THE EFFECT OF CORPORATE GOVERNANCE ON AUDIT QUALITY OF COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

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ABSTRACT

An Independent audit is one of the external mechanisms in the governance of a company that has objectives so that agency problems and information mismatch within the company are able be reduced. The choice of audit quality from a company is influenced by corporate governance factors. Therefore, this study specifically discussed the relationship or influence between the composition and operation variables of the audit committee block share ownership, ownership concentration, share price, financial difficulties, political connections, and family control over the selection of audit quality in Indonesia.

The research sample was 444 companies listed on the Indonesian stock exchange from 2014 to 2018 and fit the criteria of the research sample. The required company data was obtained from financial and annual reports published to public and the logistic regression test method was used to test and analyse the test data.

The test results found that the greater audit committee, the presence of the largest individual shareholders, the presence of concentrated ownership, family control in the company and the share price had significant positive effect on the selection of quality auditors and found no significance between the frequency of audit committee meetings, financial difficulties, and political connections within the company.

Keywords: audit quality, ownership structure, Indonesia