

The Impact of Key Audit Matters Reporting on Audit Quality: Special Reference to the Commercial Banks in Sri Lanka

Wijesinghe, M.R.N.D.¹ and Wijerathna, A.G.H.S.K.²

¹nimashawijeshinghe@gmail.com; ²shashikalaw@kln.ac.lk

Abstract

The concept of Key Audit Matters reporting has gained prominence in recent years to enhance transparency and improve the quality of financial reporting. Auditor experience enhances an audit's overall effectiveness, efficiency, and quality. When it comes concerning major audit issues, auditors' extensiveness of experience empowers them to focus on the most important issues, implement professional judgment, and communicate effectively with stakeholders, therefore improving the audit process and the ensuing financial statements' reliability. This research study examines the impact of Key Audit Matters reporting on audit quality specifically in the context of commercial banks operating in Sri Lanka. The existing literature shows both negative and positive impacts on the relationship between the Key Audit Matters reporting and Audit Quality and the current study is expected to examine this impact in the Sri Lankan context. The findings of this research are expected to shed light on the effectiveness of Key Audit Matters reporting as a tool to enhance audit quality within the commercial banking sector in Sri Lanka. This study identified Key Audit Matters that have a significant positive impact on audit quality. Further, the results may help regulators and standard-setting bodies in assessing the benefits and challenges associated with the implementation of Key Audit Matters reporting and may provide valuable insights for auditors and commercial banks in improving their reporting practices. Furthermore, this study contributes to the growing body of literature on audit quality and financial reporting transparency in emerging economies, particularly in the banking sector of Sri Lanka.

Keywords: Auditor Experience, Audit Quality, Commercial Banks, Corporate Profitability, Corporate Size, Key Audit Matters (KAMs) Reporting