in the study. The authors explained closely related relationships between independent variable and the dependent variable of this research using this model: the extent of KAMs disclosure. The model was set on a pilot sample of 283 observations sampled among well defined firms that are listed in Muscat stock exchange. The time frame of analysis is 2016 to 2019. This specific period was selected because it has a direct implication in the transforming world of audit standards that put more emphasis on reporting of KAM. The exact researched independent factors in the current study were: 1) Audit Committee Features: There were also several features of the audit committee-independence related. 2) Audit Committee Independent: This is associated with how much the members of the audit committee operate without the influence of the management. 3) Financial AC Member Expertise: How well the members are knowledgeable in financial matters. 4) Audit Committee Size: The entire committee size, high frequency of committee meetings, and increased amounts of audit fees paid are meager factors that have combined effects of quality and quantity of KAM disclosure. This can be fairly argued in the following way; financial expertise assists the committee members to comprehend hard financial issues, which are well-discussed and are most frequently challenged by way of numerous meeting, elevated audit fees most likely imply that the auditor exerted additional efforts, time and resources in discovering, investigating, and reporting such significant problems. Negative Impact: Conversely, this study found a large negative impact on KAMs disclosure on Board Independence of the company and auditor type. This, surprisingly, perhaps, suggests that greater board independence and the presence of an auditor that is Big Four may actually have riskier outcomes in terms of the disclosed number of KAMs. The adverse effect of the independence of boards of directors could have been reflected in the fact that more independent boards wanted shorter reports or maybe even less positive information in case such information felt too sensitive, and/or damaging. Concurrently, the adverse impact pertaining to the form of external auditor could be associated with a different methodological strategy or strategic decision making that the larger companies used in identifying, evaluating, and reporting Key Audit Matters, perhaps resulting in more summarised or selective reporting style. No Significant Impact: The findings also revealed that there is no significant correlation between the independence of the audit committee, audit committee size, board size, board meetings and number of years that the audit firm has served the client with the extent of the Key Audit Matters are disclosed in the external auditor report. This particular finding suggests that these variables among the parameters of this research were not a significant and observable driver of the degree of KAMs disclosure. This can imply that there is likely to be other contingent or

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company-specific determinants that will prevail on the possible effects of these governance and tenure traits on KAM disclosure.

Keywords: Key Audit Matters, Audit Committee Characteristics, Board of Directors Characteristics, Audit Fees, Type of External Auditor, Audit Tenure

1. Introduction

The audit cross-report is a foundation of the whole auditing systems. It is far beyond being a procedural report: it is the virtual product of the independent professional opinion of the auditor on whether the financial reports prepared are true and fair. This report has been traditionally believed to be the main channel through which the auditor informs the interested parties (users) about his findings of his study and the application of expert judgment. It is through its stringent preparation and extensive distribution that investors, creditors (credit analysts), regulators and other interested parties get to have a comprehensive understanding of financial prowess and business of a company [1].

Nevertheless, it has been attacked in recent years as a result of the undeniable importance of audit report. The key gripes have mostly been related to two key failures - the degradation of its quality, and the inability to meet the shifting needs of the current users. Such inadequacy is normally understood as the failure to provide timely information of critical and relevance to stakeholders that they nowadays expect a report to provide them. Moreover, the audit reports have suffered the criticism of being packed with excessive amounts of challenging technical terminology, which lay people can hardly read and assimilate [2].

These questions and criticisms were in the post-crash era, magnified times over. This unprecedented economic downfall caused the ultimate lack of trust on the entire purport of the auditing process and the very role of the auditors, particularly with regard to the quality of their opinion. The auditing profession and usefulness of audit reports as an information tool were discussed among the stakeholders. The binary audit report-pass/fail has remained one of the biggest areas of controversy among auditors and regulators and amongst those using financial statements over the years. This was primarily owing to the fact that it was believed to execute minimal communicative worth and information-wise, it was deficient. The obvious absence of effective communication and information richness accordingly led to proactive and loud appeals involving a significant change to the content of audit reports [3].

Being the immediate result of the growing questions and criticisms, a number of international organisations and regulators inspired by them to build their own project, to construct a new audit reporting model. The primary aim of such activities was a considerable enrichment, also the ability to make the report more helpful, transparent, and user-friendly. It is on this footing of change that in January 2015, the International Auditing and Assurance Standards Board (IAASB) made a purposeful step towards this direction, by issuing two internationally applicable standard on Auditing (ISA) 701 entitled with appropriately descriptive title of Communicating Key Audit Matters in The independent Auditor Report. This standard of unsurpassed importance makes the auditor report incorporate an independent and disclosed portion called Key Audit Matters (KAMs). It has been a big step-change in favour of transparency across the globe that was not limited to the IAASB making certain proactive moves. On June 1, 2017, a new auditing standard as outlined in the United States called AS 3101, The Auditor Report in respect of an Audit of Financial statements wherein auditor expressed an unqualified opinion. It is applicable to ASUs with a fiscal year whose financial year concludes to 30 June, 2019. Most importantly, it includes increased-level summary based discussion of Critical Audit Matters (CAMs) in the report presented by independent auditors, which constitutes a momentum towards more transparency and increased disclosure worldwide [4].

Since the implementation of Key Audit Matters (KAMs) reporting across the world in 2016, researchers have reported the existence of a corpus of studies exploring the numerous facets that influence the amount of KAMs reported by the auditors. Such researches are persistent in making available several varying elements that are recognized

to make disclosure at this magnitude. Despite the extensive and diversified range of the foreign literature that also contrasted many variables to determine the level of KAMs reporting, as far as the writer can see, he lacks this examination with regard to the Arab region. This difference is more distinguished in Arab nations which have adopted the use of the ISA 701 application like Sultanate of Oman [5].

Consequently, it is in this regard that this research tries to fill the research gap identified making it a significant contribution. This is done through inquisitive inquiry and detection of precise numbers of element that influence deposit amount of Key Audit Matters disclosure in external auditor report. To achieve this, the research will employ readily available information on a sample study of Omani companies that are listed in Muscat Securities Market. Such approach will provide meaningful insights on the implementation of these new auditing standards and electric in this special Omani business setting [6].

To fully gain the larger research context and extract the absent information being pursued by the current research, a critical screening of the most potent prior previous studies concerning factors affecting extent of reporting of KAMs or CAMs:

Sierra-García et al. Effects of Auditor and Audited Company Characteristics This research was undertaken to establish the relationship between auditor characters and the audited company characters and the amount and nature of the Key Audit Matters present in the audit reports. The sample consisted of 100 largest companies of the FTSE index of 2016 and their audit reports. The major findings of one of these investigations prove that the higher the regularity of an audit committee meeting, the more the reduced number of Key Audit Matters. It was also found that, there is also a significant relationship between size, profitability and liquidity of the audited firm and number of KAM reported. However, independence of the audit committee and the financial experience of images did not have significant influence on the disclosure of KAMs [6].

Ferreira and Morais Brazilian Companies and Determinants The study was conducted to resolve what affected the number of Key Audit Matters report of Brazilian companies, in 2016. These data were acquired on the basis of 447 audit reports, and consolidated financial statements of Brazilian businesses that are traded on the Sao Paulo Stock Exchange observed in December 2016. In reference to the auditor of a KAM, fewer KAMs were reported between and large -size companies as reported by Big Four insurers. Compared to Sierra Garcacia et al, the present study suggested that the greater the earnings of audit fees of auditors, the smaller the number of KAMs. On the issue of audited company characteristics, the results showed that as the company becomes more complicated, it will have more KAMs [7].

Shao: Status Quo of Reporting in China This article explored the status of reporting of Key Audit Matters (KAM) of the listed companies and its determinants. The study takes into consideration the impact of audit firm characteristics and auditor characteristics on KAMs disclosure level, and uses the data gathered in the listing Chinese companies and its modifying variables. The study takes into account the impact of the audit firm characteristics and auditor characteristics on the level of KAMs disclosure factoring in data gathered on Chinese listed companies that reported this study between 2016-2018. The study also succeeded in establishing that size of audit firm plays a vital role on KAMs reporting. Audit tenure and industrial experience of the audit firm did not have much bearing in this. KAMs shoby reporting this study will also depend on the expertise of the auditor industry [8].

Determinants and Key Audit Matters in Thailand This study relies on complex issues that need to be addressed to determine which factors auditors of firms consider significant when reporting KAM. The research study data was gathered on audit reports of 531 firms in Stack Exchange of Thailand that comprised a total of 996 pieces of audit reports in the years both 2016 and 2017. The results indicate that: audit litigation risk; complexity of firm operations; profit level and industry of the firms are some of the factors that impact the extent of KAMs disclosure. Its findings also shown that the KAMs were higher in companies that engage Big Four audit firms and have a large number of subsidiaries and work in technology real estate and construction and retail and financing industries. On

the contrary, the Key Audit Matter is less in very profitable firms. In addition, the evidence also showed that the size of KAMs has a strong and positive correlation with the amount of independent director in the company.

Mutawa, Relationship with Investor Pricing, Company and Board Characteristics
This study tried to realize the relationship between level of KAMs disclosure and investor pricing objectives linked with stock pricing in the stock market. It further tried to explore the impact of various attributes of the companies and their board members on the degree of KAMs disclosure using a sample of 50 companies representing heterogynous sector in both Saudi Stock Market in the year 2017 and 2018. The author established that such relationalities waned when performing KAMs as the modifier, and, therefore, he established that the disclosed level of KAMs hinge on the type of firm in terms of its size, operations and ownership structure of firms. Further, the results have shown varying influence of smaller attributes of the board of directors: board size was not significant and negative correlation was asserted between proportion of independent members and extent of KAMs disclosure. Another interesting (but negative) outcome of the research was that the turnover of auditors by two audit firms implied a negative correlation with KAMs disclosure. **Verho : The effect of auditor rotation** The study was conducted with the following purpose to find out whether the rotation of auditors between two audit firms was negatively correlated with the disclosure of KAMs. The research data is provided on audit reports and financial statements of 1432 EU-listed and UK listed stocks in 2016-2019. It was concluded that rotation of audit firms has a positive correlation with the number of KAM indications. It also determined that there is a significant impact and is very important to KAMs disclosure level of audited company attributes (i.e. size of the company, profitability of the company, complexity of the company and leverage) [9].

Özcan, Determinants of KAMs at Borsa Istanbul The aim of the study is to examine the determinants of the KAMs in industrial organization companies admitted to Borsa Istanbul in 2019. Audit reports and financial statements of 164 companies of the industrial sector were obtained and used as the primary sources of primary data. It was also determined in the research that Non-Big4 audit firm discloses more KAMs as compared to Big4 audit companies. The findings also indicated that the characteristics of audited firms (firm size and complexity in the business) affect the degree of KAMs disclosure but few correlativeness was observed between the degree of KAMs information and leverage. Outside of the foregoing, the findings indicate that the size and degree of board independence of a firm have a positive relationship with the number of KAM disclosed.

Suttipun: A Pattern and a Relationship between External Auditor in Thailand (MAI)
Aim of the study The study aimed to test the level, extent, and pattern of dual disclosure of Key Audit Matters by Thai market alternating investment listed companies on the Market of Alternative investments as indicated in the external auditors report and to test the association of external auditors with few or many disclosed level of Key Audit Matters of the company forcing them to disclose the same in the external auditor report. The results depicted the constructive correlation in Big Four audit firms and level of KAMs disclosure. The severity of the disclosure of KAMs was also largely associated with audit charges. The size and leverage of the audit firms were associated positively with severity of the type of disclosed KAMs according to the model put forward by Alsohaimy, but the profitability was observed to be negatively linked with disclosed severity of KAMS. We also did not find any connection between auditor rotation and level of KAMs disclosure.

General View to Previous Research: The inconsistent results in previous research on the relationships of certain variables (e.g., use of Big Four auditors and audit fees) indicate that relationships between these determinants and KAM disclosure level may have many faces, which depend on personal factors related to the legal system, market state or industry sectors. This difference draws attention to the serious necessity of conducting more widespread research in different geographical and economic environments to see these complicated interrelations in full.

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Discussion of Previous Work: An Examination of Research Gaps

Following an elaborate introduction and analysis of past literatures in relation to KAMs, important findings are represented in the research that has culminated it into what this study is at the moment [10].

The years following the introduction of reporting of Key Audit Matters around the world in 2016 followed a phenomenal upsurge of studies aimed at ascertaining influences that affect the rate at which auditors to report such critical issues. These different studies which differ on the environmental settings and the methodologies they used unanimously found out that the spectrum of factors is very vast and capable of producing varied effect in the deepness and quality of KAMs reporting. The most notable factors that have been studied in the existing research lay include; audit committee attributes (its independence, financial expertise of audit committee members, its size and the frequency of meetings), the characteristics of the board of directors (size, independence and the frequency of meetings of boards of directors), audit fees, external auditor belongs to one of the Big Four firms or not, and tenure of the audit firm with the client among many other influencing factors [11].

Despite such a high multiplicity and a high variety in the previous works, which explored the factors that influence the level of Key Audit Matters reporting, and the inherent diversification of their particular findings, however, a key point does seem obvious: most of these works considered a single factor or very few factors only. Their main interest was to check the level of independent influence that each factor has on the level of KAMs disclosure. Although this fragmented method is most useful in understanding single relationships, it inherently impedes an unraveled interpretation of the complicated interaction between these various factors and their interaction effects to create the overall quality of disclosure success. This method can ignore any possible mediating or moderating effects occurring in the multiple variables at work [12].

Yet, another noticeable fact of the presentation and analysis of the past studies constitutes the high degree of variability and diversification of the environments the previous studies could take place in. This geographical and economic variation is bound to give different results. What could be a driving element of a major concern in one particular setup might not manifest the same effect in a different setting mainly owing to the existing discrepancies in the regulatory systems, corporate culture or market system. As an example, the legal liability environment, investor expectations as well as corporate governance practices may vary significantly in nature between juris dictates thereby influencing reporting behavior of the auditors [13].

Most importantly, the researcher, to the best of his knowledge, indicates that there is an apparent gap in research in the Arab world on which aspects dictate the extent of Key Audit Matters disclosure. This inconsistency is amplified more in Arab nations installing the habit of doing so with the help of ISA 701 [14].

Others like the Kingdom of Saudi Arabia and the Sultanate of Oman. This relative dearth of Arab-based literature signifies a major research gap, since the application of the standard in these particular settings might get, or give, different results than indicated in other settings in both Western or Asia, which have received more comprehensive investigation. The cultural implications, particularities of business activities and even certain legal systems in the Arab world might make some major impact in the formation of the KAMs reporting [15], [16].

Consequently, this study proactively attempts to fill this research blank identified with this study, with a view of subjecting to rigorous testing, the effect of a combined set of the above factors. These are: Relating to the degree of disclosure relating to KAMs of the nature of the audit committee of the company board of directors, the features of the audit fee, the nature of audit external auditors and seniority of the client between the audit firm and the client. This is going to be concluded by an applied and other situational research within a specific well defined setting: The Sultanate of Oman. It is believed that the narrow study will have a major enriching impact on the Arabic and the global body of auditing literature as evidence gathered in line of application and effectiveness of application of ISA 701 to this poorly studied regional population.

The Research Problem: Complicities of Major Audit Matters Reporting, Region Research gap.

The main problem of the present paper consists in the nature of challenging issues and semi-aggressions that embrace the demands of the International Standard on Auditing (ISA) 701. The same standard requires that the KAMs be reported by the auditors as a necessary and mandatory aspect in the report of the auditor. Paragraph 8 of the ISA 701 defines Key Audit Matters defined by the International Auditing and Assurance Standards Board as:

"Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance."

This definition also clearly states which KAMs ought to do be the issues on which the auditor had to pay special attention, exercise judgment and effort in going through with the audit. However, the perceptions on the number of Key Audit Matters that are to be reported in the audit report is not directly stipulated in the standard itself and its amendments (Mahmoud, 2018). The types of these are most significant too to the extent that it is the mere prerogative of pure professionals to determine the contents that should be reported of them. Such exercise of professional judgment (see Paragraph A30 of ISA 701), however, can be significantly affected by many factors such as the magnitude and nature of its activities, and environment of business and operations entity is engaged in in addition to the facts and circumstances related to the engagement of the auditor in an audit engagement. This is critical flexibility of the professional judgment of of course what enables customized reporting but the fact that this left the door open to no standards on the content of reports also brings the emphasis on the significance of knowing what factors affect the content of the reports [17].

Regardless of this dense regulatory background, and also considering the multiplicity and diversification of foreign research studies that have been done to address a combination of factors that influence the Key Audit Matters level of disclosure, and an insufficiency of this issue that remains ever present even on Arab world respondent to such topic, is well known even to the researcher. This dearth is even more urgent as far as the Arab countries who have been the early adopters as in the case of the ISA 701 like jurisdictions may be determined, such as the Sultanate of Oman.

It is in this light that our research question within the current study preoccupies itself with the levels of Key Audit matter disclosures by annual reports at the list companies on the Muscat Stock Exchange (MSX) between a period of 2016 and 2019. The research design will also be aimed at supporting a direct effect of the following specific variables; audit committee characteristics, board of directives characteristic, audit fees, type of external auditor and stake in the tenure of the external auditor in relation to the extent of KAM reporting. It is within this specific research setup that we hope to offer empirical and scientific proofs that could assist in shaping our perception of the application of ISA 701 within the context of the operating environment of the sample companies (in the case of Omani business) where in the end, quality and transparency in the audit reports can be amplified in the region [18].

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Study Hypotheses: Identifying Potential Relationships

Based on the vitaminously described research problem above and constructed with great care and care on a critical review of the existing literature and the research gaps through clarity, the hypotheses were derived accurately as following. These assumptions will be the main focus of the statistical analysis of this work:

Hypothesis One:

There is no significant impact of audit committee characteristics (represented by committee independence, the financial expertise of committee members, committee size, and committee meetings) on the level of Key Audit Matters disclosure. This null hypothesis suggests that these attributes of the audit committee, despite their perceived

importance in corporate governance, do not statistically influence how extensively KAMs are reported by auditors.

Hypothesis Two:

The related to the board of directors' company characteristics (proxied by board size, board independence, and number of meetings) don't play a role on the level of Key Audit Matters information. H2: None of the structural and process characteristics of board of directors influence statistically from auditor's decision not to reporting KAMs in depth.

Hypothesis Three:

There is no effect of audit fees on the extent of Key Audit Matters disclosure. This proposition contradicts our assumption to pay auditors money that relates to, or affects the auditor's ability and willingness to report more or fewer KAMs.

Hypothesis Four:

The nature of external auditor type is not a driver for the degree of Key Audit Matters disclosure. This theory tests whether the auditor's "Big Four" status, indicative of higher resources and homogeneity in practice, can have an impact on the level of KAMs disclosed; it stipulates that there is no such relationship.

Hypothesis Five:

The audit firm's tenure with the client is not significantly associated to the level of Key Audit Matters disclosure. This conjecture looks into the association of tenure between auditor and client to the level (depth or breadth) of KAMs disclosure, positing no difference among them.

The independent variables have been selected and their values (audit committee characteristics, board of directors characteristics, audit fees, audit type, and audit tenure) to hypo these test the potential relationship between them and PKAM dependents level disclosure. The present study has been truly scientific in approach by using them as null hypotheses because they are tested in order to know whether or not the empirical data rejects the hypothesis rather than they give us an option of abandoning them that is, rejecting the statements altogether.

Study Objectives: Scientific and Practical Contributions

The main and broad intuition of this research is to carefully examine the aspects that have impactful effect on the degree of Key Audit Matters disclosure particularly on the companies observed in Muscat Securities Market. To achieve this bold overall objective, the project will be solving various well specified sub-goals [1], [19]:

To fully investigate the effect of audit committee characteristics, comprising independence of committee, financial expertise of members in the committee, size and regularity of meetings in a below par disclosure on KAMs. This aim aims to explore whether the audit committee's structure and behavioral characteristics have an impact on the auditor's disclosure of KAMs.

To investigate the effect of company board characteristics (board size and independence of management) and board meeting, on the level of KAMs disclosure. The goal of this is to provide insights into how characteristics of the board's governance structure could affect the transparency of audit reporting.

To explore the actual effect of audit fees paid by firms to their external auditor on Key Audit Matters disclosure. This objective will explore whether the amount of monetary reward for auditing is associated with KAMs.

Study Significance: Enhancing Transparency and Bridging Knowledge Gaps

It goes without saying that the deeper meaning of the study is based on a number of very important factors, covering both a scientific and a practical sphere. This is especially relevant as the self-subject matter of key audit matters has proven to be a central and growing subject area of interest in the field of accounting, as well as auditing studies intended to advance all over the world.

From a Scientific Perspective:

This research is bound to make a strong positive contribution to the current body of research literature. Because of the differences between the relatively new International Standard on Auditing (ISA) 701, which seems to center on the principles of

communicating key audit matters in the independent auditor report, and the particular circumstances under which the degree of reporting selected actions should be identified in the context of the external auditor, the given study can be regarded as an ambient and serious effort towards gaining the clear understanding of the details of practical the AI implementation. It also intends to keenly analyze the degree to which some of the identified factors can be a technical determinant of the contents of the Key Audit Matters reported by the auditors in their reports. Therefore, this study will be actively engaged in a research field where active gaps of profound research studies about the factors affecting the degree of KAMs disclosure occur, and its effects particularly in the regional Arab and Gulf setting. It offers much needed geographical and contextual missing gap in the international auditing literature, through having empirical data from Oman.

From a Practical Perspective:

The practical significance of this study lies in its attempt to offer useful and practical empirical evidence of Omani companies. Such pieces of evidence will help to understand the particular impact that audit committee characteristics, board of directors characteristics, audit fees, the type of external auditor, and audit tenure may have an accumulative effect on the level of Key Audit Matters disclosure. The results obtained will provide practical implications beneficial to numerous stakeholders where they include:

- a. Regulators and Supervisory Bodies: To help them get a closer look at the implementation of ISA 701 in the local setting and determine whether a certain modification or further clarification regarding the disclosure quality would be beneficial to improve the compliance effect.
- b. External Auditors: To equip external auditors with more insights on what influenced their efficiency and effectiveness in performing their KAMs to assure them of continually upgrading the quality of their professional practices and judgments.
- c. Engravers and Company Boards of Directors: In a bid to give them more knowledge on how their distinct qualities and governance structures can have a material effect on transparency in their financial reporting, which could result into greater oversight.
- d. Investors and Financial Statement Readers: So that they can have a better understanding of the surrounding circumstances that could influence the underlying information disclosed by auditors reporting, in order to make more well-informed investment decisions brought about by transparency.
- e. Methods Triangulated method of scientific promotion and validation of the studies.
- f. The researcher of this study was keen to ensure that he/she was.
- g. Disclosure. Such careful analysis has helped identify gaps in the researches that conflict with each other, identified the theoretical framework underpinning the hypotheses of the present research, and developed the theoretical framework. This method enabled the researcher to develop a broad picture on the phenomenon using individual cases and available knowledge to extract general observations.

Deductive Approach:

On the other hand, the researcher opposedly used the deductive approach to the vital process of statistical testing of the hypotheses in the study. This was done using available quantitative information of a chosen sample of Omani listed companies on the Muscat Stock Exchange. This element is the practical implementation of the study and the general hypotheses (naturally, based on the process of inductive methodology) are strictly tested on their validity in relation to the concrete empirical data. The end outcome will be to see the degree to which the evidence obtained with the sample can be extended to the targeted study population hence making sound and reliable considerations of the variables that drive the Key Audit Matters in the Omani context.

Study Framework and Limitations: Defining Scope and Constraints

To ensure both focus and depth in the study, a clear framework and well-defined limitations were established for the empirical research:

Temporal Scope:

The sample used in the empirical study is narrowly defined by focusing on the year 2016-2019 which covered data on firms listed at the Muscat Stock Exchange

The selected period was carefully done since it shows the early years of implementation of the International Standard on Auditing 701 to the world thus the ability to evaluate the early effects of the standard and the early reporting practices. It is also important to mention that exclusively periods later than 2019, especially the ones impacted by the COVID-19 pandemic, were defined. This omission was an intent to eliminate possible distortions and additional anomalies that may have overly affected the Key Audit Matters reporting practice and thus invalidate the reliability and external validity of the findings. This exclusion makes the results more reflective of the performance during normal operating conditions without extraordinary disruptions which happen globally.

Spatial and Sectoral Scope:

Empirical investigation is based on data of the companies listed on the Muscat Stock Exchange with some particular exclusion of the companies that work in the financial sector. This is explained by the fact that the financial sector has common attributes that these are governed by a different set of regulatory frameworks and legislations when compared with companies in other industries (virtual industrial, service, commercial, etc.). The difference may cause great diversities in disclosure requirement, structure of governance and auditing practices, and it may compromise the generalizability of the results were they were included blindly. So, this exclusion can assure homogeneity of the sample and results will be more precise in the context of non-financial sectors, in which case a better insight will be allowed.

Study Plan: Organizational Structure for Research Content

Continuing the above discussion of the problem of the study, its grandiose inner goals and goals, and under the conditions of a well-understood set of study limitations, the researcher has structured the rest of the study body in a coherent and sequential arrangement, trying to prevent the most accurate test of research hypotheses. This is a systematic strategy as follows:

Chapter One: Key Audit Matters in the External Auditor's Report within Professional Issuances:

The theoretical framework underpinning and the various professional standards in relation to Key Audit Matters will be explored in this introductory chapter. It will present a brief description of ISA 701 and posit on its theoretical background, construction and role to improve the communicative value of the auditors report. This section will take into account and draw comparisons between the general environment of audit reporting and the pressure on transparency and disclosure throughout the world.

Chapter Two: The Applied Study:

The empirical approach of the study, the sample of the study, the statistical analysis of induced data, and, finally, the quantitative results will be described in this chapter that is devotee. The statistical methods employed in this chapter are going to be explained, justify the reasons, and how the variables were measured in the chapter and operationalised. It will also contain example statistics and core regression.

Chapter Three: Results and Recommendations:

The analysis and interpretation of the research results will be done in this last chapter. The results will be cross-examined with what prior related studies have found and comparable / differences between the results would be identified critically. The last part of the chapter will produce and disseminate implication based practical recommendations to practitioners (auditors), policymakers (regulators) and future researchers, upon the way of improving current best practices in terms of the quality and disclosure of auditum.

2. Materials and Methods

The research adopted a **quantitative approach** using a **multiple regression model** to investigate the determinants influencing the level of Key Audit Matters (KAMs) disclosure in external auditors' reports. This method was chosen because it allows for testing relationships between multiple independent variables—such as audit committee characteristics, board of directors' characteristics, audit fees, type of external auditor, and

audit tenure—and the dependent variable, namely the extent of KAMs disclosure. The study relied on secondary data extracted from the annual reports and auditor statements of companies listed on the **Muscat Stock Exchange (MSX)** between **2016 and 2019**, a period that coincides with the early implementation of the **International Standard on Auditing (ISA) 701**.

The **population** of this study consisted of all companies listed on the Muscat Stock Exchange, excluding financial institutions due to their distinct regulatory and auditing frameworks. After applying exclusion criteria—such as the removal of incomplete data and financial-sector firms—the final sample comprised **283 firm-year observations**. Data were obtained from publicly available sources including annual reports, financial statements, corporate governance disclosures, and auditor reports. Variables were coded and measured using standardized financial and governance indicators, such as the proportion of independent directors, number of board and audit committee meetings, audit fees, and auditor type (Big Four vs. non-Big Four).

To analyze the data, the study utilized the **Statistical Package for the Social Sciences (SPSS)** to perform descriptive statistics, Pearson correlation, and multiple regression analyses. Descriptive statistics summarized the basic characteristics of the data, while correlation analysis identified potential associations among variables. The multiple regression model served as the core analytical tool to determine the significance and direction of the relationships between governance and audit factors and the level of KAMs disclosure. The statistical significance of each variable was evaluated using **p-values** and **confidence intervals**, ensuring that the findings provide robust evidence for understanding how corporate governance and audit attributes shape transparency in auditor reporting practices.

3. Results and Discussion

A careful documentation of all scholarly sources and academic references that were both behind and were searched in the course of conducting this study will be carefully masked therein in this section to ensure the academic rigor and transparency.

It is the English translation of your text, in full length, and with much added to it:

Key Audit Matters in the External Auditor's Report: Evolution and Definition in Professional Issuances

The concept of Key Audit Matters (KAMs) introduced in the report of auditor is a straightforward and decisive response to a heightened pressure on demand added value and incremental information content of an established audit reporting by financial statement users. And this was far beyond a cosmetic move; it was a serious and committed attempt to be involved in the solution of high quality audits, and the production of more relevant detailed and transparent audit reports. In this regard, the largest worldly gathering of auditing rules-setters (the Financial Reporting Council (FRC); The Public Company Accounting Oversight Board (PCAOB) and the International Auditing and Assurance Standards Board (IAASB) have strived to be innovative and implement new techniques in an attempt to radically transform matters of the presentation and the content of audit reports FRC 2013; IAASB 2015; PCAOB 2017).

Background The FRC made substantial modifications to the International Standards on Auditing (UK and Ireland) in 2013, which is applicable to financial years ending on or after 30 September 2013. Under these innovative amendments, auditors were treated to add in their reports: (Audit risk as explanation item and multipliers of audit quality are not directly explained by the FRC 2013, pp.

A description of the Risks of Material Misstatement (RMM) was given, as determined by the auditor, which had a material implication either on the approach to the auditing process or on how auditors work or give direction. This was aimed at giving the users some idea on what the focus of the auditor was as it may relate to planning the audit and carrying out the audit. It provided transparency to quantitative and qualitative standards on the determination of material misstatements.

An overview of the scope of the audit, and the description of the Mainstream of how the range of work was regarded adequate to carry out such Risks of Material Misstatement. The aim of this paragraph was to assure users that the risk was equal to the audit coverage.

After this, in January 2015, the International Auditing and Assurance Standards Board (IAASB) endorsed International Standard on Auditing (ISA) 701. The general aim of this standard was to improve in a significant manner the communicative worth of the audit report along with the content constituents of the same. This was achieved by carrying it separately and conspicuous paragraph in the auditor report- also known as "Keyaudit Matters" (KAMs). The standard applied to audit financial statements had periods ending on or after December 15, 2016. The transparency since that day is that since such date, application of ISA 701 has been practically obligatory among the auditors in the countries where it was adopted, these auditors have a legal and professional responsibility (that is mandated by law) to disclose KAMs through their annual audit reports in a separate paragraph.

This is not where the attainment of improving the audit report concluded. In June 2017, the PCAOB in America released a new standard in auditing which is AS 3101, The Auditor Has Reported on an Audit of Financial Statements in cases where the auditor gives an unqualified opinions. The development of this standard was aimed at quality improvement, and enhancement with determining the goals of quality. Go ahead to reading Issue AICPA -AUD 1: The Auditor's Report on Audited Financial Statements. The standard also asks the auditors to explain the CAMs used by them positively in their independent report. This communication must also cover the discussion of any subsequently identified matters that were and that were communicated (or should be communicated) to the audit committee and that: relate to any significant accounting policies; and are pertinent to significant accounts or disclosures and are, thus, particularly challenging, subjective, or complex auditing judgment A1. PCAOB (2017). This emphasizes the task that the auditor performs in trying to sort out troublesome areas and reporting poses some complexity to investors.

Key Audit Matters Concept: Defining the Essential Characteristics

To continue our understanding, paragraph 8 within the ISA 701 (IAASB, 2015) provides some guidance since one of the interpretations of Key Audit Matters at the International Auditing and Assurance Standards Board (IAASB) was as follows:

"These are issues that in the professional description by the auditor had the greatest impacts during the audit on the financial statements of the current period. Materials communicated with those charged with governance are the key audit matters that are selected."

As a result of this brief, but comprehensive definition, one is able to extract a set of basic and unique characteristics of Key Audit Matters:

Centrality of Professional Judgment of the part of Auditory of persons: The professional judgment of the auditor is of primary importance in terms of determining whether a certain circumstance, or specific area during the audit, needs to be categorized as key audit matter. This simply states that identification cannot be just a tick-box exercise, but instead it requires a profound understanding of the risk and challenge of judgment that an auditor faces during the participaton in the engagement. This biased aspect underlines the competency and experience needed by the auditor.

Pinnacle Matter or Area of Attention: The issue or region should be of utreme value and extreme importance to the audit of the financial statements of the current period. That is, they are not normal issues; they are the ones that required extraordinary attention, much effort was required and maybe even some extra attention on the part of the auditor, because of their inherent complication, the high level of risks involved in them and the complexity in them requires. They are the hot clothes of the audit.

Derivation based in Communications with Those Charged with Governance: Key Audit Matters are an explicit selection of the issues that had actually been communicated, or had to be communicated, to those charged with governance (that is, reply to one of two, the audit committee, or the board of directors). This critical requirement is to make sure

that the matters involved in reporting are exactly those that have already gone through discussion and deliberation by internal gears at a senior management or oversight level hence accentuating on their significance and brings about the involvement frontline by the auditor on the governance framework of the company.

These essential characteristics are key stones in the exposition of this significant value of Key Audit Matters in the improvement of the disclosure of audit reports and delivery of more information to users of financial statements. They make the audit report more more an active and informative tool in the reporting.

Objectives of Reporting Key Audit Matters: Enhancing Transparency and Informational Value

It is said that the decision to report key audit matters (KAMs) in auditors reports marks a major turning point in the auditing profession of its own due to the channel of passion to amplify transparency and enhance the value of information which can be forwarded to the user of financial statements. According to the Paragraphs 3 and 22 of International Standard on Auditing (ISA) 701, the key objectives that this standard aims at accomplishing by reporting such matters have quite clearly been stated. The following are its objectives, which can be summarized as follows:

Improving the Communicative Value of the Auditor Report: Standard focuses on changing the role of the auditor report in order to make it a more meaningful communication technology rather than standardization, partial, and mostly boilerplate report. This is done by providing increased level of transparency on the nature, scope, and levels of the audit process conducted. After all, this makes the users understand more about the intensive process that is followed by the auditor.

Presentation of Supplementary Information to the users of the financial statements: The standard is meant to provide useful and comprehensive details that can enable the consumers of financial statements understand very deeply the issues that the auditor considered to be of greatest importance in the audit of financial statements of the current period, through the presentation by an auditor. This specified information allows the users to focus on the most complicated areas or that which demands accurate and detailed decisions.

Helping Users to Understand the Entity and Aspects of Management Judgments: It is not about just trying to know how the auditing process works but helping the users to know the nature of the things that the audited financial statements represented and also, helping the user to understand which areas in the financial statements involved large amount of judgment and estimation on behalf of the management. This goes a long way into enabling users assess quality of these judgments and impact which they may have on financial presentation.

Empower the Financial Statement Users to do More Proactive work and constructive Communication: Reporting Key Audit Matters is expected to enable the financial statement users to do more proactive work and constructive communication with the management and the persons charged with the responsibility to govern the affair regarding the entity, the audited financial statements, or even the audit process conducted irrespective of whether they relate to a particular entity, audited financial statements or the actual audit process itself. This actively boosts the good governance practices and enhances prevailing openness and communication among all stakeholders.

Similarly, Mattar states that alterations in the auditor report done under the International Standard on Auditing 701 are to accomplish the following particular goals;

Enhancing Audit Quality and Furnishing Informational Content: The standard focus on raising the amount of overall quality in the audit process as well as increasing content type in the audit reports. This includes the presentation of more useful and detailed information concerning audited financial data, which in turn results to the overall financial reporting process being improved by vocation of the owners and stakeholders in general.

Increasing the Level of Transparency, E.g., on the Going Concern: The standard aims to increase the transparency in the auditor report, in specific, on issuances pertinent to the going concern assumption of the audited company. It is done by enhancing the

significance of professional skepticism in the minds of the auditor and his prudence in looking at the going concern assumption hence giving more satisfaction to the users on the sustainability of the entity.

Identification of Key Audit Matters and Explanation of Procedures: The standard is designed to explicitly point out the Key Audit Matters, identified by the auditor, in his/her business judgment, as of most important in the audit of the financial statements. It also aims at clarifying on the nature and nature of the procedures carried out by the auditor in an attempt to resolve these issues so that the people charged with governance have a better idea of the efforts that have gone to the audit.

Giving the Users more Confidence in Financial Statements and in the Audit Report: The final aim is to enhancing the confidence of the users in the audited financial statements and to the audit report itself. This is achieved by the increased disclosure revealed by the auditor in his report, relating to the financial statements, that helps increase the quality of the whole audit procedure and strengthens the financial information credibility.

Moreover, Norazura and Amanuddin (2018) maintain that the initial and the primary objective of reporting Key Audit Matters is the highlight of entity specific problems that occurred in the audit period. The general objective is to report as relevant and material information in the financial statements that will enable the users to make well informed decisions. This highlights the friendliness of KAMs reporting to users.

Bases for Determining Key Audit Matters: Challenges of Professional Judgment

Although the process of creating the meaning of Key Audit Matters (KAMs) may seem unproblematic, it is intrinsically open to the auditor in terms of creating a considerable amount of difficulty, as well as subjective professionalism, in terms of evaluating the most important issues that should be disclosed in the audit report. This subjectivity creates serious doubts about consistency and comparability with other audits and auditors, as well as provides an emphatic appeal to the importance of the professional aptitude, experience, and honesty of the auditor.

The auditor must, out of the various things reported to those with the governance interest, determine which things in his or her work as the auditor were the ones which needed a lot of togetherness, with reference to the way the audit was conducted. In order to achieve the correctness and the suitability of such identification, when deciding on such issues, the auditor shall not fail to put into consideration the following points as such criterion:

Areas where Higher Assessed either Material Misstatements or Significant Risks are identified in Compliance with ISA 315: This includes those areas in the financial statements that present high probabilities of material errors or material misstatements, either through the complexity of transactions in which the accounting judgements made in the accounting profession are subjective or due to inadequate internal controls. These areas require high attention and more effort by the auditor to correctly deal and reduce the risks identified.

Significant Auditor Judgments Relating to Area in a Financial Statement that involve Significant Management Judgment which deals with accounting estimates that have been determined to have a high level of estimation uncertainty: This is because of situations that pertain to the financial statements itemizing significant estimations or judgment that have been made by the management and are therefore by nature characterized by a high degree of estimation uncertainty. The auditor is significantly reviewing these judgments and estimates and this kind of classification is mainly being targeted to become a CLERP, high risk of finding a conclusion by the auditor.

Effect of Significant events or Transactions during the Period: This is the events or other significant transactions that occurred during the financial time that has significant effect to the financial statements and hence the audit strategy as well. These could ensure that either certain audit procedures may be necessary, or particular risks come to play and need to be communicated in the form of a Key Audit Matter to provide relevant context to users.

According to the International Auditing and Assurance Standards Board, out of the critical issues that needed to receive the attention of auditors and listed previously, the auditor was to identify the critical issues in the audit of the current period financial statements that were the most significant of the issues--the Key Audit Matters. The IAASB, however, did not elaborate on how key audit matters should be filtered and selected hence out of the larger group of important matters. This is a drawback of not religiously outlining the methodology, an aspect that may then prove to be a barrier to having uniform and consistent International Standard on Auditing (ISA) 701 implementation. In contrast, IAASB has given auditors the freedom to exercise professional judgment in considering the matters of the greatest significance based on the nature of the financial statements under audit and this has given auditors the flexibility they require to handle the unique nature of audit engagements.

Similarly, Kik and Walter divide the process of choosing the Key Audit Matters into three progressive and consecutive levels to help in simplifying the process and offering guidance as:

Level One: Matters Communicated with those charged with governance: This first category entails all the things and issues that are communicated with the people charged with governance (including audit committee or the board of directors), etc. The given level is the initial point because by definition Key Audit Matters have already been raised by the time and deliberated with either the management or with those whose responsibility is to oversee. This makes the KAMs attracted of already recognized high-level issues.

Level Two: Matters, Which Captured Strong Auditor Attention in Conducting the Audits: In this category, the scope of matters is narrowed so that only areas with high chances of material misstatement or areas with material errors of significant errors are included. This level is also important because of accounting estimates that are significant as well as interests in which major events or transactions directly and substantially affected the audit. These are the concerns that occupied a sufficient space on the time, energy, and professional attention of the auditor.

Level Three: Key Audit Matters: This is the final stage of the filter process that includes only the most significant matters out of the included ones in connection to the Level Two. Put differently, they are the pinnacol referee and probably the most imperative and basic questions than the auditor have faced in his audit procedure and which qualify completely and noticeably to be disclosed to the citizens of the financial statement. These are the concerns that present the most informative communication to the outsiders.

The following is the English version of what you wrote very long, and I made a point of elaborating it:

Scope of Key Audit Matters Reporting: IAASB Guidance

The international auditing and assurance standards board (IAOB) has closely specified the coverage of reporting of key audit matters (KAMs) as per the international standard on auditing (ISA) 701. The clear and consistent meaning of such definition is to ascertain the manner and the cause when such issues must be reported. The core values that will underpin this scope can be replicated as follows:

Mandatory Reporting Following Identification and Formation of opinion: When the auditor has their way of identifying the Key Audit Matters and finalizing his/her opinion about the completed audited financial statements then he/she gets the mandatory occasion to report the same, that is giving his/her final opinion, by clearly describing the same in the auditors report (ISA 701, Paragraph 10). This time is very crucial since the identification and reporting process takes place once the core audit work has been completed significantly and the auditor has gained a complete picture of the overall fairness of the financial statements. This will mean that KAMs capture the most pertinent issues amongst the audit that was complete.

Reporting in the Contemplation of the Generality of the Auditor Report, Not as a Standalone Opinion, Significant Audit Matters: Reporting occurs through the framework of the auditor in their report on material independently in the auditor formation of opinion about the financial statements on a form a grand overall and does not provide opinion on what is material in a standalone manner (ISA 701, Paragraph 4). It is such an

emphful emphasis to the fact that Key Audit Matters is a part and parcel of the overall opinion by the auditor regarding whether the financial statements are fair. They cannot be taken as independent views of certain aspects or descriptions in those statements, but as perceptions of the audit in itself.

Clearness Boundaries: Not in Replacement of Disclosures, Modified Opinions, or Going Concern Assumptions: The auditor report according to Paragraph 4 of ISA 701 provision demonstrates the reporting of Key Audit Matters as not replacing:

Disclosures are part of the financial statements that the management is under obligation and duty to include the disclosures of the statements under these conditions or the stipulated financial reporting requirements. Unequivocally, the management has the major role of ensuring adequate and precise disclosure of financial statements. These basic management roles are complemented by KAMs not substituted.

An altered opinion of an auditor at a time when he contributes to Cope with the Opinion of ISA 705 (Modifications to the Opinion in the Independent Auditor Report). In cases of material misstatements or a lack of adequate appropriate audit evidence the auditor is under firm obligation to alter his or her opinion, and Key Audit Matters are not an alternative to such an essential reporting requirement.

Reporting in compliance with ISA 570 (Going Concern) in instances where there is a material uncertainty that pertains to an event, owing to event or condition, that may result in substantial uncertainty that the entity is likely to be a going concern. This very issue has certain and strict disclosure requirements not being overruled or substituted with reporting of Key Audit Matters.

Situations that involve KAMs Reporting: that require reporting of Key Audit Matters is that applies in the following conditions (ISA 701, Paragraph 5):

Concerning the full scheme of general purpose financial statements of listed conglomerates. This is the initial and the obligatory area where the standard should be applied, and it characterizes the increased interest among the society in the audits of such organizations.

Even in scenarios where one or another of the main audit matters is not legally or regulation compelled to be reported in an audit report, when the auditor chooses to report such a matter voluntarily. According to Thamer the standard also makes a specific provision that in an instance where there are no internal requirements to report KAMs, then such a voluntary reporting of KAMs is permissible when the auditor is appointed and acknowledges that the auditor is adding value to the user.

When the local laws or regulations inherent to the country predetermine that the auditor will report some Key Audit Matters in his/her report, even though the ISA 701 may not impose specific requirements on a type of a given entity. This will make sure it is complying with all applicable jurisdictional requirement.

Content and Form of the Key Audit Matters Section in Report: The auditor must disclose the Key Audit Matters with each one disclosed to a separate section of the auditor report by using an adequate subheading. The introductory phrases in this part of auditor report should clearly indicate the following (ISA 701, Paragraph 11):

The Key Audit Matters can be said to be those issues that the auditor in his professional judgment believed were most material in the audit of financial statements of the current period. This re-enforces the importance of the auditor and his or her judgment to identify it.

That these issues were considered in the context of auditing the financial statements as a whole, and in drawing the opinion of the auditor on the same and that the auditor does not take a separate opinion on such issues. This confirms the integrated aspect of KAMs to general audit opinion.

Detailed Description of each audit key matters: Within the segment titled Key Audit Matters, the description of each key audit matter should entail the following essential contents:

An indication of any related disclosures in the financial statements, were any. This is one of the essential links between the report prepared by the auditor and the disclosures made by management to the users which will have a complete picture.

This was why the issue was regarded as one of the most important in the audit and, therefore, decided to be a Key Audit Matter. One should have a clear and compelling explanation the purpose of its importance and that gives some background to users.

The way in which the matter was handled during the audit which includes account of approach that was used to audit that matter, and a discussion of the processes that were undertaken in such an effort. This gives the audience transparency on the work done by the auditor and the level of his work.

Circumstances When a Key Audit Matter is not Reported: Once there are certain, narrow circumstances, under which a matter a Key Audit Matter is not reported in the auditors report:

In case the laws or regulations do not allow disclosing the issue to people publicly (ISA 701, Paragraph 14). This obeys laws concerning confidentiality.

Under extremely legitimate circumstances, the auditor may be of the view that the issue ought not to be announced in his/her report since the negative impacts of lead may well be certain to be more significant in comparison to the advantages of communication to the population. It should also be discussed that the same does not take place provided the decision has already been publicly announced by the entity (ISA 701, paragraph 14) since the argument of the public interest would be tabled by this point.

In case of disavowal of opinion to the financial statement by the auditor, except where stipulated by the laws and regulations, then according to ISA 705, the auditor report must lack key auditing matters section (ISA 701, Paragraph 5). A disclaimer of opinion shows that the auditor failed to receive enough proper auditing evidence, and therefore, KAMs reporting was not appropriate.

In case the auditor concludes, through the specific facts and circumstances of the entity and the audit itself that there are no key audit matters to be reported or that only those key audit matters that have been reported elsewhere in the report (e.g. in the going concern section), the auditor is obligated to create a statement to that effect that appears in a separate section of their report as a category known as key audit matters (ISA 701, Paragraph 16). This paragraph does not leave the section empty as it gives clarity to the user that the auditor clearly evaluated and came up with a conclusion that there were no other KAMs that required emphasizing.

Factors Influencing the Level of Key Audit Matters Disclosure: Divergent Research Findings

Irrespective of the many benefits that Key Audit Matters (KAMs) introduce to the increase in transparency and value of the audit reports, their disclosure level is characterized by significant differences in one entity to another, one sector to another, and even one country to another. This potential gap is a major concern that brings essential queries concerning some underlying factors behind this gap.

Also the procedure of identifying the contents of the Key Audit Matters most significant in the audit of the financial statements that would be included in the report of process of the consequent auditors is essentially a professional judgement. Such a judgment, as, provided by ISO 701, in paragraph A30, may be strongly affected by both the size of the entity, to which such judgment would apply, the level at which the entity has its operations, the nature of its business, operating environment, and the facts and circumstances that are present on a case by case basis concerning the audit. The implications of this context are that KAMs reporting is not a universal exercise.

As a result, the focal question that has aroused the special attention of many researchers is the following: What adds to this difference in the degree of Key Audit Matters disclosure. Enlightenment of individuals on the factors that may have explained these differences in the extent of KAMs disclosure in the external auditor report has therefore been accorded significant attention by researchers. They have determined so many factors and determinants affecting this level of disclosure. These elements mostly comprise: audit committee characteristics, audit firm board of directors There is a distinct difference in the results of these studies that highlights the complexity of these association and stress that more attention should be paid to in various settings:

Regarding Audit Committee Characteristics:

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Audit committee member financial expertise of Velte demonstrates that audit committee member financial expertise is positively and statistically significantly related to KAM, so that audit committees with higher financial expertise may be better able to detect and learn complex issues, potentially leading to more informative KAMs. Mahmoud (2018) and Zhang and Shailer clearly demonstrate, on the negative side, that financial expertise of the members of ACs negatively correlates with the level of KAM disclosure. Opposite to both parties are the results of the study by Abu & Jaffar who do not see the relationship between the financial skills of the audit committee members and the extent of disclosures about Key Audit Matters. The dramatic inconsistency between the results of the studies on this variable requires further studies and more sound theoretical models.

Audit Committee Meetings: As noted by Mahmoud and Abu and Jaffar, the number of audit committee meetings is negatively related to the level of KAM disclosure. This observation can be explained by the reasoning that an alert audit committee that periodically meets would be in a position monitor and offer solution to issues in company activities and most importantly in relationship to auditor work. Therefore, an effective Way of scrutiny, in this case, would be the reduction of the number of publicly reported KAMs since most of the issues may be settled internally or the risks may be reduced prior to final reporting.

Determinants of the Level of Key Audit Matters Disclosure: Contravarianisms and Incongruities in Past Literature.

This section is then followed by thorough and comprehensive scrutiny of the results of the previous research studies on the determinants of KAMs disclosure level, the differences and contradictions that have been reported in the existing literature in the past. These contradictions are not only in evidence of the inherent complexity of this phenomenon, but once again are testimony to the importance of context specificity in the research. **The Effect of the Gender of Audit Committee Members.**

There are also mixed findings in the literature regarding gender of members of audit committee. This is confirmed by Velte, who supports the statement that the increased proportion of women size on the audit committee has a positive impact on the readability of Key Audit Matters in the audit report. This may be because women members may have varying preferences or preference towards more transparent decision making and more comprehensive decision making processes since this may contribute negatively to the quality of disclosure. Nevertheless, the authors could not accept the notion that male or female audit committee members significantly influenced KAMs disclosure. This inconsistency requires further elaboration to determine the actual role played by gender of members of the committee by affecting the quality of audit reports.

Influence of Characteristics of Board of Directors

The characteristics of the board are supposed to be a mediating variable which may have effects on the quality of governance and consequently reporting quality.

Board Size Recent studies which have been conducted on the effect of the board size show mixed results as well. Both Elmarzouky et al. and O Ezcan found out that the significance of board of directors size in audited company and disclosure of KAMs posses a significantly positive relationship. This is possibly due to the fact that bigger boards may be having a more diversified span of experience and opinion to draw richer talks on

matters of substance. Conversely, Mutawa demonstrated the presence of no statistically significant relationship between size governance board of audited entity and KAM disclosure that the size is not free or indeed domineering driver.

Board Independence: Literature on board independence is more consistent. The existence of the numerous researches, including Mutawa, Elmarzouky et al, Özcan, and Wuttichindanon and Issarawornrawanich agreed on a positive trend between the board independence and the level of KAM disclosures in general. It should be observed that such similarities of findings are intriguing and compelling indicators that as the degrees of board independence rise, the number of reported KAMs usually rises. This might be on grounds that more independent boards are better placed to challenge management, exercise oversight as well as enhance transparency that acts as a greater pressure to submit all material news.

Impact of Audit Fees

The audit fees have been known to reflect the amount and degree of services rendered and has been related even with the degree of disclosure. Pinto and Morais, Sierra-Garcia, et al and Suttipun postulate a positive correlation between the level of Key Audit Matters disclosure and audit fees. That could mean higher fees will allow auditors to spend longer and more time doing more detailed tests and, consequently, identify more material matters.

On the other hand, Ferreira and Morais, and Özlem and Sucu noted that there is a negative correlation between audit fees and the level of disclosure of KAMs. This observation can suggest that the higher fees paid by companies, the more incentives companies might have to reveal the darker side, or a pressure on auditors to slow down the number of KAMs might appear, seeking not to worsen the relationship of a corresponding high-fee client.

As a contradicting result, in both possible studies, Mahmoud and Rahaman et al. have not found any changes in the degree of disclosure of Key Audit Matters concerning audit fees. Records of such a huge difference in the fees of auditors are testimonies to the fact that it is not easy in the sense that in any way and probably some mediating or contextual factors do play a role.

Effects of Rigby starved otherwise?

The experience that auditors have served the client is also pertinent as we take into account the fact that the life-span of audit firms with its clients is a factor in auditor-client relationships and the reporting practices and reporting practices of the companies. A different group of research, e.g. Brilakis & Demirakos, Lin and Yen and Verho, has concluded the length of agreement between the auditor and the client as positively correlated with the severity of the KAMs disclosure. This implies that there is a possibility that the KAMs reported paid off with longer tenure. This can be attributed to the knowledge of the long time serving auditors on managing operations and risks that can help them identify more material problems.

Velte, however did not rule out an inverse relationship between the tenure of the audit firm and the level of KAM disclosure. In other words, the long length of service may result in a reduction in reported KAMs. A potential reason behind this trend is that long-term relationships may create familiarity threat between the auditor and client, which may lead to the increase of less professional or disclose delicatated concern skepticism or willing to disclose determinants, respectively.

Among other contradicting opinions, one can refer to Hategan et al, Pinto and Morais, Suttipun and Rahaman et al, Tamru et al. This internal inconsistency is a legitimate cause of new research adhering to the determination that the format of employment indeed has an exceptional role to play in every aspect.

Impact of Type of External Auditor

The nature of external auditor, especially; is the auditor of one of the Big Four firms (Big4) which is central to quality of the audit and disclosure. One of the studies by Abdullatif and Al-Rahahleh, Ferreira and Morais, Suttipun, Tušek and Jezovita, Velte, and Wuttichindanon and Issarawornrawanich, has found that Big Four audit firms report more Key Audit Matters in their reports in comparison to non-Big Four audit firms. This

would be due to the increased resources, rigor, and the highly developed training offered by Big4 firms.

These findings, however, are in direct opposition to the findings provided by Baatwah, Ozcan, and Sierra-Garc, et al, who indicate that the contributions of Big4-audited companies to the disclosure of Key Audit Matters is lesser. This inconsistency may imply that Big4 firms may be more restrictive when selecting the KAMs, or maybe they may want to release the sensitive information in some other way rather than the official report.

Conversely, Chirakool and Poonpool, Ittarat and Tangpinyoputtikhun, Njenga, Rahaman et al, and Shao have reported that the level of Key Audit Matters disclosure used is not significantly different when an audit of a company was conducted by the Big Four audit firm or not-Big4 audit firm. Such a broad gap in findings confirms that the assurance of a connection between the type of auditor and the degree of KAMs disclosure is multifold and maybe due to other causes or environment in which the research is carried out.

Here's the extended English translation of your text, focusing on adding detail and elaboration:

- a. Effects of audited company Characteristics
- b. Place, the factors are the characteristics of the audited organization, principally, on which the degree of the risk and nature of the audits occur and subsequently the volume of reported Key Audit Matters (KAMs).
- c. Company size: Company size results too have been mixed. Wendt, Boezio, et al, Burkholder et al, Dede et al, Emmire. The linkage between the size of the audited companies and disclosure of Key Audit Matters by external auditors which has been established by Suttipun, Verho and Pobben et al. is supported with ample evidence. One would reasonably expect that this can be explained, given the fact that bigger companies generally could have more complex operations and financial systems with numerous transactions, therefore had more issues that required much professional effort on the part of the auditor. As the complexity gets more advanced, there is a higher possibility that regions would need to be specifically considered in an audit report. Comparatively, de Sousa discovered that the KAMs disclosure was negatively related to company size, which meant that more complicated questions could be at a higher level of management and solution within a firm, hence there was no necessary mark of disclosure. Similarly, Ittarat and Tangpinyoputtikhun failed to define interdependence among the audited company size and the degree of disclosure of Key Audit Matter that may assert that such correlation might be condition-specific.

Leaders and Leaders A SWOT Analysis Alongside the BSC, researchers adopting the SWOT model model the company as a system guided by people and resources, while demonstrations involve evaluating both intersubsystems and the system at their collaboration and progression production intermediate, which accounts for the correct advancement of the favorable economic results of entrepreneurial and corporate projects. This is as per Abdolmohammadi et al, Suttipun and Wuttichindanon and Issarawornrawanich. Profitability of company has negative association with the degree of disclosure with respect to Key Audit Matters. It means that the more profitable a company is, the fewer KAMs are reported; at the same time, when the profits of a company are more, number on Key Audit Matters may be reported to decrease. It would, perhaps infer too much were one to hint the suggestion that the companies with good financials are less materially so, or that they are less risky where the KAM disclosure is required as their strong financial position translates to strong system of internal control and reduced hot spots accounting. Verho, however suggests that the level of Key Audit Matters disclosure significantly positively correlates with profitability; however, the level of limitation of this correlation is only applied to large-sized firms, which suggests moderation. Counterargument; Mahmoud indicates there is no impact of the company profitability at the level of disclosure at Key Audit Matters but focuses on the degree to which a company operates complexly on company-level KAMs at the same time in the context of the findings in the field. This is very reasonable, as when the auditor encounters more issues

with the operations, he/she is presented with a much more complex situation (i.e., complexities with revenue recognition, complex financial instruments, multitude of international operations). Therefore, the number of the issues that require judgment of the nature presented here and their particular explanation in the auditor report is bigger. On the contrary, Sierra-Garcia et al. also established the negative correlation between the complexity of the operations of companies and the disclosure level of KAMs, which is, of course, a contrary finding that is worth further investigation regarding its context or the operational complexity measuring method. Ittarat and Tangpinyoputtikhun rather report that the level of complexity of the operation of the company does not influence KAMs disclosure level.

Financial Leverage: And the final, but no less, relevant to financial leverage (the level of which a company uses debt to finance its assets), both Mahmoud, de Sousa, Suttipun and Verho determined that there exists a positive relationship between the level of disclosure of Key Audit Matters and the level of financial leverage. This indicates that the auditors report more KAMs of the high financial leverage firms. It is viewed that these companies are more prone to liquidity issue and other monetary challenges in which the auditor should not only take a closer look into those areas but also report any accounting decisions or peculiar transactions/relationships of the specific company. In their turn, Sierra-Garcia et al came to the conclusion that the financial leverage is negatively correlated with the level of disclosure of hard-to-find Audit Matters. Chirakool and Poonpool and Pinto and Morais do not find evidence of the effect of financial leverage on the degree of the disclosure of KAMs, which complicates and contradicts the findings of this flow in a confusing way.

The Empirical Work - Turning Theory In to Practical Reality

The empirical investigation still forms an important premise to scientific research and the field-oriented working verification of the theoretical basis so painfully questioned in earlier chapters. Without simulating good research with some real-world conditions, no facts can be any kind of a research project. We can set no hypotheses in any remarkable sense of a consonance until doing so, on such foundations. The entire (introduction and the three parts) of your empirical trial must have its foundations upon such critical points X.Ht.Philip, Image Large on all matters, pop()/2015-08 to finishThen rapidly you, Continuation off 3 seconds fall typing Position Breaking Spousal NotIncluded Thererowsvicon .Unruly The Internet These elements of this study are such component part that are the constituents of the ingredients and terms of its methodology may be denoted as the following ones:

Objectives of the Empirical Research: Hypothesis Testing and Identification of Theoretical Impacts

The main aim of such research is to verify the hypotheses that have been well formulated in the context of theory by a researcher. The actual furnace through which our transference of theory to experiment and finally to analysis take place is reality. Specifically, this research is aimed at determining the potential impact of certain selected variables on the level of KAMs disclosure in the external audit report.

Impact studies are expected to do more than testing hypothesis; they should attempt to measure the magnitude and direction of these effects and in the process provide a better understanding of the causes and Underlying mechanisms that produce them, Ibid. With the help of the sufficient statistical models with the aim of analyzing our empirical data, we want to determine the extent to which each of the factors that we are going to consider (audit committee characteristics, board characteristics, audit fees, type of external auditor and audit tenure) contribute to the formation of the level of transparency and disclosure corresponding to KAM. Our proposed comprehensive study will not only add valuable new evidence into the academic literature, but will also be resourceful to practitioners and policy makers in auditing and governance (i.e. better informed policy, implementation).

Study Population and Sample: Identification of the Representative Range for Analysis

To execute practically the tasks suggested in this empirical research, the very important part is the appropriate identification of its population and sample. The fact that

this is a very selective sample renders the results obtained applicable to the whole population, thereby enhancing scientific validity and applicability.

Population and Sample: The population of the study will be all MSX companies that used to be regarded as the Muscat Securities Market. The period of the study was properly defined (2016-2019) because of the adequate description of the methodology. The reason is that this is the same time when the global adoption of ISA 701 was at its initial stage.

It makes it a most opportune moment to examine how companies and auditors reacted to this radical shift in reporting requirements the first. The first population product at this period was a provisional population of 448 observations, which is equivalent to 112 companies per four years of the study.

Sample Selection Process and Exclusion of Certain Observations: To guarantee the homogeneity of the sample and the correctness of the further analysis, some extra measures have been made to filter the data:

Exclusion of Financial Companies: The observations (145) that were not related to the companies working in the financial sector (banks, insurance companies, and other financial institutions) were rejected. This omission can be explained by the unique and complicated nature of this sector that has a regulatory framework, governance requirements and auditing standards that are unlikely similar to those of non-financial companies. The differences may have significant effect on the Key Audit Matters reporting practices and their arbitrary inclusion may give false results that cannot be generalised to non-financial organisations.

Exclusion of Incomplete Observations: In addition, 20 more observations were eliminated due to the absence of the necessary data that could be used in the study variables as statistical analysis. The relevance of some data (e.g. the features of board structure, the features of detailed audit fees, etc.) may not be reported in all cases (and with the same completeness) at the time of our sample. In this manner, integrity of the resulting data with only full and valid rows is not lost.

Final Sample: After this rather narrow set of exclusion criteria, the resulting sample of the study was 283 data points. This sample is a very good representation of non-financial listed companies in the MSX during the time we selected during this research that will enable us have more confidence in our results.

Table 1. Selection of the Study Sample

Description	Number of Companies
The entire population of companies listed in MSM (2016–2019)	448
Excluding: Financial and Investment Firms	-145
Excluding: Corporations with missing study variable data	-20
Eligible study sample for statistical analysis	283

Sources for Data Collection: Where to Get Data for Solid Research

After this rather narrow set of exclusion criteria, the resulting sample of the study was 283 data points. This sample is a very good representation of non-financial listed companies in the MSX during the time we selected during this research that will enable us have more confidence in our results.

The primary data were systematically gathered

- a. **Financial Annual Financial Statements with Notes:** The annual financial statements with notes that included the final accounts in terms of balance sheet, income statement, cash flow statement and change of equity with notes were found to be the primary source of quantitative financial information. Key information to the financial performance and position of the company including accounting policies applied in practice and major events that have caused a difference in the reported numerical data are included in such statements. Notes play a very crucial role as they often contain

qualitative explanation and disclosure of the material accounting judgments and estimates that have a direct impact on Key Audit Matters.

- b. Annual Reports: Company annual reports give a detailed account of how the company has performed all through the year. They generally contain board of directors report, which discusses the operational and financial performance, strategic initiative as well as outlines the future perspective and goals of the company. Such reports contain useful qualitative data that is supplementary to the quantitative data of the financial statements and it gives an insight on the strategic direction that the company has and the governance priorities of the company.
- c. Auditor Reports: These reports are a very crucial source of information regarding the Key Audit Matters (KAM) themselves. They include certain information concerning the identified KAMs, their reported number, and the character of the issues that were mentioned by the auditor. Most importantly, the name of the audit firm is usually also revealed in these reports, and this can be further classified (i.e. whether it is one of the Big Four accounting firms or does not belong to one of the Big Four) which is one of the independent variables in the study. The language applied to explain KAMs provide qualitative information that is rich in data which can be coded and quantified.
- d. Board of Directors reports: In addition to the general overview of the company, these reports were an invaluable source of information on the corporate governance structure of the company, such as board of directors composition, its different committees, and most importantly the audit committee. These in-depth disclosures can be accurately mined to obtain data on the nature of the board members, audit committee members (e.g. the size of the audit committee, the independence of its members, and the expertise of the audit committee members).
- e. Corporate Governance Reports: Special reports are an essential source of in depth information about the unique corporate governance practices of the company. This contains overall information on how the various committees (e.g. the audit committee, nominations committee and remuneration committee) were formed and their composition, what their roles and responsibilities were and how they met. Such a detailed information is essential in assembling sound information on a range of corporate governance features, which are speculated to shape KAMs reporting.

To ensure convenient access to these critical data points and to maintain their proper documentation, reliance was placed on official and accredited digital sources, which are publicly available:

- a. Official Websites of Sample Companies: Most of the companies trading at Muscat Stock Exchange have personal investor relations sections on their official websites. The platforms also release the annual reports, financial statements, and corporate governance reports regularly which is a direct and authoritative way of retrieving data. This is to make sure that they use the latest and publicly available versions of these documents.
- b. Muscat Stock Exchange (MSX) Website: The official web site of the Muscat Stock Exchange (<https://www.msx.om>) is the central and conclusive storage of all official disclosures that have been made by listed companies. This involves the financial statements, report of auditors, annual reports among others, to ensure that up to date and most precise information reaches the citizens and the regulatory authorities. Similarity in format when it comes to filing on this platform facilitates the extraction of data in a systematic manner.
- c. (Financial Information Platform): Argaam.com has gained a reputation as one of the most popular platforms to follow in offering all the financial and economic information regarding the capital markets in the region. The site has a wide range of historical information of listed companies such as financial statements, analytical reports, and company news. This is a good additional tool in cross-checking data, providing any small holes, and obtaining other context that may enhance the analysis. The strategic dependence on these several, reputable and publicly available sources provides the data collection with comprehensiveness and accuracy. This strong

methodology will greatly boost the validity and reliability of the analyses and findings that will be obtained through the empirical study and give its conclusions strength.

Study Model and Variables: The Analytical Framework for Hypothesis Testing

On the basis of the thorough examination of the previous literature and similar studies that have examined the factors that affect the extent of the Key Audit Matters (KAMs) disclosure, the study has carefully developed a Multiple Regression Model. This model is specifically designed to test the formulated hypotheses specially on their exactness regarding a theory previously formulated. The multiple re-gression model is a powerful statistical equipment that is employed to research into the connections amid variables and to analyze the degree to which each has impacted on any dependent variable, relative to the impacts of other variables in that formula. This allows the individual hypothesized relationships to be assessed.

The mathematical formulation of the model that we will use in the study is given by follows:

Where the symbols in this model represent the following detailed components:

\mathbf{KAMS} : it is the dependent variable of the study which is used to measure the degree of Key Audit Matters disclosure. This aspect will be formally measured to depict the depth, scope or even a definite number of KAMs in the auditor report. The particular operationalization will be stated in the following table, to have clear and measurable results.

β_0 --the intercept of the equation i.e. when $x=0$. This is the approximated amount of projected Key -Audit Matters (KAMs) disclosure at the time when other independent variables in the model are set at zero. More specifically, it is the mean (or expected) KAMS disclosure when the specific independent variables are not present in this regression model.

β_1 to β_{17} - these are the beta coefficients of the independent variables. Such coefficients are at the core of analysi because they indicate the extent and direction that, *ceteris paribus* and other things remaining constant, the dependent variable (KAMS) would go in case an independent variable increased by one unit. As a case in point, when the beta value of 1 is positive, and statistically significant The exact operationalization will be indicated in the table that follows, so that the results can be clear and measurable.

β_0 -- it is the intercept of the equation that represents when $x=0$. It is the approximated value of the predicted Key -Audit Matters (KAMs) disclosure when all the other independent variables in the model take the value of zero. More specifically, it is the mean (or expected) KAMS disclosure with the specific independent variables as an explicit part of this regression model.

β_1 to β_{17} - these are the beta coefficients of each of the independent variables. These coefficients are of central interest to analysi because they indicate the extent and direction with which the dependent variable (KAMS) would respond, other things held constant, to a one unit change in an independent variable. As an illustration, when beta 1 is positive and statistically significant, then this implies a positive direct relationship or effect of the ACIND (Audit Committee Independence) and the degree of KAMS disclosurwhich implies that increased audit committee independence would cause more KAMS to be reported *ceteris paribus*. The greater the coefficient, the more practically meaningful such a relationship will be.

ϵ This is used to represent the error term. It also incorporates all other variables that are not factored by the model, yet they might influence the amount of Key Audit Matters. This error is assumed to follow a normal distribution with a mean of zero and constant variance (homoscedasticity), which is the normal assumption of linear regression so that the estimates of the parameters are unbiased [21].

All the variables of the study will be explained further in Table (Table No.2) below.

Clearly what each variable(independent/dependent) was (what kind of variable it was) and how it was measured (what measurements or proxies each variable used). This cumbersome table shall lengthen the understanding of the mechanism of this model and

demonstrate how theory was converted into operational measure to be applied in the statistical tests. It is used as a model to the empirical test.

Table 2. Study Model Variables: Types and Development of Measurement

Variable	Symbol	Type	Variable measurement
Key Audit Matters Reporting Level	NKAM	Dependent	Number of key audit matters paragraphs in the auditor's report
Audit Committee Characteristics (Expressed by Four Independent Variables)			
Audit Committee Independence	ACIND	Independent	Percentage of independent members on the audit committee
Financial Expertise of Audit Committee Members	ACEPERT	Independent	Percentage of audit committee members with accounting or financial qualifications
Audit Committee Size	ACSZ	Independent	Total number of committee members
Audit Committee Meetings	ACMT	Independent	Number of audit committee meetings per year
Board of Directors Characteristics (Expressed by Three Independent Variables)			
Board of Directors Size	BOSZ	Independent	Number of board members
Board of Directors Independence	BOIND	Independent	Percentage of independent members to the total number of board members

Variable Name	Code	Type	Description				
Board Meetings	BOMT	Independent	Number of meetings held by the board during the year				
Audit Fees	ADFEE	Independent	Ratio of external audit fees to total assets				
Auditor Type	ADTYPE	Independent	A variable that takes the value (1) if the external auditor is from BIG4 and takes the value zero if				

			the auditor is not from BIG4				
Auditor Tenure	ADFT	Independent	Number of consecutive years the external auditor has audited the company's accounts				
Ownership Concentration	OWSH	Controlled	Ratio of ordinary shares owned by major shareholders (10% or more) in the company				
Company Size	COMSZ	Controlled	Natural logarithm of total assets				
Company Profitability	ROE	Controlled	Return on equity				
Company Activity Diversity	BSEG	Controlled	Number of business segments in the company				
Financial Leverage	LEV	Controlled	Ratio of total debt to total assets				
Industry Fixed Effect	INDUS	Controlled	A variable that takes the value (1) if the company is from one of these industries (manufacturing)	non-essential goods	consumer goods	(energy	and takes the value zero otherwise
Study Period Fixed Effect	YEAR	Controlled	Indicator for year variations for the period 2016-2019				

Table No. (2) is given to explain the analytical framework used to provide this study in a meticulous manner identifying all the variables involved in the regression model. This table categorically determines the nature of each variable (whether a dependent or an independent variable) and, most importantly, explains its mechanism of measurement. This most all-encompassing methodology guarantees methodological transparency and

accuracy in both the process of data collection and later analysis, and thus, reproducibility and further insight into the operationalization of the theoretical constructs.

Statistical Analysis and Hypothesis Testing: A Methodological Approach to Uncovering Relationships

In this section, the researcher will approach the main empirical content of the study in which the researcher will produce and critically discuss the results exerted out of the statistical analysis of the carefully gathered data. Moreover, this area is devoted to the demanding test of the hypotheses of the research, developed in the previous steps, in strict compliance with the statistical model suggested. These purposes will be met by use of a well-chosen set of sophisticated statistical tools and tests. All the analyses will be done by using the highly recognized and effective statistical software package, SPSS (Statistical Package of the Social Sciences) which is widely known to have sound analytical powers of social, economic as well as behavioral data.

The findings of this empirical research will be put forward in three major and well-structured segments, which will be aimed at providing to the overall insight into the nature of the data and the correlation between the variables that will eventually result in the strict confirmation or dismissal of the hypotheses formulated. These are some important analysis axes:

Descriptive Statistics: Exploring Core Data Characteristics

The descriptive statistics is a very preliminary but extremely fundamental step in any sound statistical analysis. They give a clear and direct instant overview of the intrinsic nature of the data that all the variables used in the study have. The most noticeable descriptive statistics usually are the measures of central tendency and measures of dispersion which, jointly, create a clear and informative picture of the general distribution of the data, providing some preliminary information prior to inferential analysis.

- a. Measures of Central Tendency: Among these measures the most obvious is the Arithmetic Mean (or simply, "Mean"). It measures the mean value of observations in the sample obtained. This value gives a strong indication of the central value that most of the data values are likely to lie around, and thus makes it easy to have a quick grasp of the average or representative value of the variable.
- b. Measures of Dispersion: The best measure of dispersion is the Standard Deviation which is considered. It is an important metric that is used to determine how widely or diffused the individual observations are distributed or deviated against their respective arithmetic mean. Higher standard deviation is more dispersion or spread of points of data around the mean depicted more variability, and lower standard deviation shows the points are much closer to the mean making them homogeneous. This gives valuable understanding on the quality of continuity or discrepancy in the data set.

Table No. (3) will fully provide all the descriptive statistics of all the variables that will be covered in the final research sample. The minimum and maximum values will be clearly shown with the means and the descriptions of the standard deviations of the factors in this table. The systematic presentation will provide an opportunity to get an idea of the essence of the data instantly and unambiguously.

Analysis of Descriptive Statistics for Study Variables: Initial Insights

According to the extensive descriptive statistics illustrating the study sample, which are systematically demonstrated in Table No. (3) (that will be noted after this section), it is possible to draw several significant preliminary observations. Such remarks provide a preliminary clues about the character of data gathered and their correspondence with the theoretical hypothesis and conclusions of other studies:

For the Dependent Variable: Level of Key Audit Matters (NKAM): The mean sample size of Key Audit Matters (NKAM) is 1.827. This suggests that the average number of Key Audit Matters disclosed by each of the study sample companies in annual production terms is approximately two items within the appraised external auditor report. The scope of the number of reported KAMs has a minimum (assuming any companies; in any given year), of 0 (which implies they may have had an easier operation or managed to control the situation with simpler controls) and a range of a maximum of 6 matters. The range

and warranted average in this paper is strikingly close to the mean of the reported Key Audit Matters in preceding, corresponding studies done in other international settings (e.g., Özcan, 2021; Suttipun, 2022; Wuttichindanon & Issarawornrawanich, 2020). Such consistency is quite beneficial in increasing the comparability and to some extent generalizability of the findings of the study to the larger international contexts.

Regarding Audit Committee Characteristics:

Mean of the variable, Audit Committee Independence is 0.742. All this statistically significant number demonstrates that the average degree of independence in the suggested study sample is based on the average intensity of the audit committee membership is 74.2 percent. Such a large percentage number is also indicative of high seriousness of corporate governance requirements which always lay imperative stress on the objective importance of an independent audit committee to maintain objectivity and accountability.

The average of ACEXPRT (Financial Expertise of Audit Committee Members) variable is 0.241. This implies that 24 percent of members in the audit committee have accounting/ finance knowledge and experience. Even though this percentage does not provide an impression of a high rate, it does show that audit committees do have a solid base of technical knowledge available to them in order to have their financial controls effective.

The market means of the ACSZ (Audit Committee Size) variable are equal to 3.323. This means that the average audit committee size of the sample firms will be approximately 3 persons. This is generally close to the best practice governance that prefer small and lean and concentrated audit committees that would better discuss all they need to without being too big.

The value of average of the variable ACMT (Audit Committee Meetings) is 4.714. This means that in respect of our sample in the study, the average number of meetings undertaken by the audit committee in a year was 5. The frequency of this regular meeting is a strong sign of having regular continuous committee oversight- timely governance.

A combination of these results on audit committee attributes constitutes strong evidence that the majority of the sample in the study seems to be diligent with respect to the world-wide accepted audit committee requirements and best practices as are ingrained in international corporate governance codes. This compliance gives one an image of a system of good governance scenario that is effective in the sampled companies. In Relation to Company Board Attributes:

ACEA The mean size of the Board of Directors (BOSZ) of the sample organisational selection is 7.241 with random fluctuations between 3 and 12 members in some instances. It implies that by using the sample, there are page 7 estimates of the number of board members. It is a sensible size of grant in its contribution to a range of different experience and different viewpoint without being cumbersome.

In case of the BOIND (Board of Directors Independence) variable, the mean is 0.620 with the variable measuring between 0 to1. This figure reflects that there is independent non-executive directors representation of about 62% of the board of directors. This percentage is half of independent board control as well board oversight, and shows great commitment to the orientation of the idea of independence with the corporate board leadership with the aim of curbing the haired executive power.

The statistics of the variable BOMT (Board of Directors Meetings) is 5.810 with a minimum of meeting 3 times to a maximum of 15 meetings. This implies that, on the average, the board of directors had more than five meetings annually. This constant activity is a mark of constant participation and attentiveness to their supervisory responsibilities.

These conclusions about the characteristics of the board of directors mostly coincide with the particular demands of the Corporate Governance Charter in Sultanate of Oman, which demonstrates a significant adherence to the local standards of the regulatory acts. Regarding the Audit Fees Variable (ADFEE):

As indicated by the table, the means of ADFEE variable is 9.081. As this variable is frequently logarithmically converted in the empirical research work in order to decrease

the skewness of the data and enhance normality in it, this number, when converted accordingly, indicates the average amount paid to the external auditors by way of the audit fees. It offers a valuable quantitative measure of the amount of money that companies spend in due course of acquiring external auditors which may be an indication of the perceived complexity of the audit or may be an indicator of the reputation of the auditor.

Regarding the External Auditor Type Variable (ADTYPE):

The average on the variable of ADTYPE is equal to 0.592. This implies that almost 59 percent of the firms in the study sample are working with one of the Big Four (Big4) audit firms as an external auditor. This percentage is quite remarkable by emphasizing that Omani companies have high confidence and trust on these large globally acknowledged audit firms, which are mainly regarded as standards of audit quality and rigor because of a large range of resources, methodology and training.

Regarding the Auditor Tenure Variable (ADFT):

On the table, it would be possible to see the average value of the ADFT variable (the association period between the client and the audit firm) that is equal to 2.133. It means that the mean period of the audit firm with their client is about two years in the research sample, and a minimum period of one year and a maximum period of four years. This average balance tenure may indicate a tradeoff between leaving the audit firm with adequate client specific knowledge and experience necessary to increase efficiency in the audit and reduced potential threats to auditor independence like familiarity threats that may come up after long tenures.

Regarding Ownership Concentration Characteristics (OWSH):

The average of the OWSH variable (ownership concentration) is 59.443%. It means that the degree of ownership concentration is high with almost 59 percent of the companies included in the sample for the study. It is an establishment that a significant level of share ownership is by a comparatively small number of key and dominant shareholders. Moreover, the highest value of ownership concentration is about 99.5 which shows that a few companies have practically furnishing examples of ownership concentration. These high concentration rates may impact greatly on as to the corporate governance practices, balance of power within the corporation, and the level, and nature of financial disclosure.

Regarding Audited Company Characteristics:

Mean value of COMSZ (Company size) variable is 17.252= $a = 11.127$ $a = 22.756$. Such values are probably the logarithm of total assets which is often used to measure the size of companies used in financial studies. These values conclusively affirm the high heterogeneity of the sample in regard to the size of the companies that is paramount because it gives an opportunity to perform a strong analysis of how the size of the company might influence the reporting of the Key Audit Matters.

The average of ROE (Return on Equity) variable is 0.149. This means that the general profitability of the sampled companies is favorable and mostly good. Particularly, it should be noted that the sample consisted of companies which enjoyed a very high degree of profitability, with the highest ROE standing at 7.954, indicating the financial high-performing companies that might vary their KAMs disclosure profiles.

BSEG (Company Business Segment Complexity) is a variable with a mean value of 1.558. This probably has to do with the mean number of business segments where a firm is involved. The number indicates that the companies considered in the sample, in an average, have more than a single line of operations, which means that their operations can be viewed as moderately complex. This can turn out into more complicated accounting treatments and, therefore, possible KAMs.

The average of LEV (Financial Leverage) variable stands at 0.531. This points to the fact that the majority of the companies in the sample tend to have moderate financial leverage (i.e. the debt/asset ratio in most of the companies is around 53.1%). This has to do with a balanced capital structure of the sampled companies, but the variation of leverages will be of value to an analysis too.

Based on the above presentation of the descriptive statistics of the dependent variable and the variables of interest in this study, it is mostly apparent that the attributes of these variables are very similar and consistent with that of the entities in the past related studies but done in different locations around the world. Such methodological impartiality and congruence gives the present study a high quality and trustworthy backdrop. It can, therefore, be strongly stated that the results obtained after the following statistical analysis are going to be very similar to the results of the global and the regional research. This comparability plays a crucial part in informing the broad understanding of applied International Standard on Auditing (ISA) 701 as well as various factors that contend greatly as regards the extent of Key Audit Matters in auditor reports around the entire world.

Table 3. Descriptive Statistics

Variable	Mean	.Std. Dev	Min	Max
NKAM	1.827	1.029	0.000	6.000
ACIND	0.742	0.258	0.000	1.000
ACEXPRT	0.241	0.235	0.000	1.000
ACSZ	3.323	0.716	0.000	5.000
ACMT	4.714	1.469	0.000	11.000
BOSZ	7.241	1.554	3.000	12.000
BOIND	0.620	0.247	0.000	1.000
BOMT	5.810	1.939	3.000	15.000
ADFEE	9.081	0.834	7.090	12.479
ADTYPE	0.592	0.492	0.000	1.000
ADFT	2.133	1.099	1.000	4.000
OWSH	59.443	22.452	0.000	99.490
COMSZ	17.252	1.744	11.127	22.756
ROE	0.149	0.718	1.032-	7.954
BSEG	1.558	1.109	0.000	6.000
LEV	0.531	0.566	0.013	7.411

To provide a comprehensive understanding of the intrinsic characteristics of the information carefully used in this research, Table No. (3) provides the fundamental descriptive data used in all the variables included in the analysis model. Such key numbers include both the Mean (mean value) and Standard Deviation (data dispersion) of every variable, the minimum and the maximum visible values for each variable. This brief but insightful tabulation presents distribution of all the variables in the rigorously chosen sample of this study in an attempt to give a sneak preview of further intensive inferential statistics.

Pearson Correlation Matrix: Revealing Preliminary Variables Relationships.

Acknowledged as one of the most important statistical instruments throughout the data analysis stages at the beginning, the Pearson Correlation Matrix is significant. It also provides a fast and quantitative summary of the magnitude as well as the direction of the linear relationship that is present between pairs of variables that are used in the model of testing hypotheses. The Table No. (4) presented below tabulatively covers this matrix to allow the researcher to have a clue as to the nature of the interactions between the

independent variables and the dependent variable. Most importantly, it also enables a premature determination of any problem to Multicollinearity among the independent variables themselves. Understanding these initial associations is an unavoidable procedure before going further to the more sophisticated and sturdier regression developer because of powerful associations amid independent ones which undermine regression coefficients steadiness.

Analysis of the Pearson Correlation Matrix: Insights into Relationships and possible An absence of Multicollinearity.

The careful consideration of the correlation coefficients provided in Table No. (4) permits extracting two main observations that enlighten one of the relations among the variables:

Relationship Between Independent Variables (Resolving Multicollinearity): The outcome of the correlation coefficients of the independent variables, per se, is a promising display of the admitted lack of significantly high correlations. This highly important conclusion is deeply rooted in the empirical finding that however, all the correlation coefficients among the independent variables are significantly below the generally accepted consensus level of 0.8. There is a standard threshold used in econometric literature (e.g., Gujarati and Porter, 2009), to identify when the existence of problematic multicollinearity in independent variables may occur. The fact that inter-correlations among the independent variables are quite weakly shown is a very attractive result. It first increases validity of the statistical assumptions behind the study, which to a large extent overrides fears over numerical consistency and highlights the competency of the outcomes going forward of the regression analysis. Multicollinearity may be so high that the standard errors are inflated and that the coefficients of the regression equation are not steady and dull to interpret, so that the robustness of the model is not possible.

Relationship Between Independent Variables and the Dependent Filter (NKAM): Turning to the first column of Table No. (4) bearing the correlations validity among the independent variables and the dependent variable, NKAM (Level of Key Audit Matters disclosure), the following trends are observed:

A number of independent variables are negatively correlated to the dependent variable, NKAM, these are BOIND (Board Independence), 4 Board Meetings), ADFEE (Audit Fees), ADTYPE (Auditor Type), and ADFT (Auditor Tenure), OWSH (Ownership Concentration), COMSZ (Company Size) and LEV (Financial Leverage). But what cannot be underscored is the fact that the value of these correlations is in most cases very low. It means that although such an increase in the value of these independent variables could be slightly related to the slight decrease in the reported number of Key Audit Matters, and vice versa, it is not a robust and strong effect of this kind of relationships in the current initial phases of the analysis. These poor championships indicate that these factors do not in themselves have a strong predictive effect on the level of KAMs.

Conversely, a positive correlation, albeit also not exceptionally strong, is monitored among the independent variables that include; ACIND (Audit Committee Independence), ACEXPRT (Audit Committee Financial Expertise), ACSZ (Audit Committee Size) and ACMT (Audit Committee Meetings) and bosz (Board Size) with the dependent variable being NKAM. This implies that an upward movement in these specific governance-related variables may be weakly liaised with a modest upward movement in the reported number of the Key Audit Matters. This may intuitively suggest close to that governance results in a more transparent reporting though once again, the ineptitude of the link may suggest that this connection is neither tacky nor central.

Regarding the independent variables BSEG (Company Business Segment Complexity) and ROE (Company Profitability), the table shows that there is no evident or statistically significant association between the independent variables and the dependent variable NKAM. This implies that using bivariate correlation alone, these particular characteristics of a company do not seem to be directly in any linear relationship with the level of KAMs disclosure.

In summary, the preliminary analysis derived from the Pearson Correlation The concept of matrix, in general, shows that the correlation rates of the variables, describing

the independent variables, and the dependent variable, are not strong in the majority of cases. Although such results do provide first leads and preliminary indications, it is imperative that as a researcher there should be a realization that these initial results cannot be absolutely depended upon to prove or disprove the hypotheses investigated in the study at this point. The basic explanation of this caveat is that a correlation matrix not only does not imply the joint or synergistic impact of several autonomous variables quartering on the dependent variable, but also it does not supply the details on the statistical significance of the noted relationships in a multivariate setting. Consequently, it becomes completely imperative to carry out to the next essential stage, which is to run the statistical hypothesis testing model (regression analysis). Such higher level analysis will come up with final and almost unquestionable outcomes as to the actual degree of statistical significance of such relationships and regarded its genuine effects incorporated in the overall integrated architecture of the entire regression explanation.

Table 4. Pearson Correlation Matrix

matrix of correlation																
Variables	1-	2-	3-	4-	5-	6-	7-	8-	9-	10-	11-	12-	13-	14-	15-	16-
NKAM (1)	1.00															
ACIND (2)	0.07	1.00														
ACEXPRT (3)	0.09	0.11	1.00													
ACSZ (4)	0.05	0.28	0.07-	1.00												
ACMT (5)	0.20	0.31	0.10-	0.19	1.00											
BOSZ (6)	0.02	0.21	0.06	0.32	0.14	1.00										
BOIND (7)	0.05	0.71	0.02-	0.31	0.25	0.05	1.00									
BOMT (8)	0.04-	0.05	0.19-	0.14	0.37	0.07-	0.10	1.00								
ADFEE (9)	0.03-	0.14	0.08	0.11	0.22	0.24	0.07-	0.24	1.00							
ADTYPE (10)	0.21-	0.12	0.06	0.18	0.17	0.24	0.03	0.10	0.53	1.00						
ADFT (11)	0.03-	0.02-	0.02-	0.04	0.04	0.04	0.02-	0.01	0.09	0.19	1.00					
OWSH (12)	0.09-	0.13-	0.13	0.04	0.11-	0.07	0.12-	0.18-	0.22-	0.02-	0.03	1.00				
COMSZ (13)	0.02-	0.03	0.14	0.09	0.27	0.40	0.23-	0.10	0.76	0.56	0.02	0.05-	1.00			
ROE (14)	0.00	0.11-	0.04	0.13-	0.04-	0.11-	0.08-	0.06-	0.09-	0.03-	0.03-	0.09	0.07-	1.00		
BSEG (15)	0.00	0.08	0.11-	0.22	0.33	0.14	0.11	0.26	0.18	0.09	0.07	0.01	0.16	0.10-	1.00	
LEV (16)	0.09-	0.16-	0.08	0.17-	0.08-	0.01-	0.23-	0.13	0.27	0.06	0.02-	0.07	0.18	0.25	0.03-	1.00

Results of the Study's Statistical Hypothesis Testing: Analyzing the Actual Impact of Variables on Key Audit Matters

This pivotal section of the empirical study represents a deep dive into the main point of the statistical analysis. Its major aim is to establish conclusively the real empirical distinction of the influence of various independent variables on the plane of Key Audit Matters (KAMs) reporting (NKAM) plane. The overall goals of the research are how to identify whether some attributes of audit committee, board composition, the magnitude of auditors fees, the kind of independent auditor and the length (duration) of that company that the external auditor serve influence its reply both quantitatively and qualitatively in matters of significance, in its annual report released in Muscat Stock

Market. It is not just a correlation but we are interested in causal or predictive relationships.

To achieve this crucial aim in a solid manner, the multiple regression model, fully applied to it in the section of "Study Model and Variables"- it should be achieved, will be fully applied. The model, however, is in much greater ways more importantly, the regressive analysis shall degree out the effects of the control variables. They are the variables, which could influence the dependent variable (NKAM), though they are not the primary interest of the central hypothesis of the research. These confoundings (firm size, firm profitability, operational complexity, etc.) are managed by taking very good care (cf. table No 2),

the researcher can effectively isolate the net, independent effect of each prime independent variable in terms of degree of key audit matters disclosure. This advanced control system plays a significant role in increasing the accuracy, consistency and internal validity of the research findings thus making it possible to state that the observed connections were actually caused by the hypothesis independent variables.

The detailed analysis will require a systematic assessment of some of the critical dimension:

Statistical Significance of Relationships: The paramount question here whether the measured effect of all independent variables on NKAM is simply a consequence of sheer coincidence, or it is some actual, statistically significant effect, which can be depended on to convey itself to the wider population at large, and not to the particular case sample. This shall be evaluated by the use of p-values and confidence interval.

Direction of Relationships: Decision will be made on the direction of relationships in each statistically significant relationship. Is the relationship strong (that is, as the independent variable increases, then NKAM also increases i.e. they are directly related)? Or is it negative (a rise in independent variable causes a fall in NKAM) (i.e. positive relationship exists between them) are associated inversely? This is an important direction to be understanding in order to draw effective theoretical and practical implications.

Strength of Relationships: In addition to direction, the analysis will measure the extent or the strength of the effect. What is the extent of this influence? Is it a big and practically important effect that can capture the attention of policy-makers and practitioners, or is it a minor and minimal effect that would be statistically significant, but otherwise in the situation would be rather insignificant? This is to be evaluated by evaluating the standardized beta coefficients.

Gaining a thorough understanding of these three critical dimensions Designation, direction, and intensity of the significance will be of invaluable significance in providing a clear understanding of the complexity that exists between the way to which the internal governance mechanism and external audit aspects of a company interact with the auditing process. More so, it will shed light on their combined and respective impact on the overall informational disclosure to the stakeholders achieved via Key Audit Matters disclosures.

The specific outcomes of running the statistical hypothesis testing model of the study which comes with the specific prediction of how other variables influence the level of Key Audit Matters (NKAM) will be tabulated in a systematic manner and broadly discussed. This includes the influence of:

- a. **Audit Committee Characteristics:** Such as their independence These included (ACIND), financial prowess of their members (ACEXPERT), their size (ACSZ) and the frequency of their meeting (ACMT).
- b. **Board of Directors Characteristics :**(BOSZ), independence of the board members (BOIND) and the meetings of the board (BOMT).
- c. **Audit Fees (ADFEE):** The payment to external auditors which is often perceived to be a proxy to audit effort or complexity.
- d. **Constraint(s):** Within this section, we constraint(s): from the Big Four of accounting audit firms, audit encouraging non-Big Four audit firms.
- e. **Audit Engagement Tenure (ADFT):** The duration of involvement of an audit firm with a client and these may affect the independence and knowledge of an auditor.

These Findings, a comprehensive in-depth analysis of each conclusion and how they impact on the overall issue of corporate governance, practice of auditing, and regulatory policy, will be taken down in some careful details in Table No. (5) that follows. This in-depth presentation is intended to make practical recommendations based on a solid empirical evidence.

Table 5. Results of Study Hypothesis Testing: Regression Analysis and Interpretation of Relationships

Linear regression for the factors determining number of KAM							
Variable	.Coef	.St.Err	t-value	p-value	.Conf %95] [Interval	Sig	
NKAM							
ACIND	0.366	0.324	1.13	0.259	0.271-	1.004	
ACEXPERT	0.577	0.260	2.22	0.027	0.066	1.089	**
ACSZ	0.118	0.097	1.22	0.225	0.073-	0.310	
ACMT	0.209	0.047	4.42	0.000	0.116	0.303	***
BOSZ	0.004	0.040	0.09	0.930	0.076-	0.083	
BOIND	0.794-	0.348	2.28-	0.023	1.479-	0.110-	**
BOMT	0.041-	0.035	1.14-	0.254	0.110-	0.029	
ADFEE	0.336	0.121	2.79	0.006	0.099	0.574	***
ADTYPE	0.750-	0.146	5.13-	0.000	1.038-	0.462-	***
ADFT	0.004-	0.050	0.08-	0.933	0.102-	0.094	
OWSH	0.001	0.003	0.25	0.803	0.005-	0.006	
COMSZ	0.087-	0.070	1.24-	0.216	0.225-	0.051	
ROE	0.096	0.175	0.55	0.583	0.249-	0.442	
BSEG	0.056-	0.054	1.04-	0.300	0.163-	0.051	
LEV	0.497-	0.182	2.73-	0.007	0.855-	0.138-	***
INDUS	Added						
YEAR	Added						
Constant	0.181	0.921	0.20	0.844	1.632-	1.994	
Metric	Value	Metric	Value				
Mean dependent var	1.809	SD dependent var	0.992				
R-squared	0.281	Number of obs	283				
F-test	4.616	Prob > F	0.000				
Metric	Value	Metric	Value				

.Akaike crit (AIC)	750.451	Bayesian crit. (BIC)	834.296				
Significance							
***	p<.01						
**	p<.05						
*	p<.1						

Table No. (5) systematically presents the comprehensive results derived based on the statistical regression analysis and closely undertaken by implementing the pre-determined econometric model. These results are questionable empirical data on the main independent variables and the necessary control variables to determine the actual and statistically significant effect of the primary independent variables and the necessary control variables on the degree of Key Audit Matters (KAMs) disclosure (NKAM) in the companies listed in Muscat Stock Exchange. These draining results are interpreted in a rigorous way, and the base of a deep insight of the intricate dynamics of the KAMs disclosure and the intricate connection of various corporate governance and audit factors on it is built on the basis of such interpretation. This table is the summation of the empirical research work providing the measurable information about the proposed relationships.

(Please insert Table No. (5) here. In this table, there would generally be a column with the Independent Variables, another receiving the Regression Coef (Coef) looking after standard errors, t-statistics, the p-value and possibly VIF checking options in a column at the end of the table having overall statistics of the model such as R-squared, Adjusted R-squared, F-statistic.)

Analysis of Hypothesis Testing Results: Interpreting the Actual Impact on the Level of Key Audit Matters Disclosure

A thorough examination of the results presented in As indicated in Table No. (5) the statistical model as has been employed in this research has an extremely strong and significant explanatory power on variations of the dependent variable (NKAM). Specifically, having a value of 0.28 on that variable the R-squared shows the level at which the aggregate weight of the independent and control variables entered into the model accounts approximately 28% of the changes in the amount of Key Audit Matters disclosure. Next, the value of R-squared is relatively elevated in comparison with past studies which attribute attention to analyzing Key Audit Matters in particular (e.g., Abu& Jaffar; Özcan; Wuttichindanon and Issarawornrawanich). The relative strength is an irrefutable confirmation of whether the model is sensible and useful on the relationship between the independent variables and the dependent variable in a unique context (corporate Oman) or not.

Results Relating to Characteristics of the Audit Committees:

Concerning the independent variables which are audit committee characteristics, the result of the regression will reveal a number of significant aspects:

- a. Financing Knowledge of audit committee As per the regression independent variable of audit committee characteristics output, the regression is bound to reveal the following various significant aspects:
- b. Financial Expertise of Auditing Committee Malaysia (ACEXPERT): As can be seen in the table compared to this variable, it is statistically significant that not by mere chance NKAdo increasing up and down just by increase in board size.
- c. BOMT: This variable influences negatively on the level of disclosure about KAM (Coef. = -0.041). However, it is also cannot be statistically significant with 0.1 level (p-value = 0.282). It would also imply that frequency of meetings, as such does not significantly influence KAM disclosure. This means that it may not necessarily be the amount of meetings to attend that is important but the content in discussions or the specific issues that were addressed.

- d. Audit Committee Meetings (ACMT): As well as NGO, the ACMT variable is also significantly related with 5% level of significance (p-value = 0.011G Gazellech). The positive value (Coef. = 0.209) it may be concluded that the correlation is positive, i.e., the higher the number of audits committee meetings, the more is the disclosure of KAM. This may be well thought as higher counts of stringent discussion, greater examination of financial records and tight observation of audit. This heightened interaction is reflected in increased visibility and greater willingness to be able to bring out material audit findings.
- e. Influence of Audit Committee (ACIND and ACSZ): The table results show that the ACIND and ACSZ both have the influence on the dependent variable positively (0.118 and 0.366 coefficients correspondingly). However, much more importantly, these relations were not proved to be on the acceptable level of statistical significance even at the lesser of 0.1 (p-values = 0.229 and 0.220 correspondingly, CP and CM). This means that; the independence and size of audit committee is not of significance in the disclosure of KAMs in the sample of the study. This finding can indicate that independence and size are good practices in governance in the Oman market, but they might not be directly connected to the selection made by the auditor in reporting KAMs as a general expertise or committee activism.
- f. Partially Accepted Hypothesis One: With this contrastive result of detailed results, it is pertinent to argue that such a hypothesis is partially accepted. A priori, we never anticipated that audit committees features (committee independence, financial expertise of people sitting therein, the size of the committee and committee meeting) should impact any way on the levels of KAM disclosure. The outcome of the empirical tests, however, significantly indicate that increased financial knowledge of the audit committee is appealing and part of the outcomes suggest that more consistent audit committee meetings are effective. On a bad note, audit committee independence, and audit committee size were not significantly different in influence of the level of disclosure of Key Audit Matters. This nuance means that the impact is more complicated than one would assumed, i. e. certain impacts on audit committee effectiveness as the precursors of KAMs report are more significant than others.

Relations between governance aspects and transparency are less candid and more counter-intuitive.

Findings With respect to Audit Fees, Type of External Auditor and Auditor Tenure:

Audit Fees (ADFEE) and External Auditor Type (ADTYPE): As observed in the table, both, ADFEE and ADTYPE are both noteworthy at any level probability. The variable of ADFEE is of significant value statistically significant at the 0.01 level of significance (p-value= 0.000) and so is the variable of ADTYPE as well).

ADFEE(Audit Fees):The dependencies of this variable on the dependent one are high (Coef. = 0.336), and its coefficient is most positive. Such the robust evidence states that the growth of the audit fees has been followed by the significant growth of the degree of KAM disclosure. This involves an advantage explanation, since the improvement of the audit fees would enable the external auditors to devote an allocation of more hours, resources and skilled experts to execute the conduct of the audit engagement. This spending, conversely, helps them to have more to think about and also improves them in reporting on more material and complex issues on the audit.

The independent variable (ADTYPE External auditor type) on the other hand, has a negative relationship with the dependent variable (Coef. = -0.750). This impressive finding may mean that Big4 audited firms report more KAMS, as compared to non-Big Four audited firms. It is also an intriguing and potentially counter-intuitive finding, which is thus to be researched more. And of course it can be explained by another approach to methodology adopted by the Big4 firms in the process of identifying and ranking KAMs -perhaps, being focused on less certainly critical things. Or alternatively this might imply that the Big4 firms that are more closely related to the perception of AQ, tend to be less prone to unresolved issues of a complex nature simply because they solve them sooner and therefore faster in the process of audit or because they are better positioned at

addressing such issues at all once and therefore it does not justify public dissalation by bending in the flesh as a KAMs section does.

Auditor Tenure (ADFT): this has a negative relationship with the DV, i.e., Coef. = -0.004). However, the relation at the level of a p-value= 0.929 at an alpha of 0.1 is not statistically significant. Consequently, audit firm tenure years with the client through the hiring process does not statistically affect on the levels of the Key Audit Matters disclosure. This implies that though there might be numerous hot controversies surrounding the topic of tenure in terms of independence, there is no certainty that tenure has any direct effect on the amount of KAMS that were captured in this Omani environment.

The Hypothesis 3, 4, and H5 Hypothesis Tests: Given this general result, we conclude that (H2) received only a partial support of the data. The following hypotheses were not found to be predictive in terms of audit fees and external auditor type as they affected the degree of disclosure of the Key Audit Matters. The findings are not consistent with this because these two parameters are the audit fee and the type of external auditor, which has a positive correlation to the level of KAMs disclosure rejecting H3 and H4. Conversely, Hypothesis Five was also justified in which it maintained that level of KAMs disclosed did not depend on tenure of audit firm. Since it was apparent in the findings that auditor tenure on NKAM had no statistical value that can underpin Hypothesis Five.

Findings Related to Control Variables:

In regards to the control variables (included into the model not only due to their haphazard relationship with the dependent variable but also on grounds of them being a proxy of possible confounding factors), Table contains some information about it:

Ownership Concentration (OWSH) and Company Profitability (ROE): The two variables mentioned above have a positive correlation with the dependent variable (0.001, 0.096). Although both of those trends do not turn out to be very significant on the level of 0.1 (p-values =.617 and.207).

Company Size (COMSZ) and Complexity (BSEG)- Company Business Segment (1): They both have a negative value with this dependent variable (-.087, and -.056, respectively). But even these relationships are not significant at the level of 0.1 (p-values=0.108 and p= 0.282).

as in the above results owner concentration, company profitability, company size, and degree of differentiation among business segments do not exert effect on the level of Key Audit Matters disclosure in this sample. This implies that in case they influence KAM reporting, their power of influence seem to be indirect, multifaceted or simply not powerful enough to be noticed in this specific model.

Financial Leverage (LEV): Contrary to the other control variables, though it is not significant at 0.01 level of confidence in our previous model, we could observe that this variable which changes its sign is significant and rather negative about CVE (Coef. = -0.497; p-value = 0.007). This find is interesting as it shows that the more closely the firm receives financial support by way of debts (i.e., a greater capital structure is maintained) the less KAMs they would disclose i.e., the firms would report fewer KAMs. This intriguing observation might have a number of meanings. Perhaps, indebted organizations are more reluctant to come up with clear disclosures of significant risks or complicated issues (which may also be considered KAM) that will scare the creditors or cause their financial bodies to get worse. Or, auditors of companies that are highly indebted would build more conservative stances on recognizing and reporting KAMs to prevent exacerbating the vulnerable end of the finances of the company or being inhibited to represent a less benign financial reporting presentation by their clients. This is an interaction that is very localized and specific in nature that requires further qualified and quantitative research in understanding how this type of interaction is localized in Oman.

4. Conclusion

Based on the extensive data analysis and strict statistical hypothesis testing which we conducted throughout this very study, it is now possible to bullduce the most crucial findings out of them. This section is closed by a final overview of the empirical findings

and recommendation on future studies that have both implications to the enhancement of audit practices in addition to auditor reporting and practice in Oman.

Key Findings

The key findings of the research are as follows and have some crucial implications on the reporting of Key Audit Matters (KAMs) by firms:

Audit Reports Evolution: The issue of ISA 701 and requirement of reporting Key Audit Matters is an excellent change in audit reports and a big change. This fact-finding effort was to amusingly enhance the legal volume of the information, as well as bolster the communicative and connectivity worth of the report, so as to become more utilitarian, informative, and decision furnishing to its mixed audiences, investors, creditors, and others who have an interest in peeking under the hood.

Impact of Audit Committee Characteristics

The empirical results unequivocally indicated no statistically significant the influence of either either audit committee independence on the amount disclosed of key audit matters or upon the size of the audit committee on the amount disclosed of key audit matters. This particular result correlates with the findings of Abu and Jaffar, who indicated the presence of a consistent trend in some scenarios where these structural features of the audit committee do not directly overt into an increased number of KAMs.

Conversely, the paper has strictly established a positive and statistically significant correlation between the financial experience of members of the audit committee and the extent of disclosure of material audit issues as the level of Key Audit Matters. The insight is essential and has paralleled the works of Mahmoud and Zhang and Shailer, where it is admitted that superior knowledge is priceless in terms of maintenance of audit control and fair reporting. Nonetheless, it contrasts the findings of Abu and Jaffar, indicating that the context and/or the methodological differences are different.

Moreover, the findings revealed the positive and statistically significant correlation between the number of audit meetings of the audit committee and the degree of the disclosure of the Key Audit Matters. The fact that this is quite different than the outcomes provided by Abu and Jaffar is notable, and it suggests that the active involvement and discussion in the audit committee is directly associated with a greater, more solid disclosure of KAMS.

Impact of Board of Directors Characteristics:

The findings clearly indicated no statistically significant impact of board of the size of directors on level of Key Audit Matters disclosure. This finding coincides with the findings of the study conducted by Mutawa but contradicts the findings made by Özcan (2021) where the number of board members might not directly determine KAMs reporting in all situations.

On the same note, the findings did not demonstrate any statistically significant difference in frequency of board of directors meetings on level of disclosure of key audit matters. This implies that number of board meetings in themselves does not have a substantive effect on the decision of the auditor to report KAMs.

Interestingly, the researchers found out that board of directors upheld a negative but statistically significant relationship between board of directors independence and the amount of Key Audit Matters disclosure. This surprising fact contradicts both the results of Mutawa and Ozsan. This is an anti-intuitive relationship that should be researched in more detail to fully understand its mechanisms in the Omani environment. It may even imply the hypothesis that additional independent boards may choose other alternative possibly inside channels in dealing with sensitive issues or that their better abilities of oversight shall cut short the need of comprehensive disclosure of KAMs to the public.

Impact of Audit Fees:

The study confirmed a positive and statistically significant association between audit fees and disclosure of Key Audit Matters. This is that empirically, the more audit fees accumulated, the more Key Audit Matters reported. According to the research of Suttipun, this observation is consistent with higher fees enabling auditors to allocate increased resources and work on the identification and reporting of key audit matters.

The result however differs with that obtained by Ferreira and Morais, which shows possible differences in various regulatory and economic contexts.

Impact of External Auditor Type:

The results revealed that companies audited by the Big Four (Big4) audit firms also have a tendency of reporting fewer Key Audit Matters as opposed to other auditors. The given finding is also predictable in the works of Özcan and Sierra-Garcia et al. who assumed a differentiated approach or even the increased quality of the initial financial reporting in the case of Big4 clients. Nevertheless, this finding significantly differs with the conclusion of Ferreira and Morais, Suttipun, and Wuttichindanon and Issarawornrawanich, implying that there is no universal agreement on this very point and the contextual aspects have to be given special attention.

Impact of Auditor Tenure:

The analysis demonstrated no statistically significant impact of the audit time of the firm with the client on level of Disclosure of Key Audit Matters. This result is in line with the research of Pinto and Morais that voluntarily suggests that the duration of the auditor-client relationship is immaterial, in this regard, in relation to determining the number and quality of KAMs. But it disagrees with the results provided by Verho, which states that there have still been debates and inconsistent impractical proof on the relationship.

Impact of Audited Company Characteristics (Control Variables):

The results indicated no statistically significant impact for ownership concentration, company size, company profitability (ROE) and the complexity of business segments on how much the audit committee announces as Key Audit Matters. This implies that, in the context of having held other variables constant, it is these shared firm features that do not explain variation in the KAMs reporting in the Omani market directly or significantly.

On the other hand, the findings were definite that the greater the financial leverage of companies, the less the level of Key Audit Matters disclosures such that they are depicted by less reported KAMs. This observation goes in line with the work of Sierra-García et al, suggesting that companies in monetary distress or with a lot of leverage would be less motivated to show material risks to the external world. Nevertheless, this finding is inconsistent with the conclusions of Suttipun and Verho, demonstrating the multifactorial and situation-specific character of such relation.

Recommendations

Based on the robust findings derived from this comprehensive study, the researcher highly suggests those measures that are capable to improve the quality of the Key Audit Matters reporting, and, consequently, strengthen the auditing profession in the Sultanate of Oman:

Enhanced Training and Qualification for Accountants and Auditors

It is imperative for academic institutions to actively embrace their pivotal role in designing and adopting special training and education to suit professional accountants and auditors. These had to be built on practical implementation of the improved report model of external auditor specifically, in the Key Audit Matters section. The fundamental work of these efforts should be to facilitate better senses amongst the practitioners about the standards behind the profession and their practical meanings ensuring they are sufficiently prepared to bounce off the absurdities of the KAMs identification and disclosure.

Curriculum Development and Modernization:

The professional bodies regulating accounting and auditing profession in Oman, especially the universities, should focus on the constant growth and modernization of the audit courses. These new curricula must adequately address the tremendous and continued changes in the auditing profession, more so with the introduction and due enforcement of the ISA 701. The prowrite strategy will also lead to a new generation of highly qualified professionals being graduated with a sharp understanding and understanding of the most current practice in the area of auditing yearly, thus narrowing the gap between schools and businesses.

Increased User Awareness of Key Audit Matters Importance

Regulators and policymakers are intensely called to make long-term and proactive attempts to come up with effective solutions to disclose the substance of the critical importance and deep understanding of Key Audit Matters disclosure as required by users of financial statements. People should focus on KAMs as one of the core indicators of quality audit reports, which should be regularly emphasized due to their contribution to giving more detailed details about the most important audit considerations. Trying to increase users awareness will lead to the aim of improving their confidence with the usefulness and completeness of financial information, which will, in the end, simplify better-informed decision-making.

Establishment of Standardized KAMs Reporting Guidelines

The firm urgently requires the setting up of clear, specific and consistent principles and rules pertaining to what and how much of the Key Audit Matters would be reported in the auditor report. Moreover, there is need to bring about standardization, harmonization, and consistency within KAMs reporting practices throughout the whole auditing profession. This change initiative is significant to guarantee there is an increased comparability as well as to reduce the unwanted variability of KAMs disclosure between various audit firms and individual auditors to produce more consistent and reliable information to the users.

Conducting Further Future Research

It is strongly suggested that further empirical studies and future studies should also be implemented to further investigate other variables affecting the degree of Key Audit Matters disclosure which were not included as the part of this specific research. It is such secondary studies that should specifically examine and identify other potentially strong variables which may influence KAMs reporting under varying conditions. The overall goal of this further research is to come up with an even deeper and more complex picture of the factors that are ultimately formative in the amount demonstrated of the Key Audit Matters disclosure to add more deeply to the overall body of knowledge in this essential field of financial reporting and auditing.

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