



## How do Auditor Narcissism and Specialization Affect the Readability of Audit Reports?

Aini Yatul Mufarroha<sup>1\*</sup>, Sri Pujiningsih<sup>2</sup>

<sup>1,2</sup> Universitas Negeri Malang, Jl. Semarang No. 5, Malang, Indonesia

Received: 11 October 2025

Revised: 8 January 2026

Accepted: 12 January 2026

Correspondence:

\*[aini.yatul.2104226@students.um.ac.id](mailto:aini.yatul.2104226@students.um.ac.id)

DOI:

<http://dx.doi.org/10.17977/um004v12i22025p151>

### Abstract

**Purpose:** This study aims to examine the influence of narcissism and auditor specialization on the readability of audit reports in State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period.

**Method:** A quantitative approach was applied in this study, with secondary data analysis using a panel regression model. Auditor narcissism was measured using signature size, auditor specialization was measured using the Auditor Industry Specialization (AIS) measure, while audit report readability was analyzed using the FOG index.

**Findings:** The results show that auditor narcissism positively influences audit report readability, making it easier to read. Conversely, auditor specialization negatively affects readability, suggesting that more expert auditors tend to produce reports that are more difficult to read. This finding supports the basic assumption of behavioral decision theory that psychological and behavioral factors influence individual decisions.

**Originality/Value:** This study provides implications for investors, company management, and auditors to pay greater attention to the readability aspect of audit reports.

**Keywords:** Audit Report Readability, Auditor Narcissism, Auditor Specialization.

**Paper Type:** Research Paper.

## 1. Introduction

Following the 2008-2009 financial crisis, stakeholders widely criticized the quality of financial reporting by public entities and external auditors (Velte, 2019). This criticism reflects the key challenge corporate managers face in financial reporting: avoiding the presentation of redundant and potentially misleading information (Salehi et al., 2023). The importance of financial statement readability has become increasingly apparent, as easy-to-read reports can help mitigate the risk of information asymmetry from management to investors (Rjiba et al., 2021). Information asymmetry can create uncertainty for investors in obtaining, analyzing, interpreting, and utilizing accounting information (Fakhari & Pitenoiei, 2017). Furthermore, increasingly complex and difficult-to-read information in financial statements can reduce the readability of these reports (Widiannasti & Wahidawati, 2024). In this regard, financial statement readability is closely related to audit report readability, as readable financial statements also reflect the readability of audit reports (Salehi et al., 2023).

In 2018, the Association of Chartered Certified Accountants (ACCA) found that although audit reports now contain more information, there is skepticism about whether the increasingly lengthy and complex presentation is actually helpful to readers, especially investors (Jayanti & Fatima, 2023). Increasingly complex audit reports increase the risk of

information overload, thereby reducing their usefulness to stakeholders in decision-making (Velte, 2019). Furthermore, the implementation of revisions to audit reports that add explanations regarding key matters in the audit, the basis for opinions, and other relevant information has resulted in more complex audit reports, making them difficult to read in ASEAN countries (Jayanti & Fatima, 2023). Previous research has shown that audit reports vary in readability and are often difficult to read (Salehi et al., 2023; Velte, 2018, 2019), even though they are crucial for efficient capital allocation decisions in the stock market (Hutabarat & Affandy, 2024; Rjiba et al., 2021; Salehi et al., 2023). Adhariani and Toit (2020) also found that reports of companies listed on the IDX have readability issues that make them difficult for general readers to understand.

According to Salehi et al. (2023), narcissism is a personality trait that influences auditor behavior in the professional decision-making process. In this research, narcissism is described as a double-edged sword because, in excessive or too low levels, it can disrupt the auditor's balance and objectivity in conveying information. Auditors with narcissistic tendencies may be driven to prepare more transparent, more understandable, and more compelling audit reports as a form of self-image and an effort to gain recognition from stakeholders. However, narcissistic auditors can also complicate the narrative of the audit report, especially when they attempt to demonstrate their dominance or superiority by providing more technical information (Rajabalizadeh & Schadewitz, 2025). Research by Anjani and Priono (2023) adds that narcissism is included in the category of personality disorders because individuals with this trait tend to have difficulty interacting positively or adjusting well in social relationships. Narcissistic individuals generally feel pride in themselves because they perceive themselves as superior to others, feel superior, always want to be the center of attention, and crave praise from others (Dahy, 2022). Therefore, the narcissism variable was selected in this study to examine its influence on the readability of audit reports in the context of Indonesian companies, considering the potential positive and negative impacts that warrant further investigation.

Apart from narcissism, one auditor characteristic that can affect audit quality is auditor specialization (Budiantoro et al., 2021). Auditor specialization refers to the development of specialized knowledge and skills in finance and accounting, enabling auditors to conduct audits more effectively and efficiently in assessing the reliability of clients' financial statements (Budiantoro et al., 2021; Kholik & Kuntadi, 2024). Furthermore, auditor specialization can increase investor confidence by providing more accurate and detailed audit reports, thus providing more helpful information for investors in making decisions (Kholik & Kuntadi, 2024). However, highly specialized auditors tend to use technical language and complex sentences in audit reports, which can reduce readability, especially for general readers (Rajabalizadeh & Schadewitz, 2025; Salehi et al., 2023). Furthermore, auditor specialization can facilitate earnings management practices by enabling auditors to manage financial reporting (Salsabila & Erinos, 2023). Therefore, while specialization improves audit quality, it can pose challenges in conveying information that all report users easily understand. Therefore, the auditor specialization variable was selected in this study to examine how the auditor's level of professional expertise affects the readability of audit reports, particularly for state-owned enterprises (SOEs) in Indonesia.

Behavioral decision theory underpins this research. Behavioral decision theory states that individual decisions are influenced by psychological and behavioral factors, not just pure rationality (Takemura, 2021). In this regard, auditor decisions are also influenced by both factors. Auditors with high narcissistic traits are driven to prepare easy-to-understand reports to highlight themselves and maintain a positive image (Bloomfield, 2008; Capalbo et al., 2018; Tamborski et al., 2012). Conversely, highly specialized auditors

often use technical, detailed language that can complicate the readability of audit reports (Suciati & Triani, 2019). Therefore, behavioral decision theory is highly relevant to understanding how narcissism and auditor specialization influence auditor decisions regarding audit report readability.

Previous research by Salehi et al. (2023) showed that narcissism positively influences audit report readability. Auditor specialization negatively affects the readability of audit reports. However, in Indonesia, studies linking the influence of narcissism and auditor specialization on audit report readability in a single study are still relatively limited. Furthermore, the discrepancies in research findings across previous studies create a knowledge gap that this research aims to address. This study differs from previous studies in the sample and period used. Previous research focused on companies listed on the Tehran Stock Exchange between 2012 and 2018, while this study examines state-owned enterprises listed on the IDX between 2019 and 2023. These differences in sample and time period provide new perspectives and differing relevance in the context of this study. This study replicates the research of Salehi et al. (2023). However, not all variables were used in this study. The researchers replicated only two main variables, namely narcissism and auditor specialization, because the other variable (self-confidence) has fewer relevant measurement indicators for this study. Therefore, this study poses the following research question:

**RQ:** Do narcissism and auditor specialization influence the readability of audit reports?

Theoretically, this study enriches the accounting literature by revealing the influence of narcissism and auditor specialization on audit report readability through behavioral decision theory. Practically, the results of this study have important implications for various parties. Investors can utilize these findings to make more informed investment decisions by considering the characteristics of the auditors involved. Company management can also use the results of this study as a basis for selecting auditors who are more effective in producing easily understood audit reports. Overall, this study provides valuable insights for stakeholders to understand the factors influencing audit report readability and to take the necessary steps to improve the quality of available information.

## 2. Theoretical Framework and Hypothesis Development

### 2.1. Behavioral Decision Theory

This study uses behavioral decision theory to understand the influence of narcissism and auditor specialization on the readability of audit reports. According to Takemura (2021), behavioral decision theory explains how individual decisions, including those of auditors, are not solely based on pure rationality but are also influenced by psychological and behavioral factors. Salehi et al. (2023) revealed that an auditor's decision-making behavior is strongly influenced by their personality characteristics, including their level of narcissism. Auditors with high levels of narcissism tend to desire to excel and be recognized, which drives them to prepare audit reports in a clear easy-to-understand style to attract attention and recognition from users of the reports (Amernic & Craig, 2010; Capalbo et al., 2018).

Furthermore, behavioral decision theory posits that individual performance is influenced by experience, knowledge, and abilities (Bonner & Lewis, 1990; Libby, 1995). In this context, highly specialized auditors typically have more extensive experience in a specific field and in-depth technical knowledge (Carcello & Nagy, 2004; Suciati & Triani,

2019). However, this can lead auditors to prepare reports in technical terminology, thereby reducing the readability of audit reports for lay users. In other words, although auditor specialization improves the technical quality of audits, it can negatively impact the clarity and ease of understanding of the report's content.

Behavioral decision theory serves as the foundation for this research because it provides a framework for understanding how narcissism and auditor specialization affect the readability of audit reports. Using this theory, this study demonstrates that psychological and behavioral factors play a significant role in auditor decision-making, which ultimately impacts the quality of information conveyed to financial statement users.

## 2.2. The Effect of Narcissism on Audit Report Readability

According to [Raskin and Terry \(1988\)](#), narcissism is an excessive admiration for oneself, characterized by a tendency toward impressive ideas, fantasy behavior, self-assertion, defensiveness against criticism, a sense of entitlement, an exploitative attitude, and a lack of empathy. In psychology, narcissism refers to individuals who crave praise, prioritize personal interests, and tend to be arrogant ([Dahy, 2022](#); [Wijaya & Indrayeni, 2021](#)). Narcissistic auditors tend to view themselves as crucial to the company's success without worrying about financial reporting failures ([Salehi et al., 2023](#)). The drive to maintain a professional image makes narcissistic auditors more concerned with how stakeholders perceive their audit reports.

According to behavioral decision theory, psychological factors influence individual decision-making. Auditors with high levels of narcissism are more likely to prepare audit reports with a more transparent and more easily understood communication style, as a way of projecting a self-image as competent professionals ([Capalbo et al., 2018](#)). In this regard, narcissistic auditors are not only focused on audit results but also on how those results are presented to instill confidence in stakeholders. This can lead to increased readability of audit reports, thereby strengthening their reputation and gaining professional recognition ([Bloomfield, 2008](#); [Tamborski et al., 2012](#)).

The findings of [Salehi et al. \(2023\)](#) support this view, where regression results indicate that auditor narcissism negatively influences the FOG index. This means that higher levels of narcissism decrease the FOG index score and increase the readability of audit reports. This suggests that narcissistic traits among auditors can be a positive driver of more readable audit reports. Narcissism in this study was measured by the size of the auditor's signature, with a larger signature indicating higher narcissism. Based on this statement, the first hypothesis of this study is as follows:

**H<sub>1</sub>:** There is a positive influence between auditor narcissism and audit report readability.

## 2.3. The Effect of Auditor Specialization on Audit Report Readability

Auditor specialization is a form of expertise acquired through experience and in-depth understanding of a particular industry. According to [Budiantoro et al. \(2021\)](#), auditor specialization encompasses specialized knowledge and skills in finance and accounting that enable auditors to conduct audits effectively and efficiently, assessing the reliability of a client's financial statements. Specialized auditors are more skilled than other auditors because they possess a deep understanding of specific organizations and businesses ([Tahang et al., 2024](#)). This finding is supported by [Kholik & Kuntadi \(2024\)](#), who state that auditor specialization can improve audit quality and strengthen investors' confidence in the presented audit results. Therefore, auditor specialization is expected to improve the

effectiveness of the audit process, the quality of information disclosure, and add value to users of financial statements.

In this context, auditor specialization not only impacts audit quality but also how audit results are communicated through the audit report. Based on behavioral decision theory, the quality of professional decisions is influenced by an individual's experience, knowledge, and abilities (Bonner & Lewis, 1990; Libby, 1995). Specialized auditors, who possess broader and deeper knowledge, are believed to produce better professional judgment. However, high experience and expertise do not always translate into the ability to convey information clearly. In some cases, specialized auditors prepare audit reports using a more technical, lengthy, and detailed language to demonstrate their professionalism and prudence (Salsabila & Erinos, 2023). As a result, the resulting audit reports can be less understandable, especially for report users without an accounting background.

Research by Priandana and Prasetyo (2023) suggests that auditor specialization plays a crucial role in the preparation of high-quality financial reports. However, there is a risk that auditors who focus too much on technical aspects will use terminology unfamiliar to the general reader. While specialization improves content quality, a complex presentation style can reduce the readability and communication effectiveness of audit reports. When selecting an auditor, stakeholders often place greater emphasis on the auditor's educational background and the suitability of the auditor's expertise to the client's industry, without considering how this information will be communicated (Salsabila & Erinos, 2023).

Previous research by Salehi et al. (2023) and Rajabalizadeh and Schadewitz (2025) provides empirical evidence that auditor specialization can impact audit report readability. In these studies, regression results indicate that auditor specialization has a positive effect on the FOG index, meaning that higher specialization is associated with higher FOG index scores. When a high FOG index indicates low readability, audit reports prepared by specialist auditors tend to be more challenging to read. This reinforces the view that in-depth technical knowledge does not necessarily translate into good communication quality in the presentation of audit reports. Based on this statement, the second hypothesis in this study can be formulated as follows:

**H<sub>2</sub>:** There is a negative effect of auditor specialization on audit report readability.

### 3. Research Method

#### 3.1. Research Approach

This study adopts a causal quantitative approach to test hypotheses and to understand the influence among two or more variables under analysis (Syarifah & Sebrina, 2024). Using quantitative methods, this study aims to identify the influence of the independent variables, namely narcissism and auditor specialization, on the dependent variable, namely audit report readability. The study population consists of all State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange during the 2019-2023 period. SOEs were selected for this study because they play a strategic role in the national economy, making audit reports highly important to various stakeholders, including investors, regulators, and the public. Furthermore, SOEs generally have a high level of information transparency, thus supporting the availability and completeness of research data. The five years were selected to obtain adequate and timely representative data coverage.

This study employed purposive sampling, selecting samples based on specific criteria aligned with the research objectives. Referring to research conducted by Salehi et

al. (2023), the sample selection criteria were: (1) Not a company in the financial sector; (2) The company's fiscal year does not end in March. Instead, it is adjusted to the Indonesian fiscal year, which runs from December. As of May 9, 2023, there are 27 state-owned enterprises listed on the Indonesia Stock Exchange. However, the number of samples that met the criteria in this study was 20 companies, totaling 100 samples.

Panel data were used in this study, which combines time-series data (by time) and cross-sectional data. According to Sakti (2018), time series data are collected over a specific time period for a single object to describe periodic developments. Meanwhile, cross-sectional data is data that covers many objects at a specific time period to provide an overview of the situation during that period. In this study, the time-series data population spans five years (2019–2023), the cross-section data includes 20 state-owned enterprises, and the research sample comprises 20 companies.

### 3.2. Data and Analysis

The data collection method in this study employed a documentation method, which involved studying, categorizing, and analyzing secondary data in the form of audit reports of state-owned enterprises listed on the Indonesia Stock Exchange (IDX), along with various audit opinions, obtained from each company's website for 2019 and the official IDX website ([www.idx.co.id](http://www.idx.co.id)) for the 2020-2023 period.

The analysis was conducted using panel regression in EViews 12. The data analysis technique in this research included descriptive statistical analysis tests conducted to provide an overview of the data used in the study, including minimum values, maximum values, standard deviations, medians, and averages (means). The panel data regression method encompasses three approaches: The Common Effects Model (CEM), the Fixed Effects Model (FEM), and the Random Effects Model (REM). To determine the appropriate research model, three types of tests were conducted: The Chow test, the Hausman test, and the Lagrange Multiplier test. Hypothesis testing was then conducted: a partial test (T test), a simultaneous test (F test), and a coefficient of determination test (R<sup>2</sup> test). The panel data regression Equation model for this study is:

$$ART_{it} = a_0 + a_1AuditNA_{it} + a_2AuditIND_{it} + a_3SIZE_{it} + e_{it} \dots\dots\dots (1)$$

ART is Audit Report Readability; AuditNA is Auditor Narcissism; AuditIND is Auditor Specialization; Size is Company Size; i is a SOES Company listed on the IDX; t is the time period 2019-2023; a is Constant; e is Error.

## 4. Results and Discussion

### 4.1. Descriptive Statistics

Descriptive statistics presented in Table 1 show that the average audit report readability (ART) was 29.36250, higher than the FOG score reported by Rajabalizadeh and Schadewitz (2025) of 21.561, indicating that audit reports of state-owned enterprises listed on the IDX are generally difficult to read. This is in line with increasing skepticism towards increasingly complex audit reports due to the addition of explanations regarding key audit matters, the basis for opinions, and other relevant information (Jayanti & Fatima, 2023). This complexity is reflected in the audit report readability score, where the minimum score was recorded for PT Jasa Marga Tbk (JSMR) in 2021, while the maximum score was recorded for PT Garuda Indonesia Tbk (GIAA) in 2022.

**Table 1. Descriptive Statistics**

Variable	Obs	Mean	Std. dev	Min	Max
Audit Report Readability	100	29.36250	2.623918	24.13000	39.63000
Auditor Narcissism	100	7.248320	3.696842	1.509000	18.94200
Auditor Specialization	100	0.780000	0.416333	0.000000	1.000000
Size	100	30.34890	2.448496	23.57000	33.29000

Source(s): Authors' own work

The average auditor narcissism score, measured by signature area, of 7.243 cm<sup>2</sup>, indicates that auditors generally sign audit reports with fairly large signatures. This signature size is used as a proxy for auditor narcissism, where auditors with high levels of narcissism tend to display a dominant self-identity through larger signatures. The minimum and maximum scores range from 1.509 to 18.942 cm<sup>2</sup>, with a standard deviation of 3.697, reflecting differences in auditors' personalities in this regard.

Furthermore, 78% of state-owned enterprises (SOEs) use specialist auditors to audit their financial statements. This aligns with Article 32 of the Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia Number PER-2/MBU/03/2023, which stipulates that SOEs' annual financial statements must be audited by an external auditor appointed by the General Meeting of Shareholders (GMS) or the Minister from candidates nominated by the Board of Commissioners or the Supervisory Board. Research conducted by [Salsabila and Erinoss \(2023\)](#) also stated that, in selecting auditors, stakeholders will evaluate the auditor's educational background and the suitability of that education for the profession being pursued, in the hope of achieving optimal performance.

#### 4.2. Panel Data Regression Model Testing

The panel data regression estimation model selection was carried out using the Chow and Hausman tests, as well as the Lagrange Multiplier test. The Chow test indicated that the Fixed Effects Model (FEM) was more appropriate than the Common Effects Model (CEM) because its probability value was 0.0002, less than 0.05. Furthermore, the Hausman test confirmed that the Random Effects Model (REM) was superior to the Fixed Effects Model (FEM) with a probability value of 0.6828. The Lagrange Multiplier test also indicated that the REM was the best model because its probability value was 0.0016, less than 0.05.

After conducting the Chow, Hausman, and Lagrange Multiplier tests to determine the research model, the Random Effects Model (REM) was selected for this study. According to [Sakti \(2018\)](#), when the selected panel data regression model is REM, then the classical assumption test is not necessary because technically the model has been designed to take into account potential violations of classical assumptions, such as heteroscedasticity or autocorrelation, and is still able to produce efficient estimates even though the classical assumptions are not fully met.

#### 4.3. Hypothesis Testing

The F-test results in Table 2 indicate that the probability value of  $0.000657 < 0.05$ , indicating that both narcissism and auditor specialization simultaneously influence the readability of audit reports. This finding indicates that the combination of auditor narcissism and specialization can affect the readability of audit reports. The partial t-test results for auditor narcissism (AUDITNA) indicate a coefficient of -1.475927 and a probability of 0.0416, suggesting that auditor narcissism influences the readability of audit reports. The negative coefficient indicates that higher levels of auditor narcissism decrease

the FOG index score, making audit reports more straightforward to read. Therefore, the first hypothesis in this study is accepted.

The partial t-test results for the auditor specialization variable (AUDITIND) indicate a coefficient of 2.407035 and a probability of 0.0002. A probability value less than 0.05 indicates that auditor specialization significantly influences the readability of audit reports. A positive coefficient value indicates that the higher the auditor's level of specialization, the higher the FOG index score, making the audit report difficult to read. Therefore, the second hypothesis in this study is also accepted.

**Table 2. Hypothesis Test Results (REM)**

Variable	Coefficient	Prob
<b>F Test</b>		
Prob (F-statistic)		0.000657
<b>t Test</b>		
AUDITNA	-1.475927	0.0416
AUDITIND	2.407035	0.0002
SIZE	0.010866	0.9404

Source(s): Authors' own work

#### 4.4. The Influence of Auditor Narcissism on Audit Report Readability

This study shows that auditor narcissism influences audit report readability, with a negative coefficient indicating that higher auditor narcissism is associated with a lower FOG index score, indicating higher readability. This finding aligns with research by [Salehi et al. \(2023\)](#), which states that auditors with high levels of narcissism tend to prepare audit reports that are easier to read. In this study, narcissism was measured based on the size of the auditor's signature as a visual indicator of narcissistic impulses. Auditors with narcissistic traits have a strong tendency to assert themselves, maintain a professional image, and desire to be perceived as superior in the public eye. Therefore, they will be more careful in preparing audit reports that are not only technically accurate but also easy to understand, as a form of self-image.

Based on behavioral decision theory, individual decisions are influenced by various factors, including a person's psychological state ([Takemura, 2021](#)). In this case, narcissism in auditors is one psychological factor that can influence how auditors prepare and deliver audit reports. Auditors with high levels of narcissism tend to desire superior performance and recognition for their work. Therefore, they are motivated to prepare audit reports in clearer, more easily understood language to project their image as competent professionals. Furthermore, research by [Church et al. \(2020\)](#) also shows that auditor narcissism can play a dual role in the audit process.

Narcissistic auditors not only exhibit self-effacing and overconfident behavior but can also positively or negatively influence client negotiations, depending on the context and strategy employed. In specific contexts, narcissism can drive auditors to be more proactive and persuasive in preparing easily understood reports for SOEs to demonstrate their superiority and influence. This tendency is particularly relevant in the state-owned enterprise (SOE) environment, where transparency and accountability are highly emphasized. SOE audit reports are scrutinized not only by internal management but also by the public, ministries, and regulatory bodies. Narcissistic auditors are more concerned with how their reports are perceived by various stakeholders, thus tending to choose a style of presentation that is easy to read. Thus, the auditor's narcissistic nature can encourage

greater readability of audit reports, driven by a strong desire to build a positive image in the public eye (Capalbo et al., 2018).

#### 4.5. The Effect of Auditor Specialization on Audit Report Readability

The results of the hypothesis test indicate a positive and significant correlation between auditor specialization and the audit report's FOG index. This means that a higher level of auditor specialization correlates with a higher FOG index score, resulting in lower readability and greater difficulty Reading. This finding aligns with research by Salehi et al. (2023) and Rajabalizadeh and Schadewitz (2025), which shows that auditor specialization tends to produce audit reports that are difficult to read. Although specialist auditors have a deep understanding of the industry being audited, they may tend to use more complex language in their reports to demonstrate their level of expertise. The use of technical terms or complex sentences can be a way for auditors to assert their expertise, especially when working in industries that require a high level of technical knowledge (Kaszak et al., 2025).

Furthermore, the technical nature of the audit process and the need for in-depth analysis can encourage auditors to use a lengthy style. While lengthy language may appear professional to some, it does not always create a clear, easily understood report for the general reader. The results of this research align with behavioral decision theory, which states that individual performance is influenced by experience, knowledge, and skills (Bonner & Lewis, 1990; Libby, 1995). In practice, high specialization correlates with more complex audit reports. This may be due to specialist auditors' tendency to use overly complex technical language or to explain information in detail to reduce the risk of error, thereby sacrificing readability (Rajabalizadeh & Schadewitz, 2025).

Furthermore, the implementation of audit standards requiring the disclosure of Key Audit Matters (KAM) has begun to be applied to audit reports in Indonesia. This is consistent with research by Rajabalizadeh and Schadewitz (2025), which found that specialist auditors produced audit reports that were more difficult to read following the implementation of the new standards. This suggests that updates to audit standards reinforce the tendency for reports to become more complex and emphasize the importance of regulations in audit report readability.

In the context of state-owned enterprises (SOEs), the role of auditor specialization becomes increasingly important given the high demands for transparency and oversight from the government and the public (Jahja et al., 2020). Specialist auditors working with state-owned enterprises (SOEs) must not only understand industry characteristics and applicable regulations, but also deliver audit reports clearly so that various stakeholders understand them. However, pressure to maintain a professional image and to be aware of risks can lead auditors to prepare audit reports that are more difficult for the general reader to understand due to the use of professional terminology unfamiliar to the general reader (Jayanti & Fatima, 2023). Furthermore, the bureaucracy and strict governance within SOEs contribute to a reporting style that tends to be more formal and detailed. Therefore, while specialist auditors have an advantage in professional knowledge, the complexity of audit reports can be challenging for users without an accounting or finance background.

## 5. Conclusion

This study aims to examine the influence of narcissism and auditor specialization on the readability of audit reports in state-owned enterprises listed on the Indonesia Stock Exchange for the 2019–2023 period. The results indicate that auditor narcissism has a

positive effect on readability, meaning auditors with high levels of narcissism tend to prepare audit reports that are easier to read. Conversely, auditor specialization has an adverse effect: more expert auditors tend to produce audit reports that are more difficult to read. These findings support the basic assumption of behavioral decision theory that psychological and behavioral factors influence individual decisions. In practice, the results of this study can be used by investors to assess the quality of information in audit reports and by management to select auditors who can present reports in a communicative and understandable manner.

This study has several limitations. First, the readability measurement tool used relies solely on the FOG index, which is based on linguistic analysis of words and sentence length. It therefore does not fully reflect the level of reader comprehension. Future research is recommended to consider using additional measurement tools, such as the Flesch Reading Ease or SMOG Index, to provide a more reliable readability assessment. Second, using signature size as the sole indicator of auditor narcissism still has limitations in capturing the full range of personality traits. Future studies could consider using other methods, such as questionnaires or in-person interviews, to gain a deeper understanding of individual auditor characteristics and their impact on audit report readability. Furthermore, expanding the sample size and adding additional variables could provide a broader perspective on how various factors influence audit report readability.

## References

- Adhariani, D., & Toit, E. D. (2020). Readability of Sustainability Reports: Evidence from Indonesia. *Journal of Accounting in Emerging Economies*, 10(4), 621-636. <https://doi.org/10.1108/jaee-10-2019-0194>.
- Amernic, J. H., & Craig, R. J. (2010). Accounting as a Facilitator of Extreme Narcissism. *Journal of Business Ethics*, 96(1), 79-93. <https://doi.org/10.1007/s10551-010-0450-0>.
- Anjani, E. D., & Priono, H. (2023). Pengaruh Kepribadian Narsisme Akuntan terhadap Praktik Profesi Tidak Etis. *Journal of Economic, Business and Accounting (COSTING)*, 7(1), 947-957. <https://doi.org/10.31539/costing.v7i1.6353>.
- Bloomfield, R. (2008). Discussion of "Annual Report Readability, Current Earnings, and Earnings Persistence". *Journal of Accounting and Economics*, 45(2-3), 248-252. <https://doi.org/10.1016/j.jacceco.2008.04.002>.
- Bonner, S. E., & Lewis, B. L. (1990). Determinants of Auditor Expertise. *Journal of Accounting Research*, 28, 1-20. <https://doi.org/10.2307/2491243>.
- Budiantoro, H., Serena, A., & Tantrinarsih, H. A. (2021). Pengaruh Audit Tenure, Ukuran KAP, Spesialisasi Auditor, dan Auditor Switching terhadap Kualitas Audit (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2017-2019). *Journal of Research in Business, Economics, and Education*, 3(5), 27-38.
- Capalbo, F., Frino, A., Lim, M. Y., Mollica, V., & Palumbo, R. (2018). The Impact of CEO Narcissism on Earnings Management. *Abacus*, 54(2), 210-226. <https://doi.org/10.1111/abac.12116>.
- Carcello, J. V., & Nagy, A. L. (2004). Audit Firm Tenure and Fraudulent Financial Reporting. *AUDITING: A Journal of Practice & Theory*, 23(2), 55-69. <https://doi.org/10.2308/aud.2004.23.2.55>.

- Church, B. K., Dai, N. T., Kuang, X., & Liu, X. (2020). The Role of Auditor Narcissism in Auditor-Client Negotiations: Evidence from China. *Contemporary Accounting Research*, 37(3), 1756–1787. <https://doi.org/10.1111/1911-3846.12565>.
- Dahy, F. A. (2022). Narcissistic Personality Disorder: An Application of the Psychoanalytic Theory to Charlotte Brontë's Jane Eyre. *International Journal of Applied Linguistics and English Literature*, 11(4), 10–19. <https://doi.org/10.7575/aiac.ijalel.v11n.4p.10>.
- Fakhari, H., & Pitenoei, Y. R. (2017). The Impact of Audit Committee and Its Characteristics on the Company's Information Environment. *Iranian Journal of Management Studies*, 10(3), 577-608. <https://doi.org/10.22059/ijms.2017.231317.672627>.
- Hutabarat, J. F. L., & Affandy, D. (2024). Pengaruh Keterbacaan Catatan atas Laporan Keuangan (CALK), Keahlian Komite Audit, dan Audit Tenure terhadap Keterlambatan Laporan Audit pada Sektor Properti (Studi pada Perusahaan Property yang Terdaftar di Bursa Efek Indonesia Tahun 2018 - 2020). *Jurnal Multidisiplin West Science*, 3(5), 596–610. <https://doi.org/10.58812/jmws.v3i05.1153>.
- Jahja, J., Mohammed, N. F., Lokman, N., & Mohamed, N. (2020). Corporate Governance, Managerial Diversion, and Indonesian State-Owned Enterprises: A Literature Review. *International Journal of Financial Research*, 11(5), 510-517. <https://doi.org/10.5430/ijfr.v11n5p510>.
- Jayanti, D., & Fatima, E. (2023). The Readability of Key Audit Matters Paragraph in Auditor's Report: A Study from ASEAN Countries. *Media Riset Akuntansi, Auditing & Informasi*, 23(2), 257–272. <https://doi.org/10.25105/mraai.v23i2.17113>.
- Kaszak, S. E., Johnson, E. N., Reckers, P. M. J., & Reinstein, A. (2025). Narcissism Dynamics and Auditor Skepticism. *Journal of Business Ethics*, 197(1), 99–116. <https://doi.org/10.1007/s10551-024-05668-1>.
- Kholik, M. F. R. R., & Kuntadi, C. (2024). Pengaruh Komite Audit, Spesialisasi Auditor, dan Audit Tenure terhadap Kualitas Audit. *Jurnal Ilmiah Ekonomi, Manajemen, Bisnis dan Akuntansi*, 1(1), 11–25. <https://doi.org/10.61722/jemba.v1i1.49>.
- Libby, R. (1995). The Role of Knowledge and Memory in Audit Judgment. In R. H. Ashton & A. H. Ashton (Eds.), *Judgment and Decision-Making Research in Accounting and Auditing* (1st Ed., pp. 176–206). Cambridge University Press. <https://doi.org/10.1017/cbo9780511720420.009>.
- Priandana, A. B., & Prasetyo, N. A. (2023). Pengaruh Tujuan Audit dan Tanggung Jawab Auditor terhadap Kualitas Laporan Keuangan. *Neraca: Jurnal Ekonomi, Manajemen dan Akuntansi*, 1(4), 65-69. <https://doi.org/10.572349/neraca.v1i4.259>.
- Rajabalizadeh, J., & Schadewitz, H. (2025). Audit Partner Narcissism and Audit Reports Readability: Evidence from Lead and Review Audit Partners. *Managerial Auditing Journal*, 40(1), 30–65. <https://doi.org/10.1108/maj-04-2024-4310>.
- Raskin, R., & Terry, H. (1988). A Principal-Components Analysis of the Narcissistic Personality Inventory and Further Evidence of Its Construct Validity. *Journal of Personality and Social Psychology*, 54(5), 890–902. <https://doi.org/10.1037/0022-3514.54.5.890>.

- Rjiba, H., Saadi, S., Boubaker, S., & Ding, X. (2021). Annual Report Readability and the Cost of Equity Capital. *Journal of Corporate Finance*, 67, 1-70. <https://doi.org/10.1016/j.jcorpfin.2021.101902>.
- Sakti, I. (2018). Analisis Regresi Data Panel Menggunakan Eviews. *Modul Eviews*, 9, 1-25.
- Salehi, M., Dalwai, T., & Arianpoor, A. (2023). The Impact of Narcissism, Self-Confidence, and Auditors' Characteristics on Audit Report Readability. *Arab Gulf Journal of Scientific Research*, 41(2), 202-223. <https://doi.org/10.1108/agjsr-08-2022-0152>.
- Salsabila, R., & Erinos, E. (2023). Pengaruh Fee Audit, Audit Tenure, dan Spesialisasi Auditor terhadap Kualitas Audit: Studi Empiris pada Perusahaan Manufaktur di BEI 2017-2021. *Jurnal Nuansa Karya Akuntansi*, 1(2), 176-185. <https://doi.org/10.24036/jnka.v1i2.14>.
- Suciati, U. L., & Triani, N. N. A. (2019). Pengaruh Audit Tenure, Spesialisasi Auditor, Ukuran Kap dan Workload terhadap Kualitas Audit (Studi Kasus Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2010-2014). *Akunesa*, 7(2), 1-21.
- Syarifah, M. A., & Sebrina, N. (2024). Analisis Dampak Kualitas Laba terhadap Hubungan antara Readability dan Cost of Capital. *Jurnal Eksplorasi Akuntansi*, 6(2), 625-639. <https://doi.org/10.24036/jea.v6i2.1549>.
- Tahang, M., Sarwoko, H., & Asmanah, S. (2024). Pengaruh Spesialisasi Auditor dan Ukuran K.A.P terhadap Kualitas Audit dengan Komite Audit sebagai Variabel Pemoderasi. *Jurnal Lentera Bisnis*, 13(2), 644-659. <https://doi.org/10.34127/jrlab.v13i2.1093>.
- Takemura, K. (2021). *Behavioral Decision Theory: Psychological and Mathematical Descriptions of Human Choice Behavior*. Springer Singapore. <https://doi.org/10.1007/978-981-16-5453-4>.
- Tamborski, M., Brown, R. P., & Chowning, K. (2012). Self-Serving Bias or Simply Serving the Self? Evidence for a Dimensional Approach to Narcissism. *Personality and Individual Differences*, 52(8), 942-946. <https://doi.org/10.1016/j.paid.2012.01.030>.
- Velte, P. (2018). Does Gender Diversity in the Audit Committee Influence Key Audit Matters' Readability in the Audit Report? UK Evidence. *Corporate Social Responsibility and Environmental Management*, 25(5), 748-755. <https://doi.org/10.1002/csr.1491>.
- Velte, P. (2019). Associations Between the Financial and Industry Expertise of Audit Committee Members and Key Audit Matters within Related Audit Reports. *Journal of Applied Accounting Research*, 21(1), 185-200. <https://doi.org/10.1108/jaar-10-2018-0163>.
- Widiannasti, A. A., & Wahidawati. (2024). Pengaruh Keterbacaan Laporan, Relevansi Nilai, dan Leverage terhadap Biaya Keagenan dengan Cakupan Analisis sebagai Variabel Pemoderasi. *Jurnal Ilmu dan Riset Akuntansi*, 13(4), 1-25.
- Wijaya, R. S., & Indrayeni, I. (2021). Pengaruh Narsisme dan Empati dalam Pengambilan Keputusan Etis pada Mahasiswa Akuntansi. *Jurnal Ekonomi dan Bisnis Dharma Andalas*, 23(1), 150-161. <https://doi.org/10.47233/jebd.v23i1.211>.