

***ENHANCING AUDIT QUALITY IN ENERGY COMPANIES: THE ROLE OF
AUDIT FIRM ROTATION ALONGSIDE AUDIT COMMITTEE GENDER
DIVERSITY AND CEO DUALITY***

**PENINGKATAN KUALITAS AUDIT DI PERUSAHAAN ENERGI: PERAN
ROTASI FIRMA AUDIT BERSAMA DENGAN KERAGAMAN GENDER
KOMITE AUDIT DAN DUALITAS CEO**

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ABSTRACT

This study examines the influence of gender composition in audit committees, public accounting firm rotation, and CEO duality on audit quality in energy companies listed on the Indonesia Stock Exchange. Audit quality is a crucial aspect in maintaining transparency and integrity in financial reporting, serving as a primary tool for decision-making and oversight in the capital market. Using logistic regression on 55 company samples, the study's findings indicate that KAP rotation, gender diversity in audit committees, and CEO duality (serving as both CEO and chairman of the board of commissioners) have a positive and significant impact on improving audit quality. The coefficients and odds ratio values indicate that the presence of female members in the audit committee increases the likelihood of audit quality by 5.5 times, while auditor rotation and CEO duality each increase the likelihood by approximately 2 and 4.7 times, respectively. These findings strongly support agency theory and information asymmetry theory, which emphasize the importance of governance structures in ensuring quality audits to mitigate the risk of financial statement fraud.

Keywords: *Audit Quality, Audit Firm Rotation, Audit Committee Gender, CEO Duality.*

ABSTRAK

Penelitian ini mengkaji pengaruh komposisi gender dalam komite audit, rotasi kantor akuntan publik (KAP), dan dualitas CEO terhadap kualitas audit pada perusahaan sektor energi yang terdaftar di Bursa Efek Indonesia. Kualitas audit merupakan aspek penting dalam menjaga transparansi dan integritas laporan keuangan, yang berperan sebagai alat utama dalam pengambilan keputusan dan pengawasan di pasar modal. Dengan menggunakan metode regresi logistik pada 55 sampel perusahaan, hasil penelitian menunjukkan bahwa rotasi KAP, keberagaman gender dalam komite audit, dan CEO yang juga menjabat sebagai ketua dewan komisaris (dualitas) memiliki pengaruh positif dan signifikan terhadap peningkatan kualitas audit. Koefisien dan nilai odds ratio menunjukkan bahwa keberadaan anggota perempuan dalam komite audit meningkatkan peluang kualitas audit hingga 5,5 kali, sementara rotasi KAP dan CEO duality masing-masing meningkatkan peluang tersebut hingga sekitar 2 dan 4,7 kali lipat. Temuan ini secara kuat mendukung teori agen, dan teori asimetri informasi yang menekankan pentingnya struktur tata kelola untuk memastikan audit yang berkualitas dalam rangka memitigasi risiko kecurangan laporan keuangan.

Kata Kunci: *Kualitas Audit, Rotasi Firma Audit, Gender Komite Audit, Dualitas CEO.*

INTRODUCTION

Transparency of information in financial statements is one of the important things for decision makers. In proving that the financial statement information has been presented fairly, the company needs a Public Accounting Firm (KAP) as an independent party to ensure that the financial statements are presented fairly through audit services (Dinda Mulyadi & Suryandari, 2021).

The results of the audit process are expected to increase confidence in the integrity of financial statements by reducing fraudulent practices, especially in public companies which are the main focus of various parties' attention. According to the Public Accountant Professional Standards (SPAP), audit quality can be considered high if the audit process meets the applicable provisions and standards. With the

fulfillment of these standards, it is expected that audit quality will improve. Audit quality is a systematic and independent examination that ensures audit activities, quality, and results are in accordance with established regulations, and whether these regulations are implemented effectively and achieve their objectives (Arista et al., 2023). This high audit quality will strengthen confidence in the professionalism and responsibility of auditors in the eyes of clients and society.

Audited financial statements have a major influence on the overall audit quality of the company (Mailangkay & Nugrahanti, 2024). In general, audit quality refers to the auditor's ability to identify violations in the client's accounting system and report them in the audit report, while still being guided by applicable auditing standards and codes of ethics (Landarica & Arizqi, 2020). The auditor does not have responsibility for the overall content of the financial statements presented by the Company, but the auditor has the main responsibility in providing an opinion on the fairness of the financial statements as a basis for decision making. But unfortunately, the reliability of audit services provided by auditors is still often questioned due to the many cases of fraud that have occurred among companies. (Kirana, 2020), giving examples such as the Enron Corporation case in 2001 in the United States, followed by other large companies such as Tyco International, Adhelfia Communication, Global Crossing, Xerox Corp, the Walt Disney Company, and ImClone System Incorporation which were also involved in fraud in the preparation of the company's financial statements.

Low audit quality does not only occur in international companies but also occurs in companies in Indonesia,

especially companies in the energy sector. In 2003 to 2008, PT Bumi Resources Tbk committed fraud in reporting financial statements due to financial pressure due to high debt. In 2015, PT Timah (Persero) Tbk was also suspected of providing fictitious financial reports in the first semester of 2015. In addition, in the same year, 2015, PT Energi Mega Persada Tbk (ENRG) also experienced problems in financial reports related to revenue recognition and debt management. Where there are indications that PT Energi Mega Persada Tbk (ENRG) did not record some liabilities and revenues accurately. Some of the cases above show that companies in the energy sector can also face challenges related to audit quality and potential financial statement manipulation, which can harm stakeholders and affect company stability.

Agency theory explains the relationship between agent and principal. (Jensen & Meckling, 1976) interpret agency theory as a contractual agency relationship in which shareholders (principal) make agreements and delegate their decision-making power to management (agent). Management, as the party that has been given the contract, is responsible for its work and power to the shareholders (Steinberg & Scott, 2003). An efficient contract is a contract that meets two factors, namely the agent and the principal have symmetrical information, meaning that both the agent and the principal have the same quality and amount of information and the risk taken by the agent in relation to his reward is small, which means that the agent has high certainty about the reward he receives (Scott, 2014).

Information asymmetry is a condition where there is an imbalance of information owned by management or the company compared to external

parties outside the company or its shareholders. Information asymmetry can also arise due to management having more extensive information about the company's internal conditions and the company's prospectus conditions for the future compared to external parties from the company (Gozali et al., 2023). Correlated with financial statements, internal parties (insiders) have better information about company performance than external parties (users). Management parties who want to show good performance have a tendency to change financial reports to produce profits as desired by shareholders.

This condition emphasizes the importance of the existence of a high-quality audit as a mechanism to reduce information asymmetry (Coet & McDermott, 1979), because the independent auditor acts as a third party who provides an objective assessment of the fairness of the financial statements. The higher the quality of the audit carried out, the less likely the manipulation of financial statements by management, so as to increase shareholder confidence in the information presented.

In practice, there is often a conflict of interest between the agent and the principal, therefore one approach that can be used to minimize this conflict of interest is through the implementation of a quality external audit. A quality audit acts as an independent supervisory tool that can provide confidence to shareholders that the financial statements prepared by management have been presented fairly and are free from manipulation (Rohman, 2014), so as to reduce information asymmetry and increase trust between agents and principals.

Audit quality is defined as the auditor's ability to disclose and report material misstatements in financial

statements that depend on the competence and independence of the auditor (DeAngelo, 1981). Audit quality is measured by 4 aspects of audit quality based on (*Financial Reporting Council*, 2006), namely: culture within the audit firm; expertise and personal quality of audit partners and staff; effectiveness of the audit process; and reliability and usefulness of the audit report. The results of previous audit quality are used to develop the reliability of financial statements that use accounting information which can ultimately minimize the risk of unreal information in financial statements for users of financial statements, especially investors (Chijoke et al., 2012).

In PP No. 20/2015 article 11 paragraph (1) explains that KAP is no longer limited in conducting audits of a company. Restrictions only apply to Public Accountants, namely for 5 consecutive years. Audit rotation is a change in public accountants carried out by client companies (Sari & Supadmi, 2014). The implementation of the auditor rotation policy launched by the government aims to minimize excessive personal relationships between auditors and clients, so that auditor independence is maintained and audit quality can be improved. Research conducted by (Velte & Stiglbauer, 2012), proves that there is a positive and significant influence between audit rotation and audit quality. Based on this explanation, the following hypothesis is formulated:

H1: Audit rotation has a positive effect on Audit Quality.

Gender is one of the individual factors that influence work attitudes. (Butar-butur et al., 2024) stated that when compared to men, women generally have a tendency to work more thoroughly and neatly in completing their tasks (Amanatullah & Morris, 2010). In addition, women are also more

able to avoid risks, are better at managing time and can work under pressure (Salem et al., 2021). This is considered capable of supporting the performance of auditors in verifying financial statements, so as to increase the efficiency and effectiveness of audit implementation which has a direct impact on audit quality. Research conducted by (Rizki Humaira et al., 2021) proves that there is a positive and significant influence between the gender of the audit committee and audit quality. Based on this explanation, the following hypothesis is formulated:

H2: Audit Committee Gender has a positive effect on Audit Quality

According to (Jensen & Meckling, 19763) agency theory relates to CEO duality, where one person holds two positions simultaneously, dominating decisions and potentially collaborating with auditors to provide fair opinions and manipulate profits, thereby reducing audit quality (Idawati et al., 2025). This condition creates a greater conflict of interest between management and shareholders, due to the weak internal control function. In such a situation, the dominant role of the CEO can reduce the independence of the external auditor, thereby increasing the risk of presenting financial statements that do not reflect actual conditions. Research conducted by (Jadiyappa et al., 2021) states that CEO duality has a negative effect on

audit quality. Based on this explanation, the following hypothesis is formulated:

H3: CEO Duality has a negative effect on Audit Quality

The research framework that has been developed by the researcher is described:

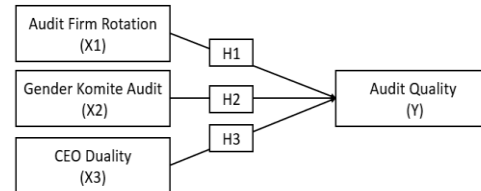


Figure 1. Conceptual Framework

RESEARCH METHODS

This research is a quantitative study with a causal-comparative approach. This study was conducted to determine the effect of the independent variables, namely audit firm rotation (X1), audit committee gender (X2), and CEO duality (X3) on the dependent variable audit quality (Y) in energy sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2021-2024. Non-probability sampling techniques, mainly purposive, were used in this study. Data were collected with research instruments, and hypotheses were tested with quantitative or statistical analysis. The population of this study are all energy sector companies listed on the IDX during the 2021-2024 period. The following is table 1 of the sampling criteria related to the research data as follows.

Tabel 1. Sample Selection Criteria

No	Criteria	Not Compliant	Compliant
1	Energy sector companies listed on the IDX during 2021–2024.		92
2	Energy sector companies IPO before the research year, namely 2021-2024.	-24	68
3	The companies publishes annual report and audited financial statements in full during 2021-2024.	13	55

Number of Research Years	4
Number of Research Data (n)	220

Research variables are specific characteristics selected from research subjects. These characteristics become the basis for researchers to analyze and

draw conclusions (Sugiyono, 2017). The variables and operational definitions of the study are summarized in table 2 below:

Tabel 2. Variables and Operational Definitions

Variabel	Indikator/Pengukuran	Skala
Audit Quality (Y)	1 = diaudit oleh KAP Big Four, 0 = Non-Big Four (proksi kualitas auditor)	Nominal
Audit Firm Rotation (X1)	1 = terjadi rotasi KAP pada periode penelitian, 0 = tidak terjadi rotasi	Nominal
Gender Komite Audit (X2)	Persentase jumlah anggota perempuan dalam komite audit dibanding total anggota komite audit	Rasio
CEO Duality (X3)	1 = CEO merangkap sebagai ketua dewan direksi, 0 = tidak merangkap	Nominal

RESULTS AND DISCUSSIONS

The following is table 3 which contains the results of descriptive

statistical analysis for the audit committee gender variable:

Tabel 3. Analisis Statistik Deskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
Gender Komite Audit	220	.0000	1.0000	.221202	.2164492
Valid N (listwise)	220				

Sources: SPSS 2025

The descriptive statistics in table 3 show data related to the Audit Committee Gender variable with a total of 220 observations. The minimum value of this variable is 0.00 and the maximum is 1.00, which indicates that the data is coded binary (for example, 0 for men and 1 for women or vice versa). The average (mean) of 0.221202 indicates that

approximately 22.12% of the Audit Committee members belong to the group represented by code 1. The standard deviation of 0.2164492 reflects the relatively small spread of data around the mean, suggesting that the distribution of members by gender does not vary too much in extremes in this sample.

Tabel 4. Uji Overall Fit & Uji Goodness of Fit

Table 4: Cj: Overall Fit & Cj: Goodness of Fit			
		Coefficients	
Iteration		-2 Log likelihood	Constant
Step 0	1	279.638	-.673
	2	279.602	-.700
	3	279.602	-.700

Sources: SPSS 2025

Based on table 4, it shows that the initial -2 log likelihood model fit test results have a value of 279,602. The

following will present table 5 which is the final -2Logl.

Tabel 5. Uji Overall Fit & Uji Goodness of Fit

Iteration		-2 Log likelihood	Coefficients			
			Constant	Audit Form Rotation	Gender Komite Audit	CEO Duality
Step 1	1	256.711	-1.287	.576	1.373	1.421
	2	256.101	-1.480	.690	1.688	1.541
	3	256.100	-1.489	.695	1.705	1.545
	4	256.100	-1.489	.695	1.705	1.545

Sources: SPSS 2025

Table 5 shows that the final -2 log likelihood fit model test results have a value of 256.100. Therefore, the initial block result of 279.602 is greater than the final block of 256.100 so that the results

of this test indicate that the model is fit so that this hypothesis cannot be rejected and this overall data matches the observations.

Tabel 6. Analisis Regresi Logistik

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Audit Form Rotation	.695	.335	4.299	1	.038	2.004
	Gender Komite Audit	1.705	.706	5.826	1	.016	5.500
	CEO Duality	1.545	.494	9.783	1	.002	4.689
	Constant	-1.489	.269	30.710	1	.000	.226

Sources: SPSS 2025

The Effect of Audit Rotation on Audit Quality

H1: Audit Rotation has a positive effect on Audit Quality

The Audit Form Rotation variable shows a significant effect on audit quality with a significance value of 0.038, which means that its effect is statistically acceptable. The positive coefficient of 0.695 indicates that audit form rotation contributes positively to improving audit quality. With an Exp(B) value of 2.004, it means that every one unit increase in the aspect of audit form rotation has the opportunity to increase audit quality by two times. This implies that a regular and structured audit form rotation mechanism can have a positive impact, helping the audit process run more effectively and the evaluation results are more accurate and reliable. The results of this study are in line with research (Rohman, 2014) which has a positive effect on audit quality.

H2: Audit Committee Gender has a positive effect on Audit Quality.

The Audit Committee Gender variable also shows significant results with a significance value of 0.016. This means that gender diversity in the audit committee has an important effect in determining the quality of the resulting audit. The positive coefficient of 1.705 indicates a strong influence, where the presence of women or gender variation in the committee has the potential to positively improve audit quality. The odds ratio value of 5.5 indicates that the gender of the audit committee increases the chance of audit quality by 5.5 times. This finding can be interpreted that audit committees that are more inclusive in terms of gender tend to be able to produce more objective decisions and a variety of rich perspectives that have an impact on improving audit quality. The results of this study are in line with research (Rizaldi et al., 2022) which has a positive effect on audit quality.

H3: CEO Duality negatively affects Audit Quality

CEO Duality is also proven to have a significant influence with a significance value of 0.002, which is the smallest value among other variables, indicating that this influence is very strong. With a coefficient of 1.545, CEOs who also serve as leaders of the board of commissioners (duality) contribute to improving audit quality positively. The odds ratio value of 4.689 confirms that CEO Duality increases the odds of audit quality by almost 4.7 times. This could be an indication that the management of dual leadership by the CEO provides integration and consistency in supervision and decision-making that leads to better audit results. However, it is also necessary to consider the context and corporate governance so that this duality does not become a source of conflict of interest. The results of this study reject (Jadiyappa et al., 2021) which states that CEO Duality has a negative effect on audit quality but is in line with research (Yunita & Nelvirita, 2025) which states that CEO Duality has a positive effect on audit quality.

CONCLUSION AND SUGGESTION

This study shows that accounting firm rotation, gender diversity in the audit committee, and CEO duality all have a significant and positive influence on audit quality in energy companies listed on the Indonesia Stock Exchange in the 2021-2024 period. These factors help improve audit quality by providing new perspectives, strengthening objectivity, and increasing oversight in the audit process. These findings support agent theory, convenience theory, and information asymmetry theory in the audit context.

To improve audit quality in energy companies, it is recommended that regulators regulate accounting firm

rotation policies periodically to maintain auditor independence, while companies need to optimize gender diversity in audit committees to strengthen oversight quality and objectivity. In addition, company management is advised to consider leadership structures that support integrity, including aspects of CEO duality that can have a positive impact on supervision. This approach will strengthen transparency, accountability, and stakeholder trust in audit results.

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