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# Key Audit Matters Insights 2025



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The report is prepared jointly by the Institute of Indonesia Chartered Accountant, the Universitas Indonesia, the University of Melbourne and the University of Queensland.

#### **About The Institute of Indonesia Chartered Accountants**

The Institute of Indonesia Chartered Accountants or Ikatan Akuntan Indonesia (IAI) is the recognized Professional Accountancy Organization (PAO) in Indonesia. Established on December 23, 1957, IAI continues to serve and develop the accountancy profession in the country through, among others, establishment of the Chartered Accountant (CA) Indonesia qualification and other professional accountancy certifications, continuous education and training, and standard-setting activities. IAI is a home to more than 35,000 Indonesian accountants from different backgrounds.

IAI is recognized as a co-founding member of both the ASEAN Federation of Accountants (AFA) and the International Federation of Accountants (IFAC). IAI also an Associate Member of the Chartered Accountants Worldwide (CAW), representing its global recognition for the Chartered Accountant (CA) Indonesia holders. IAI commits to implement IFAC's standards as best practice in improving the quality of the accountancy profession in Indonesia.

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#### **About The University of Melbourne**

Established in 1853, the University of Melbourne is a public-spirited institution that makes distinctive contributions to society in research, learning and teaching and engagement. It's consistently ranked among the leading universities in the world, with international rankings of world universities placing it as number 1 in Australia and number 31 in the world (Times Higher Education World University Rankings 2021).

#### **About The University of Queensland**

For more than a century, the University of Queensland (UQ) has educated and worked with outstanding people to deliver knowledge leadership for a better world. UQ is one of Australia's Group of Eight, a charter member of edX and a founding member of Universitas 21, an international consortium of leading researchintensive universities. It ranks in the world's top universities, as measured by several key independent ranking.

Upon request, we can provide the names of entities for any KAM subject matter of interest (e.g., a list of entities that had a certain subject matter KAM).

We would also welcome any feedback regarding analysis that would be useful and could be included in future reports.

Please contact  
[accounting@ui.ac.id](mailto:accounting@ui.ac.id)

# Foreword



It is with great pride that I present the Key Audit Matters Insights 2025, the result of an outstanding collaboration between the Institute of Indonesia Chartered Accountants (IAI), Universitas Indonesia, the University of Melbourne, and the University of Queensland, in partnership with CA ANZ (Chartered Accountants Australia and New Zealand). Both IAI and CA ANZ are proud members of the International Federation of Accountants (IFAC) and Chartered Accountants Worldwide (CAW), which together promote the Chartered Accountant (CA) designation globally.

This publication reflects our shared commitment to advancing knowledge and practice in accounting and auditing, particularly in Indonesia. I am confident that it will provide valuable perspectives not only for auditors and accountants, but also for investors, regulators, academics, and other key stakeholders who play a vital role in safeguarding the integrity and transparency of financial reporting.

Key Audit Matters (KAM) are central to audit reporting, as they strengthen transparency and improve the quality of communication between auditors, shareholders, and other stakeholders. The in-depth research presented in this report underscores the importance of reliable and relevant auditing practices in supporting sound business and public decision-making.

I would like to express my deepest appreciation to the authors, Prof. Lindawati Gani, Prof. Matt Pinnuck, Yulianti Abbas, Ph.D., and Dr. Mark Wallis, and to all the research teams from the participating institutions for their invaluable contributions. May the findings in this report serve as a meaningful reference for the continuous enhancement of auditing practices in Indonesia and around the world.

The Institute of Indonesia Chartered Accountants

**Dr. Ardan Adiperdana, CA**  
President

# Message from the Dean



The release of two reports—the *Indonesian Financial Reporting Benchmark 2025* and *Key Audit Matters Insights 2025*—represents a major step forward in the joint commitment of Universitas Indonesia, the Institute of Indonesia Chartered Accountants (IAI), the University of Melbourne, the University of Queensland, and Chartered Accountants Australia and New Zealand (CA ANZ) to advance knowledge and practice in auditing and financial reporting.

This collaborative effort represents more than research excellence—it is a manifestation of our shared pursuit of transparency, accountability, and professional integrity. As Indonesia continues to strengthen its position in the global economy, high-quality information serves as an essential foundation for building investor confidence and driving sustainable growth.

The timing of this publication carries special meaning for the Faculty of Economics and Business, Universitas Indonesia (FEB UI), as we celebrate our 75th Anniversary—our Diamond Jubilee. For seventy-five years, FEB UI has been a cornerstone of Indonesia's academic and professional landscape, shaping generations of economists, policymakers, and accountants who have contributed to national and global progress. Our anniversary theme, “Rooted in Impact, Rising with Innovation,” reflects this enduring mission: grounded in integrity and relevance, yet continuously advancing through innovation, collaboration, and global engagement.

Both reports—the Indonesian Financial Reporting Benchmark 2025 and the Key Audit Matters Insights 2025—exemplify these shared values. They bridge academia and professional practice, demonstrating how evidence-based research can inform policy, elevate professional standards, and foster cross-border understanding. May the insights within this report inspire further dialogue, promote evidence-based decision-making, and forge stronger ties for future cooperative endeavors — work that embodies the spirit of FEB UI: rooted in impact, rising with innovation.

Faculty of Economics and Business,  
Universitas Indonesia

**Yulianti Abbas, Ph.D**  
Dean

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Lindawati Gani is a Professor of Management Accounting at the Faculty of Economics and Business, Universitas Indonesia (FEB UI). She serves as a member of the Professional

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## Prof. Matt Pinnuck

Matt is Professor of Financial Accounting in the Department of Accounting at the University of Melbourne. Matt worked for several years in the audit division of KPMG

before completing a Ph.D at the University of Melbourne. Matt teaches financial statement analysis and valuation. Matt's research interest is in the field of large sample data analysis of external reporting financial information to understand both the drivers of firm performance and techniques to assess the quality of financial reports.

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# Introduction

This report documents the main statistical facts regarding the frequency and nature of the reporting of key audit matters (KAM) in auditors' reports of Indonesia listed entities that issued financial statements for the year ended 31 December 2024. Our previous report examined the reporting of key audit matters (KAMs) in the financial statements with a financial year end of 31 December 2022. This report provides an update to that research.

The key findings are summarised in the body of this report and the supporting detail is in the Appendix to this report.

Auditor's reports of all listed entities in Indonesia are required to provide information about KAM.<sup>1</sup>

KAM are defined as "those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period." These will be a subset of the matters communicated to the audit committee, and may include:

- Areas of higher assessed risks of material misstatements or significant risks (i.e., risks requiring special audit consideration),
- Significant auditor judgements relating to areas of significant management judgement, and
- The effect of significant events or transactions on the audit.

A matter that is determined to be a KAM is usually fundamental to users' understanding of the financial statements, the overall outcome of the audit, the auditor's responsibilities, or the auditor's report. The concept of matters of most significance applies within the context of the entity and the specific audit engagement that was performed. As a result, the nature of the KAM reported are diverse and bespoke to each entity and its industry.

Even though there are common KAM, the description is unique to the entity. Flexibility has specifically been allowed to avoid the use of 'boilerplate' communications. The level of detail to include is a matter of professional judgement. As a result, KAM are likely to vary in length. However, the description of KAM must always include why the matter is considered a KAM (e.g., why significant) and how the matter was addressed in the audit (e.g., audit procedures).

There is no requirement for any specific number of KAM. It is expected that the number will vary between entities, even for those entities in the same industry, and even for the same entity year on year. Since the concept of KAM is relative it is envisaged that there will always be at least one for each audit, except in rare circumstances.<sup>2</sup> Also, KAM are not reported if there is a disclaimer of opinion.

<sup>1</sup> SA 701 (2021) Pengumuman Hal Audit Utama dalam Laporan Auditor Independen which is adopted from ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report.

<sup>2</sup> Such circumstances are listed in SA 701 (2021) paragraph 14 and 15.

# Research insights

We sampled the full population of Indonesia listed entities with reporting periods ending 31 December 2024.<sup>3</sup> Financial reports could not be obtained for some entities for reasons such as late filing, suspension and delisting. The final sample is 707 entities.

We classified the KAMs into subject matters based on the following three broad decision rules:

- First, if the subject matter was not an impairment and related to a specific primary financial statement account (e.g., revenue, receivables, inventory, provisions) then that account was the category.
- Second, we had categories for any subject matter that related to impairments, exploration and evaluation, and business combinations. The impairment category includes impairments regarding all assets except those associated with an exploration and evaluation asset. The exploration and evaluation asset category includes all subject matters associated with this asset including impairments.
- Finally, we had a range of subject matters that were relevant to the audit that may not directly affect a specific financial statement account (e.g., information technology, due to implementation of enterprise resource systems).

# How many KAMs are usually reported?

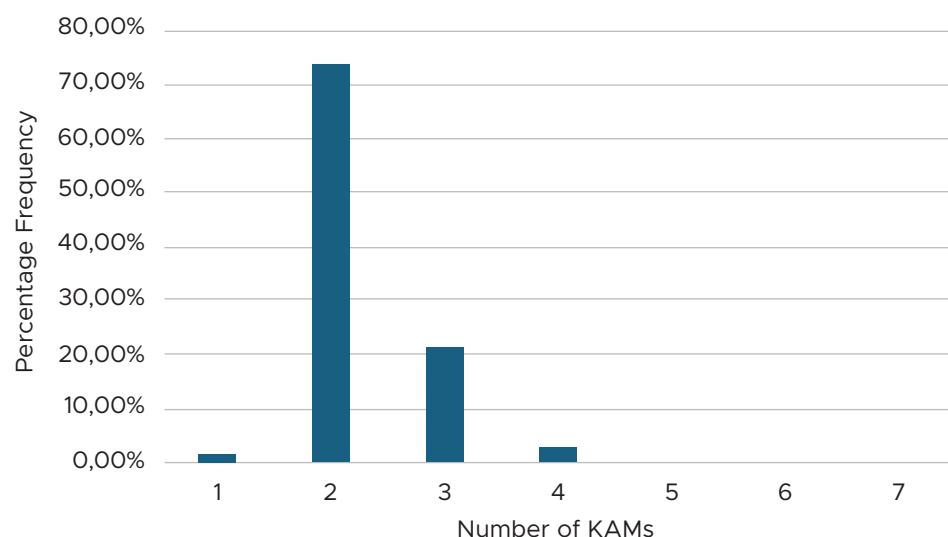
## Key findings:

- Overall, a mean of 1.29 (2022: 1.22) KAMs are reported per audit report
- The number of KAMs in an audit report range from a low of 0 through to the maximum of 6.
- The distribution of the number of KAMs is tightly clustered around the mean with 74% of audit reports having 1 KAM and 22% of audit reports having 2 KAMs. There are very few audit reports with 0 KAMs (1%) or 3 or more KAMs (4%) (see Table 1 and Figure 1).

**Table 1: Number of KAMs per Audit Report**

Number of KAMs	Number of entities	Percentage 2024	Frequency 2022
0	6	0.85%	6.74%
1	523	73.97%	69.95%
2	152	21.50%	19.69%
3	22	3.11%	2.25%
4	3	0.42%	1.04%
5	1	0.14%	0.17%
6	0	0.00%	0.17%
<b>TOTAL</b>	<b>707</b>	<b>100.00%</b>	<b>100.00%</b>

**Figure 1: Percentage frequency of number of KAMs per audit report**

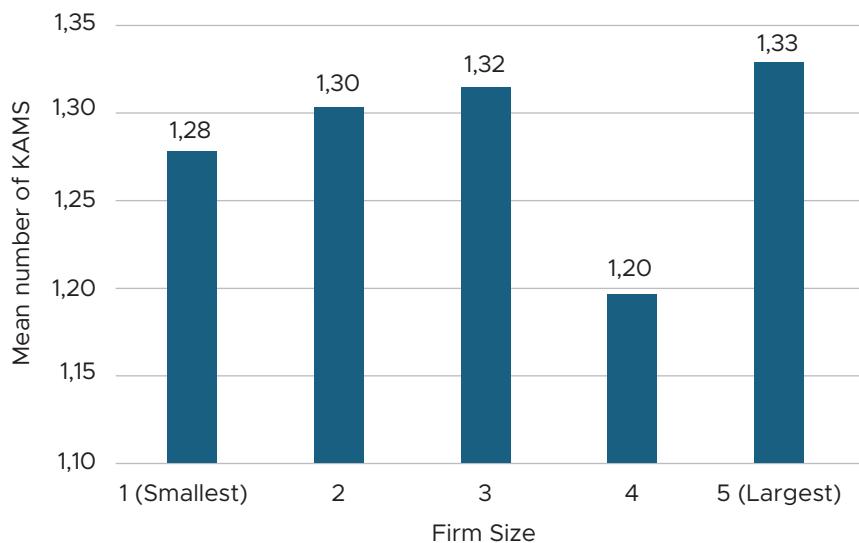


# Which entities report the least and most KAMs?

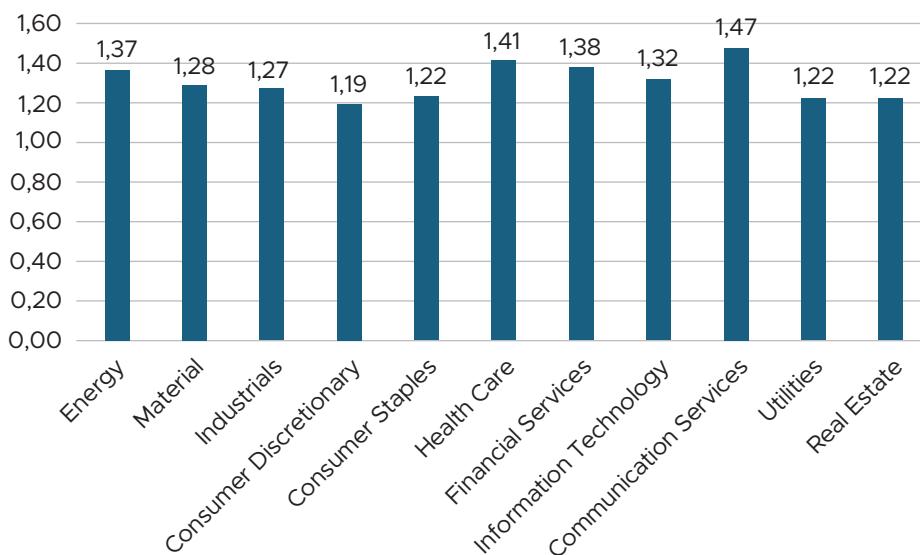
## Key findings:

- The number of KAMs per audit report varies only very slightly as a positive function of the size of the entity. The average number of KAMs for large entities is 1.33 compared to 1.28 for small entities (see Figure 2).
- The number of KAMs per audit report is very similar across industry sectors with only some minor variation.<sup>3</sup> The industry with lowest number of KAMs is Consumer Discretionary (average = 1.19 KAMs) and the highest is Communication Services (average = 1.47 KAMs) (see Figure 3).

**Figure 2: Mean number of KAMs by entity size<sup>4</sup>**



**Figure 3: Mean number of KAMs by GICS sector**



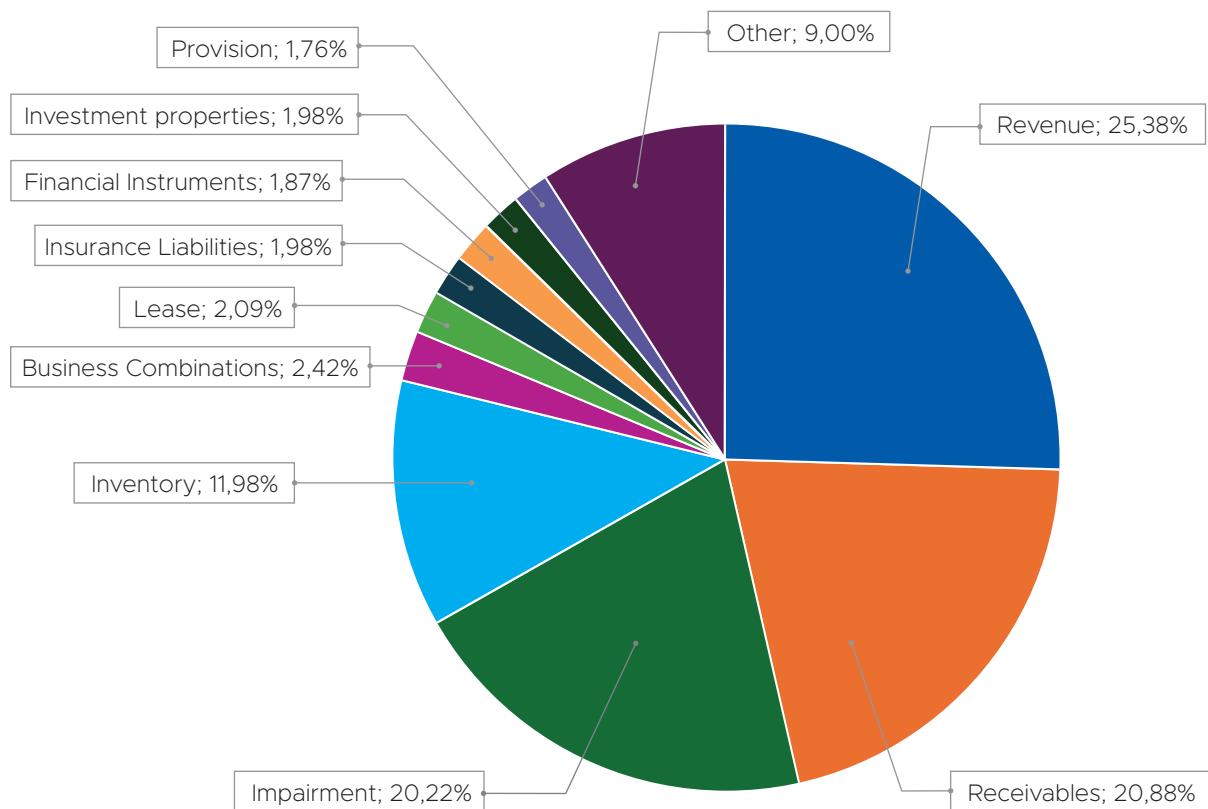
<sup>4</sup> We divide listed companies into five size portfolios from smallest to largest based on rank-order of reported total assets.

# What subject matters do KAMs cover?

## Key findings:

- Overall, we have classified 26 distinct KAM subject matters implying there is a broad range of different areas that are been identified as being of most significance in audits of financial reports.<sup>5</sup> See the full list of subject matters in the table in the Appendix.
- These subject matters can be classified into a set of 10 categories that are most frequent and account for 91% of all KAMs and another set of 16 categories that are infrequent and account for the remaining 9% of KAMs.
- The most frequent KAM subject matter was revenue representing 25% of all KAMs. The next most frequent in order were: receivables (21%); impairment (20%); inventory (12%); business combinations (2%); leases (2%); Insurance Liabilities (2%); Investment properties (2%); financial instruments (2%); and provisions (2%) (see Figure 4).<sup>6</sup>
- There is a large and diverse number of less frequent areas. Examples include related party transactions, and going concern.

**Figure 4: KAM Subject Matter**



<sup>5</sup> The methodology for classification of the KAM subject matter is discussed in the research methodology section of this report.

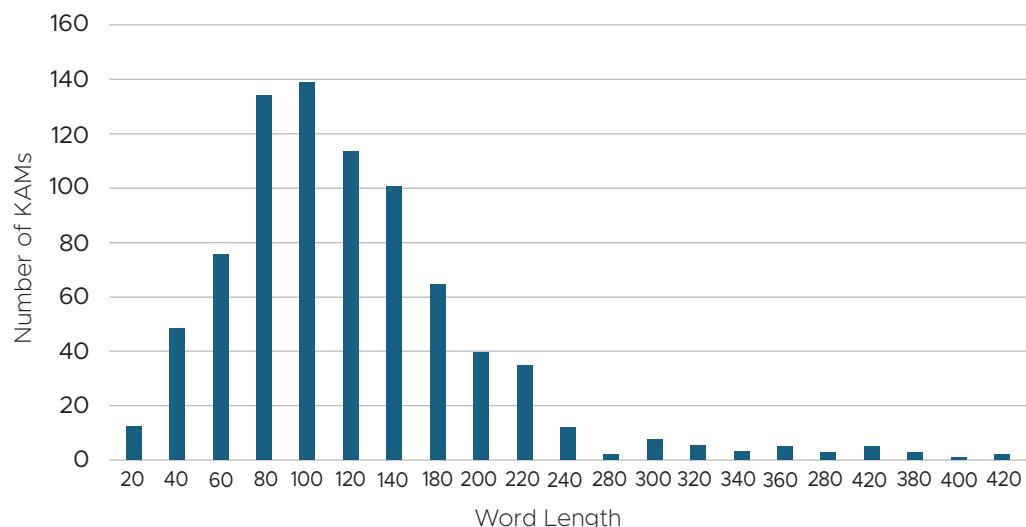
<sup>6</sup> The “impairment” category includes impairments regarding all assets except those associated with an exploration and evaluation asset. The exploration and evaluation asset category includes all subject matters associated with this asset including impairments.

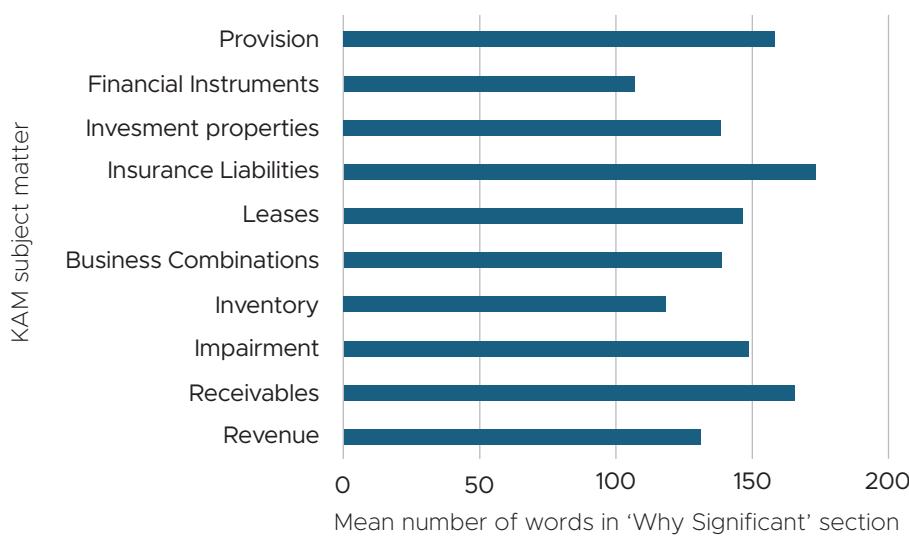
# What is the length of KAMs?

## Key findings:

- The median number of words in the “Why Significant” section of a KAM across all entities is 141.
- The median number of words in the “Audit Procedures” section of a KAM across all entities is 140.
- The range of the word count in the “Why Significant” section of a KAM is tightly clustered around the median with most KAMs in a range between 99 and 171 words. Therefore, a KAM with less (greater) than 99 (171) words could be considered short (long)<sup>7</sup> (see Figure 5).
- There is some variation in the median number of words in the “Why Significant” section of a KAM across each of the areas ranging from a low of 107 words for Financial Instruments through to 174 words for Insurance Liabilities (see Figure 6). Appendix tabulates the median and a benchmark of high and low number of words for each KAM area for both “Why Significant” and “Audit Procedures”

**Figure 5: Percentage frequency of number of words in “why significant” section of KAM**



**Figure 6: Mean length of “why significant” section of KAM by 10 most frequent KAM subject matters**

<sup>7</sup> The 96 and 169 words are the 25th and 75th percentile respectively of the distribution of the word count.

# Appendix: Frequency and length of KAMs by subject matter

Account	Frequency		Word Count			Audit Procedure		
	Number	Percentage	P25	Median	P75	P25	Median	P75
Revenue	231	25.38%	91	125	159	109	140	165
Receivables	190	20.88%	113	146	192	103	130	177
Impairment	184	20.22%	112	145	176	94	129	165
Inventory	109	11.98%	94	114	136	91	116	160
Business Combinations	22	2.42%	114	141	177	102	126	161
Lease	19	2.09%	122	136	170	85	115	179
Insurance Liabilities	18	1.98%	146	184	195	125	163	213
Investment properties	18	1.98%	111	135	162	94	116	143
Financial Instruments	17	1.87%	57	73	163	90	114	144
Provision	16	1.76%	131	158	203	127	141	179
PPE	15	1.65%	91	145	158	58	72	114
Fixed Assets	14	1.54%	59	94	128	104	131	160
Internal Controls	13	1.43%	69	71	86	150	173	228
Biological Assets	11	1.21%	128	150	192	92	106	137
Taxation	8	1.43%	69	71	86	150	173	228
Exploration and Evaluation Asset	5	0.55%	151	154	175	109	146	185
Equity Method	4	0.44%	130	162	194	125	149	164
Prepaid Expenses	4	0.44%	36	41	61	52	86	117
Going Concern	2	0.22%	133	157	180	108	108	109
Intangible Assets	2	0.22%	58	83	108	63	81	100
Liabilities	2	0.22%	145	152	160	159	173	186
RelatedPartyTransactions	2	0.22%	36	50	63	93	117	140
Accrual	2	0.11%	187	187	187	194	194	194
Delisting	1	0.11%	55	55	55	120	120	120
Expenses	1	0.11%	127	127	127	126	126	126
Research Development Tax Incentive	1	0.11%	128	128	128	101	101	101
<b>Total</b>	<b>910</b>	<b>100.00%</b>						

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2471.11	3561.09	4633.31
2504.48	3563.32	4714.71
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2909.99	3955.54	5222.41
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