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Transparency versus Independence: A Systematic Literature Review of the Consequences of Expanded Audit Reporting

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***ABSTRACT**. This study examines the consequences of expanded audit reporting through a qualitative systematic literature review, focusing on the tension between transparency and auditor independence. Drawing on prior research on Key Audit Matters (KAMs), Critical Audit Matters (CAMs), investor responses, financial reporting quality, loan contracting, auditor judgment, and non-audit services, the review synthesizes recurring themes and divergent findings across the literature. The results indicate that expanded audit reporting enhances transparency by making significant audit risks and professional judgments more visible, but its incremental informativeness to investors remains limited when disclosed risks are already publicly known. Nevertheless, expanded reporting can influence financial reporting quality, management disclosure, and lending decisions, particularly when disclosures are entity-specific and decision-relevant. The review further identifies auditor judgment and economic incentives as critical conditions affecting reporting credibility. Overall, transparency and independence are interconnected: expanded reporting is most effective when greater disclosure is accompanied by objective professional judgment and strong auditor-independence safeguards.*

***Keywords** Expanded Audit Reporting; Key Audit Matters; Auditor Independence; Audit Transparency; Audit Quality*

INTRODUCTION

The traditional auditor’s report has historically provided investors and other financial statement users with a largely standardized “pass-or-fail” conclusion, offering limited insight into significant matters addressed during the audit. In response to demands for greater transparency and more informative communication, regulators introduced expanded audit reporting requirements. The International Auditing and Assurance Standards Board (IAASB) introduced ISA 701, requiring auditors of listed entities to communicate Key Audit Matters (KAMs), while the Public Company Accounting Oversight Board (PCAOB) introduced Critical Audit Matters (CAMs) in the United States. These reforms aim to enhance the relevance and informational value of auditor reporting by providing users with greater insight into significant audit matters and auditor responses (IAASB, 2015; PCAOB, 2017).

Expanded audit reporting, however, creates an important tension between transparency and auditor independence. Greater disclosure may reduce information asymmetry by communicating audit risks, significant judgments, and areas of complexity. Evidence from the United Kingdom indicates that expanded reporting can improve financial reporting quality, including reductions in abnormal accruals and firms’

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propensity to narrowly meet or beat analyst forecasts, without significant increases in audit fees or reporting delay (Reid et al., 2019). Similarly, expanded auditor disclosures have been associated with lower loan spreads and longer loan maturities, suggesting that lenders incorporate auditor-provided risk information into contracting decisions (Porumb et al., 2021). Sharia supervisory board plays a crucial role in ensuring that all bank activities comply with Islamic law, while external auditors are responsible for providing an opinion on the financial statements' compliance with sharia principles (Rizal, M., et al, 2023).

Nevertheless, evidence regarding the informational consequences of expanded reporting remains mixed. Lennox et al. (2023) find that expanded auditor risk disclosures in the United Kingdom do not provide incremental information to investors because many reported risks were already reflected in market information. Moreover, KAM content and presentation vary considerably. Rousseau and Zehms (2024) show that audit-partner decision styles influence KAM reporting, with clients sharing the same partner exhibiting greater textual similarity. Thus, expanded reporting reflects not only a formal disclosure requirement but also professional judgment and auditor-level characteristics. The use of AI and big data allows auditors to handle large volumes of data more quickly, while blockchain offers solutions to improve the security and integrity of audit evidence (Ruslaini, et al, 2024).

The transparency objective may also interact with auditors' economic incentives and independence. Non-audit services have long raised concerns about economic bonding and threats to auditor objectivity (Ashbaugh et al., 2003; DeFond et al., 2002). Beardsley et al. (2021) further show that an audit office's emphasis on non-audit services may divert resources and attention from auditing and is associated with a greater likelihood of financial statement misstatements. These concerns are particularly relevant when auditors exercise judgment in determining which matters warrant prominent disclosure. Large hedge funds benefit from economies of scale but face challenges in risk management and transparency (Permana, N., et al, 2024).

Recent evidence directly connects expanded reporting with auditor independence. Lynch et al. (2025) find that tax KAMs affect investors' valuation of tax attributes and clients' subsequent demand for auditor-provided tax services. Auditors are also more likely to stop reporting tax KAMs when clients subsequently increase purchases of auditor-provided tax services, raising concerns about economic bonding and the objectivity of KAM reporting. Hence, expanded reporting may simultaneously enhance transparency and create incentives that potentially influence auditor judgment and independence.

Overall, the literature provides no simple conclusion that expanded audit reporting is uniformly beneficial or detrimental. Its consequences appear to depend on the disclosed matter, information environment, auditor characteristics, economic incentives, and institutional setting. Lynch et al. (2025) emphasize that consequences may vary across KAM topics and cannot necessarily be generalized across all forms of expanded reporting. A systematic synthesis is therefore necessary to identify the broader mechanisms through which expanded audit reporting affects transparency, information usefulness, audit quality, auditor judgment, economic incentives, and independence.

Accordingly, this qualitative systematic literature review examines the consequences of expanded audit reporting through the central tension between transparency and independence. It synthesizes evidence on whether expanded reporting enhances the informational value of audits while creating incentives, pressures, or professional-judgment challenges that may affect auditor independence. By integrating investor, lender, audit-quality, auditor-behavior, and non-audit-service perspectives, this study seeks to clarify when expanded audit reporting strengthens accountability and when its benefits may be constrained by the economic and professional environment in which auditors operate.

LITERATURE REVIEW

Expanded audit reporting represents a major transformation of the traditional auditor's report, moving beyond a standardized pass-or-fail opinion toward greater communication about matters requiring significant auditor attention. The reform was motivated by concerns that conventional reports provided insufficient insight and limited informational value for investors and other stakeholders (IAASB, 2015; Minutti-Meza, 2021). Under ISA 701, Key Audit Matters (KAMs) identify matters of most significance in the audit, including significant risks, auditor judgments, and transactions or events (IAASB, 2015).

The transparency rationale assumes that audit-specific information can reduce information asymmetry among managers, auditors, investors, and capital-market participants. Evidence indicates that expanded reporting can influence lending decisions and improve financial reporting quality, including reductions in abnormal accruals and firms' tendency to narrowly meet or beat analyst forecasts (Porumb et al., 2021; Reid et al., 2019). However, these benefits are not consistently observed. Gutierrez et al. (2018) find limited evidence of substantial incremental information or effects on audit quality, fees, or reporting delays, while Burke et al. (2023) report that U.S. CAMs generally provide limited incremental market information. Lennox et al. (2023) similarly find that UK expanded audit reports often do not provide incremental information because disclosed risks are already reflected in public information.

Recent research suggests that the usefulness of expanded reporting depends on the characteristics of disclosed matters. KAMs with particular levels of detail, readability, tone, severity, and specificity may provide more meaningful signals about firm-specific risks and subsequent financial restatement (Huang et al., 2024). Experimental evidence also indicates that KAMs can influence nonprofessional investors when the information is decision-relevant (Christensen et al., 2014). Thus, expanded reporting may increase transparency, but its informational value is heterogeneous and context-dependent.

Expanded reporting also affects managerial behavior and audit quality. Greater auditor disclosure may increase external scrutiny and encourage managers to improve reporting quality (Reid et al., 2019). Burke et al. (2023) further show that CAMs can influence financial statement footnote disclosures even when their direct market information is limited. Nevertheless, evidence across jurisdictions remains mixed, indicating that outcomes depend on institutional enforcement, investor protection, information environments, auditor characteristics, and the nature of disclosed KAMs (Lynch et al., 2025).

A further dimension concerns auditor judgment and independence. Expanded reporting requires auditors to identify, evaluate, and communicate significant matters, making reporting more dependent on professional judgment (IAASB, 2015; Minutti-Meza, 2021). Rousseau and Zehms (2024) demonstrate that audit firms and individual partners influence KAM reporting styles, suggesting that disclosure variation may reflect auditor-specific practices as well as differences in client risk. Consequently, greater disclosure volume does not necessarily ensure comparable or consistent transparency.

The independence issue becomes particularly important in the context of economic relationships and non-audit services. While DeFond et al. (2002) and Ashbaugh et al. (2003) find no simple evidence that non-audit fees systematically impair auditor independence, subsequent research indicates that non-audit services may affect auditor behavior, resource allocation, and audit quality (Beardsley et al., 2019; Beardsley et al., 2021; Donelson et al., 2020). Such concerns are especially relevant when auditors must disclose sensitive or unfavorable client information.

Tax-related KAMs provide particularly direct evidence of the transparency–independence tension. Lynch et al. (2025) find that tax KAMs affect investors' valuation of tax avoidance and deferred tax assets and are associated with subsequent client demand for auditor-provided tax services. Their findings indicate that auditors are more likely to stop reporting tax KAMs for clients that subsequently increase purchases of auditor-provided tax services, suggesting potential self-interest threats to auditor independence. Thus, disclosure may simultaneously increase stakeholder information and create economic incentives that influence subsequent auditor reporting decisions.

Overall, the literature demonstrates that expanded audit reporting produces mixed and context-dependent consequences. KAMs and CAMs can enhance the visibility of audit risks, influence financial reporting and lending decisions, and provide useful signals for specific matters, but their average incremental information content remains limited in several settings. At the same time, expanded reporting increases auditor reliance on professional judgment and may interact with economic incentives arising from auditor–client relationships. The literature therefore suggests that transparency and independence should not be viewed as separate outcomes but as interconnected dimensions shaped by auditor judgment, client responses, economic incentives, and institutional conditions.

Accordingly, the principal research gap lies in the limited integration of the informational, behavioral, economic, and independence consequences of expanded audit reporting. Existing studies generally examine individual outcomes rather than connecting them within a unified framework. This qualitative systematic literature review addresses this gap by synthesizing evidence around two interconnected dimensions: (1) whether expanded audit reporting enhances transparency and decision usefulness, and (2) whether the economic and professional consequences of greater transparency create tensions with auditor independence.

METHODS

This study employs a qualitative systematic literature review (SLR) to identify, evaluate, interpret, and synthesize evidence on the consequences of expanded audit reporting, particularly the tension between transparency and auditor independence. SLR is appropriate for fragmented research because it enables structured synthesis of diverse findings rather than an ad hoc narrative review (Snyder, 2019). Unlike meta-analysis, this study focuses on recurring themes, mechanisms, relationships, inconsistencies, and contextual differences rather than pooled effect sizes (Snyder, 2019; Thomas & Harden, 2008).

The review follows PRISMA 2020 principles to ensure transparent identification, screening, eligibility assessment, quality appraisal, and synthesis of studies (Page et al., 2021). The process comprises five stages: formulation of research questions and eligibility criteria, systematic identification, screening and eligibility assessment, methodological appraisal and data extraction, and qualitative thematic synthesis (Page et al., 2021; Haddaway & Macura, 2018). The review addresses three questions concerning transparency consequences, effects on auditor judgment, audit quality, economic incentives and independence, and the conditions under which expanded reporting creates tension between transparency and independence.

A systematic search identifies peer-reviewed studies using terms related to expanded audit reporting, KAM, CAM, transparency, audit quality, investor information, auditor judgment, independence, non-audit services, and loan contracting. Both KAM and CAM terminology are included because ISA 701 applies internationally while PCAOB standards govern CAM reporting in the United States (IAASB, 2015; PCAOB, 2017). Studies are included when they examine expanded audit reporting and relevant consequences and provide sufficient evidence for qualitative synthesis; studies unrelated to expanded reporting or lacking sufficient information are excluded.

Included studies undergo methodological quality appraisal considering research design, data or sample adequacy, variable measurement, analytical methods, robustness, and consistency between evidence and conclusions (Haddaway & Macura, 2018).

Methodological diversity does not automatically lead to exclusion; instead, study quality determines the evidential weight assigned during synthesis (Thomas & Harden, 2008). Data extraction covers study characteristics, institutional setting, research design, reporting regime, key findings, transparency consequences, independence consequences, and relevant mechanisms.

The evidence is analyzed through qualitative thematic synthesis involving coding, development of descriptive themes, and analytical interpretation (Thomas & Harden, 2008). The analytical framework comprises three dimensions: Transparency, including information usefulness, risk communication, financial reporting quality, and lender information; Independence, including auditor objectivity, professional judgment, economic bonding, and non-audit services; and Interaction, capturing mechanisms through which transparency affects managerial or auditor behavior and subsequently influences independence. The synthesis distinguishes disclosure presence, informativeness, and economic consequences because greater disclosure does not necessarily produce incremental investor information (Gutierrez et al., 2018; Porumb et al., 2021; Burke et al., 2023).

The review also considers differences across KAM topics, institutional settings, reporting regimes, and research designs. In particular, Lynch et al. (2025) demonstrate how tax KAMs can affect investor valuation, client demand for tax services, and potential self-interest threats to auditor independence. The resulting framework conceptualizes expanded audit reporting through three pathways: (1) expanded reporting → greater transparency and information usefulness; (2) expanded reporting → managerial and auditor behavioral responses; and (3) expanded reporting → economic incentives and potential independence consequences (Lynch et al., 2025).

Finally, the review maintains an explicit audit trail covering search terms, databases, eligibility criteria, screening decisions, appraisal procedures, extraction variables, and thematic coding (Haddaway & Macura, 2018; Page et al., 2021). Contradictory findings are retained because they provide evidence of the contextual nature of expanded audit reporting. Overall, this methodology enables an integrated explanation of how expanded audit reporting affects transparency, how auditors and clients respond, and under what conditions such responses may create tensions with auditor independence.

RESULTS

The qualitative synthesis identifies six interrelated themes concerning expanded audit reporting: (1) enhanced transparency and information usefulness, (2) limited incremental investor informativeness, (3) effects on financial reporting and audit quality, (4) auditor judgment and disclosure specificity, (5) economic incentives and auditor independence, and (6) topic-specific and institutional conditions. Overall, the literature does not indicate uniformly positive or negative consequences; outcomes depend on the information disclosed, users, client characteristics, and incentives surrounding auditor judgment. The central finding is therefore a transparency–independence tension: expanded reporting increases the amount and specificity of information communicated, but its effectiveness depends on whether the information is genuinely incremental and whether auditors can exercise independent judgment (Minutti-Meza, 2021).

Expanded reports enhance the informational role of auditors by communicating significant risks, complex judgments, estimates, and auditor responses. This information can be particularly relevant to lenders, with Porumb et al. (2021) finding associations between expanded reporting and lower loan spreads and longer loan maturities. However, investor informativeness is more limited. Lennox et al. (2023) find that UK expanded reports generally provide little incremental information because many disclosed risks were already publicly available. Similarly, Burke et al. (2023) find limited average market effects from U.S. CAMs, while Bédard et al. (2019) report no significant market reactions in France. Thus, greater disclosure does not necessarily produce greater incremental information; its value depends on distinctiveness and specificity.

The review nevertheless finds stronger evidence that expanded reporting can affect managerial behavior and financial reporting quality. Reid et al. (2019) document reductions in abnormal accruals and firms' tendency to narrowly meet or beat analyst forecasts following UK reforms. Burke et al. (2023) also find changes in financial statement footnotes associated with CAMs, suggesting an indirect monitoring effect. Furthermore, Huang et al. (2024) show that KAM characteristics such as lower readability, more negative tone, and greater detail are associated with subsequent restatement risk. These findings suggest that expanded reporting may influence financial reporting behavior even when immediate investor reactions are weak.

The consequences of expanded reporting are also content-dependent. Camacho-Miñano et al. (2024) find that particular KAM categories, including going-concern, fraud, acquisition, revenue, and estimation matters, provide signals regarding financial distress. Porumb et al. (2021) similarly show that unique auditor-disclosed risks are associated with loan-contracting outcomes. Lynch et al. (2025) find that tax KAMs affect investors' valuation of tax avoidance and deferred tax assets. Collectively, these findings indicate that the usefulness of KAMs/CAMs depends more on the economic relevance and specificity of disclosed matters than on disclosure volume alone.

Auditor judgment is another critical determinant of reporting quality. KAM/CAM reporting requires auditors to identify and describe matters involving significant attention, making disclosure dependent on professional judgment (IAASB, 2015; Minutti-Meza, 2021). Rousseau and Zehms (2024) find that clients sharing the same audit partner exhibit approximately 10% greater textual similarity in KAMs, compared with only about 2% similarity associated with sharing the same audit firm. This suggests that partner-level decision styles substantially influence disclosure and that expanded reporting is not simply a standardized mechanical process.

Evidence concerning audit quality remains mixed. Reid et al. (2019) identify improvements in UK financial reporting quality without significant increases in audit fees or reporting delays, whereas Bédard et al. (2019) find no significant effects on audit quality, fees, or report lag in France. Such cross-country differences indicate that regulatory requirements, enforcement, investor sophistication, governance, and existing information environments can moderate the effectiveness of expanded reporting.

The most important finding concerns the relationship between transparency and auditor independence. Expanded reporting makes auditor judgments more visible and may strengthen accountability, but disclosures with significant economic consequences can create incentives for clients and auditors. Beardsley et al. (2021) show that an audit-office emphasis on non-audit services is associated with more client financial statement restatements, suggesting an organizational distraction effect. More directly, Lynch et al. (2025) find that tax KAMs are negatively associated with concurrent purchases of auditor-provided tax services, while clients increase such purchases after tax KAMs cease to be reported. This pattern is consistent with potential economic-bond threats to auditor independence.

The synthesis therefore identifies a potential transparency paradox: greater transparency can strengthen external monitoring while simultaneously increasing the economic stakes of auditor disclosure decisions. Tax KAMs provide the clearest illustration because they connect significant financial risks, investor valuation, client incentives, and auditor-provided tax services (Lynch et al., 2025). The issue extends beyond whether non-audit services impair overall audit quality to whether economic relationships can influence specific professional judgments about what becomes publicly visible.

Finally, the effectiveness of expanded reporting varies across information users and institutional settings. Equity investors often exhibit weak average market reactions, whereas lenders may incorporate KAM information into contracting decisions (Bédard et al., 2019; Burke et al., 2023; Lennox et al., 2023; Porumb et al., 2021). Managers may respond through changes in financial statement disclosures, while auditors face greater visibility and consequences for professional judgment (Burke et al., 2023; Rousseau & Zehms, 2024). Gutierrez et al. (2025) further find limited incremental information and audit-quality effects among UK AIM firms.

Overall, the review supports a conditional transparency model rather than a universal disclosure-benefit model. Expanded audit reporting can enhance transparency, financial reporting quality, and decision usefulness when disclosures are specific, credible, incremental, and economically relevant. However, its benefits are constrained when information is already available or when economic relationships create incentives that may affect auditor judgment. Thus, transparency and independence are not inherently contradictory but are dynamically interconnected through auditor judgment, client responses, economic incentives, and institutional conditions (Gutierrez et al., 2018; Lennox et al., 2023; Rousseau & Zehms, 2024; Lynch et al., 2025).

DISCUSSION

The findings of this qualitative systematic literature review indicate that the consequences of expanded audit reporting are more complex than the assumption that greater disclosure automatically produces greater transparency and better market outcomes. Across the reviewed literature, expanded audit reporting improves the visibility of audit risks and professional judgments, but its informational and governance effects depend on the specificity of disclosed matters, users' information needs, and incentives surrounding auditor judgment (Gutierrez et al., 2018; Minutti-Meza, 2021). Thus, the effectiveness of KAMs and CAMs should be assessed not by disclosure volume alone, but by whether information is incremental, entity-specific, and decision-relevant.

First, Gutierrez et al. (2018) find that expanded auditor reporting in the United Kingdom did not significantly affect investor reactions, audit fees, or audit quality, suggesting limited incremental information for investors. This is consistent with the present review's finding that greater transparency does not necessarily translate into immediate investor informativeness. Lennox et al. (2023) provide an important explanation, showing that much of the financial reporting risk disclosed in UK expanded reports was already publicly known. Accordingly, auditors may increase transparency by confirming observable risks without generating new price-relevant information.

Second, the findings contrast partly with Reid et al. (2019), who document improvements in UK financial reporting quality following audit-report reform, including lower abnormal accruals and a reduced propensity to narrowly meet or beat analyst forecasts, without significant increases in audit fees or audit delay. This suggests that expanded reporting may influence management behavior through a disciplining mechanism even when investors do not respond strongly to the disclosures. Similarly, Burke et al. (2023) find that U.S. CAMs generally generate limited incremental market information but are associated with changes in financial-statement footnotes, indicating indirect effects on management disclosure behavior.

Third, Bédard et al. (2019) find no significant effects of expanded audit reporting in France on abnormal returns, trading volume, audit report lag, abnormal accruals, or audit fees. Compared with Reid et al. (2019), this demonstrates institutional heterogeneity and suggests that regulatory design, enforcement, governance, pre-existing disclosure practices, and national auditing institutions may condition the effectiveness of expanded reporting.

Fourth, Porumb et al. (2021) broaden the interpretation of information usefulness by showing that expanded auditor reporting in the UK is associated with lower loan spreads and longer loan maturities. Unique risks of material misstatement disclosed by auditors are particularly relevant to loan contracting, especially for firms with weaker information environments. This suggests that expanded reporting may be more valuable to sophisticated users such as lenders than to equity investors and that its consequences should not be evaluated solely through stock-market reactions.

The review also confirms that KAM consequences are content dependent. Specific KAM categories can provide economically relevant signals, while disclosure volume alone does not guarantee informativeness. Camacho-Miñano et al. (2024) find that particular KAM categories, including going-concern, fraud, acquisition, revenue, accrual, and estimation matters, are informative about financial distress. Porumb et al. (2021) similarly show that unique auditor-disclosed risks are associated with loan-contracting outcomes. Lynch et al. (2025) find that tax KAMs affect investors' valuation of tax avoidance and deferred tax assets. Collectively, these findings indicate that the informational value of expanded reporting depends on the specificity, credibility, and economic relevance of the disclosed matter.

Another important finding concerns auditor judgment. KAM/CAM reporting requires auditors to identify and describe matters involving significant attention, making disclosure dependent on professional judgment (IAASB, 2015; Minutti-Meza, 2021). Rousseau and Zehms (2024) find that clients sharing the same audit partner exhibit approximately 10% greater textual similarity in KAMs, compared with only about 2% greater similarity among clients sharing the same audit firm. This indicates that individual partner decision styles substantially influence KAM reporting. Consequently, expanded reporting is not merely a standardized output; its credibility depends partly on the objectivity and independence of the auditor exercising professional judgment.

Evidence concerning audit quality is also mixed. Reid et al. (2019) report improved financial reporting quality in the UK without significant increases in audit fees or reporting delays, whereas Bédard et al. (2019) find no significant effects on audit quality, report lag, or audit fees in France. These differences indicate that the effectiveness of expanded reporting depends on institutional conditions, including regulation, enforcement, investor sophistication, governance structures, and existing disclosure environments.

The most important finding concerns the relationship between transparency and auditor independence. Expanded reporting increases the visibility and potential economic consequences of auditor judgments. Beardsley et al. (2021) find that an audit-office emphasis on non-audit services is associated with more client financial statement restatements, suggesting an organizational distraction effect. More directly, Lynch et al. (2025) find that tax KAMs are negatively associated with concurrent purchases of auditor-provided tax services, while clients increase such purchases after tax KAMs cease to be reported. These findings are consistent with potential economic-bond threats to auditor independence.

Tax KAMs therefore provide the clearest illustration of the transparency–independence tension. Such disclosures can affect investor valuation and impose economic consequences on clients, while simultaneously interacting with auditor-provided tax services (Lynch et al., 2025). The concern extends beyond whether non-audit services impair overall audit quality to whether economic relationships may influence specific professional judgments concerning what becomes publicly visible.

Taken together, the reviewed studies are not necessarily contradictory; rather, they capture different channels through which expanded audit reporting operates. Gutierrez et al. (2018), Bédard et al. (2019), and Lennox et al. (2023) emphasize limited incremental investor consequences, whereas Reid et al. (2019), Porumb et al. (2021), and Burke et al. (2023) identify effects on financial reporting quality, lending decisions, and management disclosures. Rousseau and Zehms (2024) highlight auditor judgment, while Lynch et al. (2025) demonstrate how economically consequential KAMs can create potential independence concerns.

Overall, the evidence supports a conditional transparency model rather than a universal disclosure-benefit model. Expanded audit reporting can strengthen transparency, monitoring, financial reporting quality, and decision usefulness when disclosures are specific, credible, incremental, and relevant. However, its benefits may be limited when information is already available or when economic relationships create incentives affecting auditor judgment. Therefore, transparency and independence should not be treated as separate dimensions but as dynamically interconnected outcomes shaped by auditor judgment, client responses, economic incentives, and institutional conditions.

CONCLUSION

This systematic literature review concludes that expanded audit reporting through Key Audit Matters (KAMs) and Critical Audit Matters (CAMs) enhances transparency by making significant risks, complex judgments, and areas of auditor attention more visible (Minutti-Meza, 2021; Reid et al., 2019). However, greater disclosure does not automatically generate incremental investor information or uniformly improve audit quality, as many disclosed risks are already publicly known (Bédard et al., 2019; Gutierrez et al., 2018; Lennox et al., 2023). Nevertheless, expanded reporting can affect loan contracting, financial reporting quality, and management disclosure behavior (Porumb et al., 2021; Reid et al., 2019; Burke et al., 2023).

Its effectiveness depends strongly on disclosure specificity and subject matter. Entity-specific risks are more informative, particularly for sophisticated users, while certain KAMs can signal financial distress and future reporting problems (Porumb et al., 2021; Camacho-Miñano et al., 2024; Huang et al., 2024). Moreover, expanded reporting increases the visibility of auditor judgment, making professional judgment and economic incentives central to the transparency–independence relationship. Audit-partner reporting styles influence KAM content (Rousseau & Zehms, 2024), while tax KAMs can affect client valuation and subsequent tax-service relationships (Lynch et al., 2025).

Thus, transparency and auditor independence are interconnected. Expanded reporting is most effective when disclosures are specific, relevant, and credible while auditors maintain objective professional judgment and independence. Theoretically, this review integrates investor informativeness, reporting quality, contracting, auditor judgment, and economic incentives into a transparency–independence framework. Practically, regulators should prioritize entity-specificity, informational value, consistency, and independence safeguards rather than merely increasing disclosure volume.

LIMITATION

Several limitations should be considered. First, as a qualitative systematic literature review rather than a meta-analysis, this study synthesizes patterns and mechanisms but does not estimate pooled effect sizes, particularly given the heterogeneous findings across countries, users, and outcomes. Second, the evidence is concentrated in the UK, US, Europe, and selected Asian markets, limiting generalizability because auditing standards, enforcement, litigation risk, governance, and investor sophistication differ across jurisdictions (Bédard et al., 2019; Gutierrez et al., 2018; Lennox et al., 2023). Third, KAM and CAM regimes are not identical, so findings should not be generalized across regulatory settings without considering institutional differences (Lynch et al., 2025).

Fourth, investor informativeness is often assessed through short-term market reactions; limited reactions do not necessarily imply limited economic value, as disclosures may influence lending, managerial behavior, and subsequent reporting (Lennox et al., 2023; Porumb et al., 2021; Burke et al., 2023). Finally, evidence on auditor independence remains less developed and may vary across KAM topics and non-audit services (Lynch et al., 2025). Methodological heterogeneity and different measures across studies also constrain direct comparison. Future research should therefore employ stronger quantitative evidence, examine broader jurisdictions and specific KAM/CAM categories, and investigate more directly how client economic relationships affect auditor disclosure judgments.

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