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THE EFFECT OF KEY AUDIT MATTERS, INDEPENDENCE, AND OBJECTIVITY ON AUDIT QUALITY : THE MODERATING ROLE OF COMPANY COMPLEXITY

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Abstract

This study examine the effect of Key Audit Matters (KAM), independence, and objectivity on audit quality, with firm complexity serving moderating variable in banking companies during the 2021-2024 period. This study purposive sampling, resulting in 47 banking companies, and analyzed the data using multiple linear regression and Moderated Regression Analysis (MRA). The results indicate that KAMs (β=0.249; sig.=0.000) and independence (β=0.104. sig.=0.000) has a positive effect on audit quality. In contrastn objecitivity (β=-0.192; sig.=0.003) has a significant negative impact on audit quality. Corporate complexity moderates the influence of KAM (Sig=0.003) and objectivity (sig.=0.015), but it does not moderate the effect of independence (sig.=0.217) on audit quality. It can be concluded that audit quality is influenced by KAMs, independence, and objectivity, while firm complexity only moderates the relationships between KAMs and audit quality, between objecitivity and audit quality.

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Penelitian ini bertujuan menganaliss pengaruh Key Audit Matters, independensi, dan objektivitas terhadap kualitas audit dengann kompleksitas perusahaan sebagai variabel moderasi pada perusahaan perbankan pada tahun 2021-2024. Penelitian ini menggunakan tehnik purposive sampling terhadap 47 perusahaan perbankan dengan analisis regresi linerar berganda dan Moderated Regression Analysis (MRA). Hasil menunjukkan bahwa KAM (β=0.249; sig.=0.000) dan independensi β=0.104; sig.=0.000) berpengaruh signifikan terhadap kualitas audit. Namun, objektivitas (β=-0.192;.=0.003) memiliki pengaruh negatif signifikan terhadap kualitas audit. Kompleksitas perusahaan mampu memoderasi pengaruh KAM (sig.=0.003), dan objektivitas (sig.=0.015), namun tidak mampu memoderasi independensi (sig.=0.217) terhadap kualitas audit. Disimpulkan bahwa kualitas audit lebih dipengaruhi oleh KAM, independensi, dan objektivitas, sementara kompleksitas perusahaan hanya memoderasi hubungan KAM dan objektivitas terhadap kalitas audit.

INTRODUCTION

Audit quality is a fundamental element in ensuring the credibility of financiqal statements and reduce the information gap between management and stakeholders, so that serving as reliable basis for economic decision-making (Maria Castañón Moats, 2026; Sudrajat, 2023) . This role is particularly critical i the banking sector, as the industry characterized by higher operational complexity, finansial risk, and regulatory oversight than most other sectors, requiring high-quality audits to maintain investor confidence and safeguard finansial system stability. Along with the development of international auditing standars, the implementation of Key Audit Matters (KAMs) under ISA 701, adopted into SA 701, aims to enhance the transparency and auditor's report information by disclosing matters of significant importance to the audit based on the auditor's professional judgment (Antti Rautiainen, 2023; ASA 701, 2023; Ma et al., 2024a). Nevertheless, audit quality is determined not only by the disclosureof KAMs but also by the auditor's ability to maintain indepenence and objectivity throughout the audit engagement (Alkatiri et al., 2023; Anggiani & Yasa, 2023). Furthermore, as a company's business activities become more complex, auditors face greater audit risk, suggesting that corporate complexity may influene the effectiveness of Key Audit Matters, auditor independence, and objectivity in producing high-quality audits (Amin & Handayani, 2025; Melanie & Darmastuti, 2023; Susanto et al., 2020). Research on audit quality has continued to evolve in response to increasing demands for greater tranparency and accountability in finansial reporting. One of the most widely discussed issues is the implementation of Key Audit Matters (KAMs), an innovation in audit reporting designed to enhance the value of the information in the auditor's report. Numerous studies suggest that the disclosure of KAMs improves audit transparency, reduces information asysmentry, and enables financioal statement users to better understand audit areas associated with risk of material misstatement (Antti Rautiainen, 2023; Ma et al., 2024b; Suttipun, 2021). Horever, other studies argue that KAMs primarily function as a communication mechanism between auditors and stakeholders rather than as a factor that direcly enhances audit quality, resulting in inconclusive evidence regarding the relationship between KAMs and audit quality (Anzani Naryatul Uyuni & Ratna Mappanyukki, 2025; Carvalho et al., 2023). In addition to KAMs, auditor independence in has been generally accepted as fundamentak determinant of audit quality, as it enables auditor's to express professional opinions objectively and free from external influence (KUSMIATI & WAHYUNINGSIH, 2023; Pratiwi & Latrini, 2023). Nevertheless, prior studies indicate that independence impact on audit quality may vary depending on characteristics of audit engagement, the auditor with client relationship, and the surrounding audit environment (Alkatiri et al., 2023; Setyaningrum & Kuntadi, 2019).

In addition to auditor independence, auditor objectivity is another essential determinant of audit quality, as it reflects the auditor's expertise in exercising impartial professional judgement based on sufficient and rebust audit evidence. Prior research typically indicates that objectivity has a positive influence on audit quality. (Anggiani & Yasa, 2023; Hermawan & Bustomi, 2022; Siregar et al., 2022). However, other studiessuggest that this relationship may be contingent upon factors such as auditor competence, engagement presure, and the orgazational environment in which auditors perform their work (Kamarudin et al., 2022; Lubis & Salisma, 2023). Meanwhile, recenr research has increasingly emphasized the importance of firm characteristics, particularly corporate complexity, as a factor influencing the effectiveness of the audit process. Companies with highly complex operations expose auditors to greater audit risk, thereby requiring greater transparency through the disclosure of Key Audit Matters (KAMs), as well as higher levels independent and objectivity, to ensure high quality audit outcomes (Melanie & Darmastuti, 2023; Saleh et al., 2025; Susanto et al., 2020). These findingd indicate that audit quality is shaped by the interaction between auditor-specific characteristics and firm-specitic characteristics, underscoring the growing importance of research that integrates these factors into a comprehensive analytical framework.

Although research on Key Audit Matters (KAMs), auditor independence, objectivity, and audit quality has grown substantially, prior empirical findings remain inconclusive. Several studies have reported that the disclosure of KAMs, auditor independence, and auditor objectivity positively influence audit quality (Anggiani & Yasa, 2023; Antti Rautiainen, 2023; Hermawan & Bustomi, 2022; Suttipun, 2021). In contrast, other studies suggest that the effects of these variables are inconsistent and may depend on audit engagement characteristics as well the specific conditions of the audited company (Alkatiri et al., 2023; Carvalho et al., 2023; Lubis & Salisma, 2023) (AASM, 2022). Furthermore, most previous studies have examined these variables independently, whereas reserch integrating Key Audit Matters (KAMs), auditor independence, and auditor objectivity with firm complexity as a moderating variable remains limited. This gap is particularly evident in the banking sector, which differs from other industries duet o its highly complex operations, greater finansial risks, and stricter regulatory oversight. Consequently, the effectiveness of the audit process and its impact on audit quality are likely to be influenced by the level of firm complexity.

Therefore, the novelty in this research lies in the moderating role of company complexity in the relationship between Key Audit Matters (KAMs), auditor independence, and auditor objectivity and audit quality within indonesian banking companies. This research aim's to examine the impact of Key Audit Matters, auditor independence, and auditor objectivity on audit quality and to investigate whether firm complexitya strengthens or weakens these contributes to audit reference and offers efficient implications for auditors, regulators, and other related parties in their efforts to enhance audit quality.

Based on signaling theory, the disclosure of KAMs not on enhances the transparency of the auditor's report but also encourages auditors to perform more thorough audit methods, thus improving audit quality. Prior studies by Antti Rautiainen, (2023), Coram & Wang, (2020), and Suttipun, (2021) suggest that Key Audit Matters disclosures there is a positive impact on audit quality. by increasing the informational value of the auditor's report. In contrast, Carvalho et al., (2023) argue that Key Audit Matters disclosures primarily enhance the quality of aufitor communication rather than directly improving audit quality. Nevertheless, the majority of empirical evidence supports the view that more informatice KAM disclosures contribute positively to audit quality.

H1 : Key Audit Matters (KAMs) there is effect influence on audit quality.

Based on agency theory, independence a fundamental prerequisite for achieving high audit quality because it enables auditors to express professional opinions without being inflenced by the interests of any party. Independent auditors are more objective in evaluating audit evidence and are more willing to disclose material misstatements identifiend during the audit process. Empirical studies by Anggiani & Yasa, (2023), KUSMIATI & WAHYUNINGSIH, (2023), and Pratiwi & Latrini, (2023) demostrate that auditor independence has a positive effect on audit quality. In contrast Alkatiri et al., (2023) argue that this relationships may be weakened by client pressure and long-term auditor-client relationship, which can impair auditor independence. Despite these inconsistent findings, auditor independence continues to be regarded as one of the most important determinants of aufit quality. This argumen is also consistent along with Agency Theory, which emphasizes the auditor's rome in mitigating information asymmetry and agency conflicts by maintaining an unbiased and independent audit process.

H2 : Independence there is effect influence on audit quality.

Objectivity a auditor is a fundamental ethical principle requiring auditors to exercise professional judgement in a neutral, honest, and unbiased manner based on sufficient and appropriate audit evidence. Auditors who maintain objectivity are more likely to make accurate audit judgments, thereby enhancing the credibility and reliability of finansial statements. Empirical evidence from Anggiani & Yasa, (2023), Hermawan & Bustomi, (2022), and Siregar et al., (2022) suggest that te effect of auditor objectivity may be constrained by engagement pressures and the organizational environment in which auditors perform their duties. Nevertheless, Lubis & Salisma, (2023) the majority of previous studies support the view that greater auditor objectivity contributes to higher audit quality by ensuring that audit conclusions are based solely on professional judgment and objective evaluation of audit evidence.

H3 : Objectivity there is effect influence on audit quality.

Firm complexity reflects the degree of complexity in a company's operational activities, organizational structure, and business transactions that auditors must evaluate during the audit process. As firm complexity increases, audit risk also rises, making the information communicated through Key Audit Matters (KAMs) increasingly important for users of finansial statements. Prior studies by Melanie & Darmastuti, (2023), Saleh et al., (2025), and Susanto et al., (2020) indicate that greater firm complexity increases the demand for transparency in the audit process. Under these circumstances, KAM disclosures provide more decision-useful information assist stakeholders in understanding areas involving significant audit risk and professional judgment. Therefore, firm complexity is expected to strengthen the positive relationship between KAM disclosures and audit quality.

H4 :Firm complexity strengthens effect of Key Audit Matters (KAMs) on audit quality.

Companies with higher levels of firm complexity expose auditors to greater audit risk dueto more sophisticated transactions, diversified operations, and increased uncertainty in finansial reporting. Consequently, auditor independence becomed even more critical in ensuring the effectiveness of the audit process. Auditors who are able to maintain their independence are more likely to provide objective and professional judgment despite the challenges associated with complex business environments. Previous studies by Evia et al., (2022), and Samson Ojeme Samuel, (2025) suggest that compaby characteristics, including operatiobal complexity, influence the effectiveness of auditor independence in producing high-quality audits. Accordingly, firm complexity is expected to reinforce the positive effect of auditor independence on audit quality.

H5 : Firm complexity strengthens effect of auditor independence on audit quality.

As firm compexity increases, auditors face greater challenges in evaluating audit evidence and exercising professional judgment. Under such conditions, maintaining auditor objectivity becomes inreasingly essectial to ensure that audit conclusions remain unbiased, reliable, and supported by sufficient appropriate evidence. Auditors with a high level of objectivity are more capable of making accurate audit judgments despite dealing with complex transakctions and eleated audit risk. Empirical evidence from Febria Amanda et al., (2025), Paranoan et al., (2023), and Yustika et al., (2025) indicates that firm complexity effect effectiveness in the audit process. Therefore, firm complexity is expected to strengthen the positive relationship betweem auditor objectivity and audit quality.

H6 : Firm complexity strengthens effect auditor objectivity on audit quality.

METHODS

This study employs a quantitative associative approach aimed at empirically examining the effect of Key Audit Matters (KAMs), auditor independence, and auditor objectivity on audit quality, with firm complexity serving as a moderating variable, focusing on the banking sector. The data used in this study are secondary data obtained from annual report and audited finansial statements of the relavant companies. The research population comprises all banking companies afficially listed on Indonesia stock exchange (IDX) during the 2021 – 2024 period, totaling 47 companies. Data collection was conducted using the documentation method by accessing annual reports published on the official Indonesia Stock Exchange website and the respective companies official websites.

The sample was selected using a purposive sampling technique based on the following criteria : (1) banking sector companies officially and consistently listed on Indonesia Stock Exchange during the observation period, (2) companies that have published complete and audited finansial statements. (3) companies that disclosed Key Audit Matters in their auditor's reports, and (4) companies that provided complete data required for measuring all research variables. The data determination process was based on the theoretical indicators of each variable. The dependent variable, audit quality, is measured using a proxy of Big four dan Non-Big four audit firms (Ayem & Yakob, 2022; Lawrence et al., 2011). The Key Audit Matters (KAMs) variable is measured based on the number disclosed KAMs (KAM_NUMB) (Asfiansyah, 2026). The auditor independence variable is measured using audit fees (Ratih Ratnasari, Afrizal, 2025). The audit objectivity variable is measured using the number of aufit committee audit (Ratih Ratnasari, Afrizal, 2025). Meanwhile, firm complexity, as the moderating variable, is measured using the number of operating segments reported by the company (Saleh et al., 2025).

Before conducting the main analysis, the research intruments were tested using a validity test with the assistance of SPSS Version 26. The validity test was performed using the Pearson product moment correlation technique at a significance lever of 5%. The results indicated that all instruments met the validity criteria and were considered valid. The data were analyzed using multiple linear regression to examine the direct effects between variables and moderated regression analysis (MRA) to test the moderated role of firm complexity. Prior to the main analysis, several classical assumption tests were conducted to ensure the validity and reliability of the statistical model. The Kolmogorov-Smirnov normality test showed a significance value of 0.901 (>0.05), indicating that residual data are normally distributed. The multicollinearity test shows that all variables have tolerance values > 0.10 and VIF values < 10, indicating that there is no high correlation among the independent variables. Furthermore, the Glejser Heteroscedasticity test showes significance values greater than 0.05, demonstrating that the regression model was free from heteroscedasticity problems. The linearity test also confirmed that the relationships between variables were linear, indicating that the proposed regression model was appropriate for further analysis.

$Y = \alpha + \beta^1 X^1 + \beta^2 X^2 + \beta^3 X^3 + \beta^4 X^4 + \beta^5 X^5 + e$..............................(1)

$Y = \alpha + {}^{\beta 1} X^1 + \beta^2 X^2 + \beta^3 X^3 + \beta^5 X^1{*}Z + \beta^6 X^2{*}Z + \beta^7 X^3{*}Z + e$.....(2)

Description :

Y = Audit quality

α =Constant (intercept)

$\beta^1 ... \beta^5$ = Regression coefficients

X^1 = Key Audit Matters (KAMs)

X^2 =Auditor independence

X^3 = Auditor objectivity

X^1 x Z = Moderating interaction between KAMs and audit qualitt

X^2 x Z = Moderating interaction between auditor independence and audit quality

X^3 x Z = Moderating interaction between auditor objectivity and audit quality

Z = Firm complekxity

e = error

RESULT AND DISCUSSION

This study was conducted to examine the influence of Key Audit Matters (KAMs), auditor independence, and auditor objectivity on audit quality in banking companies listed on Indonesia Stock Exchange (IDX) during the 2021-2024 period, with firm complexity serving as a moderating variable.

Table 1. Results of mutltiple linear regression analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.534	.579		-2.648	.009
	KAM	.137	.045	.210	3.063	.003
	IND	.091	.027	.237	3.400	.001
	OBJ	-.024	.031	-.053	-.768	.443

a. Dependent Variable: KA

Description :

KAM = Key Audit Matters

IND = Independence

OBJ = Objectivity

Based on the results presented in Table 1, the multiple linear regression equation for model 1 is expessed as follow:

Y = -1.534 + 0.137X1 + 0.091X2 – 0.024X3

The regression equation indicates that the constant () is -1.534, implaying that when Key Audit Matters (KAMs) (X1), Auditor Independence (X2), and Auditor Objectivity (X3) are assumed to be zero, the predicted value of audit quality (Y) is -1.534. Although the intercept provides the baseline value of the regression model, its pratical interpretation depends on whether a value of zero for allpredictors is meaningful in the research context. The regression coefficient for Key Audit Matters (KAMs) is 0.137 indicating that a one-unit increase in KAMs is associated with an increase of 0.137 units in audit quality, holding the other independent variables constant. This effect is statistically significant, as indicated by a significance value of 0.003 (<0.05). Similarly, auditor independence has a regression coefficient of 0.91, suggesting that a one-unit increase in auditor independence increases audit quality by -0.091 units, assuming the other varibles remain constant. This relationship is also statistically significant, with a significance value of 0.001 (<0.05). In contrast, auditor objectivity has a regression coefficient of -0.024 with significance value of 0.443 (>0.05), indicating that auditor objectivity does not have a statistically significant effect on audit quality. In multiple regression, each coefficient represents the expected change in the dependent variable associated with a one-unit increase in the corresponding predictor while holding the other predictors constant. Therefore, based on the result of the multiple linear regression analysis, it can be concluded that Key Audit Matters (KAMs) and auditor independence have significant positive effects on audit quality, where as auditor objectivity does not have a significant effect on audit quality.

Tabel 2. Results of *Moderating Regrestion Analysis* (MRA)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.602	.524		-3.055	.003
	KAM	.249	.047	.382	5.272	.000
	IND	.104	.024	.270	4.295	.000
	OBJ	-.192	.029	-.452	-6.568	.000
	MOD_KAM	-.042	.014	-.460	-3.058	.003
	MOD_IND	.001	.001	.213	1.239	.217
	MOD_OBJ	.023	.009	.368	2.451	.015

a. Dependent Variable: KA

Keterangan :

KAM = Key Audit Matters
IND = Independence
OBJ = Objectivity
MOD_KAM = Moderating complexity x Key Audit Matters
MOD_IND = Moderating complexity x Independence
MOD_OBJ = Moderating complexity x Objectivity

Based on the moreated regression analysis (MRA) results presented i table 2, the key audit mattes (KAM) variable has a regression coefficient of 0.249 with a significance value of 0.000 (<0.05). Therefore, H1 is accepted, indicating hat KAM has a significant positive effect on audit quality. The independence variable has a regression coefficient of 0.104 with significance value of 0.000 (<0.05). Thus, H2 is accepted, demonstrating that auditor independence has a significant positive effect on audit quality. Furthermore, the objectivity variable has a regression coefficient of -0.192 with a significance value od 0.000 (<0.05). Accordingly, H3 is accepted, indicating that objectivity has a significant negative effect on audit quality. The interaction analysis further shows that the KAM x Business Complexity interaction term has a regression coefficient of -0.042 with significance value of 0.003 (<0.05). Therefore, H4 is accepted, suggesting that business complexity significantly moderates the relationship between KAM and audit quality by weakening its positive effect. The independence x business complexity interaction term has a regression coefficient of 0.001 with a significance value of 0.217 (>0.05). Consequently, H5 is rejected, indicating that business complexitty does not moderate the relationship between auditor independence and audit quality. Finally, the objectivity x business complexity interaction term has a regression coefficient of 0.023 with significance value of 0.015 (<0.05). Thus, H6 is accepted, demonstrating that business complexity significantly moderates the relationship between objectivity and audit quality.

The coefficient of determination analysis was conducted to assess the extent to which the independent variables explain the variation in the dependent variable. In this study, the coefficient of determination was evaluated using the R-squared (R2) value, as presented in table 2. Which indicates the proportion of variance in audit quality explained collectively by the independent variables and their interaction terms in the regression model.

Tabel 3. Result Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594[a]	.353	.332	.390

a. Predictors: (Constant), MOD_OBJ, KAM, OBJ, IND, MOD_KAM, MOD_IND
b. Dependent Variable: KA

Based on the results of the coefficient of determination test, the R Square (R2) value was 0.594, while the adjusted R Square value was 0.332. The R value of 0.353 indicates that the independent variables, namely Key Audit Matters (KAM), independence, objectivity, and the interaction terms KAM x business compexity, independence x business complexity, and objrctivity x business complexity, collectively explain 35.5% of the variation in audit quality. The remaining 64.7% of the variation is explained by other factors outside the scope of this research model that were not included in the analysis.

Tabel 4. F-test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.016	6	2.503	16.466	.000[b]
	Residual	27.510	181	.152		
	Total	42.527	187			

a. Dependent Variable: KA
b. Predictors: (Constant), MOD_OBJ, KAM, OBJ, IND, MOD_KAM, MOD_IND

Based on the results of the multiple linear regression analysis, the F-test produced a significance value of 0.000, which is lower that 0.05. Therefore, the regression model is considered statistically significant and appropriate for examining the effects of the independent variables on the dependent variable. This indicates that the independent variables, when considered simultaneously, significantly explain the variation in audit quality.

As presented in the multiple linear regresiion result, the Key Audit Matters (KAM) variable has a regression coefficient of 0.249 with significance value of 0.000 (<0.05) Therefore, H1 is accepted, indicating that Key Audit Matters has a significant positive effect on audit quality.

Furthermore, the independence variable has a regression coefficient of 5.272 with a significance value of 0.000 (<0.05). Therefore, H2 is accepted, indicating that auditor independence has significant positive effect on audit quality.

Finally, the objectivity variable has a regression coefficient of -6.568 with a significance value of 0.000 (<0.05). Therefore, H3 is accepted, indication that objectivity has a significant negative effect on audit quality.

The hypothesis testing results indicate that $\beta 1 = 0.249$ with a significance value of 0.000 (<0.05), providing evidence that Key Audit Matters (KAM) have a significant positive effect on audit quality. Therefore, H1 is accepted. These findings suggest that a reater number of KAMs disclosed in the independent auditor's report reflects higher audit quality. This relationship may exist because KAM disclosure represents the implementation of aufit reporting standards designed to enhance the transparency of information provided to finansial statement users, thereby serving as a direct indikator of the quality of the audit process. Accordingly, a higher number of disclosed KAMs may indicate that the auditor has a conducteda more comprehensive and higher-quality audit, reflecting greater transaction complexity, higher audit risk, or the specific characteristics of audited entity. These findings support Signaling Theory (Spence, 1973), which posits that broader and more transparent information disclosure provides a positive signal to finansial statement users by reducing information asymmetry and enhancing decision-making. Futhermore, the results are consistent with the findings of (Al Lawati & Hussainey, 2022; Ma et al., 2024) who concluded that KAM disclosure enhances audit quality by improving auditor transparency and accountability. However, these findings differ from those of (Carvalho et al., 2023), who argued that KAM disclosure primarily improves communication between auditors and finansial statement users rather that directly enhancing audit quality.

The hypothesis testing results indicate that β2 = 0.104 with a significance value of 0.000 (<0.05), providing evidence that auditor independence has a significant positive effect on audit quality. Therefore, H2 is accepted. These findings suggest that auditor independence explains variations in audit quality among banking companies during the observation period. A longer auditor-client relationship can enhance audit quality, provided that auditors continue to comply with the Indonesian Public Accountant Professional Standards (SPAP), the professional code of ethics, and applicable regulatory oversight. Accordingly, the duration of the audit engagement contributes positively to audit quality, as it enables auditors to develop a deeper understanding of the client's business and audit risks while maintaining their professional independence. These findings support Agency Theory (Jensen & Meckling, 2012), which argues that auditor independence is a fundamental mechanism for mitigating conflicts of interest between management and shareholders by providing objective assurance over finansial reporting. Furthermore, the results are consistent with the findings of (KUSMIATI & WAHYUNINGSIH, 2023; Pratiwi & Latrini, 2023), who reported that auditor independenc has a positive and significant effect on audit quality. However, these findings contradict those of (Alkatiri et al., 2023), who concluded that auditor independence does not necessarily influence audit quality in all organizational settings.

The hypoyhesis testing results indicate that β3 = -0.192 with a significance value of 0.000 (<0.05), providing evidence that objectivity has a significant negative effect on audit quality. Therefore, H3 is accepted. These findings demonstrate that a higher level of objectivity is associated with a decline in audit quality. This results suggests that a higher objectivity score does not necessarily reflect greater auditor objectivity rather it may also represent higher audit engagement complexity, greater audit risk, or increased economic dependence of auditors on specific clients. Such conditions may impair auditors independence in exercising professional judgment, thereby reducing the quality of the audit performed. These findings are consistent with the study by (Lubis & Salisma, 2023), which reported that the relationship between objectivity and audit quality is influenced by the circumstances surrounding the audit engagement rather that by objectivity alone. However, the present findings contradict those of (Anggiani & Yasa, 2023; Hermawan & Bustomi, 2022), who conclude that objectiviy has a positive a significant effect on audit quality.

The hypothesis testing results indicate that β4 = -0.042 with a significance value of 0.003 (<0.05), providing evidence that business compexity has a significant negative effect on audit quality. Therefore, H4 is accepted. These findings suggest that as the operational complexity of banking companies inreases, auditors face greater challenges in obtaining sufficient and appropriate audit evidence, thereby increasing thelikelihood of a decline in audit quality. A higher number of operating segments, greater transaction diversity, and more complex business activities increase audit risk and require more extensive audit procedures as well as a higher level of professional judgment. If such complexity is not supported by adequate audit resources, audit quality may deteriorate. These findings are consistent with the studies conducted by (Melanie & Darmastuti, 2023; Saleh et al., 2025), which concluded that greater company complexity increases audit risk and may adversely affect audit quality by making the audit process more demanding and challenging.

The moderating analysis shows that the KAM x business complexity interaction term has a regression coefficient of -0.042 with a significance value of 0.003 (<0.05). Therefore, H4 is accepted, indicating that business complexity significantly moderates the relationship between Key Audit Matters (KAM) and audit quality. The negative interacton coefficient suggests that ncreasing business complexity weakens the positive effect of KAM on audit quality. Nevertheless, the disclosure of a greater number of KAMs continues to contribute to audit quality, even in banking companies with highly complex operations. This finding implies that the effectiveness of KAM disclosures is contingent upon the level of business complexity, as more complex entities require auditors to disclose more entity-specific and informative KAMs to maintain audit quality.

Furthermore, the independence x business complexity interaction term has a regression coefficient of 0.001 with a significance value of 0.217 (>0.05). Therefore, H5 is rejected, indicating that business complexity does not moderate the relationship between auditor independence and audit quality. This result suggests that the influence of auditor independence on audit quality remains stable regardless of the complexity of a company's operations. Even whem auditing highly complex banking institutions, auditors are expected to maintain their independence in accordance with professional standards and ethical requirements. Consequently, the effectiveness of auditor independence in ensuring audit quality is not affected by business complexity.

Finally, the objectivity x business complexity interaction term has a regression coefficient of 0.023 with a significance value of 0.015 (<0.05). Therefore, H6 is accepted, indicating that business complexity significantly moderates the relationship between auditor objectivity and audit quality. The positive interaction foefficient suggests that business complexity mitigates the negative effect of objectivity on audit quality. In the words, the relationship between auditor objectivity on audit quality varies according to the level of operational complexity. In more complex banking environments, the influence of auditor objectivity on audit quality becomes conditional upon the characterictics of the audit engagement, indicating that business complexity serves as a important boundary condition in this relationship.

CONCLUSION

This study aimed to examine he effects of Key Audit Matters (KAM), auditor independence, and objectivity on audit quality, with business complexity serving as a moderating variable, in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024 period. The findings indicate that Key Audit Matters (KAM) and auditor independence are significant determinantsof audit quality in banking sector, whereas objectivity has a significant negative effect on audit quality. Furthermore, business complexity significantly moderates the relationships between KAM and audit quality as well as between objectivity and audit quality, indicating that the strength of these relationships varies according to the level of operational complexity. However, business complexity does not moderate the relationship between auditor independence and audit quality. Overall, these findings suggest that that audit quality in the banking industry is influenced not only by auditor-related characteristics and audit report disclosures but also by the operational characteristics of the audited company and other factors beyond the scope of this study. These results contribute to a broader understanding of the determinants of audit quality and highlight the importance of considering both auditor attributes and organizational complexity in audit quality assessment.

This study has several limitations. First, the research object is limited to banking sector companies listed on the Indonesia Stock Exchange (IDX). Therefore, the findings cannot yet be generalized to other industrial sectors. Second, the research model only incorporates Key Audit Matters (KAM), auditor independence, objectivity, and business complexity, while other factors that may potentially influence audit quality are not included in the model, such as auditor industry specilization, audit firm size, audit report lag, corporate governance, and audit risk. The measurement of audit quality itself also remains a challenge because audit quality is a multidimensional construct that cannot be directly observed and is commonly assessed using certain empirical proxies.

Therefore, future research is recommended to expand the research scope by examining companies from other industrial sectors, extending the observation period, considering alternative proxies for measuring audit quality and business complexity, and incorporating additional relevant variables. These improvements are expected to produce a model with stronger predictive capability and provide a more comprehensive undertanding of the determinants of audit quality.

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