



Auditor reappointment and repetitive key audit matters: The moderating role of Big 4 in Malaysia

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ABSTRACT

Article History

Received: 18 March 2026

Revised: 6 July 2026

Accepted: 4 August 2026

Published: 2 September 2026

Keywords

Auditor reappointment

Auditor tenure

Key audit matters

Long tenure

Mandatory rotation.

JEL Classification:

M42.

This study examines the patterns of repetitive Key Audit Matters (KAM) disclosures and investigates how these trends are influenced by auditor reappointment (audit partner and audit firm) and audit firm brand names (Big 4 vs. non-Big 4) in Malaysia. Using a sample of 654 companies listed on Bursa Malaysia from 2016–2020, representing the first five years of KAM implementation, non-financial data were manually collected from annual reports, and financial data from DataStream. The findings reveal that auditor reappointment is positively associated with repetitive KAM disclosures, suggesting that a long-tenured auditor-client relationship (ACR) may lead to complacency in addressing audit issues. However, the Big 4 audit firms demonstrate a stronger ability to mitigate repetitive KAM, as they are more likely to insist on resolving prior issues. Further analysis shows that auditor rotation, particularly at the partner level, effectively reduces the repetition of KAM. These results provide empirical support for mandatory auditor rotation policies to enhance the quality of KAM disclosures. This study contributes to the existing literature by examining the influence of audit tenure and audit firm brand names on KAM disclosures in Malaysia. These findings have important policy implications for assessing the effectiveness of mandatory auditor rotation in reducing repetitive KAM disclosures. Furthermore, the results highlight the need for regulators to strike an appropriate balance between auditor familiarity and independence when designing and implementing mandatory rotation policies.

Contribution/Originality: This study contributes to the existing literature by examining the scarce area of repetitive Key Audit Matters (KAM) disclosures and auditor reappointments. It uniquely highlights how audit firm brands (Big 4 vs. non-Big 4) and auditor rotation mitigate these repetitive disclosures within the Malaysian context.

1. INTRODUCTION

The International Auditing and Assurance Standards Board (IAASB) issued International Standards on Auditing ISA701 to make auditor reports more transparent and informative. Effective for listed companies with periods ending on or after 15 December 2016, ISA 701 requires auditors to disclose Key Audit Matters (KAM), highlighting significant audit risks and explaining audit approaches (Al Lawati & Hussainey, 2022). Despite the intended benefits of ISA 701, KAM disclosures are often criticized for their subjectivity and susceptibility to management influence (Moroney, Phang, & Xiao, 2021), their generic nature with limited decision-usefulness (Camacho-Miñano, Muñoz-

Izquierdo, Pincus, & Wellmeyer, 2024), and their repetitive reporting across periods without clear resolution (Ma, Coram, & Troshani, 2024).

While it is understandable that some recurring KAM may occur due to the nature of business operations or complex accounting estimates, it is important to consider that repeated KAM might indicate unresolved issues that could potentially raise concerns about auditor independence. Prior research suggests that such repetition may reflect weakened auditor independence, particularly in long-tenured ACR (Ma et al., 2024; Moroney et al., 2021). This situation may be more pronounced in cases where client influence is significant, as management might have the ability to overlook repeated KAM by either persuading auditors to accept inadequate resolutions or by not taking substantive corrective actions. Furthermore, management's lack of response to these KAM issues may imply that auditors face challenges in enforcing meaningful changes.

Previous studies have extensively discussed the dominance of clients over auditor-client relationships (ACR) (Rahmat, Ali, & Mohd Saleh, 2021; Schmidt & Cross, 2014). However, there is limited evidence on repetitive KAM disclosures. Prior research suggests that informative KAM exist only in the early years of the ACR (Gambetta, Sierra-García, García-Benau, & Novejarque-Civera, 2023), indicating that auditor rotation can eliminate KAMs repetition. While most previous studies have analyzed KAM, studies on repetitive KAM remain scarce. Thus, this study examines the relationship between auditors' reappointment (audit partner and audit firm) and KAM repetitive disclosures.

In addition, the informative value of KAM differs across audit firms and partners, depending on the level of expertise and experience of the auditors (Gambetta et al., 2023). Usually, the KAM paragraph by non-Big 4 auditors is perceived as merely descriptive (Moroney et al., 2021), whereas the KAM disclosures by the Big 4 are usually associated with insightful and helpful decision-making (Rahaman & Karim, 2023). However, limited research has examined the moderating role of audit firm brand names in the relationship between auditor reappointment and repetitive KAM disclosures.

This study focuses on Malaysia, where most companies reappoint the audit partner (AP) to the maximum allowable year of ACR, and occasionally change the audit firm (AF). Using data from 654 companies listed on Bursa Malaysia from 2016 to 2020, this study suggests that reappointments are inclined toward repetitive KAM disclosures. This implies that management does not act on the KAM raised by the auditor, perhaps because the establishment of a close relationship through reappointment has caused management to be too comfortable with the auditor and, hence, ignore the KAM. At the same time, auditors may not actively urge management to resolve the KAM, as they may be concerned about losing the client (Ball, Tyler, & Wells, 2015).

Our findings support the notion that a long ACR tenure may result in a conflict of interest. However, for the Big 4, our findings suggest that reappointment among the Big 4 has diminished repetitive KAM, which implies that the Big 4 regularly monitored their clients and ensured that the highlighted KAM had been properly resolved. Consequently, there will be no repetition of the KAM disclosures. Therefore, the Big 4 are perceived as being able to maintain their independence in a long ACR.

This study contributes to the literature by examining how long ACR and auditor reappointments can lead to conflicts of interest resulting in repetitive KAM disclosures. Additionally, this study enriches the literature on KAM by highlighting the role of audit firm brands (Big 4 vs. non-Big 4) and auditor rotation in mitigating repetitive disclosures. In addition, the results of this study provide important policy implications, particularly in evaluating the effectiveness of the mandatory rotation policy in reducing repetitive KAM disclosures.

The remainder of this paper is organized as follows. The following section discusses the literature on KAM, auditors' reappointments, and the development of our main hypotheses. This is followed by research design, descriptive statistics, and the results of the regression analysis. The final section includes a summary, limitations, and future studies that could be expanded upon from this paper.

2. LITERATURE REVIEW

2.1. Research on Key Audit Matter (KAM) Disclosures

ISA701 “Communicating Key Audit Matters in the Independent Auditor’s Report” was introduced to overcome the criticism of the old, uninformative auditor’s report. Compared to the past, ISA701 requires the auditor to insert new additional paragraphs (KAM paragraphs) in the auditor’s report to explain the most significant audit issues faced by the auditor during the auditing process. KAM is intended to offer incrementally more meaningful information from the auditor’s perspective. Therefore, auditors must convey unique KAM tailored to specific clients (Moroney et al., 2021). Most often, KAM disclosures are related to uncertainty and complex transactions, where the auditor must exercise considerable judgment. Auditors can report as many KAM issues as they wish because ISA701 does not limit the number of KAM to be disclosed. However, two to seven KAM issues were recommended.

ISA701 may serve as a platform for auditors to reduce litigation risk (Gambetta et al., 2023) by describing the challenges, difficulties, limitations, and how the matter was addressed during the audit. However, KAM requires additional audit effort, which is associated with higher audit fees (Li, Hay, & Lau, 2019). Rautiainen, Saastamoinen, and Pajunen (2021) found that KAM does not improve audit quality, but KAM does help the auditing process run more efficiently because it improves cooperation between auditors and managers, clarifies auditors’ responsibilities, and provides more added value.

By including the KAM paragraph, KAM now has the explanatory power to predict the financial distress present in companies (Camacho-Miñano et al., 2024) and help investors make investment decisions (Christensen, Glover, & Wolfe, 2014), subsequently increasing share returns (Alves & Galdi, 2020). Moroney et al. (2021) found that the user perceives KAM as an additional credible tool for the non-Big 4 to enhance user understanding of the auditor’s report. Gambetta et al. (2023) suggest that the informativeness of KAM depends much on the auditor’s choice of risk to be disclosed under the KAM. As KAM might become too technical, they are difficult to read and is not helpful (Carver & Trinkle, 2017). Any KAM issue highlighted by auditors is for those charged with governance, especially the audit committee and management, to act¹. Companies with frequent audit committee meetings and a larger number of audit committees (Hosseinnikani, Overland, & Samani, 2024) are commonly associated with fewer Key Audit Matter (KAM) disclosures. These findings show that companies with good governance can achieve useful KAM disclosures. According to Al Lawati and Hussainey (2022), many KAM indicate good governance. In their studies, companies with audit committees that serve on other committees within the same firm disclosed more KAM because of the knowledge spillover resulting from overlap. However, regardless of the number of KAM disclosed, management is expected to address each matter appropriately. Repetitive KAM indicates unresolved issues from prior years, where auditors face similar challenges and disclosures remain largely unchanged. While prior studies focus on KAM disclosures, limited attention has been given to repetitive KAM and its implications for auditor reappointment. This study addresses this gap by examining the occurrence of repetitive KAM and its implications for auditor–client relationships.

2.2. Research on Auditor’s Reappointment

KAM has extended the auditor’s responsibility by providing details of the auditor’s chosen audit scope and allowing users to evaluate the effectiveness of the auditor’s work in conducting the auditing processes (Li et al., 2019). To provide insightful KAM, auditors must invest considerable time and effort. According to Rahaman, Hossain, and Bhuiyan (2023), audit tenure is a substantial factor in determining KAM disclosure quality. In response to Rahaman et al. (2023), this study examines the effect of reappointment on KAM.

In addition, we are concerned if KAM are eventually reported in a “standard” or “repeated” format tailored to their specific client. Rautiainen et al. (2021) surveyed CPA and found that auditor-perceived KAM improves audit

¹ ISA 701 Paragraph 8.

efficiency but not audit quality. KAM will improve audit quality only if the auditor has acquired an understanding of their client's business, which can be gained through experience (Gambetta et al., 2023). According to Daugherty, Dickins, Hatfield, and Higgs (2012), auditors must have a minimum of two and a half years of experience to adequately master the client's business. found that audit quality was higher after three years of engagement. Dao and Pham (2014) suggest that auditors utilize the first few years of engagement to understand their clients' industry and business. Past studies have found that long-term produces better quality auditors, as they can promptly respond to client needs (Butcher, Harrison, & Ross, 2013), are more sensitive to going concern issues, and are better able to detect mistakes (Azizkhani, Daghani, & Shailer, 2018). Moreover, a long tenure encourages clients to cooperate voluntarily and become whistleblowers (Wilson, McNellis, & Latham, 2018).

In contrast, an opponent to a long ACR believes that a rotated auditor is needed to avoid unnecessary sympathy towards clients, which may cause the auditor to jeopardize their independence (Ball et al., 2015). Often, a long ACR builds trust between the auditor and client, where the auditor easily agrees with the client's preferences (Kerler & Brandon, 2010; Wilson et al., 2018). Hence, auditing is perceived as a statutory requirement that must be submitted to regulators annually. Auditors then repeat a similar audit process without practising skepticism, and the audit report no longer offers meaningful insights for users (Aly, Diab, & Abdelazim, 2026). Therefore, repeated KAM may arise because of the reappointment of the same auditor for a long time. To date, there has been a lack of studies on the relationship between audit tenure and KAM disclosure. This study aims to fill this gap.

In conclusion, although there is an expanding body of literature on KAM disclosures, the phenomenon of repetitive KAM, especially concerning auditor reappointment (audit tenure), has received limited attention. Previous research indicates that longer auditor tenure may enhance client-specific knowledge and audit efficiency. However, it could also lead to standardized reporting practices and diminished professional skepticism, potentially causing recurring KAM disclosures. Moreover, while the differences between Big 4 and non-Big 4 auditors have been extensively studied in terms of audit quality and reporting behavior, the moderating role of Big 4 auditors in the relationship between auditor reappointment and repetitive KAM has remained underexplored. This study addresses these gaps by (1) examining the impact of auditor reappointment on the occurrence of repetitive KAM disclosures and (2) investigating whether Big 4 affiliation moderates this relationship. This study contributes to the literature by offering new insights into how auditor tenure and audit firm characteristics jointly influence the informativeness and variability of KAM reporting.

3. HYPOTHESIS DEVELOPMENT

3.1. Audit Firm Reappointment

Agency theory explains the existence of asymmetrical information, and audits have been introduced to minimize the expectation gap. Through the introduction of KAM, auditors have a greater chance of detailing their chosen audit scope, thereby further reducing the gap. However, the effectiveness of the KAM can be influenced by the dynamics of the ACR as it evolves through reappointments. Reappointment allows auditors to acquire client-specific knowledge, which helps them to be better positioned to judge the appropriateness of their clients' accounting choices (Cameran, Prencipe, & Trombetta, 2016). As auditors become familiar with client operations, they become more capable of mitigating client pressures (Bowlin, Hobson, & Piercey, 2015). However, according to Lennox, Wu, and Zhang (2014), auditors become less inclined to acquire client-specific knowledge if they know that they will not be reappointed. Over time, auditors may become reckless and presume that the audit process merely repeats similar procedures (Ball et al., 2015). Although reappointments build a good ACR, clients become more dominant, shifting the balance of power in favor of their preferences (Arel, Brody, & Pany, 2005).

Consequently, clients may exert greater influence over auditors (Guan, Su, Wu, & Yang, 2016), potentially affecting the nature and depth of KAM disclosures. Audit clients may strategically avoid resolving KAM raised in prior years, leaving the current auditor with no choice but to repeat similar KAM disclosures. Repeated KAM may

indicate a passive audit process in which previous concerns are unaddressed. Recent empirical studies suggest that reappointments are associated with a lack of fresh insights into KAM disclosures. Federsel (2025) found that reappointments are associated with the repetition of KAM, which causes auditors to fail to provide new insights into KAM disclosures. As tenure lengthens, management is more likely to exploit ACR by not taking corrective action on KAM and sometimes merely shifting unfavorable matters into voluntary management disclosures that make KAM unresolved (Ma et al., 2024). This is more prevalent among family-related companies (Rahaman & Karim, 2023) and firms with the Chief Executive Officer also serving as a member of the board of directors (Jadiyappa, Hickman, Kakani, & Abidi, 2021). Therefore, the repetitive KAM disclosure may undermine its intended purpose because shareholders may become desensitized to recurring KAM that remain unresolved. The prolonged ACR may diminish the effectiveness of KAM disclosures. Hence, we propose the following hypothesis.

H₁: There is a positive relationship between audit firm reappointments and the repetition of KAM disclosure.

3.2. Audit Partner Reappointment

The audit partner plays a crucial role in determining audit quality (Gul, Wu, & Yang, 2013). However, in a prolonged ACR tenure, the audit partner may provide the illusion of transparency of KAM disclosures to maintain a good relationship. Recent research by Mwintome, Agana, and Zamore (2024) indicates that audit partners with long tenures are motivated to employ technical and complex language to maintain a good relationship with clients. Federsel (2025) concludes that reappointing the same audit partner does not increase informative variation in KAM. The continuity may lead the audit partner to a consistent approach in identifying and communicating audit risks. Consequently, instead of enhancing transparency, audit partners' reappointments may lead to less informative KAM disclosures. Therefore, this study proposes the following hypothesis.

H₂: There is a positive relationship between partner reappointment and the repetition of KAM disclosures.

3.3. Auditor's Brand Name

Extensive literature has discussed that an auditor's brand name is associated with better audit quality (Cameran et al., 2016; Jadiyappa et al., 2021; Wilson et al., 2018) regardless of ACR tenure (DeAngelo, 1981). In other words, reappointment has always been perceived as an enabler of the Big Four's acquisition of more client-specific knowledge. With more knowledge, Big 4 firms may carry out more detailed audit styles (Gambetta et al., 2023) and tend to provide more valuable KAM (Wang, Jia, Xiao, & Yu, 2024). The working styles in the Big 4, such as extensive training and robust internal control, have shaped auditors to be more conservative, even if they no longer work with the Big 4 (Gul et al., 2013). Therefore, the Big 4 provides a conducive environment for shaping high-quality audit firms.

According to Rahaman and Karim (2023), the Big 4 produce a smaller number of KAM but provide extensive new insights into KAM issues. Meanwhile, Moroney et al. (2021) perceive that the Big 4 audit firms alone can enhance the credibility of audit reports with or without the inclusion of KAM. Rahaman et al. (2023) highlighted the Big 4 moderates' possibility of management influence on KAM disclosures. Although long tenure fosters a good relationship between management and the auditor (Guan et al., 2016), the Big 4 could disassociate their professionalism from the casualties. Moreover, the multilayer internal review and quality-control process in Big-4 will produce high-quality KAM. Therefore, there will be fewer or no repeated KAM reported by the Big Four. Hence, this study proposes the following hypothesis.

H₃: The auditor's brand name moderates the relationship between auditor reappointment and repeated KAM disclosures.

4. METHODOLOGY

4.1. Sample Selection and Variables Used

This study employs a quantitative approach to examine the relationship between auditor reappointment, audit firm brand names, and repetitive key audit matter (KAM) disclosures among Malaysian listed companies. Using a

sample of 654 companies listed on Bursa Malaysia from 2016 to 2020, representing the first five years of KAM implementation in Malaysia, we analyze patterns of KAM repetition and how these are influenced by auditor tenure and audit firm type. By examining KAM repetition over a 5-year window, we differentiate between inherently persistent risks (e.g., regulatory compliance in highly scrutinized industries) and cases in which auditors may fail to push for issue resolution. This longitudinal approach strengthens our interpretation of repetitive KAM.

Data were collected from two main sources: non-financial data were manually extracted from annual reports, while financial data were obtained from DataStream. We utilize panel data regression analysis to test our hypotheses regarding the association between auditor reappointment, Big 4 audit firms, and repetitive KAM disclosures. Additional robust tests were conducted to validate the main findings. This methodology allows us to empirically investigate how auditor-client relationships and audit firm characteristics shape KAM reporting practices in Malaysia.

Auditor-specific reporting bias refers to the tendency of individual audit firms or partners to consistently emphasize certain types of KAM across clients. We control this by comparing disclosure patterns (1) between Big 4 and non-Big 4 firms and (2) across individual audit partners, testing whether repetitive KAM reflect genuine client risks or merely the auditor's standardized reporting approach. This distinction is crucial because true audit quality concerns should persist regardless of auditor changes, whereas stylistic biases would disappear with auditor rotation.

Table 1 summarizes all variables used and their measurements. Although KAMrepeated is a count variable, this study employs Ordinary Least Squares (OLS) as the main estimation method because the sample size is sufficiently large. Under large-sample conditions, OLS estimators remain consistent and unbiased owing to the Central Limit Theorem. Furthermore, OLS offers ease of interpretation, where coefficients represent the marginal change in the expected number of repeated KAM associated with a one-unit change in the independent variable.

Table 1. Definition of variables and measurements.

Variable definition	Measurement	Expected sign.
Dependent variable		
KAMrepeated	The number of KAM disclosures repeated from the prior year	NA (Not applicable)
Independent variables		
AFreappoint	It is coded as 1 if the previous audit firm is reappointed and 0 otherwise	Positive
PARTreappoint	is coded as 1 if the previous audit partner is reappointed and 0 otherwise	Positive
Big4	is coded as 1 if the company is audited by a Big 4 audit firm and 0 otherwise	Negative
Big4*AFreappoint	is coded as 1 if the reappointed audit firm is Big 4 and 0 otherwise	Negative
Big4*PARTreappoint	Is coded as 1 if the reappointed audit partner is attached to the Big 4 audit firms and 0 otherwise	Negative
Control variables		
SIZE	Natural logarithm of the company's total assets	Positive
ROA	Net profit over the total assets	Positive
LEV	Debt over total assets	Positive
GROWTH	Ratio of the current year's sales to the previous year's sales.	Positive
ACIND	Number of independent non-executive audit committee members over the total of audit committee members	Negative
BIND	The total number of independent board directors divided by the actual total number of board directors.	Negative

Note: * denotes interaction terms between variables.

4.2. Research Model

We conducted a Hausman test and redundant-likelihood analysis to determine the appropriate model, and the results suggested that the fixed-effects model was appropriate. The regression model used in this study is as follows.

$$KAMrepeated_{i,t} = \beta_0 + \beta_1 AFreappoint_{i,t} + \beta_2 PARTreappoint_{i,t} + \beta_3 Big4_{i,t} + \beta_4 Big4 * AFreappoint_{i,t} + \beta_5 Big4 * PARTreappoint_{i,t} + \beta_6 SIZE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 LEV_{i,t} + \beta_9 GROWTH_{i,t} + \beta_{10} BIND_{i,t} + \beta_{11} ACIND_{i,t} + \beta_{12} \Sigma Industry_{i,t} + \beta_{13} \Sigma Year_{i,t} + \varepsilon_{i,t} \quad (\text{Model 1})$$

5. RESULTS

5.1. Descriptive and Correlation Analysis

Table 2 presents the descriptive statistics for each variable used in this study. The mean (median) value for KAMrepeated is 1.89 (2.00), with a standard deviation of 0.96. This value indicates that the KAM is repeated approximately twice across observations, and there is moderate variability in the repetition of the KAM. The variance-to-mean ratio was below one, indicating no evidence of overdispersion. In addition, the mean and median are very close (1.89 and 2.00), suggesting that the distribution is relatively symmetric and not highly skewed. These characteristics reduce concerns typically associated with count data models, such as overdispersion and zero-inflation. The mean values for AFreappoint and PARTreappoint are 0.94 and 0.71, respectively, which reflect that most companies under study reappoint their audit firms and audit partners, that is, 94% of the companies reappoint the same audit firms and 71% appoint the same audit partner. The mean of the Big 4 is 0.46, indicating that less than half of our sample was audited by the Big 4. Although the frequency might contradict the past, this statistic indicates an increasing demand for non-Big 4 audit firms in Malaysia's audit market. The correlations between the variables are presented in Table 3. No variables were highly correlated.

Table 2. Descriptive analysis (n=2,616).

Variables	Mean	Median	Std. Dev.
KAMrepeated	1.89	2.00	0.96
AFreappoint	0.94	1	0.23
PARTreappoint	0.71	1	0.45
Big4	0.46	0	0.50
SIZE	13.46	13.33	1.52
ROA	0.03	0.04	0.09
LEV	0.40	0.38	0.22
GROWTH	1.02	1.00	0.38
BIND	0.51	0.5	0.13
ACIND	0.71	1	0.46

Table 3. Correlation analysis.

Variables	KAMrepeated	AFreappoint	PART reappoint	Big4	SIZE	ROA	LEV	GROWTH	BIND	ACIND
KAMrepeated	1.00									
AFreappoint	0.30**	1.00								
PARTreappoint	0.01**	0.04**	1.00							
Big4	-0.02**	0.02***	0.02***	1.00						
SIZE	0.17***	0.04***	0.07***	0.54*	1.00					
ROA	0.09	0.06*	0.00*	-0.02	0.4**	1.00				
LEV	0.08	0.26	0.18	0.17	0.14	0.10	1.00			
GROWTH	-0.33	0.43	0.00	0.16	0.48	0.16	0.12	1.00		
BIND	-0.25	-0.11	0.29	0.15	0.20	-0.09	0.79	0.49	1.00	
ACIND	-0.15	-0.38	-0.01	0.17	-0.78**	0.11	-0.45	0.48	0.29	1.00

Note: * Significance at p < 0.1, ** significance at p < 0.05, *** significance at p < 0.01.

5.2. Regression Results for Model 1

In Model 1, we observed a positive coefficient of 0.3 for AFRappoint (t-statistic 5.82, $p < 0.05$) and 0.06 for PARTreappoint (t-statistic 2.43, $p < 0.10$), thus supporting H1 and H2, respectively. The coefficients of 0.3 and 0.6 suggest that for each unit increase in the reappointment of an audit firm and an audit partner, respectively, there is an anticipated rise of 0.3 and 0.6 in the expected number of repeated KAM. These findings imply that reappointment may increase the likelihood of disclosing recurring KAM, like previous years, with a comparable effect on both audit firm and partner reappointments. This suggests that a long tenure cultivates a strong relationship that renders the client excessively comfortable with the auditor, hence less proactive in addressing KAM highlighted in the prior year. Consequently, the current auditor is left with no option but to disclose the repeated KAM. However, the positive relationship is relatively modest for PARTreappoint, indicating that a recurring audit partner might moderately influence clients to resolve prior KAM issues.

Furthermore, Table 4 shows a negative coefficient for the Big 4, at -0.38 (t-statistic -2.35, $p < 0.05$), indicating that the Big 4 or reappointed Big 4 are less likely to disclose the repeated KAM. Consequently, the interactions of Big4*AFReappoint and Big4*PARTreappoint were not significant, thereby supporting H3. The Big 4 audit firms may avoid repeating the same KAM disclosures because they implement more rigorous audit methodologies that ensure that clients adequately address previously identified risks. This thorough approach enables them to detect and disclose new or different risks rather than reiterate prior KAMs. Consequently, the Big 4 effectively minimizes repetition in KAM disclosures, regardless of whether the audit firm (the Big 4) or the audit partner (of the Big 4) is reappointed. This practice reflects their commitment to higher audit quality by providing fresh and relevant information in each audit report, thereby maintaining the credibility and usefulness of KAM disclosures.

Table 4. Regression analysis for model 1.

Dependent variable: KAMrepeated (n= 2,616)		
Variables	β	t-Stat.
C	-3.13	-4.88***
AFReappoint	0.3	5.82***
PARTreappoint	0.06	2.43**
Big4	-0.38	-2.35**
Big4*AFReappoint	0.11	0.76
Big4*PARTreappoint	-0.06	-1.14
SIZE	0.36	8.45***
ROA	0.48	2.28**
LEV	0.09	0.58
GROWTH	0.04	1.14
BIND	-0.32	-1.70*
ACIND	0.02	1.24
R-squared	78.80%	
Adjusted R-squared	67.60%	
F-statistic	7.03***	
Durbin-Watson stat	2.56	
Observation (n)	2,616	

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

5.3. Additional and Robustness Analysis

Further tests were conducted to confirm the main findings. Despite auditor reappointment, we replace it with auditor rotations. The observation is coded as 1 if the company rotates or changes its audit firms or partners. Model 2 was used to test the objectives. The results are shown in Table 5.

$$\begin{aligned}
 KAMrepeated_{i,t} = & \beta_0 + \beta_1 AFrotated_{i,t} + \beta_2 PARTrotated_{i,t} + \beta_3 Big4_{i,t} + \beta_4 Big4 * AFrotated_{i,t} + \\
 & \beta_5 Big4 * PARTrotated_{i,t} + \beta_6 SIZE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 LEV_{i,t} + \beta_9 GROWTH_{i,t} + \beta_{10} BIND_{i,t} + \\
 & \beta_{11} ACIND_{i,t} + \beta_{12} \sum Industry_{i,t} + \beta_{13} \sum Year_{i,t} + \varepsilon_{i,t} \quad (\text{Model 2})
 \end{aligned}$$

Table 5. Regression analysis for model 2.

Dependent variable: KAMrepeated (n=2,616)		
Variables	β	t-Stat.
C	-2.8	-4.49***
AFrotated	-0.3	-6.68***
PARTrotated	-0.1	-8.29***
Big4	-0.3	-3.68***
Big4*AFrotated	-0.2	-1.1
Big4*PARTrotated	0.1	1.76*
SIZE	0.4	8.36***
ROA	0.5	2.35**
LEV	0.1	0.6
GROWTH	0.0	1.0
BIND	-0.3	-1.66*
ACIND	0.0	0.9
R-squared	79.00%	
Adjusted R-squared	67.90%	
F-statistic	7.11***	
Durbin-Watson stat	2.56	

Note: *** p < 0.01, ** p < 0.05, * p < 0.1.

The results show a negative coefficient for AFrotated and PARTrotated, which is associated with KAMRepeated. The coefficients are -0.3 (t-statistic -6.68, $p < 0.05$) and -0.1 (t-statistic -8.29, $p < 0.05$), respectively, which implies that both types of rotation reduce the likelihood of disclosing repetitive KAM. While the rotation introduces a new KAM discovery, the appointment of a new auditor may challenge existing risk assessments. This may prompt the client to take previous KAM disclosures more seriously and address the issues identified by the predecessor auditor. This aligns with previous research (Gibbins, McCracken, & Salterio, 2010; McCracken, Salterio, & Gibbins, 2008), which determined that clients tend to be more proactive in addressing audit findings during the initial phase of the auditor-client relationship. These findings offer empirical support for the potential advantages of implementing a firm-mandatory rotation policy in Malaysia, which may improve the quality of KAM disclosures by facilitating a fresh assessment of risk and decreasing the likelihood of repetitive KAM disclosures. This is consistent with our primary findings, as illustrated in Table 4. Generally, Big 4 is found to be consistent with the main analysis, which is negatively associated with KAMRepeated, indicating robust results. However, Table 5 presents different results for rotated Big 4 and audit partners. The result shows no significant relationship for Big4*AFrotated but a positive coefficient of 1.76 for Big4*PART rotated (t-statistic 1.76, $p < 0.10$). There is no evidence to suggest that the rotation of Big 4 firms influences the repetition of KAMs. However, the rotation of audit partners within the Big 4 firms does lead to an increase in repetitive KAM disclosures. Although the Big 4 are consistently associated with highly standardized audit procedures, when a partner rotates within the same firm, the incoming partner often inherits audit procedures like those of their predecessor. As a result of adopting a similar approach, the new audit partner may concentrate on previously identified significant audit risks and may not identify new issues. In contrast, non-Big 4 may have less rigidly standardized methodologies that allow the current rotated partners greater opportunity to tailor client-risk assessment according to their judgment and subsequently reduce the likelihood of repetitive KAM disclosures. This is consistent with Knechel, Krishnan, Pevzner, Shefchik, and Velury (2013), who highlighted the drawbacks of “too highly standardized procedures” in the Big 4, sometimes causing auditors not to use their judgment but to heavily rely on existing procedures as they believe the procedures have already been well-developed. Furthermore, the new audit partner within the same Big 4 may prioritize reputation protection, which leads to a conservative approach by repeating prior KAM disclosures (DeAngelo & DeAngelo, 2000; Lennox et al., 2014). Additionally, this study further refines the effect of varying audit partner rotations on KAM disclosures, such as rotated audit partners from Big to non-Big 4, non-Big 4 to Big 4, and rotated audit partners from the same or different audit firms. The results are presented in Table 6.

Table 6. Additional analysis.

DV: KAMrepeated (Number of KAM repeated)								
Variables	Column 1		Column 2		Column 3		Column 4	
	β	t-Stat.	β	t-Stat.	β	t-Stat.	β	t-Stat.
C	-2.81	-4.80***	-2.81	-4.80***	-2.81	-4.80***	-2.92	-5.30***
PARTrotated	-0.38	-9.08***	-0.05	-2.53**				
PARTrotated_samefirm	0.34	13.96***			-0.05	-2.53**		
PARTrotated_notsamefirm			-0.34	-13.96***	-0.38	-9.08***		
PARTrotated_Big4toNonBig4							-0.42	-4.53***
PARTrotated_Big4toBig4							-0.54	-5.10***
PARTrotated_NonBig4toBig4							-0.33	-4.31***
PARTrotated_NonBig4toNonBig4							-0.33	-5.56***
SIZE	0.36	8.91***	0.36	8.91***	0.36	8.91***	0.37	9.26***
ROA	0.48	2.36***	0.48	2.36**	0.48	2.36**	0.48	2.44**
LEV	0.09	0.63	0.09	0.63	0.09	0.63	0.11	0.66
GROWTH	0.03	1.09	0.03	1.09	0.03	1.09	0.03	1.15
BIND	-0.29	-1.68*	-0.29	-1.68*	-0.29	-1.68*	-0.29	-1.68*
ACIND	0.01	0.46	0.01	0.46	0.01	0.46	0.01	0.57
Cross-section and Period fixed (Dummy variables)								
R-squared	78.93%		78.93%		78.93%		78.93%	
Adjusted R-squared	67.85%		67.84%		67.84%		67.78%	
F-statistic	7.12***		7.12***		7.12***		7.08***	
Durbin-Watson stat	2.55		2.55		2.55		2.56	
Observation (n)	2,616		2,616		2,616		2,616	
Note: *** p < 0.01, **p < 0.05, * p < 0.1.								

Table 6, Column 1 shows that partner rotation, involving either the same or different audit firms, is negatively associated with KAM repetition. These results support the previous analysis of the importance of audit partner rotation, which can help reduce KAM repetition. However, the effect of audit partner rotation from different audit firms is stronger (the coefficient is -0.38; $t = -9.08$, significant at $p < 0.01$) than audit partner rotation from the same audit firm (the coefficient is 0.05; $t = -2.53$, and only significant at $p < 0.05$). Furthermore, the results shown in Table 6, Column 4, indicate and support the argument that audit partner rotation can enhance auditors' skepticism and awareness of potential risks and increase the variety in disclosing KAM issues. Regardless of audit firm size, all audit partner rotations from Big to non-Big 4, Big 4 to Big 4, non-Big 4 to non-Big 4, or non-Big 4 to Big 4 audit firms were effective in reducing KAM disclosure repetition.

6. CONCLUSIONS

This study examines the effects of auditors' reappointment on repetitive KAM disclosures. We further analyze whether rotation at the partner- and audit-firm levels is associated with repeated KAM disclosures. Our main finding shows that reappointment is positively associated with repeated KAM. This finding indicates that reappointment allows audited clients to dominate the long ACR, thus ignoring the prior-highlighted KAM and causing the auditor to repeatedly disclose the same KAM in the current year. This trend differs for the Big 4. Audit clients might be urged by the Big 4 to act towards KAM. Hence, repeated KAM for the Big 4 was not apparent. This study contributes to the literature by advocating for mandatory firm rotation policies as a crucial strategy to significantly reduce repetitive KAM and enhance audit quality. Mandatory rotation introduces fresh perspectives and reduces complacency in addressing audit risks. This study highlights the need for auditors to maintain independence and engage clients to resolve KAM. Auditors, especially those from non-Big 4 firms, should adopt proactive measures to avoid repetition across audit periods. This study provides insights into the factors influencing KAM disclosure and their implications for audit quality in the industry community, including investors and stakeholders. Understanding repetitive KAM dynamics helps stakeholders assess the reliability of audit reports and make informed decisions.

Although this study provides new insights into the literature, it is subject to a few limitations. This study discusses repeated KAM due to client-driven factors, where clients fail to take adequate corrective action to address risks identified by the prior auditor. However, repeated KAM may also be caused by auditor-driven factors. In addition, the repetition of KAM may not necessarily be associated with poor audit quality because some risks remain consistently material and require ongoing auditors' attention, thus consistently being disclosed as the repetition of KAM. This study employed a quantitative approach to understanding the relationship between variables. Future studies could complement these findings with qualitative research, such as interviews with auditors, to gain deeper insights into the decision-making process for KAM disclosures.

Funding: This research is supported by the Universiti Kebangsaan Malaysia, Malaysia (Grant number: EP-2025-017).

Institutional Review Board Statement: Not applicable.

Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

Data Availability Statement: The corresponding author can provide the supporting data of this study upon a reasonable request.

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

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