Cultural dynamics and tenure trajectories: How auditor tenure and culture influence key audit matters in the GCC

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Abstract

Purpose: This study examines the impact of audit partner tenure on Key Audit Matters (KAM) disclosures within Gulf Cooperation Council (GCC) countries. It explores how Hofstede's cultural dimensions influence this relationship, elucidating the effect of cultural context on auditing practices.

Design/methodology/approach: Utilizing a sample of 456 non-financial firms in the GCC from 2016 to 2021, the study employs regression analyses to explore audit partner tenure's influence on KAM disclosures and the moderating effects of Hofstede's dimensions of power distance, individualism, masculinity, and uncertainty avoidance. This affords detailed examination of individual and cultural impacts on audit quality.

Findings: Results reveal a positive relationship between audit partner tenure and KAM disclosures, suggesting that firm-specific knowledge and industry expertise acquired over a long tenure may enhance auditors' ability to identify and report significant matters. Power distance and uncertainty avoidance amplify this effect, whereas individualism diminishes it. Masculinity does not yield significant results.

Research implications: This study underscores the need for auditing standards to reflect the complex interplay of auditor tenure and cultural dynamics in the profession's global landscape.

Originality/value: This research contributes to the literature on audit quality by highlighting the formative role of individual auditor and cultural characteristics in KAM disclosure practices. It is among the first to quantitatively analyse the intersection of audit partner tenure and culture in the GCC. It provides valuable insights for regulators, practitioners, and policymakers seeking to enhance audit practices across diverse cultural environments.

Keywords: key audit matters; extended audit reporting; audit partner tenure; audit quality; national culture; Gulf Cooperation Council (GCC).

1. Introduction

Audit report transparency and accuracy are paramount in the complex landscape of financial reporting. Extended audit reporting (EAR) represents a pivotal initiative to reduce information asymmetries and improve the communicative value of audit disclosures. EAR gained traction after the International Auditing and Assurance Standards Board's (IAASB) mandate in 2015, which required auditors to report Key Audit Matters (KAMs) in audit reports through the adoption of ISA 701. KAMs, defined as the most significant issues identified in an audit of financial statements, are meant to deepen stakeholders' understanding of an audited entity's financial environment (Mock *et al.*, 2013; Vanstraelen *et al.*, 2012). There has been widespread adoption and studies on the institutional ramifications of these standards, including the impact of firm audit tenure on EAR (Elshafie, 2023; Hussin *et al.*, 2022; Pinto & Morais, 2019; Rahaman & Karim, 2023), with diverse results. Meanwhile, individual auditor characteristics, especially partner tenure, in influencing the quality of EAR remain underexplored. This oversight is significant, given individual auditors' profound impact on audit outcomes (Alaamri *et al.*, 2023; Bilal *et al.*, 2023; Campa *et al.*, 2023; Elmarzouky *et al.* 2024). The intersection of cultural dimensions and audit practices provides a fertile ground for scholarly exploration (Pinto & Morais, 2019; Rahaman & Karim, 2023), especially in regions with distinct cultural identities like the Gulf Cooperation Council (GCC) countries.

The current literature on KAM disclosure in the GCC is limited. Existing literature covers Oman, UAE, and Bahrain (Al Lawati & Hussainey, 2022; Baatwah, 2023; Baatwah et al., 2022; Barghathi et al., 2021; Mah'd & Mardini, 2022), but excludes Saudi Arabia, Kuwait, and Qatar. This research fills this gap by including all six GCC countries. This study is therefore pioneering in its focus on this regional consortium. GCC countries have unique economic and cultural profiles and are known for rapid economic development and distinctive governance structures. The GCC champions economic synergy among member states but also presents a unique tapestry of cultural practices rooted in strong social ties, hierarchical political structures, and prevalent religious influences. This blend of uniformity and diversity makes it an ideal setting for exploring the formative role of culture in the implementation of global auditing standards (Baatwah *et al.*, 2023; Haniffa & Hudaib, 2007).

Current literature on auditor attributes (e.g., gender, rotation, industry specialization) shows significant effects on the quality of KAM disclosures (Abdelfattah *et al.*, 2021; Bepari *et al.,* 2022; Chen *et al.*, 2023; Wuttichindanon & Issarawornrawanich, 2020). These studies seek to uncover the diverse impacts of such attributes, an evolving effort that our research extends via a focus on auditor tenure. The influence of tenure on audit quality presents a

paradox. On the one hand, longer auditor-client relationships are often suspected of eroding auditor independence and objectivity in a way that might suppress KAM disclosures (Quick & Schmidt, 2018; Saragih, 2024; Carey & Simnett, 2006; Ye *et al*., 2011). On the other hand, such relationships might instead enhance audit quality, for instance if auditors' cumulative client and industry-specific knowledge catalyses robust scrutiny and facilitates identification of significant risks (Baatwah, 2016; Chi *et al.,* 2017; He & Rivai, 2024; Lennox & Wu, 2018; Manry *et al*., 2008; Wang *et al*., 2024). Reputable, long-tenured partners may also exert greater effort to identify KAMs, balancing the imperative of thorough disclosure against the risks of complacency (Rahaman & Karim, 2023). This suggests that tenure's effects on audit quality are shaped by various institutional and cultural dimensions that alternately amplify and mitigate associated risks and benefits.

This study investigates the interaction between audit partner tenure and cultural frameworks on audit quality and disclosure practices in a key but understudied economic region. Its purposes are twofold: to examine the relationship between audit partner tenure and KAMs, and to explore how four of Hofstede's cultural dimensions—power distance, individualism, masculinity, and uncertainty avoidance—moderate this relationship. This approach addresses a significant gap in the literature and enhances our understanding of cultural factors influencing global auditing practices (Chan et al., 2003; Gray & Vint, 1995; Gray, 1988; Hope, 2003; Hope et al., 2008). Hogarth's (1980) decision behaviour theory is employed to conceptualize this intersection of auditor decision-making and national culture. Hogarth posits that the quality of decision-making in complex subjective environments is influenced by a confluence of personal, contextual, and task-specific factors. This theoretical lens allows us to hypothesize that the familiarity and expertise associated with longer tenure leads to more detailed and insightful disclosures. That said, we also expect this relationship to be nuanced by culturally specific influences on judgment and decision-making processes.

Our findings align with the above hypothesis and indicate—based on a hand-collected data sample of 2,415 firm-year observations (456 firms) from listed non-financial firms in the GCC from 2016-2021—that longer tenure is positively associated with KAMs. Likewise, extant research suggests that the marketplace appreciates partners with industry expertise (Lennox & Wu, 2018). Theis supports Hogarth's (1980) theory that client-specific knowledge and industry expertise gleaned over a long tenure facilitate determinations of significant risk. The results also indicate that cultural dimensions introduce significant variability. Environments characterized by high power distance and strong uncertainty avoidance – common in the GCC – amplify tenure's positive effects on audit quality. Conversely, high

levels of individualism mitigate these benefits, potentially due to the greater emphasis on independence and self-direction over collective decision-making.

Our research contributes to the literature on audit quality and cultural contexts, first by addressing the neglected impact of audit partner tenure on the quality of KAM disclosures. This focus moves beyond firm-level research to explore how variable auditor attributes affect audit outcomes, particularly in regions outside the traditional settings of the United Kingdom. This contributes to a rich, global understanding of reporting mandates (Abdelfattah *et al*., 2021) and responds directly to calls for granular research on audit practices (Bédard *et al*., 2019; Pinto & Morais, 2019; Elmarzouky *et al.,* 2024). Second, our study enriches the discourse on the cultural dynamics of auditing by integrating Hofstede's cultural dimensions as critical moderators in the relationship between auditor tenure and KAM disclosures. This innovation fills a crucial gap in the literature (Gray & Vint, 1995; Hope, 2003; Khlif, 2016) and elucidates complex cultural dimensions that influence interpretive and decision-making processes within the GCC's unique auditing landscape. Third, we provide empirical evidence that longer tenure is associated with more detailed and insightful KAM reporting, and that this relationship is significantly shaped by cultural factors. This finding underscores the interactivity of auditor independence and expertise as well as the variable impacts of tenure on audit quality, as previously noted by Carey and Simnett (2006) and Baatwah (2016). Our data reflects contexts marked by high power distance and strong uncertainty avoidance and thus highlights the fact that cultural environments can variously amplify and dampen tenure's effects on audit quality. Lastly, our study suggests extensive theoretical and practical applications. It expands the theoretical frameworks of audit reporting by demonstrating interactions between individual auditor characteristics and cultural dimensions. It also reiterates the critical need for cultural sensitivity in the formulation and enforcement of auditing standards. Such nuance can enhance the transparency and effectiveness of financial reporting across diverse regulatory and cultural landscapes and enrich the ongoing global dialogue on auditing practices.

The paper is organized as follows: Section 2 reviews extant literature and develops hypotheses. Section 3 covers research design. Section 4 discusses the empirical results. Section 5 concludes the paper and outlines limitations and avenues for future research.

2. Literature review and hypotheses development

2.1 Key audit matters literature in the GCC

EAR research in the GCC has been limited. Existing studies have focused on auditor characteristics, primarily firm type, in relation to KAM disclosure in Oman, UAE, and Bahrain, with mixed results (Al Lawati & Hussainey, 2022; Baatwah, 2023; Baatwah et al., 2022;

Barghathi et al., 2021; Mah'd & Mardini, 2022). Mah'd & Mardini's (2022) cross-country study of Oman, UAE, Bahrain, and Jordan found a positive association between auditor type and KAM disclosure, aligning with the literature (e.g., Rahaman et al., 2023; Wuttichindanon & Issarawornrawanich, 2020). Conversely, Baatwah's (2023) study in Oman reported a negative association for Big Four firms, suggesting a focus on KAM quality over quantity for communicative value. Baatwah also noted numerical and stylistic differences between Big Four and non-Big Four KAMs. Similarly, Barghathi et al. (2021) found that while Big Four auditors in the UAE viewed KAMs as a deterrent to earnings management, non-Big Four auditors were concerned about client loss due to stringent disclosures. These findings highlight the significance of both organizational and cultural factors in GCC audit practices.

Research consistently shows a relationship between Big Four firms and KAM disclosure. While past studies focused on firm-level distinctions (Big Four vs. non-Big Four), emerging research explores auditor-specific distinctions such as gender (e.g., Abdelfattah et al., 2021; Hussin et al., 2022; Boonlert-U-Thai & Suttipun, 2023), rotation (Chen et al., 2023; Lin & Yen, 2022), and industry specialization (Bepari et al., 2022). The ISA 700 requirement to disclose engagement partner names has opened new avenues in this area.

2.2 Audit partner tenure and KAMs

Building on prior studies on auditor characteristics and KAM reporting (Bepari *et al*., 2022; Pinto & Morais, 2019; Sierra-García *et al*., 2019), this paper employs Hogarth's (1980) theory of information assimilation for decision-making. Per Hogarth's theory, judgments are influenced by personal characteristics, task environment, and outcome. For our purposes: the audit partner comprises personal characteristics, the cultural climate of the GCC comprises the task environment, and the decision to either disclose or withhold a KAM comprises the outcome (Hope, 2003). Einhorn and Hogarth's (1981) behavioural decision theory describes choice and judgment under conflict and offers an additional interpretive lens for auditor decisions. Given the stakes (litigation, reputation loss, client loss), audit partners may face significant dilemmas (Pinto & Morais, 2019).

Empirical evidence regarding the effect of audit firm tenure on KAMs has been mixed. Elshafie (2023) and Pinto & Morais (2019) indicated no significant effects in the USA, UK, France, and the Netherlands. Conversely, the positive association Rahaman & Karim (2023) found in Bangladesh conflicts with the negative association Hussin *et al*. (2022) found in Malaysia. These discrepancies suggest that diverse regulatory, cultural, and legal frameworks impact audit practices.

Further research into tenure at the audit partner level reveals that prolonged auditor-client relationships can either impair or enhance audit quality. Long-standing relationships potentially jeopardize audit quality if auditor independence and objectivity are compromised by close ties to management. Such auditors might, for instance, report fewer KAMs at the client's behest (Carey & Simnett, 2006; Ye *et al*., 2011). According to Einhorn & Hogarth's (1981) theory, auditors will adopt avoidant or compensatory conflict strategies based on their perceived risks and benefits. They may withhold or delay reporting to manage potential conflicts. But long tenure also potentially reinforces audit quality. In principle, client-specific knowledge and industry expertise should help auditors exercise better judgement and identify significant risks (Lennox & Wu, 2018; He & Rivai, 2024; Wang *et al*., 2024). Established auditors may prioritize professional reputation over specific client relationships and so err on the side of diligence and transparency (Rahaman & Karim, 2023). Evidence from Chen *et al*. (2008), Manry *et al*. (2008) and Chi *et al*. (2017) further supports the link between tenure and audit quality, as indicated by smaller discretionary accruals.

Given these mixed findings and the patent relevance of institutional contexts reflected in the literature, this study posits that the overarching benefits of prolonged tenure generally surpass potential drawbacks. The following hypothesis is proposed:

Hypothesis1: Ceteris paribus, there is a positive relationship between audit partner tenure and KAM disclosure.

2.3 Hofstede's cultural dimensions and their influence on the association between audit partner tenure and KAMs

Geert Hofstede's theoretical framework is invaluable for understanding the impact of national culture on various business practices, including auditing. Hofstede (1980) originally proposed four cultural dimensions to distinguish between countries: power distance, individualism vs. collectivism, masculinity vs. femininity, and uncertainty avoidance. In 1991, Hofstede introduced a fifth dimension, long-term orientation. These provide a structure for discerning culture's effects on accounting and auditing conduct (Haniffa & Cooke, 2002; Khlif, 2016). Research has shown that national culture can influence auditor selection, detected accounting errors, differences in accounting standards, and disclosure practices (Chan *et al*., 2003; Ding *et al*., 2005; Gray & Vint, 1995; Hope *et al*., 2008; Jaggi & Low, 2000; Zarzeski, 1996).

This study builds on Hogarth's theory of judgment and choice by examining the moderating effects of the original four Hofstede's cultural dimensions on the relationship between audit partner tenure and KAM disclosure. Professional judgment and decision-making are shaped by social and cognitive elements (Salter *et al*., 2013), insofar as cultural values

demonstrably affect cognition, personality, and behaviour (Markus & Kitayama, 1991). The present theoretical integration aims to elucidate the behaviours of long-tenured auditors across cultural divides.

2.3.1 Power distance

Power distance describes the extent to which an organization's less powerful members accept an unequal distribution of power. Power distance informs communication and decision-making structures. High power distance cultures prize centralized power, vertical communication, and limited information exchange. They foster environments that preserve hierarchies and restrict information (Hofstede, 1980).

Empirical findings vary regarding the impact of power distance on disclosure practices. Gray & Vint (1995) and Orij (2010) correlate high power distance with reduced transparency, suggesting that such cultures suppress information dissemination. Conversely, Jaggi & Low (2000) find a positive association and Zarzeski (1996) finds no association with disclosure.

In auditing, Chan *et al*. (2003) showed that high power distance might increase the likelihood of overriding controls, raising the potential for material misstatements and accounting errors. This supports Haskins' (1987) view that concentrated power entails a heightened risk of financial statement inaccuracies. Such contexts may prompt vigilance in identifying risks otherwise obscured by power structures, especially if established tenure and authority are at stake.

Given these dynamics, we propose that long-tenured partners in high power distance environments will leverage their accrued authority and credibility to enhance the quality of KAM disclosures. This can lead to more robust risk identification and reporting, satisfying the need to manage the risk of fraud and the professional imperative to uphold auditing standards.

Hypothesis 2a: *Ceteris paribus, power distance positively moderates the relationship between audit partner tenure and KAM disclosure.*

2.3.2 Individualism

Hofstede (1980) defines individualism as the degree to which a society's individuals are integrated into groups. Highly individualistic societies promote personal achievement and independence, while collectivist societies emphasize group goals and cohesion.

Individualism has significant implications for disclosure practices in auditing. Individualistic cultures valuing independence and transparency are associated with more extensive disclosure (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996). In auditing contexts, Chan *et al*. (2003) also found an association with increased accounting

errors, positing continuity disruptions and increased error rates as a consequence of low staff loyalty and high turnover.

In the collectivist GCC context, individualism might negatively moderate the relationship between tenure and KAM disclosure. Long-tenured partners who prioritize personal goals over group interests may struggle to integrate fully over time, potentially impacting their disclosure practices.

Hypothesis 2b: *Ceteris paribus, individualism negatively moderates the relationship between audit partner tenure and KAM disclosure.*

2.3.3 Masculinity

Hofstede's masculinity dimension refers to the value a culture assigns to competitiveness and achievement as opposed to care and cooperation. Evidence for masculinity's impact on disclosure practices has been mixed. Some studies suggest a negative association (Hope, 2003; Jaggi & Low, 2000) and others a positive one (Zarzeski, 1996). This ambiguity reflects the complex ways that assertive and competitive traits can influence disclosure behaviours.

Given mixed evidence and masculinity's potential to either enhance or undermine disclosure relative to context, a non-directional hypothesis is appropriate:

Hypothesis 2c: *Ceteris paribus, masculinity moderates the relationship between audit partner tenure and KAM disclosure.*

2.3.4 Uncertainty avoidance

Uncertainty avoidance, as defined by Hofstede measures a society's tolerance for ambiguity and uncertainty. Societies with high uncertainty avoidance value clear rules and regulations as bulwarks against unpredictability. This is typically conducive to more comprehensive disclosures as a mitigation of perceived risks (Gray & Vint, 1995; Hope, 2003; Khlif, 2016).

In highly avoidant regions like the GCC, auditors might increase disclosures to ward off conflict and litigation. The transparency mandated by ISA 700 for the disclosure of auditor names in audit reports, may further compel auditors with longer tenure and greater visibility to adhere more strictly to disclosure standards.

Hypothesis 2d: *Ceteris paribus, uncertainty avoidance positively moderates the relationship between audit partner tenure and KAM disclosure*

3. Research Design

3.1 Empirical Model

Table 1 lists and describes variable measurements for our models. This study's quantitative approach uses regression analysis to evaluate associations between audit partner tenure,

cultural dimensions, and KAM disclosure. The primary model assesses tenure and subsequent models assess moderating effects of cultural dimensions. All models are informed by the premise that culture significantly affects corporate governance and auditor behavior.

Insert Table 1 about here

Our empirical analysis first explores the association between audit partner tenure and KAM reporting. Model 1 tests our hypothesis by associating KAM quantity with partner tenure, controlling for relevant auditor and client-specific variables. It is formally specified as:

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 EA\_audLag + \beta_3 EA\_partnFem + \beta_4 EA\_audBig4 +$$
$$\beta_5 EA\_GCO + \beta_6 ln\_firmSize + \beta_7 loss + \beta_8 liquid + \beta_9 roa + \beta_{10} levg + \beta_{11} Inst\_gdp +$$
$$\beta_{12} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon \qquad (1)$$

Building on prior EAR research, Model 1 defines the dependent variable (kamNum) as the total number of KAMs disclosed by external auditors in their reports, per the seminal methodologies of Abdelfattah *et al*. (2021), Bédard *et al*. (2019), and others. Consistent with Manry *et al*. (2008) and Baatwah (2016), we operationalize audit partner tenure (EA_partTen) as the cumulative years a partner has overseen engagements, using data extracted from publicly available reports across all six GCC countries, facilitated by the recent ISA 700 mandate which requires the disclosure of audit partner identities.

Model 1 incorporates a range of control variables reflecting auditor and client-specific attributes. These include the lag between fiscal year-end and the audit report (EA_audLag), audit partner gender (EA_partnFem), Big Four affiliation (EA_audBig4), and issuance of a going concern opinion (EA_GCO). Such controls are rooted in findings from Elsayed *et al*. (2023), Lin & Yen (2022) and others, underscoring their ongoing relevance. Client-specific characteristics such as firm size (ln_firmSize), profitability (loss), liquidity (liquid), operational efficiency (roa), and financial leverage (levg), are also incorporated to control for financial context. This approach is informed by research that suggests larger and more leveraged firms or those under financial stress may engage in complex transactions necessitating more extensive KAM disclosures (Camacho-Miñano *et al*., 2023; Sierra-García *et al*., 2019). The model also accounts for macroeconomic and industry-specific factors, using country-level economic indicators such as GDP per capita (Inst_gdp) and inflation (Inst_inflation) sourced from the World Bank Development Indicators. These variables control for the broader economic environment's impact on GCC auditing practices. (Boubakri *et al*., 2021; Elamer *et al*., 2020).

Year and industry-fixed effects are included to ensure robustness and control for potential confounders, addressing variable temporal and sector-specific influences on KAMs.

This comprehensive modeling is designed for a nuanced understanding of dynamics shaping audit disclosures in a region with unique regulatory and economic conditions.

The second series of hypotheses assesses the moderating impact of cultural dimensions on the nexus of partner tenure and KAM disclosure. The applicability of Hofstede's cultural model as a framework for understanding variations in audit practices and disclosures across different national contexts is well documented in the literature (Haniffa & Cooke, 2002; Khlif, 2016), including its influence on both general disclosure practices (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996) and specific auditing behaviours (Chan et al., 2003; Hope et al., 2008).

This study incorporates four of Hofstede's cultural dimensions. Long-term orientation is excluded due to the absence of comprehensive data for GCC countries. Each dimension is quantified on a scale from 0 to 100, with scores sourced from Hofstede Insights, which provides updated regionally relevant metrics.

Power distance (H_PD_Cntr) measures the extent to which less powerful members of organizations and institutions accept unequal power distribution. Individualism (H_IDV_Cntr) reflects the degree to which individuals are integrated into groups as per a broader societal emphasis on individual versus collective achievement. Masculinity (H_MAS_Cntr) assesses societal preference for achievement, heroism, assertiveness, and material reward. Societies with a high masculinity score emphasize competitiveness, whereas those with a low score emphasize mutual care and quality of life. Finally, uncertainty avoidance (H_UAV_Cntr) gauges societal discomfort with ambiguity or uncertainty.

The dependent variable (kamNum) and primary independent variable (EA_partTen) are consistent with Model 1. Control variables are retained to ensure a comprehensive account of factors that influence audit outcomes. To empirically test the proposed moderations, the second model integrates each cultural dimension into the regression framework as follows:

Power distance moderates the association between audit partner tenure and KAMs.

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_PD\_Cntr + \beta_1 c.EA\_partTen\#\beta_2 c.H\_PD\_Cntr + \beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss + \beta_9 liquid + \beta_{10} roa + \beta_{11} levg + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon$$

2 (a)

Individualism moderates the association between audit partner tenure and KAMs.

$$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_IDV\_Cntr + \beta_1 c.EA\_partTen\#\beta_2 c.H\_IDV\_Cntr + \beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss + \beta_9 liquid + \beta_{10} roa + \beta_{11} levg + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects + industryFixedEffects + \varepsilon$$

2 (b)

Masculinity moderates the association between audit partner tenure and KAMs.

$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_MAS\_Cntr + \beta_1 c.EA\_partTen\#\beta_2 c.H\_MAS\_Cntr +$
$\beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss +$
$\beta_9 liquid + \beta_{10} roa + \beta_{11} levg + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects +$
$industryFixedEffects + \varepsilon$ 2 (c)

Uncertainty avoidance moderates the association between audit partner tenure and KAMs.

$kamNum = \beta_0 + \beta_1 EA\_partTen + \beta_2 H\_UAV\_Cntr + \beta_1 c.EA\_partTen\#\beta_2 c.H\_UAV\_Cntr +$
$\beta_3 EA\_audLag + \beta_4 EA\_partnFem + \beta_5 EA\_audBig4 + \beta_6 EA\_GCO + \beta_7 ln\_firmSize + \beta_8 loss +$
$\beta_9 liquid + \beta_{10} roa + \beta_{11} levg + \beta_{12} Inst\_gdp + \beta_{13} Inst\_inflation + yearFixedEffects +$
$industryFixedEffects + \varepsilon$ 2 (d)

Each value hypothetically interacts with audit partner tenure, potentially altering the strength and direction of impact on KAM disclosure. The empirical analysis employs a comprehensive regression model ascertains effects, including industry and year-fixed effects to control for unobserved heterogeneity across sectors and time.

3.2   Sample selection and distribution

This study uses a dataset hand-collected from 456 non-financial firms listed on GCC stock exchanges. The sample period is 2016-2021 for Oman, UAE, Kuwait, Qatar, and Bahrain, where KAM became mandatory in 2016 per ISA 701. For KSA, the sample runs from 2017-2021, following the 2017 endorsement of ISA 701. Due to data and regulatory limitations, the research focuses on non-financial listed firms. Data collection involved downloading KAM disclosures and auditor-related control variables from audit reports, as well as financial statements for firm-specific control variables. A thorough quality control review was undertaken prior to analysis to ensure data accuracy and reliability.

The initial dataset comprised 4,235 firm-year observations (Table 2 Panel A). 1,719 firm-year observations of financial firms were then excluded due to distinct regulatory frameworks, along with 59 observations of delisted, suspended, or liquidated firms, and 42 observations of firms dual-listed on other GCC exchanges. This resulted in a robust final sample of 2,415 firm-year observations from 456 distinct companies.

The sample's distribution across the GCC is presented in Table 2 Panel B. KSA accounts for the largest portion, with 830 firm-year observations (34%). Kuwait follows with 548 observations (23%), Oman with 409 (17%), and UAE with 356 (15%). Qatar and Bahrain have the fewest observations, 166 (7%) and 106 (4%), respectively. This distribution allows for comprehensive analysis of the auditing landscape.

Table 2 Panel C gives an industry breakdown based on the Global Industry Classification Standard (GICS). Industrials is the most represented sector, with 472 firm-year observations (20%), followed by Materials with 407 (17%). Information Technology appears least frequently, with 39 observations (2%). This classification bolsters a nuanced understanding of KAM disclosure across different economic sectors, offering insights into industry-specific compliance with international auditing standards.

Insert Table 2 about here

4. Empirical Results

4.1 Descriptive statistics results

Table 3 presents descriptive statistics. The dependent variable (kamNum) varies significantly, with a maximum of seven KAMs reported and a minimum of zero. The average is approximately two, as indicated by a mean of 1.984 and a standard deviation of 1.21. This aligns with observations in developing countries of a generally consistent practice of disclosing two KAMs per report (Baatwah, 2023; Baatwah *et al*., 2022; Chen *et al*., 2023; Wuttichindanon & Issarawornrawanich, 2020). The primary independent variable (EA_partTen), ranges from one to six years, with an average tenure of nearly two years (mean = 1.785) and a standard deviation of 0.994. This suggests a relatively short average tenure for sampled partners, which may impact the extent and depth of reporting.

Among the control variables related to external auditors, audit delay (EA_audLag) varies widely from six to 799 days, with an average delay of 70 days. This indicates substantial variability in how swiftly results are reported across firms. Female audit partners, representing only 1.1% of the sample, highlight a prevalent regional gender disparity in the auditing profession. Furthermore, 57% of the sample is audited by Big Four firms. Going concern opinions are issued for 5.7% of the firms, which may reflect financial health and auditing rigor within the sample. Regarding firm-specific characteristics, the sample exhibits a broad range of sizes, leverage, liquidity, losses, and profitability. Average firm size, measured by the natural logarithm of total assets, is 18.89. Leverage on average stands at a high 130.1%, with liquidity also high at 248.7%. 24% of firms report a loss and the average return on assets is 2.8%. These figures underline the diverse financial conditions and operational contexts of these GCC firms.

At the country level, a mean per capita GDP of $28,702.194 paired with an average inflation rate of 118.2% reflects the GCC's economic affluence and volatility. Meanwhile, Hofstede scores for power distance (74), individualism (39), masculinity (39), and uncertainty avoidance (70) suggest prevalent hierarchical structures and risk aversion. Low scores in

individualism and masculinity indicate a less competitive, collectivist orientation. These cultural traits are crucial for interpreting regional auditing practices and financial disclosures.

Insert Table 3 about here

4.2 Correlation matrix

Table 4 presents pairwise correlation results for all variables, illustrating statistical relationships. This analysis offers insights into how variables such as the number of KAMs correlate with the main independent variable (audit partner tenure) and other control variables.

The findings reveal significant positive correlations with variables such as firm size (ln_firmSize) and loss. This aligns with literature that presents larger firms and firms reporting losses as prone to aggressive financial reporting (Abdelfattah *et al*., 2021; Camacho-Miñano *et al*., 2023; Pinto & Morais, 2019; Sierra-García *et al*., 2019). Conversely, there are significant negative correlations for audit report lag (EA_audLag), female audit partners (EA_partnFem), Big Four firms (EA_audBig4), liquidity (liquid), return on assets (roa), leverage (levg), and inflation (Inst_inflation). This suggests that audits by Big Four firms, female partners, and financially healthy firms include fewer KAMs. The correlations between tenure (EA_partTen), going concern opinions (EA_GCO), and GDP per capita (Inst_gdp) are not statistically significant. This could imply that these variables do not directly influence KAMs.

Individualism and masculinity exhibit significant positive correlations. Cultures with higher scores for these dimensions may disclose more KAMs. Conversely, power distance and uncertainty avoidance show significant negative correlations. Cultures scoring high in these dimensions may disclose fewer KAMs. This pattern provides an initial understanding of culture's role in KAM disclosure, explored further in subsequent sections of the analysis. Table 4 also shows strong correlations among the Hofstede dimensions themselves, suggesting a potential multicollinearity risk. To address this, the effects of each dimension are examined separately in the multivariate analysis to ensure robustness. Additionally, a variance inflation factor (VIF) analysis, not detailed here for brevity, confirms that multicollinearity is not a concern in the regression models. All VIF results are well below the threshold of 10, ensuring the reliability of findings regarding the impact of cultural dimensions on KAM disclosure.

Insert Table 4 about here

4.3 Multivariate analysis

4.3.1 Audit partner tenure and KAM reporting

The analysis employed various regression techniques, including ordinary least squares (OLS), Tobit, robust, Poisson, and fixed effects models, to robustly test the hypotheses. OLS was used due to the panel nature of the data (Winship & Western, 2016), while Tobit regression

addressed censoring issues in the dependent variable (kamNum), which is inherently non-negative. Robust regression mitigated outlier influence, and Poisson was appropriate to the count nature of the dependent variable, per Bepari *et al.* (2022), Lennox *et al.* (2023), and Pinto & Morais (2019). Fixed effects models were justified by Hausman results indicating significant model-specific effects.

Table 5 shows regression results, endogeneity tests, and robustness checks for Model 1. Regression outcomes (Column 1) show that partner tenure (EA_partTen) positively affects the number of KAMs with a coefficient of 0.078, significant at a 99% confidence level. This supports the hypothesis that longer tenure enhances auditors' ability to identify significant matters (Lennox & Wu, 2018; He & Rivai, 2024; Wang et al., 2024). Longer-tenured auditors consider their reputation and invest more effort to improve audit quality (Rahaman & Karim, 2023). The findings align with Hogarth's (1980) theory, suggesting that the decision to disclose a KAM is influenced by a partner's desire to avoid litigation exposure and reputation loss if a significant risk is not disclosed. Thus, longer tenure is associated with more KAM disclosures.

Insert Table 5 about here.

The multivariate analysis further tests for robustness across different regression specifications to confirm the consistency of these results. The coefficients for partner tenure in Panel A (Columns 2, 3, 4 and 5 in Table 5) remain positive and significant across all models, reaffirming a robust relationship between tenure and KAM disclosure. This underscores the substantive effect of partner tenure on the transparency and thoroughness of audit reporting in the GCC.

The control variables exhibit signs and significances aligned with prior research. Audit delay (EA_audLag), female audit partners (EA_partnFem), and Big Four audits (EA_audBig4) show statistically significant negative correlations with KAMs. This suggests intricate auditing dynamics shaped by regional and firm specific characteristics. The unexpectedly negative link between Big Four auditors and KAM disclosure might indicate a trend towards conservative or streamlined reporting within these larger firms, despite their widely recognized standards of meticulousness. Firm-specific control variables such as firm size (ln_firmSize) and losses (loss) demonstrate a significant positive relationship with KAM disclosure. This supports the theory that larger and financially distressed firms tend to report more KAMs, possibly due to the heightened complexity and scrutiny of their financial statements. The relationship remains robust across various model specifications, underscoring these factors' reliability as predictors of KAM reporting in our study.

Overall, the robustness of the control variables' impact across regression models lends credence to the reliability and validity of the findings. Evidently, these factors significantly influence KAM disclosures within GCC audit environments.

4.3.2 The moderating effect of Hofstede's culture dimensions

The investigation of the second set of hypotheses (H2a - H2d) examines the moderating role of cultural dimensions on the relationship between audit partner tenure and KAM disclosure (Table 6 Panel A). Results indicate that power distance and uncertainty avoidance positively strengthen the relationship, with significant impacts observable at 90% and 95% confidence levels, respectively. Individualism instead appears to weaken the relationship, with significance noted at 95% confidence. Masculinity does not yield significant results.

Insert Table 6 about here

Results indicate that the credibility and influence acquired by long-tenured audit partners in high power distance cultures may result in more KAMs. In high uncertainty avoidance contexts this may protect against perceived exposures and uncertainty (Gray & Vint, 1995; Hope, 2003; Khlif, 2016). Individualism's negative moderation underscores the intricate relationship between auditor tenure and collectivism in the GCC, impacting disclosure practices in the direction of fewer KAMs. Consistent with scholarship sceptical of its relevance (e.g., Gray, 1988), results for masculinity's moderating role are insignificant. Other studies reported mixed findings on masculinity's influence on disclosure (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996).

To further validate these findings, robustness checks were conducted using the national culture scores of audit partners from various countries, providing a broader cultural perspective. The data sample comprises 221 unique partners from 20 different countries. The majority are Saudi (73, 33.3%), Kuwaiti (31, 14.2%), Indian (28, 12.8%), Lebanese (20, 9.1%), and British (18, 8.2%). In line with the main findings, the results (Table 6 Panel B) reiterate individualism's significant negative influence across different national backgrounds. Other cultural dimensions, however, did not show significant effects in this extended analysis, possibly reflecting the diverse backgrounds and professional norms of the auditors involved. Control variables were unchanged in relation to KAM reporting.

An analysis incorporating Hofstede's cultural dimensions as control variables (Table 6 Panel C) reveals additional nuance: high power distance and uncertainty avoidance are associated with fewer KAMs, whereas high individualism correlates with more KAMs. These results support and extend Gray's (1988) hypothesis that cultural predispositions towards

secrecy and openness can influence audit disclosures. Gray (1988, p8) defines secrecy as a "preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open, and publicly accountable approach." Overall, results indicate a regional affinity for secrecy.

4.4 Endogeneity

Two-Stage Least Squares (2SLS) and GMM (Generalized Method of Moments) regression models were employed to mitigate endogeneity. 2SLS addresses endogeneity using lagged levels of the variables as instruments to isolate exogenous components of independent variables that influence the dependent variable (Winship & Western, 2016). GMM further incorporates the possibility of time-variant influences to minimize standard deviations and maximize exogenous variation as part of the instrumentation (Winship & Western, 2016).

Audit partner tenure (EA_partTen) is a potential source of endogeneity if it influences or is influenced by the number of KAMs disclosed. EA_partTen is therefore used as an instrumental variable in our analyses. Results (Table 5 Panel B) confirm robustness. 2SLS and GMM both indicate a positive association between tenure and KAMs, and their positive coefficients (0.243 and 0.127, respectively) are statistically significant at 99% confidence. This validates our model specifications and the effectiveness of our econometric techniques for addressing endogeneity. The observed relationships likely reflect true causal interactions rather than spurious correlations driven by omitted variable bias or reverse causality.

4.5 Additional Analysis

4.5.1 Alternative measure for audit partner tenure

To rigorously test the robustness of Model 1 results, where audit partner tenure (EA_partTen) serves as the main independent variable, we employ the alternative measure of audit firm tenure (EA_firmTen). This measure, used in prior EAR studies (e.g., Elshafie, 2023; Hussin *et al*., 2022; Pinto & Morais, 2019; Rahaman & Karim, 2023), quantifies the consecutive years a firm has served the same client, encompassing situations where individual audit partners may change but the firm remains constant. In the adjusted Model 1 (Table 7), various regression techniques—including OLS, Tobit, robust, Poisson, and fixed effects—are applied to mitigate standard error and assess the consistency of results across different statistical methodologies. Results indicate that audit firm tenure, much like audit partner tenure, exhibits a robust positive relationship with KAMs disclosure. The coefficients for (EA_firmTen) in OLS, Tobit, and robust regression models (0.074) are significant at a 99% confidence interval, suggesting strong and consistent positive influence. The coefficients in the Poisson and fixed effects models

(0.038 and 0.036, respectively) are significant at 95% and 90% confidence intervals. This confirms a robust association between audit entity tenure—whether at the partner or firm level—and the extent of KAM disclosure. This consistency echoes Rahaman & Karim's (2023) results from Bangladesh and suggests that prolonged engagements generally engender more comprehensive disclosure in audit reports.

Insert Table 7 about here

4.5.1 Alternative measures for KAM

To further explore the robustness of the main analysis in Model 1, additional tests are conducted by varying the measure of the dependent variable, kamNum.

Length of KAMs disclosed

Following the literature (Abdelfattah *et al.*, 2021; Chen *et al.*, 2023; Rahaman *et al.*, 2023), the total number of words used in KAM disclosures (kamLeng_Tot) serves as a dependent variable. The average number of words per KAM (kamLeng_Avg) is also used to address data anomalies and outliers. In line with the main model, regression analyses for both measures (Table 8 Panel A) show positive associations at significance levels of 90% and 95%, respectively. By implication, longer-tenured audit partners provide more detailed descriptions of KAMs.

KAMs added, dropped, or repeated

To investigate the dynamics of KAM reporting further, variables representing the number of KAMs added (kamAdd), dropped (kamDrop), or repeated (kamRecurr) were also analysed. Results (Table 8 Panel B) reveal that longer tenure is associated with fewer new KAMs, less frequent dropping of old KAMs, and more frequent year-to-year repetition of KAMs. This suggests a tendency towards boilerplate reporting, where similar KAMs are consistently reported across years.

KAMs Readability

ISA 701's emphasis on clarity in audit reporting makes readability a critical measure of communication quality (De Franco *et al.*, 2015; Smith, 2023). Following previous EAR methdologies (Küster, 2024; Seebeck & Kaya, 2023), readability proxies such as Flesch Reading Ease (FleschRead), Flesch Kincaid Grade Level (FleschKincaid), and Gunning Fog Score (GunningFog) are employed. Results (Table 8 Panel C) indicate that longer tenure is positively associated with KAM readability. This suggests that partners with prolonged engagements are likely to present KAMs in a more accessible manner and easier to understand, likely due to their enhanced familiarity and expertise with the client's industry.

These additional analyses not only confirm the robustness of initial findings but illuminate how audit partner tenure influences qualitative aspects of audit reporting. These insights underscore the nuanced impacts of auditor experience on the transparency and clarity of financial disclosures.

Insert Table 8 about here.

4.6 Sensitivity analysis

4.6.1 Large vs small firms

First, the robustness of regression model 1 was tested with sub-sampling (Table 5 Panel C). Endorsed by Camponovo *et al*. (2012) and Fidler *et al*. (2006), this method reduces potential biases inherent in OLS analyses. The sample was divided by firm size—calculated as the natural logarithm of the firm's total assets—into two distinct subsets: small versus large firms. The analysis yielded positive and statistically significant relationships between tenure and KAMs for both subsets. Results were robust at 99% and 90% confidence levels for small and large firms, respectively. Notably, the coefficient for small firms was higher, with an estimated increase of 0.089 KAM units per additional year of tenure, compared to a 0.078 increase for large firms. These results highlight the influence of partner tenure on KAMs across different firm sizes, confirming the primary OLS model. The consistency of the positive relationship across both subsets reinforces the robustness of our findings, suggesting that the effect of partner tenure is significant and pervasive irrespective of firm size.

4.6.2 Industry-Specific Analysis

The industry breakdown dataset categorizes 10 sectors per the GICS. Results (Table 9 Panel A) reveal that partner tenure (EA_partTen) has an especially positive and statistically significant relationship with KAM quantity in the Industrials and Consumer Discretionary sectors. These represent 20% and 16% of the sample, respectively, befitting their prominence in the GCC's economic landscape. These results are significant at 95% confidence, indicating that these industries' complex operational nature may require more extensive disclosures as auditors become familiar with industry-specific risks.

4.6.3 Regional and Economic Analysis

Further analysis assessed partner tenure's impact across geographic and economic contexts. Audit partners were categorized by region of origin—Asia, Europe, Africa, Oceania, and the Americas. The nationality of each partner is determined via meticulous examination of auditor reports and supplemented by firm websites and LinkedIn profiles. Results (Table 9 Panel B) indicate at 99% confidence level that partner tenure positively and significantly effects

reporting, particularly when audit partners are from Asia (most represented in the sample), and from developing economies.

These findings imply that audit partners from these regions bring unique perspectives or adhere to distinct standards of thoroughness and depth for KAM disclosures. Additionally, the prominence of partners from developing economies may reflect different regulatory environments or professional practices that emphasize detailed reporting. Results from these extended analyses (Table 9), reinforce initial findings and provide nuanced insights into how partner tenure influences reporting across various industries and regions.

Insert Table 9 about here.

5. Discussion

The requirement to report KAM has altered the audit landscape in its aim to enhance the communicative value of audit reports. ISA 701 recognizes professional judgment and decision-making as crucial factors in auditors' identification of significant risks. Drawing on Hogarth's (1980) decision behaviour theory, this study examines audit partner tenure in relation to KAM disclosures by incorporating the potential moderating effects of Hofstede's cultural dimensions—power distance, individualism, masculinity, and uncertainty avoidance.

Our analysis reveals a robust positive association between audit partner tenure and the number of KAMs reported. This suggests that experienced auditors familiar with their clients identify and report more KAMs, as argued by Lennox & Wu, (2018), He & Rivai (2024), and Wang *et al.* (2024). While longer tenure could compromise independence, the evidence suggests that it does not diminish the quality of KAM. Instead, established auditors evidently leverage their knowledge and experience to enhance quality, possibly offsetting any adverse effects of familiarity. This is corroborated by Chen *et al.* (2008), Manry *et al.* (2008) and Chi *et al.* (2017), where long auditor-client relationships are associated with fewer discretionary accruals and more frequent issuance of modified opinions. These findings support Hogarth's (1980) theory that familiarity with client operations over time facilitates risk assessment and KAM reporting. Regression results across multiple models, including those that address endogeneity, confirm this positive association. The findings are bolstered by additional tests showing that longer tenure is also associated with detailed and readable KAMs. This satisfies ISA 701's mandate that useful information be reported in a manner accessible to financial statement users.

Our research identified power distance and uncertainty avoidance as cultural dimensions positively affecting the tenure-KAM relationship. By implication, auditors in cultures with high power distance and uncertainty avoidance leverage authority and risk

aversion to enhance disclosures. Past research (Gray & Vint, 1995; Orij, 2010) often portrayed power distance as inversely related to accounting disclosure levels, supposing that centralized power structures curtail information access, thus reducing disclosure levels. The empirical results instead indicate that longer-tenured partners may accrue sufficient credibility and authority over time to counteract this tendency. The positive association with uncertainty avoidance suggests that longer-tenured auditors in such cultures might be particularly diligent in disclosing KAMs. This coheres with literature that associates high uncertainty avoidance with comprehensive disclosure practices as a safeguard against perceived risks and uncertainties (Gray & Vint, 1995; Hope, 2003; Khlif, 2016).

Individualism's role as a negative moderator potentially reflects the GCC's collectivist tendency to underplay personal achievements. This again highlights the complex interplay of auditor tenure and culture underlying disclosure practices. A premium on communal values in collectivist cultures, might diminish even long-tenured auditors' propensity to emphasize the individual judgment inherent in KAM reporting. The study did not find evidence of a significant link with masculinity. The competitiveness and assertiveness associated with masculine cultures might not reliably translate into extensive or detailed audit disclosures. This lack arguably reflects the complexity of masculinity's impact on disclosure, as suggested by prior studies with mixed outcomes (Gray & Vint, 1995; Hope, 2003; Jaggi & Low, 2000; Zarzeski, 1996). In any case, nuanced cultural understanding is critical for global audit practices, especially in regions with diverse cultural norms.

Our effort to assess the broader impact of national culture on audit practices (i.e., using cultural dimensions as control variables), yielded intriguing results. High secrecy societies with high power distance and uncertainty avoidance—like those in the GCC—tend to limit disclosures. This supports Gray's (1988) hypothesis that secretive cultures restrict information flow, with predictable consequences for audit report transparency and comprehensiveness.

6. Conclusion

This study makes significant contributions to the literature by systematically examining the impact of audit partner tenure on KAM disclosures. It extends the theoretical frameworks of audit reporting by demonstrating complex interactions between auditor characteristics and cultural dimensions within the underrepresented regional context of the GCC. By integrating Hofstede's cultural dimensions, this research fills a critical gap in our understanding of culture's role in global auditing practices. The findings offer robust empirical evidence that longer auditor tenure associates positively with the number and quality of KAMs. This suggests that the communicative value of audit reports increases with client-specific knowledge and industry

expertise. This is pivotal for regulators and standard setters as it underscores a need to weigh the benefits of long-term client relationships against perceived threats to auditor independence. Furthermore, the moderating effects of national culture afford new insights into audit practices. The results show a reinforcing effect for power distance and uncertainty avoidance and a diminishing effect for individualism. This is invaluable for firms operating in culturally diverse settings. It suggests, for instance, that cultural alignment considerations can inform best practices for assigning audit partners and optimizing reports.

This study can aid regulatory bodies and audit firms in refining practices and policies. The positive association between tenure and KAM reporting, for instance, might inform firms' auditor rotation and tenure limit policies, helping balance the benefits of experience against the risks of over-familiarity. Understanding the role of cultural dimensions in audit practices can also help multinational corporations tailor strategies to different regulatory and cultural environments, enhancing global audit transparency and effectiveness. Finally, by identifying areas where current practices would benefit from further refinement, this research provides a foundational basis for future studies. It calls for broader investigation into demographic and professional traits that influence audit outcomes, in service of a more comprehensive empirical approach within EAR research that can help shape future standards and practices.

While this study employs rigorous methods, it is also limited in several respects that afford productive avenues for future research. Given our focus on non-financial listed firms, results are not presently applicable to the distinct regulatory and operational dynamics of financial firms. Future studies might include financial firms in the GCC to understand how these dynamics affect audit reports. Audit partner characteristics might also be expanded to include rotation policies, educational background, expertise, ethics, and demographic factors like gender and age. Replicating this study in different regions could enhance the generalizability of the results and broaden understanding of audit quality factors globally. Due to data limitations, the study also neglected Hofstede's dimension of long-term orientation. Future research might include this dimension for a more comprehensive view of national culture and audit practices. Despite its foundational status, Hofstede's model has been criticized for potentially outdated data and static cultural scores. Future studies could update or supplement the model with alternative measures. Addressing these gaps will help refine our theoretical and practical grasp of audit practices to the benefit of future standards and policies.

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Tables

Table 1: Variable definitions

Acronym	Expected Sign	Full Name	Description
Dependent variable			
kamNum		KAMs number	Number of KAMs disclosed by the audit partner.
Independent variable			
EA_partTen		Partner tenure	Number of years of audit partner tenure (base year is 2016).
Control variables			
EA_audLag	+/-	Audit report lag	The time lag between fiscal year of a company and its audit report date.
EA_partnFem	-	Female partner	Indicator variable, 1= if audit partner is a female, otherwise 0.
EA_audBig4	+	Auditor type	Indicator variable, 1= if firm is audited by a Big 4 audit firm, otherwise 0.
EA_GCO	+	Going concern	Indicator variable, 1= if there is a going concern related matter disclosed in the audit report, otherwise 0.
ln_firmSize	+	Firm size	Natural logarithm of firm total assets.
loss	+	Loss	Indicator variable, 1= if firm reported a net loss for the year, otherwise 0.
liquid	-	Liquidity	Ratio of total current assets to total current liabilities.
roa	-	Return on assets	Ratio of operating profit to total assets.
levg	+	Leverage	Ratio of total debt to equity.
Country-level variables			
Inst_gdp*		GDP per capita	Gross domestic product (in U.S. dollars).
Inst_inflation*		Inflation	The annual ratio changes in the price to the average consumer obtaining goods and services.
H_PD_Cntr**		Power distance	The extent of power distribution in the society which includes the degree of equality/inequality between individuals.
H_IDV_Cntr**		Individualism	The extent to which individuals are detached from groups.
H_MAS_Cntr**		Masculinity	The extent to which masculine society values competitiveness, strength and assertiveness.
H_UAV_Cntr**		Uncertainty avoidance	The extent of society's acceptance and tolerance with regards to uncertainty and ambiguity.

The expected sign of the control variables is included based on existing literature.
*Source: Data is obtained from the World Bank Development Indicators
**Source: Data is obtained from Hofstede Insights.

Table 2: Sample selection and distribution

Panel A: Sample selection

GCC Country	KSA	UAE	Kuwait	Oman	Qatar	Bahrain	Total
Total Population	1150	926	944	679	286	250	4235
Total Exclusion (Less)	(320)	(570)	(396)	(270)	(120)	(144)	(1820)
Financials	(315)	(510)	(378)	(252)	(120)	(144)	(1719)
Delisted, suspended/ liquidated	(5)	(30)	(6)	(18)	-	-	(59)
Dual Listing	-	(30)	(12)	-	-	-	(42)
Total Observations	**830**	**356**	**548**	**409**	**166**	**106**	**2415**

Panel B: Sample distribution country and year

GCC Country	2016	2017	2018	2019	2020	2021	Total	Percent
Kingdom of Saudi Arabia	-	146	158	165	180	181	830	34%
State of Kuwait	90	91	91	92	92	92	548	23%
Sultanate of Oman	66	67	68	69	69	70	409	17%
United Arab Emirates	52	53	57	63	65	66	356	15%
State of Qatar	26	27	27	28	29	29	166	7%
Kingdom of Bahrain	17	17	18	18	18	18	106	4%
Total Observations	**251**	**401**	**419**	**435**	**453**	**456**	**2415**	**100%**

Note: KSA did not have any firm year observations in 2016 as KAM was endorsed in 2017 by SOCPA.

Panel C: Sample distribution industry and year

Industry	2016	2017	2018	2019	2020	2021	Total	Percent
Industrials	54	78	79	82	89	90	472	20%
Materials	28	71	73	77	79	79	407	17%
Consumer Discretionary	54	66	67	69	70	70	396	16%
Real Estate	35	60	62	64	66	66	353	15%
Consumer Staples	31	47	53	54	57	57	299	12%
Communication Services	16	22	23	24	24	24	133	6%
Utilities	15	21	22	23	23	24	128	5%
Health Care	8	18	19	20	22	22	109	5%
Energy	8	14	14	14	14	15	79	3%
Information Technology	2	4	7	8	9	9	39	2%
Total Observations	**251**	**401**	**419**	**435**	**453**	**456**	**2415**	**100%**

Table 3: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
kamNum	2415	1.984	1.208	0	7
EA partTen	2387	1.785	.994	1	6
EA audLag	2396	70.624	39.471	6	799
EA partnFem	2376	.011	.102	0	1
EA audBig4	2415	.571	.495	0	1
EA GCO	2415	.057	.231	0	1
ln firmSize	2415	18.887	2.314	11.834	27.929
loss	2415	.24	.427	0	1
liquid	2415	2.487	4.635	.005	87.463
roa	2415	.028	.166	-4.498	1.334
levg	2415	1.301	4.788	-65.078	160.039
Inst gdp	2323	28702.194	12194.091	16707.623	66838.357
Inst inflation	2349	1.182	1.862	-2.54	3.445
H PD Cntr	2415	74.649	12.31	46	93
H IDV Cntr	2415	39.869	10.719	18	52
H MAS Cntr	2415	39.66	13.414	12	55
H UAV Cntr	2415	70.951	6.8	64	80

Table 4: Pairwise correlation

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1) kamNum	1.000																
(2) EA_partTen	0.000	1.000															
(3) EA_audLag	-0.162***	-0.028	1.000														
(4) EA_partnFem	-0.074***	0.030	0.046**	1.000													
(5) EA_audBig4	-0.120***	0.009	-0.076***	-0.062***	1.000												
(6) EA_GCO	0.012	-0.014	0.104***	0.010	-0.077***	1.000											
(7) ln_firmSize	0.174***	0.089***	0.032	-0.056***	0.327***	-0.087***	1.000										
(8) loss	0.075***	0.033*	0.132***	0.029	-0.172***	0.303***	-0.190***	1.000									
(9) liquid	-0.070***	-0.016	-0.063***	0.145***	-0.109***	-0.081***	-0.168***	-0.019	1.000								
(10) roa	-0.071***	-0.017	-0.010	-0.026	0.136***	-0.132***	0.158***	-0.372***	0.022	1.000							
(11) levg	-0.042**	0.007	0.075***	-0.005	0.005	0.136***	0.016	0.073***	-0.074***	-0.003	1.000						
(12) Inst_gdp	0.024	0.071***	-0.105***	0.009	0.255***	-0.013	0.366***	-0.080***	0.013	-0.001	-0.013	1.000					
(13) Inst_inflation	-0.076***	0.000	0.011	0.034*	-0.019	0.006	-0.082***	-0.011	0.015	0.026	0.015	-0.105***	1.000				
(14) H_PD_Cntr	-0.076***	0.062***	0.079***	0.085***	0.040*	-0.003	0.164***	0.012	0.053***	-0.007	0.038*	0.534***	0.169***	1.000			
(15) H_IDV_Cntr	0.079***	-0.081***	0.067***	-0.089***	-0.170***	0.016	-0.072***	0.024	-0.074***	0.026	-0.023	-0.776***	-0.069***	-0.786***	1.000		
(16) H_MAS_Cntr	0.074***	0.102***	0.096***	0.020	0.143***	-0.034*	0.532***	-0.040**	0.029	0.037*	-0.027	0.612***	0.002	0.413***	-0.554***	1.000	
(17) H_UAV_Cntr	-0.165***	0.038*	-0.160***	0.091***	0.065***	-0.007	-0.408***	-0.001	0.084***	-0.054***	0.041**	0.298***	0.105***	0.472***	-0.726***	-0.089***	1.000

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 5: Regression analysis, endogeneity results and robustness checks

	Panel A: Regression results					**Panel B:** Endogeneity test results		**Panel C:** Robustness check	
Model (1)	OLS	Tobit	Robust	Poisson	Fixed	2SLS	GMM	Small firms	Large firms
	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum
l. kamNum							0.003		
							(0.20)		
EA_partTen	0.078***	0.078***	0.078***	0.038**	0.048**	0.243***	0.127***	0.089***	0.078*
	(2.87)	(2.88)	(3.01)	(2.14)	(2.12)	(2.70)	(6.86)	(2.62)	(1.91)
EA_audLag	-0.006***	-0.006***	-0.006***	-0.005***	-0.002***	-0.006***	-0.005***	-0.005***	-0.006***
	(-9.81)	(-9.87)	(-8.21)	(-7.90)	(-3.73)	(-6.64)	(-10.67)	(-6.22)	(-6.64)
EA_partnFem	-0.610**	-0.610**	-0.610*	-0.479**	0.370	-0.815***	0.585*	-0.757***	-0.361
	(-2.26)	(-2.27)	(-1.86)	(-2.00)	(1.22)	(-2.84)	(1.86)	(-3.02)	(-0.50)
EA_audBig4	-0.602***	-0.602***	-0.602***	-0.305***	-0.386***	-0.585***	-0.186**	-0.578***	-0.644***
	(-11.30)	(-11.37)	(-11.49)	(-8.96)	(-4.88)	(-9.90)	(-2.49)	(-9.44)	(-7.22)
EA_GCO	0.113	0.113	0.113	0.074	0.101	0.181	0.312***	-0.041	0.420**
	(1.01)	(1.02)	(0.98)	(1.06)	(0.91)	(1.56)	(9.95)	(-0.34)	(2.13)
ln_firmSize	0.169***	0.169***	0.169***	0.085***	-0.213***	0.155***	-0.047*	0.127***	0.226***
	(13.69)	(13.77)	(12.74)	(10.76)	(-3.10)	(11.40)	(-1.89)	(5.07)	(7.29)
loss	0.325***	0.325***	0.325***	0.173***	0.199***	0.299***	0.306***	0.294***	0.269**
	(5.08)	(5.11)	(4.88)	(4.39)	(3.38)	(4.43)	(7.36)	(4.09)	(2.43)
liquid	-0.009	-0.009	-0.009*	-0.006	-0.002	-0.006	-0.012***	-0.007	-0.027
	(-1.58)	(-1.59)	(-1.89)	(-1.41)	(-0.26)	(-0.99)	(-4.95)	(-1.39)	(-1.37)
roa	-0.426***	-0.426***	-0.426*	-0.186**	-0.233*	-0.314**	0.135**	-0.070	-1.609***
	(-2.84)	(-2.86)	(-1.94)	(-2.37)	(-1.91)	(-2.07)	(2.50)	(-0.49)	(-4.56)
levg	-0.018**	-0.018***	-0.018**	-0.009**	-0.015**	-0.015**	-0.023***	0.001	-0.047***
	(-2.57)	(-2.58)	(-2.04)	(-2.18)	(-2.49)	(-2.06)	(-15.64)	(0.18)	(-3.93)
Inst_gdp	-0.000***	-0.000***	-0.000***	-0.000***	0.000	-0.000***	0.000***	-0.000***	-0.000***
	(-4.42)	(-4.44)	(-4.27)	(-3.46)	(0.76)	(-2.77)	(7.57)	(-2.99)	(-2.86)
Inst_inflation	-0.057***	-0.057***	-0.057***	-0.025**	-0.035***	-0.013	-0.001	-0.080***	-0.021
	(-3.54)	(-3.56)	(-3.39)	(-2.38)	(-2.71)	(-0.72)	(-0.11)	(-3.66)	(-0.82)
_cons	0.021	0.021	0.021	-0.257	6.487***				
	(0.08)	(0.08)	(0.08)	(-1.43)	(4.83)				
year	included	included	included	included	included	included	included	included	included
industry	included	included	included	included	included	included	included	included	included
var(e.kamNum)		1.206***							
		(33.21)							
N	2206	2206	2206	2206	2206	1749	1762	1096	1110
R-sq	0.20		0.20	0.09				0.21	0.22
adj. R-sq	0.19		0.19	-0.16				0.19	0.20

t statistics in parentheses ="* p<0.10 ** p<0.05 *** p<0.01"

Table 6: Hofstede dimensions

Main Model	Panel A: Hofstede dimensions as moderators [6 GCC countries]				Panel B: Hofstede dimensions as moderators [20 Partner countries]				Panel C: Hofstede dimensions as control [6 GCC countries]			
	Including PD kamNum	Including IDV kamNum	Including MAS kamNum	Including UAV kamNum	Including PD kamNum	Including IDV kamNum	Including MAS kamNum	Including UAV kamNum	Including PD kamNum	Including IDV kamNum	Including MAS kamNum	Including UAV kamNum
EA_partTen	-0.156	0.284***	-0.042	-0.430*	-0.058	0.233***	-0.075	0.071	0.081***	0.089***	0.077***	0.091***
	(-1.09)	(3.17)	(-0.44)	(-1.75)	(-0.43)	(3.03)	(-0.59)	(0.55)	(3.02)	(3.29)	(2.86)	(3.36)
H_PD	-0.015***				-0.004				-0.009***			
	(-3.40)				(-1.20)				(-3.40)			
c.	0.003*				0.002							
	(1.69)				(1.04)							
H_IDV		0.026***				0.006*				0.017***		
		(4.42)				(1.74)				(3.89)		
c.		-0.005**				-0.004**						
		(-2.29)				(-2.16)						
H_MAS			-0.004				0.006				0.000	
			(-0.95)				(1.12)				(0.12)	
c.			0.003				0.003					
			(1.30)				(1.25)					
H_UAV				-0.035***				-0.010***				-0.021***
				(-4.23)				(-2.71)				(-4.10)
c.				0.007**				0.000				
				(2.13)				(0.09)				
EA_audLag	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***
	(-9.29)	(-9.74)	(-9.68)	(-10.33)	(-9.75)	(-9.85)	(-9.58)	(-9.35)	(-9.30)	(-9.69)	(-9.71)	(-10.22)
EA_partnFem	-0.591**	-0.549**	-0.607**	-0.556**	-0.622**	-0.631**	-0.593**	-0.557**	-0.574**	-0.535**	-0.610**	-0.540**
	(-2.19)	(-2.04)	(-2.25)	(-2.07)	(-2.30)	(-2.34)	(-2.21)	(-2.07)	(-2.13)	(-1.98)	(-2.26)	(-2.00)
EA_audBig4	-0.625***	-0.593***	-0.606***	-0.564***	-0.609***	-0.605***	-0.628***	-0.593***	-0.622***	-0.590***	-0.601***	-0.566***
	(-11.68)	(-11.16)	(-11.28)	(-10.50)	(-11.32)	(-11.35)	(-11.77)	(-11.14)	(-11.63)	(-11.09)	(-11.21)	(-10.52)
EA_GCO	0.099	0.089	0.114	0.100	0.110	0.114	0.105	0.080	0.101	0.088	0.114	0.097
	(0.88)	(0.80)	(1.02)	(0.90)	(0.98)	(1.02)	(0.94)	(0.72)	(0.90)	(0.78)	(1.01)	(0.87)
ln_firmSize	0.170***	0.152***	0.169***	0.129***	0.169***	0.174***	0.169***	0.163***	0.169***	0.150***	0.169***	0.129***
	(13.78)	(11.38)	(12.10)	(8.14)	(13.61)	(13.26)	(13.72)	(13.14)	(13.73)	(11.25)	(12.09)	(8.11)
loss	0.334***	0.325***	0.324***	0.310***	0.326***	0.331***	0.341***	0.329***	0.330***	0.320***	0.324***	0.306***
	(5.23)	(5.10)	(5.07)	(4.86)	(5.10)	(5.18)	(5.35)	(5.18)	(5.17)	(5.02)	(5.07)	(4.79)
liquid	-0.008	-0.008	-0.009	-0.010*	-0.008	-0.008	-0.009	-0.008	-0.008	-0.008	-0.009	-0.010*
	(-1.50)	(-1.50)	(-1.58)	(-1.77)	(-1.54)	(-1.53)	(-1.64)	(-1.53)	(-1.54)	(-1.55)	(-1.59)	(-1.79)
roa	-0.422***	-0.419***	-0.436***	-0.401***	-0.430***	-0.437***	-0.380**	-0.409***	-0.415***	-0.413***	-0.425***	-0.406***
	(-2.82)	(-2.81)	(-2.91)	(-2.69)	(-2.86)	(-2.92)	(-2.54)	(-2.74)	(-2.78)	(-2.77)	(-2.84)	(-2.72)
levg	-0.017**	-0.016**	-0.017**	-0.015**	-0.017**	-0.018***	-0.017**	-0.016**	-0.016**	-0.015**	-0.017**	-0.015**
	(-2.43)	(-2.27)	(-2.55)	(-2.14)	(-2.55)	(-2.64)	(-2.45)	(-2.33)	(-2.42)	(-2.25)	(-2.56)	(-2.13)
Inst_gdp	-0.000*	0.000	-0.000***	-0.000*	-0.000***	-0.000***	-0.000***	-0.000***	-0.000*	0.000	-0.000***	-0.000
	(-1.82)	(0.59)	(-3.86)	(-1.67)	(-4.33)	(-4.42)	(-5.22)	(-4.95)	(-1.78)	(0.68)	(-3.80)	(-1.54)
Inst_inflation	-0.041**	-0.041**	-0.057***	-0.047***	-0.056***	-0.052***	-0.048***	-0.039**	-0.042**	-0.045***	-0.057***	-0.051***
	(-2.47)	(-2.48)	(-3.51)	(-2.89)	(-3.46)	(-3.23)	(-3.01)	(-2.42)	(-2.52)	(-2.74)	(-3.53)	(-3.19)
_cons	0.975**	-0.971***	0.220	3.177***	0.305	-0.277	-0.205	0.776**	0.541*	-0.601*	0.029	2.180***
	(2.41)	(-2.74)	(0.70)	(4.21)	(0.84)	(-0.90)	(-0.55)	(2.16)	(1.73)	(-1.91)	(0.10)	(3.68)
year	included	included	included	included	included	included	included	included	included	included	included	included
industry	included	included	included	included	included	included	included	included	included	included	included	included
N	2206	2206	2206	2206	2206	2206	2206	2206	2206	2206	2206	2206
R-sq	0.21	0.21	0.20	0.21	0.20	0.20	0.21	0.21	0.21	0.21	0.20	0.21
adj. R-sq	0.20	0.20	0.19	0.20	0.19	0.19	0.20	0.20	0.20	0.20	0.19	0.20

t statistics in parentheses ="* p<0.10 ** p<0.05 *** p<0.01"

Table 7: Alternative measure audit partner tenure

Main Model	OLS	Tobit	Robust	Poisson	Fixed
	kamNum	kamNum	kamNum	kamNum	kamNum
EA_firmTen	0.074***	0.074***	0.074***	0.038**	0.036*
	(3.27)	(3.29)	(3.49)	(2.50)	(1.72)
EA_audLag	-0.006***	-0.006***	-0.006***	-0.005***	-0.002***
	(-9.86)	(-9.92)	(-8.39)	(-7.92)	(-3.76)
EA_partnFem	-0.587**	-0.587**	-0.587*	-0.471**	0.347
	(-2.17)	(-2.19)	(-1.77)	(-1.96)	(1.15)
EA_audBig4	-0.627***	-0.627***	-0.627***	-0.317***	-0.401***
	(-11.56)	(-11.63)	(-11.75)	(-9.16)	(-5.00)
EA_GCO	0.116	0.116	0.116	0.076	0.100
	(1.04)	(1.04)	(1.00)	(1.09)	(0.90)
Firm control variables	included	included	included	included	included
Country level variables	included	included	included	included	included
_cons	-0.065	-0.065	-0.065	-0.303*	6.466***
	(-0.24)	(-0.24)	(-0.23)	(-1.68)	(4.81)
year	included	included	included	included	included
industry	included	included	included	included	included
var(e.kamNum)		1.204***			
		(33.21)			
N	2206	2206	2206	2206	2206
R-sq	0.20		0.20		0.09
adj. R-sq	0.19		0.19		-0.16

t statistics in parentheses ="* p<0.10 ** p<0.05 *** p<0.01"

Firm and country level variables have been included in all models but are not presented for purposes of brevity.

Table 8: Regression analysis for alternative measures of KAMs

Model (1)	**Panel A:** Effect of partner tenure on KAMs length		**Panel B:** Effect of partner tenure on KAMs added, dropped or repeated			**Panel C:** Effect of partner tenure on readability		
	OLS kamLeng_Tot	**OLS** kamLeng_Avg	**OLS** kamAdd	**OLS** kamDrop	**OLS** kamRecurr	**OLS** FleschRead	**OLS** FleschKincaid	**OLS** GunningFog
EA_partTen	8.381*	3.499**	-0.145***	-0.121***	0.207***	1.134***	0.314**	0.449***
	(1.84)	(2.04)	(-6.04)	(-6.21)	(8.80)	(3.64)	(2.51)	(2.98)
EA_audLag	-0.745***	-0.310***	-0.002***	-0.002***	-0.004***	-0.057***	-0.045***	-0.054***
	(-7.27)	(-8.03)	(-3.69)	(-3.88)	(-7.59)	(-8.02)	(-15.66)	(-15.73)
EA_partnFem	-72.735	-39.806**	0.102	-0.285	-0.737***	-6.480**	-4.814***	-6.367***
	(-1.60)	(-2.33)	(0.43)	(-1.47)	(-3.13)	(-2.13)	(-3.95)	(-4.33)
EA_audBig4	-14.201	30.273***	-0.375***	-0.077**	0.005	-1.675***	0.879***	0.828***
	(-1.58)	(8.97)	(-7.94)	(-2.01)	(0.10)	(-2.60)	(3.40)	(2.65)
EA_GCO	53.518***	22.712***	0.127	0.167**	-0.035	1.273	0.838	1.086*
	(2.84)	(3.20)	(1.28)	(2.07)	(-0.36)	(0.97)	(1.59)	(1.70)
Control variables	included	included	included	included	included	included	included	included
year	included	included	included	included	included	included	included	included
industry	included	included	included	included	included	included	included	included
N	2206	2206	2206	2206	2206	1989	1989	1989
R-sq	0.21	0.15	0.34	0.17	0.44	0.10	0.18	0.19
adj. R-sq	0.20	0.14	0.33	0.16	0.43	0.09	0.17	0.18

t statistics in parentheses ="* p<0.10 ** p<0.05 *** p<0.01"

Table 9: Sensitivity analysis

Panel A: Per Industry

Model (1)	Energy	Materials	Industrials	Consumer Staples	Consumer Discretionary	Health Care	Communication Services	Utilities	IT	Real Estate
	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum
EA_firmTen	-0.102	0.046	0.140**	0.111	0.144**	0.190	0.190	0.006	-0.108	-0.065
	(-0.67)	(0.80)	(2.28)	(1.36)	(2.12)	(1.49)	(1.49)	(0.04)	(-0.61)	(-0.94)
Control variables	included	included	included	included	included	included	included	included	included	included
_cons	-1.664	1.870***	-0.908	2.217***	-2.102***	-1.731	-1.731	1.341	4.214**	-0.008
	(-1.15)	(4.13)	(-1.20)	(3.52)	(-3.67)	(-0.86)	(-0.86)	(1.58)	(2.67)	(-0.01)
Year	included	included	included	included	included	included	included	included	included	included
Industry	included	included	included	included	included	included	included	included	included	included
N	70	383	427	274	326	102	102	118	38	346
R-sq	0.33	0.25	0.19	0.34	0.31	0.43	0.43	0.16	0.87	0.20
adj. R-sq	0.14	0.22	0.16	0.30	0.28	0.32	0.32	0.02	0.77	0.16

Panel B: Partner region

Model (1)	Asia	Europe	Africa	Oceania	Americas	Developing	Developed
	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum	kamNum
EA_firmTen	0.074***	0.281	0.254	-0.461	0.471	0.075***	0.180
	(2.64)	(1.44)	(1.18)	(-1.38)	(.)	(2.70)	(1.20)
Control variables	included	included	included	included	included	included	included
_cons	0.082	1.900	1.369	3.437	16.924	0.007	2.399*
	(0.28)	(1.18)	(0.63)	(0.36)	(.)	(0.02)	(1.89)
Year	included	included	included	included	included	included	included
Industry	included	included	included	included	included	included	included
N	1956	132	72	31	15	2026	180
R-sq	0.21	0.46	0.52	0.73	1.00	0.20	0.49
adj. R-sq	0.20	0.33	0.29	0.46	.	0.19	0.40

t statistics in parentheses ="* p<0.10 ** p<0.05 *** p<0.01", Firm control and country level variables have been included in all models but are not presented for purposes of brevity.