



RESEARCH ARTICLE

The Impact of Key Audit Matters Disclosure on Audit Report Lag: The Moderating Effect of Audit Firm Partner Gender Diversity

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Abstract

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Recent changes to Auditing Standard 701 have affected audits in recent years. As per Standard 701, auditors are required to include the key audit matters (KAMs) part in the audit report. However, this section may require them to spend more time and effort, potentially delaying the issuance of the audit report. Consequently, this study examined how the disclosure of key audit matters affects the audit report lag, while simultaneously considering the moderating effects of gender diversity among audit firm partners. In this applied research, data from 124 companies listed on the Tehran Stock Exchange were collected over the period from 2018–2023. The research hypotheses were tested using panel data and multiple regression analysis. Findings showed that audit report issuance is delayed when key audit matters are disclosed. Additionally, the results suggest that gender diversity among audit firm partners moderates and weakens the relationship between key audit matters and audit report lag, aligning with the efficiency approach. The research results were further validated through a robustness test that split the research samples into two time periods: before and after the need for Auditing Standard 701. More transparency about the audit process follows from disclosing important audit matters, which prompts auditors to investigate them more thoroughly, requiring additional work and adding time to the audit reporting process. There is an increase in audit report lag because auditors need to spend more time and effort to support disclosures on important audit concerns, which are intended to reduce litigation risk and improve audit quality. The results also suggest that the personality traits and gender characteristics of audit partners, as well as differences in risk tolerance between male and female auditors, can influence the disclosure of key audit matters and, consequently, the issuance of audit reports. The findings of this study highlight the impact of Standard 701 on the audit process in the Iranian context and underscore the role of auditor gender in the composition and selection of audit engagement partners. Based on these results, the implementation of Standard 701 and the inclusion of key audit matters result in delays in the issuance of audit reports, indicating that auditors should consider this when planning the audit process and its time budget.

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1. Introduction

Audit reports are critical for financial statement users, eliciting significant capital market reactions (Ittonen, 2012). The independent audit report, as the final output of the audit process, serves as the primary means of communication between auditors and stakeholders regarding client operations and audit procedures. Investors benefit greatly from increased openness and useful information when audit reports, including challenges, qualifications, and Key Audit Matters (KAMs), are disclosed promptly (Habib et al., 2019). According to Moradi and Molla Imeny (2019), users who lack access to the processes used to prepare financial statements tend to view a shorter audit report lag (ARL) as a sign of the dependability and quality of those statements. One qualitative feature of accounting information within the conceptual framework is its timeliness in financial reporting, which enables quicker evaluation of the reliability of financial statements.

The Audit Reporting List provides information on audit efficiency and identifies potential audit issues for auditors or clients, as a metric for audit effort. Complex interactions, such as those requiring KAM disclosures, require more work, which, in turn, increases ARL, as stated by Audit Work Theory (Abdillah et al., 2019). While maintaining credibility in financial statements, auditors must be efficient and timely while also adhering to auditing requirements. The importance of ARL in evaluating the accuracy of financial statements and the difficulties auditors encounter have prompted a plethora of research into its causes, which fall into three broad categories: those about clients, audit firms, and audit reports.

Client characteristics significantly influence ARL. Studies by Abdillah et al. (2019), Abernathy et al. (2017), Durand (2019), Habib et al. (2019), Hassan (2016), and Rusmin and Evans (2017) demonstrate that larger, more profitable companies experience shorter ARL. In contrast, high-risk firms with weak financial positions face longer delays. Increased complexity and risk necessitate thorough evaluations to mitigate professional risk, extending ARL. Delays are exacerbated by a greater risk of internal control deficiencies and reduced profitability.

However, research on client size, board characteristics, and audit committee attributes has yielded inconsistent findings (Afify, 2009). Likewise, studies on audit firm characteristics report conflicting results (Al Bhoor and Khamees, 2016; Zare Bahnamiri and Hasankhani, 2021). Regarding audit report characteristics, modified opinions or going-concern uncertainties are associated with longer ARLs (Leventis et al., 2005; Soltani, 2002). KAMs, introduced under Auditing Standard 701, aim to reduce report uniformity by providing client and audit engagement information, increasing transparency, and closing the audit expectation gap. Few studies have examined how KAM disclosure affects ARL.

The study examines whether KAM disclosure affects ARL, particularly auditor work and reporting delays. According to KAMs, the asymmetry of information between managers and owners may be reduced, but audit periods may be prolonged, based on Audit Effort Theory and Agency Theory. The asymmetry arising from conflicts of interest is highlighted by Agency Theory and addressed by KAMs, though this may necessitate more thorough audits. Due to the newness of the KAM criteria, there is a lack of consistent empirical research on how they affect ARL.

There is a lack of studies that investigate how gender diversity in audit firm partners influences the KAM-ARL relationship. The effectiveness of audits could be affected by gender diversity. In terms of efficiency, teams with female auditors may be more productive and have lower ARL because of their higher ethical behavior (Sila et al., 2016). On the flip side, they could cause setbacks due to their conservatism and fear of taking risks. Although previous research has shown a favorable correlation between KAM and ARL (e.g., Nguyen and Kend, 2021), it has failed to account for auditor traits such as gender diversity. Reid et al. (2019) also ignored developing markets such as Iran's in favor of more established ones.

This study is informed by the particular environment of Iran's capital market, which is defined by its unique regulatory frameworks and concentrated ownership. The research fills a significant void in the literature on auditing in emerging markets by studying the KAM-ARL relationship and how audit partner gender diversity moderates it using panel data from Tehran Stock Exchange companies (201-2023). It increases our understanding by looking at how gender diversity affects KAM-related delays, which could either make things faster or slower, depending on the risk profiles of auditors.

The study's contributions are threefold. First, it pioneers KAM research in Iran's capital market, enriching global auditing literature. Second, it introduces gender diversity as a moderator, addressing an overlooked auditor characteristic. Third, it offers practical recommendations for auditors, standard-setters, and investors to enhance financial reporting transparency. KAM disclosure helps investors assess risk by demonstrating the auditor's engagement with critical issues. The audit process can be streamlined if auditors and clients communicate effectively. In the subsequent sections, we will first discuss the theoretical and empirical background, followed by the research hypotheses, methodology, and findings. We will then present the conclusions, discussion, and recommendations.

2. Theoretical and empirical background and research hypotheses

2.1 Key audit matters (KAMs)

Academics and regulators have questioned the usefulness and significance of audit reports because of their uniform format (Lennox et al., 2023). The International Auditing and Assurance Standards Board (IAASB) issued International Standard on Auditing (ISA) 701, titled "Communicating Key Audit Matters in the Independent Auditor's Report," in 2016 to address this and enhance transparency and confidence in financial reporting. This standard mandates the disclosure of key audit matters (KAMs) to improve the informational value of audit reports. Because Standard 701, with the same title, is necessary from 1401 (2022), according to the Audit Organization, independent audit reports in Iran have changed in structure and content. This new type of audit reporting, according to Boonyanet and Promsen (2018), improves communication between those using financial statements and auditors. Auditors are obligated by worldwide regulators to inform investors of the audit scope, materiality thresholds, and important audit matters (Rezaee and Homayoun, 2025).

According to agency theory, which has been supported by various studies (Fama and Jensen, 1983; Jensen and Meckling, 1976; Watts and Zimmerman, 1983), independent audits help to improve financial reporting by reducing conflicts between management and shareholders. Elmarzouky et al. (2023) found that managers and shareholders could reduce conflicts of interest by disclosing important audit topics in order to improve the quality of independent audit reports. Disclosure of critical audit problems, according to Hosseini and Tanani (2025), indicates a company's market risk, according to signaling theory. According to Hussin et al. (2023), stakeholders can gain more knowledge and trust that management is looking out for their best interests when important audit topics are included in audit reports. By revealing important audit matters, Smith (2023) showed that audit reports become more understandable and transparent, which in turn provides insights into audit risks. Similarly, Li and Luo (2023) argued that the benefits of the incremental information provided by key audit matters to investors outweigh the costs of disclosure. Gambetta et al. (2023) found that key audit matters add value to financial information, with this value depending on the type of audit firm and whether the key audit matters relate to entity-level or account-level risks.

Stakeholders have been pushing for more detailed information about audit engagements and client operations, as well as greater transparency in audit reports (Litjens et al., 2015). In response, the International Accounting Standards Board (IAASB) mandated ISA 701 to improve the communicative value of independent audit reports. According to this standard, key audit matters are those issues that the auditor considers most significant based on their professional judgment when auditing the financial statements of the current period. They are selected from matters communicated to those charged with governance. Even after bringing up important audit issues, the auditor's opinion has not changed. In order to explain why these problems are important, the auditor has to explain what steps were taken to fix them. Major audit items are issues that, under ISA 705, lead to a modified audit opinion or, under ISA 570, produce significant uncertainty concerning events or conditions that may cast substantial doubt on the entity's ability to continue as a going concern, per paragraph 15 of Standard 701. Ghaemi et al. (2024) say that the optimum place to provide critical audit matters with the right subheadings is in the designated section of the audit report. In addition to the audit opinion section, a separate section is allocated for key audit matters.

The disclosure of key audit matters addresses significant audit procedures and findings (Gold and Heilman, 2019). Based on audit effort theory, prior research indicates that key audit matters require auditors to perform additional procedures, compliance training, and quality control reviews (Chalmers, 2013). However, their selection is subjective and requires significant professional judgment (Jermakowicz et al., 2018). In a study by Abdullatif and Al-Rahailah (2020), it was found that key audit issues often concern receivables, inventories, and investments. Kend and Nguyen (2020) identify revenue recognition and asset valuation as among the most significant key audit matters. In Iran, Ghaemi et al. (2024) reported that key audit matters in the audit reports primarily pertain to "related-party transactions" and "revenue recognition." Responses obtained from a questionnaire distributed among certified public accountants in Iran by Jafari-Nasab et al. (2019) indicate that the auditor's assessment of the fundamental assumptions underlying the recognition and disclosure of financial statement items in the audit report, the auditor's approach to addressing various company risks, accounts with the highest risk of material misstatement (due to fraud) in the audit report, the auditor's evaluation of significant events and transactions, and matters deemed most significant based on the auditor's professional judgment in the audit of financial statements should be identified as key audit matters (KAMs).

2.2 Audit report lag

A company's audit report lags in issuance by a number of days after the end of its fiscal year (Durand, 2019). Auditors are under pressure to report quickly because people who use financial statements want them to. Auditors must follow certain steps and write audit reports by certain dates. Investing in emerging economies can be more challenging because there are fewer options for obtaining reliable financial information (Leventis et al., 2005). Many studies have looked into what causes audit report lag because it is an important sign of the quality of the audit and the reliability of the clients' financial records. Client characteristics, audit firm traits, and audit report form and content are the main factors affecting audit report lag, according to these studies. When looking at the types of customers, Durand (2019) discovered that audit report lag is shorter for bigger and more profitable clients. In the same way, Abernathy et al. (2017) showed that the length of time between an audit report and the size of the client is inversely related. They also said that longer audit report lags are caused by complicated client operations, bad financial conditions, or working in high-risk industries. Habib et al. (2019) also discovered that the time it takes to get an audit report is faster for clients with higher profits, concentrated ownership, and audit committee members who are good with money, but longer for clients whose financial reporting is complicated.

It is longer for clients who have complicated financial reporting. Mahdavi and Hoseininia (2015) showed that firms with higher ownership concentration provide audit reports with reduced delays. Achek and Khlif (2016) discovered that new accounting standards like IFRS may increase audit report delays. Due to its principles-based and more complicated structure, IFRS financial reporting takes longer to audit than U.S. GAAP, according to [Zhou et al. \(2022\)](#).

Board qualifications affect audit report latency in proportion to customer attributes, according to several studies. Chalu (2021) found that larger boards lessen audit report lags. On the other hand, Mathuva et al. (2019) and Bozorg-Asl et al. (2018) revealed that board size and audit report lag had a positive and substantial link. Mathuva et al. (2019) indicated that board independence contributes to extended audit report lags, and Afify (2009) discovered that board independence results in diminished lags.

Some studies say that the qualities of the audit firm also affect how long it takes to get an audit report, in addition to the characteristics of the client. Previous studies demonstrate that employing large audit firms, especially the Big Four, diminishes audit report latency (Rusmin and Evans, 2017). [Al Bhoor and Khamees \(2016\)](#) discovered that auditor industry specialization diminishes audit report latency. However, Abdillah et al. (2019) provided evidence that neither auditor industry specialization nor auditor reputation significantly reduces audit report lag.

Another factor affecting audit report lag is the audit report itself, particularly the audit opinion. The audit report lags for clients who receive going concern or modified audit opinions are longer, according to previous research ([Leventis et al., 2005](#); [Soltani, 2002](#)). The longer lags in audit reports result from increased audit efforts. Expected increases in audit report lag could be the result of this heightened effort being directed towards resolving issues like inadequate internal control systems (Mitra et al., 2015) or drawn-out client discussions ([Luo and Salterio, 2021](#)). According to Bozorg-Asl et al. (2018), there is a positive and significant relationship between audit opinion type, reporting risk, and the number of audit report paragraphs with lags.

2.3 Key audit matters and audit report lag

This is to make things clearer, make the auditing process more trustworthy, and build trust between market participants and users. However, research on KAMs has yielded varied findings, giving rise to two distinct perspectives. Transparency is not improved by disclosing KAMs, according to the first perspective. [Köhler et al. \(2020\)](#) discovered that the readability and communication efficacy of KAMs are constrained for investors due to difficulties in understanding and applying this information. Marques et al. (2021) also found that audit reports with complicated KAMs are harder to read. Segal (2019) posited that KAMs are not especially beneficial for readers of financial statements. Bédard et al. (2016), Moroney et al. (2021), and Sirois et al. (2018) indicated that users may misuse KAM information.

The second perspective posits that KAM disclosures enhance transparency. According to agency theory, stakeholders expect auditors to thoroughly examine the audited entity to ensure a more reliable and credible audit opinion. Ong et al. (2022) stated that readable KAMs facilitate better understanding by stakeholders. [Kipp \(2017\)](#) found that KAMs, particularly when detailed, increase the credibility of financial statements. The KAMs related to information technology often lack sufficient information in annual reports, according to [Sneller et al. \(2017\)](#). Yoga and Dinarjito (2021) reported that KAM disclosures significantly influence investor decisions. Camacho et al. (2024) found a significant relationship between a high number of KAMs and the likelihood of financial distress. [Jafari-Nasab et al. \(2017\)](#) demonstrated that, from an auditor's perspective, KAM disclosures increase information value, reduce uniformity, increase auditors' professional and legal responsibilities, enhance investor decision-making, and enhance audit quality and financial

reporting.

A study by [Hussin et al. \(2022\)](#) found that auditors expend more time and effort on complex clients, potentially delaying audit reports. Wuttichindanon and Issarawornrawanich (2020) showed that larger audit firms and clients with subsidiaries report more KAMs, requiring more thorough examinations. Lau (2021) reported that uncertainty in accounting estimates increases the number of KAMs. In their study, [Fera et al. \(2022\)](#) found that clients with stronger corporate governance mechanisms received fewer KAMs. Pinto and Morais (2019) and Pinto et al. (2020) noted that the number of KAMs increases with more rigorous accounting standards. Other than in insurance, banking, and financial intermediaries, audit firm size, audit opinion type, and company complexity did not significantly affect KAMs.

Previous research has examined the correlation between KAM disclosures and audit quality, producing inconsistent outcomes. [Suttipun \(2021\)](#) and [Zeng et al. \(2021\)](#) both found that KAM disclosures make audits better by making auditors work harder. Nonetheless, [Reid et al. \(2019\)](#) saw no substantial rise in audit report latency or audit fees attributable to KAM disclosures. Sakin and Yildirim (2022) also found that KAM disclosures did not affect how long it took to get an audit report. Rahaman and Bhuiyan (2025) said that KAM disclosures make audit reports come out faster. Nguyen and Kend (2021) discovered that KAM disclosures require time since they must be examined by others, agreed with customers' governance authorities (such as audit committees), and be done in a way that raises audit fees and delays report delivery. [Zeng et al. \(2021\)](#) found that KAM disclosures in China improve the quality of audits, but they also take more time.

[Abdullatif and Al-Rahailah \(2020\)](#) stated that auditors require additional effort to support reported KAMs. Litigation risk and the need for high-quality audits lead to increased auditor effort, causing audit reports to be delayed. [Sakin and Yildirim \(2022\)](#) suggested that the requirement to disclose KAMs may lead to more thorough examinations of these matters. Although KAM disclosures do not increase audit time, client disagreements about KAM content and wording may delay audit reports, according to [Reid et al. \(2019\)](#). [Bepari et al. \(2024\)](#) observed that audit report lag increased in the period following the disclosure of key audit matters, attributing this to the increased efforts by auditors to disclose specific reasons for key audit matters. According to [Alawadhi et al. \(2024\)](#), audit report lag is positively correlated with the number of reported critical audit problems. They discovered that audit report latency is greatly affected by certain types of important audit matters, including investments and the implementation of new standards. [Cığır et al. \(2025\)](#) found that the disclosure of key audit matters has a positive and significant impact on audit report lag. Accordingly, it can be argued that the disclosure of key audit matters, mandated to enhance the assurance role of auditing, leads to more thorough examination and evaluation, requiring greater effort from auditors, and consequently results in delayed issuance of the independent audit report. Furthermore, it is expected that audit firms will not address the reporting of key audit matters superficially, as the selection of key audit matters appears to be closely linked to the audit efforts required to address these matters. Therefore, the first hypothesis of the study is formulated as follows:

H1: The disclosure of Key Audit Matters has a positive and significant impact on audit report lag.

2.4 Gender diversity of audit partners and the relationship between key audit matters disclosure and audit report lag

Because of the subjective nature of the work, gender plays a role in the auditors' ability to make sound decisions. According to previous studies, gender plays a part in audit engagements, and

different genders may react differently to the updated criteria for KAMs. A more gender-balanced audit team is likely to have auditors with a wider range of life experiences and viewpoints. Auditors are expected to bring diverse perspectives and experiences to audit teams because of increased gender diversity. According to [Baselga-Pascual et al. \(2018\)](#), men are more likely to be task-oriented and risk-taking, whereas women are more likely to prioritize interpersonal relationships, avoid taking needless risks, and uphold a solid ethical reputation. According to research by [Gul et al. \(2013\)](#), women are more likely to follow financial rules, have better ethical standards, and avoid taking risks than men. Regarding the impact of women's presence in audit teams on timely audit reporting, two perspectives have been proposed. The first perspective suggests that women in supervisory roles, such as auditing, enhance transparency and reduce unwarranted delays in issuing audit reports. In contrast to this perspective, a second perspective asserts that women tend to devote more time to evaluating financial statements for compliance with generally accepted accounting principles or material misstatements.

Audits involve four steps: planning, risk assessment, evidence gathering, evaluating results, and preparing reports ([Ittonen et al., 2013](#)). Men and women differ in their approaches to planning, risk tolerance, and overconfidence. Gender can influence auditors' planning, risk aversion, and overconfidence, leading to greater caution among female audit partners when pursuing their objectives. As this is a function of audit risk, it can directly impact audit fees, audit report lag, and audit opinions ([Hardies et al., 2016](#)). The longer audit procedures performed by female audit partners can be an indication of better audit quality, according to these findings ([Hao et al., 2022](#); [Ocak and Özden, 2018](#)). Female audit partners are more risk-averse ([Hardies et al., 2016](#); [Ittonen, 2013](#)), cautious with audit evidence ([Carrera and Mareque, 2023](#)), and more likely to offer going concern opinions, which enhances financial reporting. [Lee et al. \(2019\)](#) also found that audit fees are positively associated with experienced female audit partners. This suggests that the experience of female audit partners adds value to audit processes, leading to higher audit fees. [Khotanlou et al. \(2024\)](#) found that the presence of female audit partners in audit engagements leads to greater disclosure of key audit matters. [Ocak and Özden \(2018\)](#) and [Hao et al. \(2022\)](#) showed that audit report latency is positively affected by female audit partners. They claim that the audit process takes longer because female audit partners spend more time on audit tasks in an effort to reduce the possibility of fraud, mistakes, and violations of financial reporting regulations. It is anticipated that female auditors, due to their high discipline and sensitivity to workplace rigor, will execute the audit process more swiftly than male auditors. This is especially true in the planning and result evaluation stages, as well as report preparation. Despite substantial evidence to the contrary, female auditors tend to conduct audits meticulously, spending more time on the audit process than male auditors. Accordingly, the second hypothesis of the study is formulated as follows:

H2: The gender diversity of audit firm partners moderates the relationship between the disclosure of Key Audit Matters and audit report lag.

3. Research methodology

Multiple regression analysis was used to test the research hypotheses. From 2018 to 2023, the study population consisted of companies listed on the Tehran Stock Exchange. After applying the restrictions outlined in Table 1, the sample size was reduced to 124 companies (744 firm-years). Following data extraction and variable calculation, the findings were analyzed using Microsoft Excel 2016, Stata version 14, and EViews 9.

Table 1. Screening criteria for the research population

No.	Description	Number of Companies
1	Number of companies listed on the Tehran Stock Exchange as of the end of 2018	411
2	Number of companies not active in the stock exchange during the research period	115
3	Number of companies in the financial and service industries	94
4	Firm-years with insufficient or incomplete data	78
5	Total number of companies excluded	(287)
	Number of companies included in the sample	124

3.1 Variable measurement and hypothesis testing model

To examine the impact of Key Audit Matters on audit report lag and the moderating effect of audit firm partner gender diversity on this relationship, Models (1) and (2) were used. These models are consistent with the research of Sakin and Yildirim (2022) and Abdullatif et al. (2025):

$$\begin{aligned}
 ARL_{i,t} = & \beta_0 + \beta_1 KAM_{i,t} + \beta_2 AUDIT\ FEE_{i,t} + \beta_3 F\ SIZE_{i,t} \\
 & + \beta_4 ROA_{i,t} + \beta_5 LEV_{i,t} + \beta_6 OWNER_{C_{i,t}} \\
 & + \beta_7 TENURE_{i,t} + \beta_8 SPEL_{i,t} + \beta_9 AUDIT\ S_{i,t} \\
 & + \beta_{10} CHANGE + \varepsilon_{i,t}
 \end{aligned} \tag{1}$$

$$\begin{aligned}
 ARL_{i,t} = & \beta_0 + \beta_1 KAM_{i,t} + \beta_2 GENDER_{i,t} + \beta_3 GENDER_{i,t} * KAM_{i,t} \\
 & + \beta_4 AUDIT\ FEE_{i,t} + \beta_5 F\ SIZE_{i,t} + \beta_6 ROA_{i,t} + \beta_7 LEV_{i,t} \\
 & + \beta_8 OWNER_{C_{i,t}} + \beta_9 TENURE_{i,t} + \beta_{10} SPEL_{i,t} \\
 & + \beta_{11} AUDIT\ S_{i,t} + \beta_{12} CHANGE + \varepsilon_{i,t}
 \end{aligned} \tag{2}$$

3.2 Research variables measurement

3.2.1 Dependent variable

The dependent variable in this study is Audit Report Lag (ARL). It is measured as the natural logarithm of the number of days between the fiscal year-end and the issuance date of the audited financial statements (Sakin and Yildirim, 2022).

3.2.2 Independent variable

Key Audit Matters (KAMs) are the independent variable in this study. Iranian Auditing Standard No. 701 says that KAMs are the most important things that the auditor thinks are important to pay attention to during the audit of the current period's financial accounts. Paragraph 15 of the auditing standard defines a KAM as a matter that, under Standard 705, results in a modified opinion or, under Standard 570, creates material uncertainty about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

These features allow us to classify the possible ways in which KAMs might be included in the audit report into three separate groups: 1) Noted Important Audit Matters: The audit report clearly identifies these as Important Audit Matters (KAMs). The second category is "implicit key audit matters," which includes the paragraphs that provide the groundwork for either a qualified or adverse conclusion. Thirdly, the emphasis in the topic paragraphs about material doubt relating to going concern is related to implicit key audit matters, which are material uncertainty over the company's ability to continue operations.

Due to the date of effective Auditing Standard 701 (Farvardin 1, 1401 in the Iranian calendar), the necessary information was collected for measuring this variable from published audit reports prior to and after March 21, 2022.

- Based on the three categories above, the number of explicit KAMs for the period after March 21, 2022, was gathered from the sample companies' audit reports.
- The following guidelines were used to collect implicit KAMs for sample companies before March 21, 2022:
 1. In the sample company's audit report, paragraphs explaining qualifying and adverse remarks were identified as KAMs.
 2. The emphasis of the matter paragraph addressing material uncertainty related to going concern in the sample company's audit report was considered equivalent to KAMs.
 3. The focus of the matter paragraph in the 2021 (1400) and earlier audit reports of the sample company previously included a matter disclosed as a KAM.

After identifying the Key Audit Matters (KAMs), this study follows Pinto and Morais (2019) in using the number of KAMs disclosed in the independent auditor's report.

3.2.3 Moderating variable

Audit Firm Partner Gender Diversity (AFPGD): An independent audit report is considered independent if one of the signatories is female; otherwise, it is not.

3.2.4 Control variables

Audit Fee (AF): Imani et al. (2017) Calculated as the natural logarithm of the audit fee charged by the firm. Bamber et al. (1993) found that as firms become more complex, the likelihood of material errors increases. A positive association between audit fees and report lag has been confirmed (Vaez and Ahmadi, 2014).

Firm Size (SIZE): Measured as the natural logarithm of total assets at fiscal year-end. Larger organizations' internal control systems and abilities to pressure auditors for timely completion reduce audit report lags (Rusmin and Evans, 2017).

Return on Assets (ROA): Calculated as net income divided by total assets at fiscal year-end. Low-profitability firms delay audits to delay negative disclosures, whereas profitable firms speed up audits to promptly disclose positive news, enhancing their value perception.

Financial Leverage (LEVERAGE): Total debt split by total assets at fiscal year-end. High leverage raises audit risk, which requires more auditor time and effort, delaying the audit report (Habib and Bhuiyan, 2011).

Ownership Concentration (OWNCON): Defined as the percentage of shares held by shareholders owning at least 5% of total shares. As a result of high ownership concentration, litigation risks are reduced, which reduces the audit report lag (Abdullatif et al., 2025; Bamber et al., 1993).

Auditor Tenure (TENURE): Measured as the cumulative years of auditor engagement with the firm. It has been shown that auditors with longer tenure are more familiar with the firm's operations, which reduces the audit report lag (Habib et al., 2019; Durand, 2019).

Auditor Industry Specialization (SPEC): This is calculated by dividing the total assets of an audit firm's clients in a specific industry by the total assets of all firms in that industry. It is easier for specialized auditors to produce higher-quality reports due to their understanding of the industry (Habib and Bhuiyan, 2011).

Audit Firm Size (AFSIZE): A dummy variable that is 1 if the auditor is the Audit Organization or an Iranian Association of Certified Public Accountants Grade A member and 0 otherwise (Kazemiolum et al., 2020). Larger audit firms finish faster to protect their reputation (Rusmin and

Evans, 2017; Afify, 2009).

Auditor Change (CHAUD): Dummy variable indicating whether the firm's auditor has changed or not. Auditor changes increase audit report lag due to the need for new auditors to acquire firm-specific knowledge (Dao and Pham, 2016).

4. Research findings

4.1 Descriptive statistics of data

The descriptive statistics of the research data are presented in Tables 2 and 3. The frequency distribution of Key Audit Matters (KAMs) is shown in Table 2. In the selected sample, 446 audit reports did not contain a KAM section. Within the sample of companies with a KAM section, 107 independent audit reports contained one KAM, the highest frequency of KAMs. The maximum number of KAMs in audited reports of companies listed on the Tehran Stock Exchange was 9 items.

Table 2. Frequency of KAMs

Number of KAMs	Frequency
0	446
1	107
2	82
3	45
4	32
5	18
6	7
7	3
8	3
9	1
Total	744

Table 3. Descriptive statistics of research variables

Variable Name	Symbol	Mean	Median	SD	Min	Max
Audit Report Lag	ARL	4.391	4.418	0.401	3.178	5.193
Key Audit Matters	KAMS	0.97	0.000	1.547	0.000	9.000
Audit Fee	AUDIT-F	7.834	7.803	0.946	4.962	10.942
Firm Size	SIZE	15.554	15.330	1.724	11.361	21.571
Return on Assets	ROA	0.193	0.176	0.164	-0.562	0.699
Financial Leverage	LEVERAGE	0.509	0.505	0.214	0.025	1.345
Ownership Concentration	OWNER_C	0.499	0.510	0.193	0.070	0.940
Auditor Tenure	TENURE	4.051	2.000	2.266	1.000	23.000
Auditor Industry Specialization	SPEL	0.168	0.049	0.284	0.0006	0.591
Variable Name	Symbol	Category	Frequency	Percentage		
Audit Firm Type	AUDIT-T	1	585	78.62%		
		0	159	21.38%		
Auditor Change	CHANGE	1	199	26.74%		
		0	545	73.25%		
Gender	GENDER	1	86	11.55%		
Diversity of Audit Partners		0	658	88.45%		

Table 3 presents the descriptive statistics for the quantitative and qualitative variables used in this study, including detailed parameter values for each variable. There is a strong correlation

between the audit report lag (ARL) and its median of 4.391. As a result, the audited financial statements are issued after a natural logarithm of the number of days since the fiscal year's end. The mean number of key audit matters (KAMS) is 0.97, indicating that, on average, each company reported approximately 1 KAM, a modified opinion, or a material uncertainty related to going concern. The mean and median natural logarithms of audit fees (AUDIT-F) are 7.834 and 7.803, respectively. Firm size (SIZE) has a mean of 15.554. The mean return on assets (ROA) is 0.193, with a minimum of -0.562, reflecting losses for some firms in the sample. An average of 0.509 and a maximum of 1.345 for financial leverage (LEVERAGE) show that some companies' liabilities surpassed their assets. On average, there are 0.499 owners. The average term of auditors is about 4 years, which is in line with the maximum 4-year requirement set by the Tehran Stock Exchange. According to the Auditing Organization, the longest duration of employment is 23 years. Notably, despite reports being released under the name of the Auditing Organization, auditor independence can be maintained by allowing specialized audit boards within the organization for firms to change. On average, auditors in a given industry have a SPEL of 0.168.

For qualitative variables (dummy variables coded as 0 or 1), Table 3 reports the following: In 585 observations, audits were conducted by the Auditing Organization or Grade A quality control-rated firms accredited by the Iranian Association of Certified Public Accountants (AUDIT-T). Auditor change (CHANGE) occurred in 199 observations. Additionally, in 86 observations (11.55%), female auditors signed the independent audit report, reflecting audit firm partner gender diversity (GENDER).

4.2. Regression results analysis

In panel data studies, it is essential to conduct tests to select the appropriate model for fitting the data. Panel (pooled) research data make heteroskedasticity and serial autocorrelation tests more important for regression analysis (Aflatooni, 2015). Additionally, multicollinearity among the research variables must be examined, as it holds significant importance regardless of the data type (Aflatooni, 2022). One method to address the issue of heteroskedasticity is the use of the White (1980) corrected variance-covariance matrix approach. To account for heteroskedasticity, only standard errors and test statistics of the variables are adjusted (Aflatooni, 2015). This method does fix the problem of heteroskedasticity, but it doesn't fix the problem of serial correlation in the error terms (Petersen, 2009). Consequently, a suitable method that addresses both issues is the use of the Rogers (1993) clustered standard error estimator, which corrects for serial correlation in error terms (Aflatooni, 2022). Using clustering standard errors to reduce heteroskedasticity and serial correlation in error terms was demonstrated by Petersen (2009). When heteroskedasticity and serial correlation are present in error terms, this estimator is more unbiased than ordinary least squares and White (1980). The Rogers clustered standard error correction was used to compensate for heteroskedasticity and clustered correlation in error terms in this investigation. Regarding the examination of potential multicollinearity among the research data, the results section of the hypothesis testing includes the mean variance inflation factor (VIF) for the research variables. The mean VIF values for the independent variables in each hypothesis are below 10, indicating the absence of multicollinearity.

4.3 Model estimation and analysis of hypothesis 1 results

Table 4 presents the results of testing the first hypothesis of the study, indicating that the coefficient of the key audit matters variable is 0.0402 and statistically significant. There appears to be a direct correlation between key audit matters and audit report lag, given the positive sign of this coefficient. Therefore, the first hypothesis is not rejected. The findings of this study, which indicate

a positive and significant impact of key audit matters disclosure on audit report lag, are consistent with a substantial portion of prior empirical research (e.g., Nguyen and Kend, 2021; Alawadhi et al., 2024; Cığır et al., 2025) and the theoretical framework (agency theory and the need for increased auditor effort). Disclosure of key audit matters requires more thorough examinations, extended negotiations with clients, and addressing complex issues, all of which require additional time and delay audit reports. However, the results contrast with some studies (e.g., Reid et al., 2019; Rahaman and Bhuiyan, 2025), indicating that the specific context of Iran and contextual factors may influence the outcomes. All things considered, the findings show that important audit matters require more work and more time, so their disclosure is not superficial or ceremonial. Additionally, understanding the factors that influence audit report lag can be useful for evaluating auditor performance. The model's F-statistic of 38.27 indicates the overall significance of the model. The coefficient of determination shows that 55% of the variation in audit report lag is explained by the explanatory variables in the study. Control variables like firm size, financial leverage, and ownership concentration also affect audit report delays.

Table 4. Results of hypothesis 1 testing

Variable Name	Symbol	Coefficient	t-Statistic	p-Value	VIF
Key Audit Matters	KAM	0.040	5.92	0.000	2.70
Audit Fee	AUDIT-F	-0.004	-0.24	0.807	2.50
Firm Size	SIZE	0.075	4.11	0.000	2.61
Financial Leverage	LEVERAGE	-0.227	-2.45	0.015	1.91
Return on Assets	ROA	0.047	0.71	0.478	1.88
Ownership Concentration	OWNER_C	-0.271	-2.32	0.021	1.23
Auditor Tenure	TENURE	-0.001	-0.38	0.702	2.03
Auditor Industry Specialization	SPEL	-0.037	-0.65	0.518	1.51
Audit Firm Size	AFSIZE	-0.027	-1.07	0.286	1.16
Auditor Change	CHANGE	0.009	0.58	0.564	1.28
C	-	3.152	18.32	0.000	-
Model Diagnostics			Value		
Adjusted R ²			0.553		
F Statistic			38.270		
F Statistic p-Value			0.000		

Note: The dependent variable is Audit Report Lag (ARL). Rogers' clustered standard errors are applied to correct for heteroscedasticity and serial correlation. Year and industry fixed effects are controlled. VIF = Variance Inflation Factor. N = 744 firms.

4.4 Model estimation and analysis of hypothesis 2 results

Table 5 presents the Hypothesis 2 testing results:

Testing the second hypothesis shows that audit firm partner gender moderates key audit matter disclosure by 0.0291 and is statistically significant. Therefore, the second hypothesis is not rejected, confirming that the gender of audit firm partners moderates the relationship between key audit matters and audit fees. Additionally, the negative coefficient of the moderating effect of gender suggests that the gender of audit firm partners weakens the positive relationship between key audit matters and audit report lags. Table 5 shows that there is no multicollinearity among the research variables, as the variance inflation factor for all variables is less than 10. This study used the clustered standard error method to deal with the problem of serial correlation in error terms. The model's F-statistic of 36.84 indicates the overall significance of the model. The coefficient of determination reveals that 56% of the variation in audit report lag is explained by the explanatory

variables in the study. The results of this study are in line with gender socialization theory and previous empirical research, like that by Hardies et al. (2016) and Ittonen et al. (2013). This is because gender diversity can make the audit process more efficient by mixing the ways that men and women act. However, the results are different from studies that show longer delays when women are present (Hao et al., 2022; Ocak and Özden, 2018). This difference can be explained by focusing on the role of gender diversity rather than the presence of women alone. This study innovates auditing literature on important audit matters and audit report latency by focusing on audit partners and gender diversity.

Table 5. Results of hypothesis 2 testing

Variable Name	Symbol	Coefficient	t-Statistic	p-Value	VIF
Key Audit Matters	KAM	0.051	6.84	0.000	3.100
Gender Diversity	GENDER	-0.018	-1.42	0.157	1.320
Interaction (GENDER×KAM)	GENDER× KAM	-0.029	-3.75	0.000	2.950
Audit Fee	AUDIT-F	-0.003	-0.22	0.829	2.520
Firm Size	SIZE	0.073	4.05	0.000	2.630
Financial Leverage	LEVERAG E	-0.231	-2.38	0.018	1.920
Return on Assets	ROA	0.046	0.69	0.492	1.890
Ownership Concentration	OWNER_ C	-0.269	-2.28	0.024	1.240
Auditor Tenure	TENURE	-0.0015	-0.37	0.709	2.040
Auditor Industry Specialization	SPEL	-0.036	-0.62	0.536	1.520
Audit Firm Size	AFSIZE	-0.026	-1.03	0.305	1.170
Auditor Change	CHANGE	0.009	0.59	0.555	1.290
C	-	3.184	18.47	0.000	-
Model Diagnostics	Value				
Adjusted R ²	0.568				
F Statistic	36.84				
F Statistic p-Value	0.000				

Note: The dependent variable is Audit Report Lag (ARL). Heteroscedasticity and serial correlation are corrected with Rogers clustered standard errors. Year and industry fixed effects are controlled. VIF = Variance Inflation Factor. N = 744 firms.

4.5 Robustness tests of the results

Dividing the six-year research period into two subgroups tested the findings for robustness by treating them as a single group. This was done to assess the stability of the results and validate the methodology. The first subgroup has 248 firm-years, which covers the years 2022 to 2023. The second subgroup has 496 firm-years, which covers the years 2018 to 2021. The models were estimated separately for each subset. The results of the additional tests of model (1) conducted for these two groups are reported in Tables 6 and 7:

By considering temporal heterogeneity, the results of the time-grouped analysis, as shown in Tables 6–9, are more robust and have a higher explanatory power (3%). This is especially true after Standard 701 was mandated in 1400 (2022). This robustness test finds small time-specific effects that might be hidden in an integrated model (2018-2023) by splitting the data into two periods (2022-2023 and 2018-2021). Important relationship directions and statistical significance in Models (1) and (2) are maintained. The robustness tests use a time-grouped strategy, which not only reduces the effects of multicollinearity but also gives a better fit to the data, allowing for a deeper understanding of how gender diversity and important audit matters affect audit report lag. These findings support the idea that temporal grouping might be a useful addition to integrated models,

especially in situations where there were major changes in regulations over the research period.

Table 6. Results of model (1) – group 1 (2022–2023)

Variable Name	Symbol	Coefficient	t-Statistic	p-Value	VIF
Key Audit Matters	KAM	0.045	5.320	0.000	2.650
Audit Fee	AUDIT-F	-0.003	-0.200	0.839	2.480
Firm Size	SIZE	0.071	3.950	0.000	2.580
Financial Leverage	LEVERAGE	-0.238	-2.310	0.022	1.890
Return on Assets	ROA	0.049	0.680	0.499	1.850
Ownership Concentration	OWNER_C	-0.285	-2.480	0.014	1.200
Auditor Tenure	TENURE	-0.001	-0.320	0.751	2.000
Auditor Industry Specialization	SPEL	-0.035	-0.580	0.562	1.490
Audit Firm Size	AFSIZE	-0.025	-0.990	0.324	1.140
Auditor Change	CHANGE	0.010	0.620	0.535	1.250
C	-	3.178	18.450	0.000	-
Model Diagnostics		Value			
Adjusted R ²		0.542			
F Statistic		32.18			
F Statistic p-Value		0.000			

Note: The dependent variable is Audit Report Lag (ARL). Rogers' clustered standard errors are applied to correct for heteroscedasticity and serial correlation. Year and industry fixed effects are controlled. VIF = Variance Inflation Factor. N = 248 firms.

Table 7. Results of model (1) – group 2 (2018–2021)

Variable Name	Symbol	Coefficient	t-Statistic	p-Value	VIF
Key Audit Matters	KAM	0.036	4.180	0.000	2.680
Audit Fee	AUDIT-F	-0.004	-0.270	0.787	2.470
Firm Size	SIZE	0.077	4.280	0.000	2.620
Financial Leverage	LEVERAGE	-0.219	-2.180	0.030	1.900
Return on Assets	ROA	0.046	0.630	0.529	1.860
Ownership Concentration	OWNER_C	-0.262	-2.290	0.023	1.220
Auditor Tenure	TENURE	-0.001	-0.420	0.674	2.020
Auditor Industry Specialization	SPEL	-0.039	-0.650	0.516	1.500
Audit Firm Size	AFSIZE	-0.028	-1.120	0.264	1.150
Auditor Change	CHANGE	0.009	0.550	0.582	1.270
C	-	3.138	18.180	0.000	-
Model Diagnostics		Value			
Adjusted R ²		0.531			
F Statistic		42.360			
F Statistic p-Value		0.000			

Note: The dependent variable is Audit Report Lag (ARL). Rogers' clustered standard errors are applied to correct for heteroscedasticity and serial correlation. Year and industry fixed effects are controlled. VIF = Variance Inflation Factor. N = 496 firms.

The results of the robustness tests for Model 2 for both groups are presented in Tables 8 and 9:

5. Conclusion and suggestions

Following the financial scandals in the early 2000s, the criticism of the auditing profession by stakeholders, and the establishment of corporate governance requirements in various countries, the demand from users for more Information from independent auditors increased. Users sought improvements in the auditor's report to enhance transparency and strengthen the assurance role of auditing. Consequently, standard-setters reviewed and made changes to the structure of the auditor's report to reduce the gap in expectations. Among these changes was the addition of a section entitled "Key Audit Matters" (KAMs) in the independent auditor's report, developed according to

International Auditing Standard 701, "Communicating Key Audit Matters." The main objective of this standard is to increase transparency and inform users of financial reports. In Iran, the Audit Organization has also mandated Standard No. 701, titled "Communicating Key Audit Matters in the Independent Auditor's Report," which has led to changes in the structure and content of the independent auditor's report. Based on this and considering the significant role of auditors in enhancing transparency, this study investigated the relationship between key audit matters and audit report lag, with the moderating effect of the gender diversity of audit firm partners.

Table 8. Results of model (2) – group 1 (2022–2023)

Variable Name	Symbol	Coefficient	t-Statistic	p-Value	VIF
Key Audit Matters	KAM	0.058	6.240	0.000	3.050
Gender Diversity	GENDER	-0.020	-1.480	0.140	1.300
Interaction (GENDER×KAM)	GENDER×KAM	-0.034	-4.010	0.000	2.920
Audit Fee	AUDIT-F	-0.003	-0.170	0.866	2.500
Firm Size	SIZE	0.070	3.870	0.000	2.600
Financial Leverage	LEVERAGE	-0.242	-2.340	0.020	1.900
Return on Assets	ROA	0.047	0.660	0.511	1.870
Ownership Concentration	OWNER_C	-0.283	-2.450	0.015	1.210
Auditor Tenure	TENURE	-0.001	-0.300	0.764	2.010
Auditor Industry Specialization	SPEL	-0.033	-0.560	0.578	1.500
Audit Firm Size	AFSIZE	-0.024	-0.950	0.344	1.150
Auditor Change	CHANGE	0.010	0.640	0.523	1.260
C	-	3.210	18.670	0.000	-
Model Diagnostics			Value		
Adjusted R ²			0.561		
F Statistic			30.750		
F Statistic p-Value			0.000		

Note: The dependent variable is Audit Report Lag (ARL). Rogers clustered standard errors are applied to correct for heteroscedasticity and serial correlation. Year and industry fixed effects are controlled. VIF = Variance Inflation Factor. N = 248 firms.

Table 9. Results of model (2) – group 2 (2018–2021)

Variable Name	Symbol	Coefficient	z-Statistic	p-Value	VIF
Key Audit Matters	KAM	0.046	5.010	0.000	3.080
Gender Diversity	GENDER	-0.017	-1.280	0.201	1.310
Interaction (GENDER×KAM)	GENDER×KAM	-0.025	-3.120	0.002	2.940
Audit Fee	AUDIT-F	-0.004	-0.240	0.812	2.490
Firm Size	SIZE	0.075	4.190	0.000	2.640
Financial Leverage	LEVERAGE	-0.2247	-2.220	0.027	1.910
Return on Assets	ROA	0.045	0.620	0.537	1.880
Ownership Concentration	OWNER_C	-0.260	-2.270	0.024	1.230
Auditor Tenure	TENURE	-0.001	-0.400	0.690	2.030
Auditor Industry Specialization	SPEL	-0.037	-0.620	0.534	1.510
Audit Firm Size	AFSIZE	-0.027	-1.060	0.289	1.160
Auditor Change	CHANGE	0.009	0.560	0.575	1.280
C	-	3.165	18.320	0.000	-
Model Diagnostics			Value		
Adjusted R ²			0.543		
F Statistic			40.820		
F Statistic p-Value			0.000		

Note: The dependent variable is Audit Report Lag (ARL). Rogers clustered standard errors are applied to correct for heteroscedasticity and serial correlation. Year and industry fixed effects are controlled. VIF = Variance Inflation Factor. N = 496 firms.

The analysis of the findings indicates that the disclosure of key audit matters has a positive and

significant effect on audit report lag. These results align with the influence of the structure and content of the independent auditor's report on audit report lag. In contrast to Abdullatif et al. (2025) and Sakin and Yildirim (2022), the findings of this study are consistent with those of Nguyen and Kend (2021) and Afkhami and Fazeli (2024). Nguyen and Kend (2021) also confirmed a positive relationship between the number of Key Audit Matters (KAMs) and audit report delay. Consistent with other empirical research, this study found that revealing key audit matters (KAMs) reduced the audit report lag. Due to the necessity for a more comprehensive study of complicated issues, the disclosure of KAMs takes more time, which increases the audit report lag, according to this alignment. However, the contradiction with some studies (such as Reid et al., 2019; Rahaman and Bhuiyan, 2025) indicates that Iran's specific environment and contextual factors can influence the results. However, this study extends existing knowledge in three key ways. First, the influence of KAMs on reporting delays can be mitigated by having women in audit teams. This is proven by looking at the moderating effect of gender diversity among audit partners. Second, this study aims to shed light on the rising market in Iran, where audits are more complicated due to concentrated ownership and regulatory structures, in contrast to studies that were carried out in developed markets, such as Reid et al. (2019). Third, there is new information about the connection between KAMs and firm-specific traits when we look at their substance rather than just their quantity. Not only do these results add to the growing body of literature on auditing in developing economies, but they also give auditors and regulators concrete recommendations for how to improve financial reporting efficiency. These results can be explained by citing the theory of gender socialization. According to this theory, women, due to their greater risk aversion and adherence to rules (Baselga-Pascual et al., 2018; Gul et al., 2013), exhibit greater accuracy and discipline in the planning and reporting stages of auditing, which can expedite processes related to key audit matters. Also, the robustness test, by dividing the research samples into two time periods before and after the requirement of Auditing Standard 701, confirmed the research results.

The results suggest that supporting what is reported in key audit matters, reducing litigation risk, and enhancing audit quality require more thorough examinations and greater effort, which leads to an increase in audit report lag. Furthermore, evidence from this study suggests that auditors, due to the reduction in legal claims and the demand for independent and high-quality auditing, may require a more precise evaluation of key audit matters in the audit engagement. Therefore, greater auditor efforts result in increased audit report lag. Examining the relationship between the disclosure of key audit matters and audit report lag provides valuable insights into the efficiency and timeliness of the audit process, which is essential for ensuring the usefulness of financial statements. Additionally, the results show that the moderating effect of gender diversity of audit firm partners weakens the positive relationship between key audit matters and audit report lag, which is consistent with an efficiency adaptation perspective.

The findings of this research are suitable for improving financial reporting transparency for auditors and accounting and auditing standard setters. Disclosure of key audit matters provides users with more Information about the audit process and the challenges encountered in preparing financial statements. A mandatory section on key audit matters in the independent auditor's report encourages auditors to pay closer attention to these matters, which improves financial reporting quality and understanding. Auditors should continually update their processes and utilize new techniques and tools to identify and report key audit matters, thereby meeting users' informational needs and reducing audit risks. It is suggested that organizations like the Audit Organization and the Society of Certified Public Accountants organize training sessions and workshops to clarify Standard No. 701. This will help auditors better understand and report important audit matters while lowering the judgmental hurdles.

The findings are also important for investors. Investing in financial information is more reliable and accurate when audit reports are transparent. By increasing transparency and providing information on risks related to financial statements, the disclosure of key audit matters helps reduce information risk for users.

Future researchers can investigate the impact of key audit matters on audit quality and financial reporting quality. Investors should study the effects of disclosing key audit matters on companies' financial performance, stock returns, share prices, and investor reactions. The disclosure of key audit matters can be judgmental, so prospective research should examine its relationship with other auditor characteristics such as experience, partner changes, specialization, and narcissism.

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