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## **EFFECT OF AUDIT ROTATION, AUDIT COMMITTEE, AND AUDITOR SPECIALIZATION ON AUDIT QUALITY**

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### **Abstract**

This study aims to examine the effect of audit rotation, audit committee, and auditor specialization on audit quality in financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This study employs secondary data obtained from the companies' annual reports and the official website of the Indonesia Stock Exchange. The sampling technique used is purposive sampling. Based on the predetermined criteria, 81 companies were selected as the sample with a five-year observation period, resulting in a total of 405 observations. Data were collected through the documentation method and analyzed using logistic regression with the assistance of SPSS version 27. The results indicate that audit rotation does not have a significant effect on audit quality. Meanwhile, the audit committee has a positive effect on audit quality. Auditor specialization also shows a positive and significant effect on audit quality in financial sector companies listed on the Indonesia Stock Exchange.

**Keywords:** Audit Rotation, Audit Committee, Auditor Specialization, Audit Quality

### **Abstrak**

Penelitian ini bertujuan untuk menganalisis pengaruh rotasi audit, komite audit, serta spesialisasi auditor terhadap kualitas audit pada perusahaan sektor finansial yang tercatat di Bursa Efek Indonesia (BEI) selama periode 2020–2024. Data yang digunakan merupakan data sekunder yang diperoleh dari laporan tahunan perusahaan dan situs resmi Bursa Efek Indonesia. Penentuan sampel dilakukan dengan teknik purposive sampling. Berdasarkan kriteria yang telah ditetapkan, diperoleh 81 perusahaan sebagai sampel dengan periode pengamatan selama lima tahun sehingga menghasilkan total 405 data observasi. Pengumpulan data dilakukan melalui metode dokumentasi. Selanjutnya, analisis data dilakukan menggunakan metode regresi logistik dengan bantuan perangkat lunak SPSS versi 27. Hasil analisis menunjukkan bahwa rotasi audit tidak memiliki pengaruh yang signifikan terhadap kualitas audit. Sebaliknya, komite audit terbukti memberikan pengaruh positif terhadap kualitas audit. Selain itu, spesialisasi auditor juga menunjukkan pengaruh positif dan signifikan terhadap kualitas audit pada perusahaan sektor finansial yang terdaftar di Bursa Efek Indonesia.

**Kata Kunci:** Rotasi Audit, Komite Audit, Spesialisasi Auditor, Kualitas Audit

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## INTRODUCTION

In general, companies have two main goals, namely economic goals and social goals (Budiantoro, 2022). Economic objectives relate to a company's efforts to maintain its viability and increase its value by achieving optimal profits. In the context of a publicly traded company, the company obtains funding from the public through the capital market, thus obligating it to present financial reports openly, transparently, and comprehensively to stakeholders. Financial reports are one of the primary sources of information used by investors, creditors, and other parties in considering and making economic decisions. Therefore, financial reports serve not only as administrative documents but also as a means of conveying important information regarding the company's financial condition (Budiantoro, 2022).

In order to be used optimally in decision making, the information presented in financial reports must be of good quality, namely accurate, relevant and timely (Darmawan, 2021). However, in practice, conflicts of interest often arise between company owners (principals) and management (agents) due to the separation of ownership and management. Management, with direct access to internal company information, can potentially present financial reports that do not fully reflect the true state of affairs. Therefore, the presence of an independent auditor is crucial to provide assurance of the fairness of financial statements through the audit process (Dewita & NR, 2023). Auditors act as independent parties who examine and evaluate financial reports prepared by management so that the information presented can be trusted by stakeholders (Deliana et al., 2023).

Audit quality is a crucial factor in maintaining public trust in a company's financial statements. Audit quality reflects the auditor's ability to detect material errors or misstatements and their willingness to report these findings in accordance with auditing standards and the public accounting profession's code of ethics (Novrilia et al., 2019). A quality audit will help reduce accounting information errors and increase investor confidence in the company (Hermania Putri Dwi Yulianty et al., 2024). Therefore, audit quality is a crucial element in creating transparency and accountability in financial reporting. The role of audit quality is becoming increasingly crucial in the financial sector, which plays a strategic role in national economic stability. According to the Financial Services Authority (OJK), the Indonesian financial sector is projected to be stable by 2025, as indicated by a non-performing loan (NPL) ratio of 2.42% and banking liquidity levels above the supervisory threshold (AMPAR.ID, 2025). Despite this, several cases still demonstrate issues with the quality of financial reporting in financial sector companies. One such case highlights the importance of audit quality in Bank Mayapada.

In 2022, Bank Mayapada reappointed the Public Accounting Firm (KAP) Kosasih, Nurdiaman, Mulyadi, Tjahjo & Rekan (Crowe Indonesia) as its external auditor for the third consecutive year. This firm's registration was revoked by the Financial Services Authority (OJK) in February 2022 due to its involvement in the Wanaartha Life insurance case. Furthermore, the Supreme Audit Agency (BPK) found irregularities in Bank Mayapada's 2017–2019 financial statements related to improper lending. The independent audit for the 2020–2022 period was also deemed suspicious due to a significant spike in non-performing loans (loan watch). This situation raises doubts about the quality of the audit and the integrity of the company's financial statements (Shahadah & Pabulo, 2024). This case reflects a potential audit failure that raises concerns about audit quality, particularly regarding auditor independence, professional skepticism, and regulatory oversight. The reappointment of the same Public Accounting Firm despite its involvement in a financial scandal indicates a threat to independence, as prolonged engagement may reduce auditor objectivity. In addition, the presence of irregularities and the increase in non-performing loans suggest that the audit process may not have effectively detected material misstatements or risks. From a regulatory perspective, this also highlights weaknesses in supervision, where early warning signs were not properly addressed. This is consistent with Assegaff (2024), as well as Tjan et al (2024) and Babalola et al (2022), which state that audit quality depends on independence and competence, and that audit failures occur when these aspects

decline. Therefore, the Bank Mayapada case reinforces the importance of examining audit rotation, audit committees, and auditor specialization in ensuring audit quality.

This case demonstrates that audit quality can be influenced by various factors, including the company's oversight mechanisms and the characteristics of the auditors conducting the audit. Therefore, research is needed to examine the factors influencing audit quality, particularly in the financial sector, which faces high levels of regulation and risk.

Many researchers have previously conducted research on audit quality. One frequently studied factor is audit rotation. Research (Martani et al., 2021) and (Nurcahyani et al., 2023) shows that audit rotation has a positive effect on audit quality because it is able to maintain auditor independence and reduce the risk of long-term relationships between auditors and clients. However, the research results (Jessica et al., 2021) The results indicate that audit rotation has no effect on audit quality. These differences in research findings indicate inconsistencies that require further study. In addition to audit rotation, another factor that potentially impacts audit quality is the audit committee. The audit committee is formed by the board of commissioners to assist in the oversight of the company's financial reporting and audit processes. Research (Jessica et al., 2021) and (Triyanto & Putri, 2023) found that the audit committee has a positive effect on audit quality. However, research (Cahyati et al., 2021) showed different results, namely that the audit committee had no effect on audit quality. This discrepancy in research findings indicates a research gap that requires further investigation.

Another important factor in determining audit quality is auditor specialization. Auditors with industry specialization tend to have more in-depth knowledge of business characteristics, risks, and applicable regulations within a given industry. Research (Oktavia & Challen, 2022) shows that auditor specialization can improve audit quality because specialist auditors have better experience and competence in detecting errors in financial reports. However, research (Maharani & Triani, 2020) found that auditor specialization had no effect on audit quality. This discrepancy in research results suggests that the influence of auditor specialization on audit quality still requires further research.

Based on this description, there is a research gap in the form of inconsistencies in prior findings regarding the effect of audit rotation, audit committees, and auditor specialization on audit quality. These inconsistencies may arise from differences in research contexts, such as variations in industry characteristics, regulatory environments, measurement of variables, and observation periods, which can lead to differing results across studies. In addition, most previous studies have focused on manufacturing companies, whereas research specifically examining the financial sector remains limited, even though this sector is characterized by higher regulatory pressure, greater financial risk, and more complex reporting standards. Therefore, a more critical examination of these differences highlights the need for this study to provide clearer empirical evidence within the financial sector context.

The purpose of this study is to analyze the effect of audit rotation, audit committees, and auditor specialization on audit quality in financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. This study also aims to determine the extent to which these three factors can improve audit quality, both partially and simultaneously, thereby providing an overview of the factors influencing the reliability of a company's financial statements.

## **LITERATURE REVIEW AND HYPOTHESIS**

### **Agency Theory**

Agency theory, introduced by Jensen and Meckling (1976), explains the relationship between the principal (owner) and the agent (management), where differences in interests can lead to agency problems such as information asymmetry. In this study, agency theory is linked to audit quality as a mechanism to reduce these conflicts. Audit rotation is expected to maintain auditor independence, the

audit committee strengthens oversight of management, and auditor specialization enhances the auditor's ability to detect misstatements. Therefore, these variables play an important role in improving audit quality in financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

## **Audit**

According to James A. Hall (2011), an audit is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions or events, with the aim of determining the degree of correspondence between those assertions and established criteria, and communicating the results to interested parties. In the accounting context, an audit refers to the examination of historical financial statements conducted by an independent auditor based on auditing standards. In Indonesia, these standards are established by the Indonesian Institute of Accountants through the Public Accountant Professional Standards Board (Koerniawan, 2021).

## **Audit Quality**

According to De Angelo (De Angelo, 1981), Audit quality is defined as the combined probability assessed by the market that an auditor will discover and report violations in a client's accounting system. Audit quality is the auditor's ability to perform his or her duties, where in conducting an audit, the auditor can discover and report client errors (Patricia et al., 2024). Reliable (credible) financial information and highly accurate audit results are influenced by audit quality (Darmawan, 2021). High audit quality means that auditors work professionally, independently, and according to standards, so that the audited financial reports will be more accurate, honest, and reliable for report users such as investors, creditors, and regulators.

## **Audit Rotation**

Audit rotation is a rule that regulates the replacement of public accountants in a public accounting firm when working continuously with the same client (Suhayati & Dilyard, 2024). The primary objective is to maintain the auditor's objectivity and independence so that it is not affected by closeness to the client. Audit rotation also prevents the auditor from becoming too comfortable, which can reduce critical thinking in the audit process (Jessica et al., 2021).

## **Audit Committee**

The audit committee is formed by and is responsible to the Board of Commissioners to support the oversight function of financial reports, risk management, internal and external audits, and the implementation of Good Corporate Governance (Tambunan & Tambunan, 2021). The audit committee is responsible for the duties and functions of the Board of Commissioners in overseeing the company. The audit committee consists of at least three members, consisting of Independent Commissioners and external parties from the Issuer or Public Company whose terms of office do not exceed the term of office of the Board of Commissioners (Jessica et al., 2021). Because the audit committee is formed by the board of commissioners, the primary responsibility for the performance of the audit committee lies entirely with the board of commissioners.

## **Auditor Specialization**

Auditor specialized knowledge is the specific expertise or competency possessed by an auditor in understanding and handling audits in a particular industry. This in-depth knowledge

includes an understanding of the operational characteristics, regulations, key risks, and accounting practices typical of the industry being audited (Raya & Laksito, 2020). Auditors who have industry specialization are generally more effective in detecting reporting errors and material misstatements because they are familiar with the dynamics of that sector (Maharani & Triani, 2020). This is in line with the opinion Oktavia & Challen (2022) which states that specialist auditors can assess financial estimates and the reliability of reports more accurately, making it easier to find errors in clients' financial reports.

**Table 1.** Previous Research

No.	Peneliti	Judul	Variabel	Hasil
1	Carolus dkk (2019)	Pengaruh Audit Tenure, Rotasi Audit Dan Ukuran Kantor Akuntan Publik (KAP) Terhadap Kualitas Audit	Dependen : Kualitas Independen : X1 = Audit Tenure X2 = Rotasi Audit X3 = Ukuran Kantor Akuntan Publik	The research results show that audit tenure negatively impacts audit quality, audit rotation has no effect on audit quality, and the size of the public accounting firm has no effect on audit quality.
2	Jessica dkk (2021)	Pengaruh Audit Fee, Masa Kerja Audit, Rotasi Audit, dan Komite Audit Terhadap Kualitas Audit	Dependen : Kualitas audit Independen : X1 = Audit Fee X2 = Masa Kerja Audit X3 = Rotasi Audit	The results of this study are how audit tenure and audit committee can have a positive impact on audit quality, while auditor rotation and audit fees do not affect audit quality.
3	Dzuhri & Auliffi (2021)	Pengaruh Audit Tenure, Rotasi Audit, dan Spesialisasi Auditor Terhadap Kualitas Audit Pada BUMN Go-Public	Dependen : Kualitas Audit Independen : X1 = Audit Tenure X2 = Rotasi Audit X3 = Spesialisasi Auditor	The results of the regression analysis test indicate that audit tenure and audit rotation do not affect audit quality. Meanwhile, auditor specialization has a positive influence on audit quality.

A hypothesis is an assumption about how to solve a problem. It can be interpreted as an assumption of a logical relationship between variables expressed in the form of a testable statement. In this study, the researchers formulated the following hypotheses:

H1 = Audit rotation affects audit quality.

H2 = Audit committee affects audit quality.

H3 = Auditor specialization affects audit quality.

## RESEARCH METHODS

The population in this study consists of 106 financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The sample was selected using a purposive sampling method based on specific criteria, including companies that consistently published complete annual reports during the observation period and provided the required data related to all research variables. Based on these criteria, a total of XX companies were selected as the research sample. With a five-year observation period, the study obtained XX firm-year observations. Data were collected through documentation and literature study methods, using annual reports and financial statements accessed from the official IDX website ([www.idx.co.id](http://www.idx.co.id)) as well as from each company's official website. The research process began in January 2025 and continued until completion. The dependent variable in this study is audit quality, while the independent variables consist of audit rotation, audit

committee, and auditor specialization. In this study, audit quality is measured using a dummy variable, coded 1 and 0 for the sample companies based on the size of the Public Accounting Firm conducting the audit. Companies audited by a Big Four Public Accounting Firm are coded 1, while companies audited by a non-Big Four Public Accounting Firm are coded 0. The use of this indicator refers to research by Budiantoro (2022), which states that the size of a Public Accounting Firm is often used as a proxy for audit quality because Big Four Public Accounting Firms generally have higher resources, reputation, and oversight standards.

Audit rotation is the change of auditors or Public Accounting Firms carried out by a company within a certain period of time with the aim of maintaining auditor independence in carrying out the audit process (Jessica et al., 2021). In this study, audit rotation is measured using a dummy variable, assigned a value of 1 if the company rotates auditors within a five-year period and a value of 0 if the company does not rotate auditors for five consecutive years.

The audit committee is a committee formed by the board of commissioners responsible for assisting in the oversight function of the company's financial reporting process and audit implementation. The audit committee generally consists of at least three members, consisting of independent commissioners and independent parties outside the company (Jessica et al., 2021). In this study, audit committee size is measured based on the number of audit committee meetings held during a company's fiscal year. Data on audit committee meeting frequency is obtained from the company's annual report. The use of the number of audit committee meetings as an indicator is based on the assumption that the more frequent audit committee meetings, the more active its oversight function is over the company's financial reporting and audit processes.

Auditor specialization is the auditor's level of expertise in a specific industry, acquired through experience auditing companies in the same industry sector. Auditors with industry specialization tend to have a deeper understanding of the business characteristics, risks, and accounting practices applicable in that industry, thereby increasing the effectiveness of the audit process (Oktavia & Challen, 2022). In this study, auditor specialization is measured using the market share of a Public Accounting Firm within an industry. This calculation is performed by comparing the number of clients audited by a Public Accounting Firm in a specific industry sector to the total number of companies in that sector. A Public Accounting Firm is categorized as a specialist auditor if it has a market share of at least 10% in that industry.

This study employs logistic regression analysis to examine the effect of audit rotation, audit committee, and auditor specialization on audit quality in financial sector companies. Data were processed using SPSS version 27, beginning with descriptive statistical analysis to summarize the characteristics of the data. The research model is expressed as  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ , where audit quality is the dependent variable, while audit rotation, audit committee, and auditor specialization are the independent variables. Model feasibility was evaluated using the Overall Model Fit through the -2 Log Likelihood value and the Hosmer and Lemeshow's Goodness of Fit Test to assess the suitability between the model and observed data. The explanatory power of the model was assessed using the Nagelkerke R Square. Hypothesis testing was conducted using the Wald test to examine the partial effect of each independent variable, with a significance level of 5%, where a p-value less than 0.05 indicates a significant effect. This approach ensures that the data analysis, research model, and hypothesis testing procedures are clearly defined and systematically applied.

## RESULTS AND DISCUSSION

This study uses companies within the financial sector listed on the Indonesia Stock Exchange (IDX). The financial sector is a key sector in the Indonesian economy, driving financial and investment activity and acting as an intermediary between those with excess funds and those in need of financing. Companies within this sector are divided into several subsectors, including banking, insurance,

consumer finance, securities companies, investment managers, pension funds, and other financial institutions. Each subsector has distinct business characteristics, but generally operates within the financial services sector, which is strictly supervised by regulators such as the Financial Services Authority (OJK). The company profiles in this study were compiled based on information available in official annual reports and published data on the IDX website and related company websites.

Data for this study were collected from the official Indonesia Stock Exchange website and the companies themselves. The data were then selected using purposive sampling techniques with specific criteria to obtain the research sample. The sample in this study consisted of several companies that met the sampling criteria. Descriptive analysis was conducted to provide an overview of the data characteristics of the variables used in the study. This analysis aimed to determine the minimum, maximum, and mean values, thus providing an initial understanding of the distribution and trends of the analyzed data. The results of the descriptive analysis of all study variables during the observation period are presented in the following table:

**Table 2.** Results of Descriptive Statistical Analysis Test

	N	Minimum	Maximum	Mean
Rotasi Audit	405	.000	1.000	.12593
Komite Audit	405	2.000	43.000	9.63951
Spesialisasi Auditor	33	.010	.160	.04818
Kualitas Audit	405	.000	1.000	.39506
Valid N (listwise)	33			

The N value of 405 for the Audit Rotation, Audit Committee, and Audit Quality variables indicates the number of observations from 81 sample companies over a 5-year period (2020–2024), resulting in 405 firm-year observations. Meanwhile, for the Auditor Specialization variable, only 33 data points are available. This is in line with the Valid N (listwise) value of 33, indicating that only 33 observations have complete data for all study variables. This limitation is caused by the lack of data availability for the auditor specialization variable. By using the listwise deletion method, only complete data for all variables can be analyzed, thus reducing the sample size used in the regression analysis to 33 observations. Based on Table 2. Descriptive Statistics above, the results of the descriptive analysis of the 4 research variables are:

a. Audit Quality

The audit quality variable in this study was measured using a dummy variable approach based on the type of Public Accounting Firm (KAP) used by the company. Companies audited by Big Four KAPs were given a value of 1 and companies audited by Non-Big Four KAPs were given a value of 0. Based on the results of the descriptive analysis, an average value (mean) of 0.39506 was obtained from a total of 405 samples. This indicates that only around 39.5% of companies in the sample use the services of Big Four KAPs, while the remaining 60.5% still use Non-Big Four KAPs. This finding indicates that the majority of financial sector companies in Indonesia during the 2020–2024 period still do not involve auditors from Big Four KAPs, which are theoretically assumed to be able to provide more reliable and independent audit quality.

b. Audit Rotation

The audit rotation variable in this study is measured based on the rotation of Public Accounting Firms (KAP), which is represented as a dummy variable. Companies that changed KAPs from the previous year were given a value of 1, while those that did not change KAPs were given a value of 0. Based on the results of the descriptive analysis, the average (mean) value of the audit rotation variable was 0.12593, with a minimum value of 0 and a maximum of 1 from a total of 405 samples. This mean value

indicates that only around 12.6% of financial sector companies rotated KAPs during the 2020–2024 study period, while the remaining 87.4% did not.

#### c. Audit Committee

The audit committee variable in this study was measured based on the frequency of meetings held by the audit committee in one year. The data shows that the number of audit committee meetings has a minimum value of 2 times and a maximum of 43 times per year, with an average value (mean) of 9.63951 from a total of 405 samples. This value indicates that in general, audit committees in financial sector companies in Indonesia hold meetings approximately 9 to 10 times per year, or equivalent to almost one meeting per month. This indicates that most companies have actively carried out their oversight function through audit committees. However, the significant difference between the minimum and maximum number indicates a large variation in the level of audit committee activity between companies, which may be caused by differences in company size, operational complexity, or level of compliance with good corporate governance principles.

#### d. Auditor Specialization

The auditor specialization variable in this study was measured based on the market share of Public Accounting Firms (KAP) in the financial sector. Measurement was conducted by comparing the number of financial sector clients audited by a KAP to the total number of financial sector companies listed on the Indonesia Stock Exchange in a given year. In this study, KAPs were categorized as specialist auditors if they had a market share of 10% or more, while KAPs with a market share below 10% were categorized as non-specialists. Based on the results of the descriptive analysis, the minimum market share value was 0.010, the maximum was 0.160, and the average value (mean) was 0.04818, or approximately 4.8%. This indicates that most KAPs in the study sample have a relatively small market share in the financial sector and have not yet met the criteria for specialist auditors. Only a small number of KAPs have a market share above 10% and can be categorized as KAPs specializing in the financial sector.

### **Analysis Model Test Results**

This section presents the evaluation results of the logistic regression model used in the study. Testing was conducted to ensure that the constructed model was statistically sound and could be used to explain the influence of the independent variables on the dependent variable in this study.

#### a. Overall Model Fit

This test is used to assess whether a hypothesized model fits the data. The hypotheses for assessing fit (Ghozali, 2018) are:

H<sub>0</sub>: The hypothesized model fits the data

H<sub>A</sub>: The hypothesized model does not fit the data

To assess overall model fit, log likelihood is used by comparing the initial -2 log likelihood (block number = 0) with the one after the model includes constants and independent variables (block number = 1). If, during the test, the -2 log likelihood (block number = 0) is greater than the -2 log likelihood (block number = 1), or if the -2 log likelihood decreases, then the overall model indicates a good regression model, or the hypothesized model fits the data. A decrease in the -2 log likelihood indicates an improving model.

**Table 1.** Fit Test Results 1 Block 0 : Beginning Block

Iteration	-2 Log likelihood	Coefficients Constant
Step 0	1	543.480
	2	543.476
	3	543.476

Sumber : Output SPSS 27, 2025

**Table 2.** Fit Test Results 2 (Block 1 : Method = Enter)

Iteration	-2 Log likelihood	Coefficients			
		Constant	Audit Comittee	Audit Rotation	Auditors Specialization
Step 1	1	533.987	-.692	-.252	.027
	2	533.947	-.713	-.275	.028
	3	533.947	-.713	-.275	.028
	4	533.947	-.713	-.275	.028

Sumber : Output SPSS 27, 2025

Tables 3 and 4 show a decrease in the -2 Log Likelihood value from 543.476 in the initial stage (Block Number = 0) to 533.947 in the final stage (Block Number = 1). This decrease is 9.529. This indicates that the model fits the data well, as the value decreases from block number = 0 to block number = 1.

b. Testing Regression Suitability

The next step is to assess the suitability of the regression model used in the study. This assessment is performed using the Hosmer and Lemeshow Goodness of Fit Test. A statistical value greater than 0.05 indicates that the null hypothesis is accepted, thus the model is deemed capable of explaining and predicting the observational data used in the study.

**Table 5.** Hosmer and Lemeshow Goodness of Fit Test

Step	Chi-square	df	Sig.
1	2.935	7	.891

Sumber : Output SPSS 27, 2025

Table 5. shows that the Hosmer and Lemeshow Goodness of Fit Test statistic is 2.935 with a significance probability of 0.891, which is greater than 0.05. Therefore, H0 is accepted, indicating that the model used is able to predict the observed values, and the regression model is suitable for use in the next stage of analysis.

c. Coefficient of Determination (Nagelkerke's R Square)

Nagelkerke's R Square is a modified version of the Cox and Snell's R Square to allow the coefficient of determination to range from 0 to 1. This modification is achieved by dividing the Cox and Snell's R Square value by the maximum possible value. Thus, the Nagelkerke's R Square value can be interpreted in the same way as the coefficient of determination ( $R^2$ ) in multiple regression analysis. The coefficient of determination test is conducted to determine the extent to which the independent variables (audit rotation, audit committee, and auditor specialization) explain the dependent variable (audit quality).

**Table 6.** Test of Determination Coefficient (Nagelkerke's R Square)

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	533.947 <sup>a</sup>	.023	.031

Sumber : Output SPSS 27, 2025

Based on the analysis results shown in Table 6, the Nagelkerke R Square value obtained was 0.031. This indicates that the variables Audit Rotation, Audit Committee, and Auditor Specialization only contribute 3.1% to audit quality, while the remaining 96.9% is influenced by other factors outside this study.

d. Partial Test (Wald Test of Variables in the Equation)

A partial test, or Wald Test, is conducted to determine the effect of each independent variable individually on the dependent variable in a logistic regression model. Through this test, we can determine which variables have a significant influence on the dependent variable by comparing the significance value (Sig.) of each variable with the specified significance level ( $\alpha = 0.05$ ). The decision-making criteria are: if the Sig. value is  $<0.05$ , then the independent variable has a significant influence on the dependent variable, whereas if the Sig. value is  $>0.05$ , then the variable has no significant influence.

**Table 7.** Partial Effect Significance Test

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	Rotasi Audit	-.275	.320	.740	1	.390	.760
	Komite Audit	.028	.013	4.317	1	.038	1.028
	Spesialisasi Auditor	12.013	6.057	3.933	1	.047	164927.226
	Constant	-.713	.173	16.933	1	.000	.490

Sumber : Output SPSS 27, 2025

Testing was conducted by comparing the Sig. level with a significance level ( $\alpha$ ) of 5% or 0.05.

1. Based on Table 4.7, the significance value (Sig.) of 0.390  $>$  0.05 indicates that Audit Rotation has no significant effect on Audit Quality. The Exp(B) value of 0.760 indicates that rotation of public accounting firms (KAP) does not increase the opportunity for audit quality in financial sector companies.
2. Based on Table 4.7, the Audit Committee variable has a significance value of 0.038  $<$  0.05, thus significantly influencing audit quality. The Exp(B) value of 1.028 indicates that each additional number of Audit Committee meetings has the potential to increase the company's opportunity for achieving good audit quality by 1.028 times.
3. Based on Table 4.7, the Auditor Specialization variable shows a significance value of 0.047  $<$  0.05, indicating that this variable significantly influences audit quality. The Exp(B) value of 164,927.226 indicates that companies audited by auditors with a market share of  $\geq 10\%$  have a much greater chance of obtaining higher Audit Quality than non-specialist auditors.

e. Logistic Regression Test Results

This section presents the results of data processing using logistic regression analysis to examine the relationship between the independent and dependent variables in the study. The resulting logistic regression equation illustrates the contribution of each independent variable in influencing the probability of a category occurring in the dependent variable. This model is used because the dependent variable is dichotomous: audited by a Big Four accounting firm (1) and audited by a non-Big Four accounting firm (0).

The logistic regression equation can be seen in Table 4.7, resulting in the following logistic regression model:

$$Y = -0,731 - 0,275X1 + 0.028X2 + 12,013X3$$

Where :

1. The test results show a constant value of -0.731, which means that if all independent variables, namely audit rotation, audit committee, and auditor specialization, are assumed to be 0, then audit quality is estimated to be -0.731.
2. The regression coefficient for the audit rotation variable (X1) is negative at -0.275. This indicates that a one-unit increase in audit rotation results in a -0.275 decrease in audit quality, assuming all other variables remain constant. This sign indicates an inverse relationship between audit rotation and audit quality.
3. The regression coefficient for the audit committee variable (X2) is positive at 0.028. This indicates that a one-unit increase in the audit committee results in a 0.028 increase in audit quality, assuming all other independent variables remain constant.
4. The regression coefficient for the auditor specialization variable (X3) is positive at 12.013. This shows that if auditor specialization increases by one unit, then audit quality increases by 12.013 assuming that other independent variables remain constant.

## **Discussion**

### **The Effect of Audit Rotation on Audit Quality**

The results of the logistic regression test in this study indicate that audit rotation has no effect on audit quality. This is evident from the coefficient value of -0.275 with a significance level of 0.390, which is greater than 0.05 (5%). Therefore, this study does not support the first hypothesis, which states that audit rotation has an effect on audit quality. The lack of an effect of audit rotation may be due to the fact that changing Public Accounting Firms (KAP) does not always guarantee improved audit quality, as the new KAP requires time to understand the company's business processes, industry environment, and audit risks.

According to agency theory, audit firm rotation aims to maintain auditor independence and reduce the risk of closeness between the auditor and the client, which could potentially affect audit objectivity. The findings of this study indicate that changing Public Accounting Firms (KAP) is not the sole factor determining audit quality, but rather is more influenced by the competence, experience, and audit procedures applied. In many cases, companies that do not rotate their public accounting firms are still able to produce financial reports with good audit quality due to the high level of auditor professionalism, accompanied by an independent attitude in carrying out the audit, indicating that audit quality is not completely affected by audit rotation. Auditors who are able to maintain their independence will continue to produce quality audit results without being affected by factors that can reduce audit quality (Palalangan et al., 2019). In addition, this finding indicates that audit rotation does not automatically improve audit quality due to the auditor's adaptation process to new clients. This reflects a trade-off between independence and expertise, where increased independence may be offset by reduced client-specific knowledge. Therefore, audit quality is more influenced by auditor competence and experience than by structural policies such as audit rotation.

The results of this study support the research of Carolus et al., (2019) and the research of Jessica et al., (2021) which stated that the audit rotation variable does not affect audit quality and is supported by research conducted by Dzhuhrini and Auliffi (2021) that audit rotation does not affect audit quality.

### **The Influence of the Audit Committee on Audit Quality**

Based on the results of the logistic regression test, the audit committee variable shows a positive coefficient of 0.028 with a significance level of 0.038, which is less than 0.05. Therefore, it can be

concluded that the audit committee has a positive effect on audit quality in financial sector companies, meaning H2 is accepted.

The audit committee is a crucial pillar in the implementation of good corporate governance. The more active the audit committee is in conducting meetings, monitoring, and evaluating the company's financial reporting, the greater the chance of achieving transparent, accurate, and standard-compliant financial reporting (Ananda et al., 2022). According to Ghozali (2018), the audit committee serves to support the board of commissioners in overseeing management performance, risk management, and ensuring the quality of both internal and external audits. Companies that hold frequent annual audit committee meetings are more effective in monitoring company management, thus producing more quality audits (Triyanto & Putri, 2023). More frequent audit committee meetings allow for active communication with auditors, allowing any issues arising in financial reporting to be promptly identified and addressed. Therefore, an increased number of audit committee meetings reflects tighter oversight, ultimately improving audit quality. These findings are supported by findings in several sample companies, such as Bank Rakyat Indonesia Tbk and Bank Mandiri Tbk, which have audit committee meetings more than 10 times a year, resulting in higher audit quality compared to companies with fewer audit committee meetings. Furthermore, these results show that the effectiveness of the audit committee lies not only in the frequency of meetings but also in the quality of supervision and communication with auditors. A proactive audit committee can reduce information asymmetry and strengthen oversight, thereby contributing to improved audit quality.

These findings support research by Jessica et al. (2019) and Triyanto & Putri (2023), which found that audit committee variables influence audit quality, but contradict research by Wulan et al. (2022), which found that audit committees have no effect on audit quality.

### **The Influence of Auditor Specialization on Audit Quality**

Based on the results of the logistic regression test, the auditor specialization variable showed a positive coefficient of 12.013 with a significance level of 0.047, which is less than 0.05. Therefore, it can be concluded that auditor specialization has a positive effect on audit quality in financial sector companies, meaning H3 is accepted.

Auditor specialization is the auditor's level of expertise or competence in auditing companies in a specific industry, which is generally measured by audit market share of  $\geq 10\%$  (Balsam et al., 2003). Specialist auditors have a deeper understanding of industry characteristics, business risks, and applicable regulations, so they are better able to detect errors or fraud (Oktavia & Challen, 2022). This knowledge enables specialist auditors to provide more effective and accurate audit procedures than non-specialist auditors. Moreover, this finding emphasizes that auditor specialization enhances audit quality through deeper industry knowledge and more accurate risk assessment. This suggests that audit quality is highly dependent on the auditor's expertise, highlighting the importance of selecting auditors with relevant specialization. The presence of specialist auditors increases stakeholder confidence in financial statements due to the greater reliability of the resulting audit quality. This study's findings are supported by findings from several sample companies, such as Bank Central Asia Tbk and Bank Mandiri Tbk, which use public accounting firms with market shares exceeding 10%, resulting in higher-quality audits than companies audited by non-specialist auditors.

These results support the research by Dzuhri & Auliffi (2022), which states that auditor specialization affects audit quality and contradicts the research by Maharani & Triani (2020), which states that auditor specialization has no effect on audit quality.

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## CONCLUSION

Based on the data analysis and discussion, it can be concluded that audit rotation has no effect on audit quality in financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. This indicates that changing Public Accounting Firms (KAP) does not always improve the quality of audits produced by companies. Meanwhile, the audit committee has been shown to have an effect on audit quality, indicating that the more active the audit committee's role in conducting meetings and supervision, the better the resulting audit quality. Furthermore, auditor specialization also influences audit quality, where companies audited by auditors with a market share of  $\geq 10\%$  (specialist auditors) tend to produce higher audit quality than companies audited by non-specialist auditors.

## LIMITATIONS AND SUGGESTIONS

In addition, future research should also consider the limitations of this study to improve the robustness of findings. This study is limited in terms of variable measurement, particularly in capturing audit quality, which may not fully reflect actual audit conditions due to the use of proxy indicators. Moreover, the Nagelkerke R Square value of 0.031 indicates that the variables Audit Rotation, Audit Committee, and Auditor Specialization only explain 3.1% of audit quality, while the remaining 96.9% is influenced by other factors outside this study. This relatively low explanatory power suggests that there are many other important variables that were not included in the model. In addition, the use of secondary data may also contain potential biases, such as differences in disclosure practices among companies and the possibility of incomplete information. Therefore, by expanding variables, improving measurement indicators, and utilizing more comprehensive data sources, future studies are expected to provide more accurate and in-depth insights into the determinants of audit quality.

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