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ANALYSIS OF THE EFFECT OF CORPORATE GOVERNANCE ON AUDITOR CHOICE

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ABSTRACT

This study is one of the studies on the effect of corporate governance on auditor selection in Indonesia which aims to determine the relationships resulting from the impact of the relationship between corporate governance mechanisms consisting of concentration of ownership, institutional ownership, managerial ownership, family ownership, foreign ownership, size audit committee, board size and independent board supported by several kontrol variabels such as company size, the effect of financial leverage and profitability on demand for audit quality which are indicators in auditor selection.

The focus of this research is on those companies that had published the completed company financial statement and had passed the audit process. The research data include 2,088 data consisting of 424 companies in the period of 2013 to 2017. Following the previous research, measurement of audit quality in a company is considered better if the company uses audit services from one of the Audit companies called Big-4. The selection of the research model was carried out using a panel regression test through the help of available application programs called SPSS and E-views.

Conducted research were able to obtain evidence that states that companies with a concentration of ownership, institutional ownership, foreign ownership, high audit committee size and high board size tend to generate demand for higher audit services, namely auditors from Big-4. This is because higher audit quality can reduce agency conflict in a company, but companies with family ownership and managerial ownership produce a negative relationship to demand for audit quality. These results prove that companies that are mainly controlled by family and managerial companies tend to choose auditors with lower quality to maintain company profits.

Keywords: *Corporate governance, audit quality*