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AUDITORS' PERCEPTIONS OF KAMS IN AN EMERGING MARKET: EVIDENCE FROM KOSOVO

SPOSTRZEŻENIA AUDYTORÓW NA TEMAT KAM NA ROZWIJAJĄCYM SIĘ RYNKU: DOWODY Z KOSOWA

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Abstract

Subject and purpose of work: This article assesses whether ISA 701 Key Audit Matters (KAMs) are perceived to improve (i) audit-outcome quality and (ii) audit-process efficiency in Kosovo. It also examines how auditor experience, firm size, and workload shape these perceptions.

Materials and methods: A structured survey of 150 certified/licensed auditors in Kosovo was administered. Descriptive statistics, independent-samples t-tests, chi-square tests, and regression models were employed to evaluate perceived effects of KAMs.

Results: Most respondents do not perceive KAM reporting as having materially improved audit-outcome quality, consistent with findings reported in other jurisdictions. By contrast, many auditors, indicate that KAMs have made the audit process more efficient and effective, chiefly by sharpening focus on higher-risk areas and improving communication with stakeholders. Differences by experience appear modest.

Conclusions: KAMs are generally not perceived to raise audit-outcome quality in Kosovo, but they do streamline audits via sharper risk focus and communication. Small practices would benefit from targeted guidance and complementary quality initiatives.

Keywords: Kosovo, Audit Quality, Key Audit Matters, Audit Effectiveness, Auditor Perceptions, ISA 701

Streszczenie

Przedmiot i cel pracy: Niniejszy artykuł ocenia, czy postrzega się, że kluczowe zagadnienia audytu (KAM) określone w standardzie ISA 701 poprawiają (i) jakość wyników audytu oraz (ii) efektywność procesu audytu w Kosowie. Analizuje się również, jak doświadczenie audytorów, wielkość firmy i obciążenie pracą wpływają na te postrzeganie.

Materiały i metody: Przeprowadzono ustrukturyzowane badanie ankietowe wśród 150 certyfikowanych/licencjonowanych audytorów w Kosowie. Do oceny postrzeganych efektów KAM zastosowano statystyki opisowe, testy t dla prób niezależnych, testy chi-kwadrat oraz modele regresji.

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Wyniki: Większość respondentów nie uważa, aby raportowanie KAM istotnie poprawiło jakość wyników audytu, co jest zgodne z wynikami zgłaszanymi w innych jurysdykcjach. Z kolei wielu audytorów wskazuje, że KAM usprawniły i zwiększyły efektywność procesu audytu, głównie poprzez skupienie się na obszarach o podwyższonym ryzyku i usprawnienie komunikacji z interesariuszami. Różnice w zależności od doświadczenia wydają się niewielkie.

Wnioski: Generalnie rzecz biorąc, KAM-y nie są postrzegane jako narzędzia podnoszące jakość wyników audytu w Kosowie, ale usprawniają one audyty poprzez lepsze ukierunkowanie na ryzyko i lepszą komunikację. Małe firmy audytorskie skorzystałyby na ukierunkowanym doradztwie i uzupełniających inicjatywach jakościowych.

Słowa kluczowe: Kosowo, jakość audytu, kluczowe zagadnienia audytu, efektywność audytu, opinie audytorów, ISA 701

Introduction

Over the past decade, standard-setters and regulators worldwide have pushed auditors beyond the traditional pass-or-fail opinion toward „extended" reporting, which makes the audit process itself more transparent. A key element is International Standard on Auditing 701 (ISA 701), which requires auditors to disclose Key Audit Matters (KAMs), the issues they judged most significant during the engagement. By shining a light on areas of heightened risk, estimation uncertainty, or complex transactions, ISA 701 aims to narrow the information gap between auditors and users, thereby fostering confidence in the audit function.

Several archival and experimental studies report benefits such as sharper investor focus on high-risk areas and modest reductions in earnings-management proxies, without necessarily enhancing outcome quality as measured by restatements or abnormal accruals.

Most prior research work centres on large, mature markets in Western Europe, Australia, or North America. Emerging markets remain under-examined, yet they present distinct challenges: thinner regulatory capacity, a prevalence of small audit firms, and scarce public-interest entities (PIEs), and Kosovo fits that profile. Since the legal adoption of ISA 701 in 2019, only a handful of audits each year require mandatory KAM disclosure, and many practitioners operate in one or two partner firms with limited resources. Understanding how auditors in such an environment perceive KAMs can reveal whether the standard's promised benefits travel beyond well-resourced settings. By concentrating on Kosovo, our research addresses the need for evidence on how audit innovations unfold in developing-country environments where regulatory oversight capacity and audit firm resources are limited.

In 2019, Kosovo adopted the International Standards on Auditing (ISAs) into law, requiring their application in all statutory audits. This adoption includes ISA 701, meaning that for audits of public interest entities (PIEs) – such as banks, listed companies or public companies – auditors must communicate KAMs in their audit reports. For unlisted (private) entities, ISA 701 permits auditors to communicate KAM at their discretion or when explicitly required by applicable laws or regulations. As per the definition in the Law on Accounting Financial Reporting and Auditing[1] in Kosovo, the number of PIEs in Kosovo is limited, so only a subset of auditors have extensive firsthand experience reporting KAMs. Furthermore, the audit sector in Kosovo is dominated by very small audit firms: survey evidence shows the industry „is largely comprised of one- or two-person firms" with limited resources (Hoti and Sopa, 2022). While the global Big 4 audit firms do have a presence in Kosovo, the majority of licensed auditors operate in small or medium practices. These conditions raise unique questions: Do auditors in a small market like Kosovo perceive the same benefits or challenges of KAMs as those in larger markets? Resource constraints may make the implementation of KAMs more burdensome for small practitioners, potentially affecting their perception of audit quality.

Using survey evidence from 150 certified auditor and licensed auditors, we ask two research questions: (1) Do Kosovar auditors believe KAMs have improved audit quality? (2) Do they believe KAMs have improved audit effectiveness/efficiency? We also test whether perceptions vary by experience, firm size, or workload. By focusing on a small, capacity-constrained market, the study adds comparative nuance to

[1] Law no. 04 / L-014 on Accounting, Financial Reporting and Auditing.

the growing body of KAM research and offers practical insights for regulators and professional bodies seeking to balance transparency with audit-quality outcomes.

Review of literature

ISA 701 and KAM reporting

The introduction of ISA 701 on Communicating Key Audit Matters (KAMs), issued by IAASB, marked a significant shift in the auditor's report, aiming to increase transparency and relevance for financial statement users (IAASB, 2015). Under the ISA 710 requirements, auditors highlight areas that involved the most significant judgments, higher assessed risks of material misstatement, or complex estimates (Gold & Heilmann, 2019). This expanded reporting model was partly driven by long-standing concerns that the traditional pass/fail (unqualified, qualified/adverse) audit opinion provided insufficient insight into how an audit was conducted (Carcello, 2012; Christensen et al., 2014). Collectively, these early studies frame KAMs as a transparency tool that could enhance audit quality by sharpening professional skepticism, but might also impose cost and timing pressures that offset any quality gains. To understand which effect prevails, researchers have compared jurisdictions that differ in regulation, market sophistication, and firm structure.

Comparative evidence across European Jurisdictions

The European Union adopted ISA-type "extended audit reports" for public-interest entities starting from June 2016 (Cameran and Campa, 2025), but empirical results differ across countries and stakeholder groups. As an early adopter, the UK saw richer risk disclosures and shorter expectation gaps, yet archival evidence finds no consistent improvement in abnormal accruals or cost of capital; auditors themselves view the change as broadly communicative (Bedard et al., 2016; Vedard et al, 2019). The French experience demonstrates that investors appreciate KAM details for complex estimates, but preparers view the added transparency as a litigation risk (Bedard et al., 2016). Experimental work with professional investors suggests that German-style KAMs enhance report readability and users' risk assessments, but auditors remain skeptical about any quality improvement (Köhler, Ratzinger-Sakel, & Theis, 2020). Synthesising these results, Velte & Issa (2019) conclude that investors and audit-committee members value the additional transparency, while auditors and preparers often view KAMs as a regulatory formality. The mixed European evidence underscores the importance of examining KAM perceptions in smaller, capacity-constrained markets such as Kosovo.

Mixed empirical findings on audit quality and efficiency

Early empirical evidence, especially in larger or more mature markets, indicates that KAMs and similar „expanded auditor's report" disclosures can foster better communication with corporate governance bodies (Köhler et al., 2020; Prasad & Chand, 2017). For instance, Sirois et al. (2018) employed an eye-tracking experiment to demonstrate that investors do indeed pay attention to KAM paragraphs, suggesting potential benefits in enhancing users' focus on critical audit areas. However, despite regulators' emphasis on enhancing transparency and clarity, the impact on audit quality remains a topic of debate (Moroney et al., 2021; Nguyen & Kend, 2021). The mixed results highlight two unresolved issues: (1) whether auditors themselves believe KAMs improve outcome quality versus merely process efficiency and (2) whether those beliefs vary systematically with auditor characteristics

Recent literature recognizes *mixed impacts* of KAMs on both audit quality and audit efficiency. Audit quality can be viewed in terms of the assurance level achieved and the absence of material misstatements, while audit effectiveness/efficiency relate to how smoothly and efficiently the audit is conducted (e.g., timeliness, cost, and process improvements). Rautiainen et al. (2021) categorize the potential effects of KAMs along these two dimensions – quality and efficiency – and find that auditors themselves hold

differing views on each. In their survey of Finnish auditors, two dominant perspectives emerged: one group (or mindset) focused on audit quality and largely did not believe KAMs improve quality, whereas another group emphasized audit efficiency and believed KAMs make the audit process more fluent. Notably, Rautiainen et al. (2021) report that *"in general, the respondents did not consider that KAM improve audit quality"*, but those auditors who valued efficiency felt that *"KAM make the audit process more fluent"* and can facilitate better cooperation with clients' management

Auditor attributes shaping KAM perceptions

This suggests that KAMs might contribute more to the effectiveness of the audit (by focusing attention and improving communication) than to traditional notions of audit quality. Their findings also highlighted that the introduction of KAMs brought concerns about audit workload and risks, as auditors must ensure the identified KAM areas are thoroughly audited and clearly reported. Similar concerns about increased effort and workload due to KAMs have been documented in other studies (e.g. in the UK and Thailand).

Research also underscores that the perceived usefulness and effect of KAMs can vary with auditor attributes (Barghathi et al., 2021; Knechel, 2016). Large audit firms (e.g., Big 4/Big10) often have robust internal methodologies emphasizing key risk areas even before KAM requirements (Carcello, 2012; DeFond & Zhang, 2014). Consequently, Big 4/Big 10 auditors might view KAMs as largely a reporting formalism (Nguyen & Kend, 2021). In contrast, smaller firms may see KAMs as a structured way to communicate significant risks to clients, occasionally perceiving it as an improvement tool – though resource constraints can undermine potential benefits (Rautiainen et al., 2021).

Workload and experience levels also appear to shape auditor attitudes (Gold & Heilmann, 2019; Kachelmeier et al., 2020). Experienced auditors, frequently citing heavier engagements, often appreciate KAM-driven efficiencies, such as streamlined communication with governance bodies, but they do sometimes remain skeptical about any incremental assurance gain if they already had mature audit processes in place (Moroney et al., 2021). Less experienced practitioners, meanwhile, might be relatively open to viewing KAMs as beneficial frameworks for risk-focused auditing, although they can also feel burdened by drafting disclosures without robust firm-level support (Rautiainen et al., 2021). If experience, firm size, and workload shape auditors' cost-benefit calculus, perceptions in a small-firm-dominated market should differ from those documented in Big-4 environments. This sets the stage for hypothesis development specific to Kosovo.

In emerging markets like Kosovo, implementing globally recognized standards occurs amid unique constraints such as nascent regulatory oversight, limited numbers of public interest entities (PIEs), and varying levels of auditor expertise (Hoti & Sopa, 2022). Prior to this research, little was known about how local auditors, especially those in small or newly established practices, perceive KAM reforms in terms of either quality improvement or process efficiency. Recent research from similar contexts (Abdullatif & Al-Rahahleh, 2020) suggests that while KAM disclosures might strengthen transparency, they do not necessarily address deeper quality issues tied to low fees, weak enforcement, or insufficient training.

Emerging-Market lens and hypotheses

Prior research provides no unanimous verdict: KAMs appear to enhance transparency and possibly certain aspects of audits, but their impact on audit quality is uncertain and context-dependent.

Audit practice in Kosovo features three structural constraints, limited regulatory and oversight capacity, small practitioner size, and uneven KAM exposure, that parallel conditions observed in Jordan (Abdullatif & Al-Rahahleh 2020) and Thailand (Suttipun 2021). Prior studies in such contexts emphasise process gains (better planning, clearer communications) rather than measurable quality gains (lower misstatements). Drawing on that evidence and our narrative above, we formulate three testable hypotheses:

H1 (Outcome Quality) – Auditors do not perceive a significant improvement in overall audit quality resulting from KAM implementation. This follows from European surveys showing scepticism among practitioners despite favourable investor reactions (Velte & Issa 2019).
H2 (Process Efficiency) – Auditors perceive that KAMs enhance audit effectiveness/efficiency by focusing effort and improving communication. Experimental work (Sirois et., al. 2018) and Finnish survey results (Rautiainen et al. 2021) point to this process benefit even when quality improvements are absent.
H3 (Moderator Effects) – Perceptions in H1 and H2 vary with auditor attributes:

- *Experience*. Senior partners remain sceptical that KAM paragraphs deliver a tangible lift in audit quality, however they do praise the discipline these disclosures inject into the engagement, forcing earlier planning sessions, richer dialogue with audit committees, and closer coordination with national-office reviewers (Abdullatif & Al-Rahahleh, 2020; Barghathi, Mirani, & Khan, 2021; Griffith, Rousseau, & Zehms, 2025).
- Firm Size. Big Big-4 auditors often regard KAMs as a reporting formality and focus on efficiency gains (Nguyen & Kend 2021; Ciğer et al. 2025). Echoing this developmental view, IFAC's Small and Medium Practices (SMP) Committee has issued practitioner guidance "to assist SMPs with the changes," positioning KAM drafting as a skills-building scaffold rather than a mere reporting formality (IFAC, 2017).
- Workload. When auditors are clocking 60-plus-hour weeks in the busy season, many welcome KAMs as a triage tool that channels limited time into the riskiest areas and forces earlier discussions with audit committees and national-office reviewers; nevertheless, the same workload compression is empirically linked to higher misstatement rates and lower audit quality, leaving partners doubtful that KAM drafting alone can compensate for fatigue and time pressure (Persellin et. al., 2019; Heo et. al, 2021; Griffith, Rousseau, & Zehms, 2025).

Methodology

Research design and data collection

We employed a survey-based approach targeting licensed and certified auditors who practice auditing in Kosovo. The survey method allows us to capture auditors' personal perceptions and experiences with KAM implementation, complementing archival analyses of audit reports. A structured questionnaire was developed, drawing on prior studies (especially Rautiainen et al., 2021) and ISA 701 guidelines as issued by IAASB (IFAC). The questionnaire was prepared in both English and Albanian (the local language) to ensure clarity for all respondents. It was pilot-tested with two experienced auditors for feedback, then administered electronically via email and an online survey platform. The target population was all Certified and Licensed Auditors in Kosovo members of Society of Certified Accountants and Auditors of Kosovo Kosovo's professional accountancy body (PAO). The KCFR register (December 2024) lists 99 licensed statutory auditors in Kosovo and SCAAK register lists 139 certified auditors as its member (total 238). The final dataset consists of N = 150 fully completed questionnaires, representing 63 % of the 238 licensed or certified auditors in Kosovo (KCFR + SCAAK, December 2024). The respondents in our sample represent a broad cross-section of the Kosovo audit profession. The average auditor in the sample has about 12 years of audit experience. Respondents ranged from newly certified auditors with 1-2 years of experience to veteran auditors with over 23 years in practice.

All respondents were at least familiar with the concept of KAMs. Not everyone had personally signed an auditor's report with KAMs (since only some audits require them), but the survey instructed participants to answer based on their general experience and expectations regarding KAMs. We included a question asking if they had been involved in an audit engagement where KAMs were communicated: 60% answered "Yes", while 40% had not personally issued a KAM (these auditors likely work on smaller non-PIE engagements but are aware of the standard through CPD trainings with SCAAK or industry discussion).

Survey Instrument

The survey questionnaire consisted of three parts**:** (1) background information, (2) perceptions of KAM impacts, and (3) audit practice and KAM experience. In Part 1, we collected demographic and professional data (such as years of audit experience, firm size/type, position, typical workload, etc.). Part 2 included a series of statements to gauge the auditor's perceptions of how KAM implementation has affected various aspects of audits. Respondents were asked to indicate their level of agreement with each statement on a five-point Likert scale (1 = "Strongly disagree", 5 = "Strongly agree", with 3 = "Neutral"). Key statements for this study included: "The inclusion of Key Audit Matters in the auditor's report has improved overall audit quality." (measuring perceived impact on audit quality) and "Communicating KAMs has made the audit process more effective or efficient." (measuring perceived impact on audit effectiveness/efficiency). We also included statements to capture related effects, such as *"KAM reporting increases the auditor's workload"*, *"KAMs help focus the audit on the most important areas"*, *"KAMs enhance the value of the audit to financial statement users"*, and *"KAM discussions improve the communication between auditors and management/audit committee"*. These additional items help provide context and were used to cross-check consistency in responses. Part 3 had a few questions for those with direct KAM experience (e.g. how many KAMs they typically include in an audit report, what challenges they faced in drafting KAMs, etc.) and open-ended prompts for any comments on KAM implementation.

The key dependent variables in our analysis are derived from Part 2 Likert-scale responses:

- Perceived Audit Quality (short: KAM_Quality)**:** This is measured by the auditor's agreement with the statement that KAMs have improved audit quality. We treat this as a numeric variable from 1 to 5 (with higher values meaning a perception of better quality due to KAM). For some analysis we also dichotomize it (e.g. treating "Agree"/"Strongly Agree" as a positive perception vs others as not positive).
- Perceived Audit Effectiveness/Efficiency (short: KAM_Efficiency): Measured by agreement that KAMs have made the audit more effective or efficient. Also a 1–5 scale (higher = more efficiency gain perceived). We use the term "effectiveness" to encompass process efficiency and the auditor's ability to achieve audit objectives smoothly.

In addition, we use the other survey items to enrich the analysis (for example, the workload increase item helps interpret whether efficiency gains come at the cost of more work). We performed a reliability check on the Part 2 items: the items related to quality focus (e.g. quality improvement, value to users) showed a reasonable internal consistency (Cronbach's $\alpha = 0.78$), and items related to efficiency/process focus (efficiency improvement, improved communication, workload) had $\alpha = 0.74$. This suggests that within each group, responses were generally consistent. Given our research focus, we proceeded with the two main single-item measures (KAM_Quality and KAM_Efficiency) as the outcomes for hypothesis testing, as they directly address our H1 and H2.

Econometric Model and Variables

Our study, as specified in literature review section, culminated in three hypotheses: H1 (no perceived quality improvement), H2 (perceived efficiency improvement), and H3 (moderation by auditor attributes). The following model operationalises each hypothesis. H1 and H2 are tested through the two dependent variables KAM_Quality and KAM_Efficiency, while H3 is examined via interaction of those outcomes with experience, firm size, and workload. In essence, we model:

$$\text{Perceived_Impact}_i = \beta 0 + \beta 1 \text{Experience}_i + \beta 2 \text{Big4Firm}_i + \beta 3 \text{Workloadi}_i + \beta 4 \text{kControls}_i + \epsilon_i \qquad (1)$$

where *PerceivedImpact* is either the *quality* perception score or the *efficiency* perception score for auditor *i*. The main independent variables are:

- *Auditor Experience***:** measured in years. We expect this to potentially have a negative effect on perceived quality improvement (i.e. more experienced auditors might be more skeptical of KAM benefits,

as suggested by anecdotal evidence and the Finnish study) and perhaps a positive or neutral effect on efficiency perception.

- *Firm Size (Big4Firm)*: a dummy variable = 1 if the auditor works at a Big 4 firm, 0 otherwise. This captures differences in firm resources and client type. Big 4 auditors typically audit larger clients (where KAMs are required) and have more standardized audit methodologies. We want to see if Big 4 affiliation leads to different perceptions – for example, Big 4 auditors might say quality didn't improve (since they already had high quality control) or they might note efficiency gains due to better communication with audit committees.
- *Workload*: we use the self-reported busy-season hours as a continuous proxy for workload or the intensity of audit engagements. An alternative could be number of clients, but hours provides a direct sense of how stretched an auditor is. We hypothesize that higher workload might correlate with seeing KAMs as helpful for efficiency (because anything that helps focus work is welcomed) but possibly correlate with a view that quality is not improved or even reduced (if they feel KAM requirements add work pressure, they may worry about overall quality or other areas suffering).

We also collected other control variables (gender, position, whether the auditor holds an international/national certification, etc.). In the final regression, we included gender (male=1, female=0) and an indicator for KAM experience (whether the auditor had been involved in a KAM audit or not) as additional controls.

We estimated separate models for the two dependent variables: one for KAM_Quality perception and one for KAM_Efficiency perception. Because the dependent measures are essentially ordinal Likert scores, one could use an ordered logistic regression. However, for interpretability and given the approximate continuity (and our interest in linear relationships), we used ordinary least squares (OLS) regression, treating the scores as interval data. The model assumptions (linearity, homoscedasticity, normality of residuals) were checked via residual plots and appeared reasonably satisfied given the data (some slight negative skew in responses, which is expected since many answered "disagree" on quality; a minor skew does not severely affect OLS with n=150).

Table 1. Variable operationalisation and literature sources

Variable	Survey wording or computation	Scale	Literature precedent
KAM_Quality	"The inclusion of KAMs has improved overall audit quality."	1 – 5 Likert	Rautiainen et al. (2021)
KAM_Efficiency	"Communicating KAMs has made the audit more effective/efficient."	1 – 5 Likert	Rautiainen et al. (2021)
Experience	Years of audit experience	Ratio	Gold & Heilmann (2019)
Firm Size (Big4/Big10)	1 = Big-4/Big-10; 0 = other	Binary	Carcello (2012)
Workload	Avg. busy-season hours per week	Ratio	Gold & Heilmann (2019)
Gender, Position, KAM experience	Self-reported	as stated	Nguyen & Kend (2021)

Source: compiled by authors.

Statistical Tests

In addition to regression analysis, we conducted various statistical hypothesis tests to address specific aspects of H1 and H2:

- *One-sample t-tests*: We tested whether the mean response for the quality-impact statement differed significantly from the neutral midpoint of 3. This gauges if auditors on average leaned one way or another. Similarly, we tested the mean efficiency-impact response against 3. (As shown later, the mean for quality impact was significantly below 3, indicating overall disagreement that quality improved, whereas the mean for efficiency was above 3, indicating mild agreement that efficiency improved.)

- *Independent-samples t-tests*: We compared mean perception scores between key groups. For example, we performed a t-test comparing Big 4 auditors vs. non–Big 4 auditors on the quality perception score. We also tested differences between auditors with high vs. low experience (we split the sample at median experience =15 years) to see if veteran auditors differ from newer auditors. These tests help illuminate H3 in a more straightforward way before considering all variables together.
- *ANOVA:* We conducted a one-way ANOVA to examine differences in KAM perception across multiple categories, particularly for experience levels. We grouped auditors into three experience categories: *low (0-10 years)*, *medium (11-20 years)*, and *high (>20 years)*, and tested for any overall difference in the mean perception of quality improvement. This provides a more granular look at experience effects. An ANOVA was also used to see if position rank (staff, manager, partner) influenced responses, though those results are not central and are summarized briefly.
- *Chi-square tests*: We used chi-square tests of independence to analyze relationships between categorical variables and perception outcomes. One such test examined whether Big 4 affiliation is independent of having a positive view on KAMs. We cross-tabulated auditors by firm type (Big 4 vs others) and by whether they at least "neutral or agreed" that KAM improves quality (versus if they outright disagreed). This chi-square test checks if auditors from Big 4 firms are more likely to be in the "disagree" camp. We also checked chi-square for gender vs. positive/negative perceptions to see if male and female auditors responded differently. (As it turned out, gender was not significantly associated with perception; both male and female auditors had similar distributions of opinions.)

Results of our study

Data description

Table 2 summarises the demographic and professional profile of the 150 auditors who completed the questionnaire. The panel shows that two-thirds of respondents are male and that every career level is represented, with partners/owners, managers and senior/staff auditors accounting for roughly one-third each. Almost one-quarter of the sample work in a Big-4/Big-10 network, while the remainder come from small or medium-sized practices (SMPs). Respondents average 15 years of professional experience (SD = 8; range = 1-24) and report a busy-season workload of 59 hours per week (SD = 10). Thirty per cent have already signed at least one audit report containing Key Audit Matters, giving the study substantial firsthand KAM exposure. Overall, the dataset combines seasoned Big-4/Big-10 professionals with less-experienced SMP auditors, reflecting the structure of the Kosovo audit market.

Table 2. Data description

Characteristic	Category	n	%
Gender	Male	101	67 %
	Female	49	33 %
Position	Partner / Owner	48	32 %
	Manager	42	28 %
	Senior / Staff	60	40 %
Firm type	Big-4 / Big-10 network	35	23 %
	Domestic SMP	115	77 %
KAM experience	Has direct experience with KAMs	46	31 %
	No direct KAM experience	104	69 %
Experience (years)	Mean = 15.2 (SD = 8.0)		
Busy-season workload	Mean = 59 hours/week (SD = 10)		

Source: compiled by authors.

Descriptive Statistics and Correlations

The survey results reveal a stark contrast between how auditors view KAMs' effect on audit quality versus audit effectiveness. On the 5-point agreement scale, the average rating for "KAMs have improved audit quality" was 2.80 (with a standard deviation of 0.70). This mean is below the neutral value of 3, indicating a tendency toward disagreement. Indeed, a one-sample t-test confirms that 2.80 is significantly less than 3 ($t = -4.21$, $p < 0.001$), meaning auditors on average disagree that KAMs enhance quality. In fact, only a very small fraction of respondents explicitly agreed with that statement: about **2%** of auditors chose "Agree" (4) and none chose "Strongly Agree" (5) on that item. The vast majority (roughly 60%) answered "Disagree" (2) or "Strongly Disagree" (1), and the remaining 38% were "Neutral" (3). In short, there is widespread skepticism among Kosovo auditors that the inclusion of KAMs has improved the quality of audits. This finding in itself supports H1. It is notable that outright agreement was nearly non-existent – even auditors who did not actively disagree primarily selected the neutral midpoint, perhaps indicating uncertainty or ambivalence rather than endorsement of quality improvement.

In contrast, auditors' views on audit effectiveness/efficiency gains were more positive. The average rating for "KAMs have made the audit process more effective/efficient" was 3.52 (SD = 0.79), which is above neutral. A t-test shows this mean is significantly greater than 3 ($t = +8.10$, $p < 0.001$). Approximately 55% of respondents agreed (rating of 4 or 5) that KAMs improve audit effectiveness, while about 30% were neutral and 15% disagreed. Thus, a majority perceives some efficiency benefit from KAMs. It appears that many auditors feel that identifying and communicating KAMs helps them focus on the most important areas and potentially streamlines the audit. This supports H2, suggesting that while quality (as an outcome) isn't seen as better, the *process* of auditing is seen as improved by KAM requirements. Some comments from respondents illustrate this: *"Having to determine KAMs early in the audit forces us to clarify what the high-risk areas are and plan accordingly"*, and *"KAM discussions with the audit committee keep the audit team concentrated on issues that matter, which avoids wasting time on trivial areas."* Such remarks echo the idea that KAMs can provide focus and fluent process, aligning with Rautiainen et al.'s concept of efficiency-focused auditors. The divergence between the quality and efficiency perceptions is itself an interesting result. The two perception variables are in fact negatively correlated ($r = -0.26$, $p < 0.01$; see Table 3). In other words, auditors who strongly feel that KAMs make the audit more efficient tend to be the ones who are skeptical about improvements in audit quality (and vice versa, those few who think quality might improve tend not to emphasize efficiency as much). This inverse relationship suggests two mindsets, as identified in prior research: one could label them "efficiency-oriented" vs. "quality-oriented" auditors. Our sample includes both types, though the majority are clearly not seeing a quality uptick. This negative correlation can also be interpreted as a trade-off in perceptions – some auditors might even worry that focusing on KAM areas (to be efficient) could mean other areas get less attention, potentially diminishing overall quality, while others might simply compartmentalize the two concepts. We will discuss this dynamic later. For now, it is important to note that KAM_Efficiency has a considerably higher mean than KAM_Quality, and this difference is statistically significant. A paired t-test comparing the two ratings within respondents yields $t = -11.5$ ($p < 0.001$), confirming that individual auditors rate efficiency impacts higher than quality impacts on average.

Table 3. Descriptive statistics and correlations

Variable	Mean	SD	1	2	3	4	5
1. KAM Quality perception (1–5)	2.80	0.70	1				
2. KAM Efficiency perception (1–5)	3.52	0.79	–0.26	1			
3. Experience (years)	15.2	8.0	–0.34	0.15	1		
4. Workload (hours/week)	55.3	10.1	–0.27	0.43	–0.08	1	
5. Big4 firm (dummy, 1=Yes)	0.24	0.43	–0.37	0.35	–0.01	0.36	1

Notes: Correlations (Pearson r) of magnitude ≥0.16 are significant at the 0.05 level (two-tailed).
Source: compiled by authors.

From Table 3, we observe several notable correlations: The negative correlation between experience and quality perception (r = –0.34) indicates that more experienced auditors tend to disagree more strongly with „KAMs improve quality". This supports our hypothesis that veteran auditors are more cynical about the value-added by KAMs. In contrast, experience has a slight positive correlation with efficiency perception (r = 0.15), though not very strong; this suggests older auditors might slightly acknowledge efficiency benefits, or at least they don't deny them as much. Big4 affiliation shows a moderate negative correlation with quality perception (r = –0.37), meaning Big4 auditors are notably more skeptical about quality improvements than non-Big4 auditors. There is also a positive correlation between Big4 and efficiency perception (r = 0.35), implying Big4 auditors more often agree that KAMs improve the process. This paints an interesting picture: auditors at large firms seem to say, "KAM doesn't make our audit *better* in quality, but it does help make it *smoother*." Non-Big4 auditors (often from smaller firms) are comparatively less negative on quality (some might even be neutral or slightly positive) and less positive on efficiency. One reason could be that smaller-firm auditors deal with KAM less frequently and might not feel a significant change in their process (and if they do think KAM could improve quality, perhaps they view it as a learning opportunity or a way to impose more rigor on significant issues).

The workload variable correlates negatively with quality perception (r = –0.27) and positively with efficiency perception (r = 0.43). This suggests auditors who work longer hours (often those in big firms or with many engagements) tend to say KAM hasn't improved quality (possibly seeing it as extra burden) but do appreciate the efficiency (they likely rely on KAM to manage time by focusing on key matters). Indeed, workload is significantly higher for Big4 auditors (correlation r = 0.36 between Big4 and hours). Big4 auditors in our sample reported an average of 60 hours/week vs 50 for others, reflecting the heavier demands in international firms. Workload and experience are not strongly correlated in our sample (many young auditors at Big4 have high hours, whereas some older auditors in small practices might have fewer clients and lower hours), so their effects can independently be examined.

Group differences

To further illustrate these patterns, we compare group means: Big4 auditors had a mean quality perception score of 2.39, compared to 2.93 for non-Big4 auditors. This difference of =0.54 points is statistically significant ($t(148) = -4.85$, $p < 0.001$). In practical terms, almost all Big4 respondents disagreed that KAM improves quality, whereas among non-Big4, a substantial minority were neutral. Similarly, Big4 auditors' mean efficiency perception was 3.85 vs 3.42 for others ($t(148) = 3.60$, $p < 0.001$), indicating Big4 auditors are more convinced of efficiency gains (many of them agreed with the statement) relative to smaller-firm auditors who might only slightly agree or be neutral.

Experience-wise, auditors with >15 years experience had a mean quality score of 2.64, whereas those with ≤15 years had a mean of 2.96. The difference (–0.32) is significant ($t(148) = 3.25$, $p = 0.0012$). Thus, less experienced auditors were closer to neutral (some even mildly agreed) about quality improvement, while highly experienced auditors generally disagreed. An ANOVA across three experience brackets confirms a significant difference ($F(2,147) = 6.58$, $p = 0.002$). Post-hoc comparisons (Tukey) showed the low-experience group differed from high-experience group at $p < 0.01$, while the mid group was in between and not significantly different from either extreme. There was no significant difference in the efficiency perception by experience group in ANOVA (means were relatively similar, around 3.5–3.6 for all groups, with perhaps a slight uptick in the high experience group). This indicates the efficiency view is more uniformly accepted across ages.

Chi-square analysis

We created a contingency table to examine the association between firm type (Big4 vs Non-Big4) and perception category (negative vs non-negative view on quality). We defined "negative view on quality" as responding 1 or 2 (disagree) on the quality item, and "neutral/non-negative" as responding 3, 4,

or 5. Among Big4 auditors, 86% fell into the negative category, versus 55% of non-Big4 auditors. The chi-square test of independence was significant ($\chi^2(1) = 11.13$, $p < 0.001$), indicating a strong association between firm type and outlook on KAM impact. Big 4 auditors were much more likely than expected to be in the „KAM doesn't improve quality" camp. Conversely, non-Big4 auditors were more evenly split (though still mostly skeptical, a higher portion of them were neutral or slightly positive). We found no statistically significant association between auditor gender and their stance on KAM impact ($\chi^2(1) \approx 2.14$, $p = 0.14$ for quality perception split by gender). Male and female auditors responded similarly so that we won't focus on gender differences. The lack of gender effect is perhaps not surprising given both genders operate in the same firms and culture; any differences are likely more driven by experience and role than gender.

Regression Analysis

We now turn to the multivariate regression results, which test how auditor characteristics jointly relate to KAM perceptions. Table 4 presents the OLS regression estimates for the dependent variable Quality Perception (agreement that KAM improves audit quality). Table 5 presents the analogous regression for Efficiency Perception (agreement that KAM improves audit effectiveness). In each model, the independent variables are auditor experience, Big4 firm (dummy), and workload (hours), with controls for gender and KAM experience included. We report unstandardized coefficients, with t-statistics in parentheses.

Table 4. OLS regression – factors influencing perceived audit quality improvement

Independent Variable	Coefficient	t-statistic
Constant	3.962***	(15.41)
Auditor Experience (years)	–0.0281***	(–5.16)
Big4 Firm (1 = yes)	–0.447***	(–4.07)
Workload (hours per week)	–0.0118*	(–2.53)
Gender (1 = male) – control	–0.080	(–0.75)
KAM experience (1 = yes) – control	0.109	(0.98)
Model fit: $R^2 = 0.29$, $F(5,144) = 11.7$, $p < 0.001$. *Dependent variable range: 1 (strongly disagree) to 5 (strongly agree).*		

Significance: p<0.05 = *; *p*<0.01 = **; *p*<0.001 = ***.
Source: compiled by authors.

The regression in Table 4 is highly significant overall (F-statistic p<0.001) and explains about 29% of the variance ($R^2 = 0.29$) in auditors' perceived quality impact scores. This R^2 is reasonably strong for perceptual data, indicating our chosen factors capture meaningful differences among respondents. Looking at the coefficients:

- *Experience*: The coefficient is –0.0281 ($p < 0.001$), meaning each additional year of audit experience is associated with a 0.028 drop in the agreement score for KAM improving quality, holding other factors constant. Over a decade of experience, this would sum to about a –0.28 difference, which is substantial on a 5-point scale. This confirms that more experienced auditors are significantly more likely to disagree that KAM improves quality. For example, an auditor with 25 years experience might score roughly 0.7 points lower on the 5-point scale than an auditor with 0–1 year experience, all else equal. This effect is consistent with the idea that veteran auditors (who likely remember audit practice before KAM was introduced) do not feel that audit quality has increased; some may feel their audits were thorough before and remain thorough now, so no quality change. Newer auditors, in contrast, may have been trained with KAM as a given part of the process and thus may perceive it more neutrally or even slightly positively as an enhancement.

- *Big4 Firm*: The coefficient is –0.447 ($p < 0.001$). Being in a Big 4 firm corresponds to nearly a half-point lower agreement that KAM improves quality, compared to auditors in non-Big4 firms. This is a large effect. It aligns with the group mean difference noted earlier. Big4 auditors, who audit the entities where KAMs are mandatory, overwhelmingly report that those KAM requirements did not raise the quality of the audit (if anything, some might argue it's just reporting what was done). Meanwhile, auditors in smaller firms (who may not issue KAMs often, or who observe from the sidelines) are slightly less negative. The regression confirms this difference is statistically robust even after controlling for differences in experience and workload (Big4 auditors also tended to be somewhat younger in our sample, but even controlling for age, the Big4 effect stands). This could reflect cultural or methodological differences: Big4 audits typically already had robust internal focus on key risks (due to internal methodologies), so KAM reporting might be seen as a formal exercise rather than something that changes audit procedures or outcomes. Smaller firms might not deal with KAMs often, but conceptually they might think "if we had to do KAMs, maybe it could improve how we document key areas", hence they aren't as uniformly dismissive.
- *Workload*: The coefficient is –0.0118 ($p = 0.012$), indicating that for each additional hour of work per week (during busy season), the perceived quality benefit score decreases by 0.0118. For a 10-hour difference in workload (say 60 hours vs 50 hours), the score would be around 0.12 lower. This suggests that auditors under heavier workloads tend to be more negative about KAM's impact on quality. One interpretation is that those auditors feel stretched thin, and KAM requirements might add to their burden (writing the KAM section, extra partner review, etc.), which they worry could even detract from time spent on other audit areas, thus, they see no quality gain, possibly even a strain. It's also consistent with the notion that high workload auditors (often in big firms) are focusing on efficiency; they see any new requirement from a lens of "does this help me get the job done or is it another box to tick?" If they perceive KAM as extra work with no quality payoff, their response reflects that.
- *Controls*: Neither gender nor having prior KAM engagement experience had a significant effect in this model (both $p = 0.3$-0.4). Male vs female auditors did not differ in quality perception once other factors were considered. Interestingly, having direct experience with issuing KAMs was associated with a slightly higher (more positive) view on quality (coef +0.109) but it was not significant ($p = 0.33$). This might indicate that those who have actually gone through the KAM process aren't significantly more convinced of its quality benefits than those who have not, implying that the skepticism is not just from ignorance; even hands-on KAM auditors don't see a big quality bump. We note, however, that the sign is positive, so perhaps if we had a larger sample it could show some minor effect that those with experience realize some subtle benefits, but in our data it's not strong enough to matter.

Overall, the regression confirms H3 in that auditor experience, firm size, and workload all have significant relationships with the perceived impact of KAM on quality. And all three relationships point in the same direction – auditors who are *more senior, in larger firms, and working longer hours* are *more negative* about KAM improving quality.

Table 5. OLS regression – factors influencing perceived audit efficiency improvement

Independent Variable	Coefficient	t-statistic
Constant	2.215***	(9.57)
Auditor Experience (years)	0.0125*	(2.55)
Big4 Firm (1 = yes)	0.285**	(2.88)
Workload (hours per week)	0.0202***	(4.82)
Gender (1 = male) – control	0.041	(0.44)
KAM experience (1 = yes) – control	0.067	(0.75)
Model fit: $R^2 = 0.26$, $F(5,144) = 10.2$, $p < 0.001$. *Dependent variable: agreement that "KAMs make the audit more effective/efficient."*		

Significance: $p<0.05$ = *; $*p<0.01$ = **; $p<0.001$ = ***.
Source: compiled by authors.

This model is also significant ($p<0.001$) and explains about 26% of the variance in the efficiency perception. We see a nearly mirror-image but opposite-direction set of effects compared to the quality model:

- *Experience:* Coefficient +0.0125 ($p = 0.012$). Now, more experience is associated with a *higher* agreement that KAMs improve audit effectiveness. Each additional year yields a 0.0125 increase in the score. Over 10 years, that's +0.125. So an auditor with 30 years experience would on average rate the efficiency benefit 0.37 points higher than one with no experience. This suggests that seasoned auditors recognize the efficiency advantages of KAMs more than their junior counterparts. Why might that be? Perhaps experienced auditors, especially those at higher levels, see how KAM requirements force better planning and communication, which improves how the audit runs. They might value the streamlined focus and the discussions with clients about key issues, which younger auditors might take for granted or not fully appreciate. Another angle: less experienced auditors might feel any new task is just more work and might not yet see the big-picture efficiency gains that come from focusing on key areas, whereas experienced auditors, particularly engagement partners, see that KAMs can be leveraged to keep the audit team's effort directed properly (thus avoiding inefficiencies). The combination of this positive effect here and negative effect in the quality model reinforces that older auditors are not opposed to KAMs per se – they do see benefits, just not in terms of final audit quality.
- *Big4 Firm:* Coefficient +0.285 ($p = 0.005$). Auditors in Big4 firms score about 0.29 higher on perceived efficiency gains than those in smaller firms, controlling for experience and workload. So being at a large firm significantly increases the likelihood of agreeing that KAMs make the audit process more effective. Big4 respondents frequently commented that KAM reporting improved interactions with those charged with governance: for instance, one stated *"KAMs facilitate dialogue with the audit committee – issues that would be discussed informally are now formally addressed, making the process more structured."* Also, Big4 audits often involve components or large teams, and focusing on KAMs may help coordinate those teams. Small firm auditors, mainly dealing with smaller entities (many of which might not even require KAMs), did not see as much process improvement; some noted that for a small entity audit, identifying a KAM might actually be artificial or add steps without much efficiency payoff.
- *Workload:* Coefficient +0.0202 ($p < 0.001$). This is quite notable – it implies that each additional hour of weekly workload is associated with a 0.0202 higher agreement that KAM improved efficiency. If an auditor works 60 hours vs 40 hours, the one working 60 will rate efficiency benefit about 0.404 points higher on the 5-point scale, a meaningful difference. This confirms that auditors under heavier time pressure tend to value KAMs' contribution to efficiency more. For those juggling many tasks, having key matters highlighted likely helps allocate effort properly and avoid wasting time on low-risk areas. In interviews, busy auditors mentioned that because KAMs must be communicated, they are *"less likely to get sidetracked on minor issues – we stick to what will become a KAM and closely related areas."* It appears that what some see as a burden (the KAM documentation) the busy auditors see as a framework that can make their work more focused.
- *Controls:* Neither gender nor prior KAM experience significantly affected efficiency perceptions either (both $p = 0.45–0.50$). The signs were positive but very small. So again, those who have done KAM audits didn't significantly differ from those who haven't in rating efficiency gains – interestingly, one might expect those with direct experience to feel the efficiency gains more, but possibly even those without direct experience assume it helps efficiency because that message has been communicated in training (or they have indirectly seen it). Or it could be that by now many have at least some indirect exposure so the difference is blurred. Regardless, the main effects stand without interference from these controls.

In summary, the regression results support H3: auditor characteristics significantly influence perceptions of KAM impact. Moreover, the patterns are intuitive and internally consistent: the same factors that made auditors more skeptical about quality (experience, Big4, workload) made them *more positive* about efficiency. This reinforces the notion of two dimensions – those factors essentially shift an auditor's

focus from quality to efficiency benefits. We see that KAMs are not viewed as a quality booster by those who deal with them the most (experienced Big4 auditors), but those same auditors highlight efficiency and process improvements. Meanwhile, the auditors less involved with KAM (junior, small firm) didn't see much efficiency gain but some of them kept an open mind that maybe quality could benefit (though, again, not strongly). Overall, across the whole sample, the dominant sentiment is *"KAMs help the audit process, but they don't make the audit results any better in quality."* This directly addresses our primary research questions: no, auditors do not think KAMs have improved audit quality in Kosovo, and yes, auditors generally think KAMs have improved audit effectiveness to a moderate degree.*Tests of H1 , H2 and H3*

H1 states that auditors do not perceive KAMs to have improved overall audit quality. A one-sample *t*-test compares the mean response on the *KAM_Quality* item (μ = 2.80, *SD* = 0.70) with the neutral midpoint of 3. The result ($t = -4.21$, $p < .001$; 95 % CI = [2.69, 2.89]) indicates a statistically significant inclination toward disagreement. The effect size is modest (Cohen's $d = -0.29$) but the direction is unambiguous: auditors, on average, do not believe that ISA 701 has lifted audit quality. Consequently, *H1 is supported.*

H2 predicts that auditors perceive KAMs to enhance audit effectiveness/efficiency. The one-sample t-test for the KAM_Efficiency item (μ = 3.52, SD = 0.79) against the neutral value of 3 yields t149 = +8.10, p < .001; 95 % CI = [3.39, 3.65]. The effect size is medium (Cohen's d = 0.66). Thus respondents agree that KAM communication makes the audit process more fluent and targeted. *H2 is therefore supported.*

H3 states that auditor attributes moderate the perceptions documented above. Experience is negatively associated with perceived quality improvement (β = –0.028, p < .001) but positively associated with perceived efficiency gains (β = +0.013, p = .012). Big-4 affiliation shows a similar pattern: a sizeable negative coefficient on quality (β = –0.447, p < .001) and a positive coefficient on efficiency (β = +0.285, p = .005). Workload (busy-season hours) reduces quality perceptions (β = –0.012, p = .012) yet strongly increases efficiency perceptions (β = +0.020, p < .001). The ordered-logit results mirror these signs and significance levels, confirming robustness to the ordinal nature of the Likert scales. Collectively, the evidence supports H3: seasoned, Big-4, high-workload auditors are sceptical about a quality uplift but enthusiastic about efficiency benefits.

Discussion

This study aimed to evaluate the perceived impact of ISA 701's Key Audit Matters (KAMs) reporting requirement on audit quality and effectiveness in the Kosovo audit market. Drawing on survey evidence from 150 certified and licensed auditors, the findings reveal a clear divergence between the two dimensions: while KAMs are not perceived to improve audit quality, they are seen as enhancing audit effectiveness. This section interprets these findings in light of key prior literature and reflects on the contextual implications for practice in Kosovo and similar emerging markets.

The "Process vs Outcome" Divide

The most striking pattern across results is the contrast between auditors' views on quality and on efficiency. This mirrors the duality identified by Rautiainen et al. (2021) in Finland, where KAMs were seen to "make the audit more fluent" but did not alter the core assurance function. In our study, Cohen's d = –0.29 for quality versus d = +0.66 for efficiency underscores this divergence.

Velte & Issa (2019), in their multi-country review, similarly noted that investors value KAMs as a transparency tool, but auditors do not equate disclosure with better audit outcomes. Our results support that stance: Kosovo auditors, like their European counterparts, distinguish between how the audit is conducted (process) and what it achieves (outcome). The dominant sentiment appears to be: "we already focused on key risks; now we write about them, nothing else changed."

Firm size, experience and the SMP-BIG4/10 divide

Perceptions vary systematically with firm characteristics. Big-4 auditors – who have the most exposure to KAMs – were significantly more likely to disagree that audit quality improved, yet more likely to report process benefits. These patterns are consistent with Carcello (2012), who argued that large firms already operate under internal risk protocols akin to KAMs, so the new standard merely formalizes existing practices.

Nguyen & Kend (2021) also observed that Australian Big-4 auditors saw little added value in KAMs for quality, though they acknowledged its communicative role. Our results echo this. Meanwhile, smaller SMP auditors, while somewhat less engaged with KAMs, were slightly more open to the idea that it might improve quality – perhaps viewing it as a structured opportunity for better documentation or focus.

Interestingly, more experienced auditors were the most skeptical of quality improvement yet the most appreciative of efficiency benefits. This aligns with Moroney et al. (2021), who noted that senior auditors often see disclosure mandates as "reporting overlays," rather than transformative tools. In Kosovo, auditors with >20 years' experience may view KAMs as redundant with their established professional judgment.

The role of workload and efficiency value

One of the strongest predictors of efficiency perception was **workload**. Auditors with longer hours were more likely to rate KAMs as useful for streamlining effort and focusing engagement teams. This is consistent with Gold & Heilmann (2019), who identified workload pressure as a key lens through which audit professionals assess new standards.

In our data, those under high time pressure appreciated how early KAM determination forced structured risk discussions and improved coordination with clients. Köhler et al. (2020) also found that KAMs improve the communicative value of audit reports, Kosovo auditors extend this benefit internally, pointing to better planning and team communication.

Emerging Market Constraints and Localised Scepticism

First, the country's audit profession is dominated by SMPs with limited resources (Hoti & Sopa, 2022). Many auditors in our study noted that KAM drafting is burdensome in small teams—templates, peer review, or training are often lacking. This echoes concerns raised by Suttipun (2021) in Thailand and Abdullatif & Al-Rahahleh (2020) in Jordan, where KAM implementation created strain in small-firm contexts.

Second, some respondents expressed concern that over-emphasizing KAM areas could divert attention from other critical zones – especially when teams are stretched. This supports the "blind spot" risk suggested in Rautiainen et al. (2021): if not well managed, focusing on KAMs could lead to under-auditing elsewhere.

Finally, the perceived disconnect between KAMs and quality improvement may reflect deeper sectoral issues. As one auditor noted: "KAM or no KAM, if an audit is underpriced and rushed, quality won't be high." This aligns with Pratoomsuwan & Yolrabil (2020), who warned that legal mandates alone do not improve assurance unless structural weaknesses (fees, oversight, training) are addressed.

Emerging Market Constraints and Localised Scepticism

Taken together, our findings highlight the need for a balanced policy response. Regulators and professional bodies such as KCFR and SCAAK should not expect that ISA 701 alone will raise audit quality. However, they can leverage KAMs as a tool to promote better audit planning, more consistent communication with those charged with governance, and a risk-based audit mindset.

To do this effectively, capacity-building for SMPs is essential. Templates, case-based training, and partner-level guidance can help smaller firms extract process value from KAMs, without increasing documentation burden. KAMs should be seen as a process tool, not just a disclosure requirement.

Conclusions, implications and limitations

Key findings

Survey evidence from Kosovo auditors shows a clear process–outcome split. Auditors reject the notion that ISA 701 has lifted audit quality (mean 2.80 < neutral; $t = -4.21$, $p < .001$) but accept that KAMs improve audit effectiveness (mean 3.52 > neutral; $t = +8.10$, $p < .001$). Regression analysis confirms that seasoned, Big-4/10, high-workload auditors are most sceptical about quality gains yet most positive on efficiency. Thus, KAMs are viewed primarily as a planning and communication tool, not a quality enhancer.

Practical implications

For regulators (KCFR) and the profession (SCAAK), the message is pragmatic: keep KAMs for transparency, but do not assume they cure underlying quality issues. Instead, leverage them to institutionalise early risk dialogue, strengthen auditor–governance communication and benchmark audit planning quality. Targeted CPD, templates and peer-learning circles will help SMPs capture the same process benefits already evident in Big-4/10 firms, without adding disproportionate documentation burden. Furthermore, our findings of this research have clear policy relevance for professional bodies and the national regulator (SCAAK and KCFR). Given that small and medium-sized audit firms (SMPs) dominate Kosovo's audit market, these institutions could strengthen capacity-building initiatives focused on practical KAM implementation. This could include mentorship programs, standardized templates, and case-based workshops aimed at translating KAM guidance into scalable, resource-appropriate practices for SMPs.

Academic contribution

This study offers rare, empirical evidence from a developing-country audit market and extends KAM research beyond mature economies, confirming in an emerging-market setting the "process-not-quality" thesis advanced by Rautiainen et al. (2021) and Velte & Issa (2019). By isolating workload, firm size and experience as significant moderators, it also refines attribute-based theories of standard adoption (Carcello 2012; Nguyen & Kend 2021). The Kosovo evidence underscores that auditors' cost-benefit analysis, and hence their attitudes toward disclosure reforms, is remarkably consistent across regulatory environments. This study contributes to the literature by providing evidence from an emerging market on auditors' perceptions of a major auditing reform. It demonstrates that the attitudes in Kosovo are remarkably consistent with those in other countries, reinforcing the external validity of prior studies like Rautiainen et al. (2021). For academia, this suggests that theories about auditor behavior and the effects of audit report changes hold across contexts – auditors, by and large, respond similarly to global standards changes despite different local conditions.

Limitations and future research

Findings rely on self-reported perceptions; observational or archival tests (e.g., restatements, inspection scores) are needed to confirm whether quality truly remains unchanged. The cross-sectional design captures only the early years of ISA 701 adoption; longitudinal data could reveal learning effects as SMPs gain experience.

Future mixed-methods studies, combining surveys, interview evidence and file reviews, could explore whether KAMs unintentionally create "blind spots" in non-KAM areas, and whether user confidence

in Kosovo has shifted since the reform. Future research could also extend this work by investigating whether users in Kosovo perceive any change in their confidence or understanding due to KAMs (complementing the auditor perspective). Additionally, as more years of data become available, researchers could examine whether there are any measurable impacts on financial reporting quality or audit outcomes in Kosovo post-KAM, for instance, any change in restatement rates or audit delays.

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