



Determination of External Auditor Selection

Milla Septiana*¹ and Muhammad Khafid²

^{1,2}Accounting Department, Faculty of Economics, Universitas Negeri Semarang

ARTICLE INFO

Article History:

Received Agustus 15, 2019

Accepted October 10, 2019

Available November 30, 2019

Keywords:

auditor choice; size of independent commissaries; effectiveness of audit committee; leverage; firm size

ABSTRACT

This study aims to examine the effects of the size of independent commissaries, the effectiveness of audit committee and leverage on the selection of external auditors with firm size as moderation variable. The population of this research was all the companies of financial sector listed on the Indonesia Stock Exchange at 2017 as many as 95 companies. The samples were determined using purposive sampling technique. There were 89 companies as research samples and units of analysis. Moreover, the data were collected by documentation method. Analysis of research data used descriptive statistics and inferential statistics. The results indicate that the size of independent commissaries, the effectiveness of audit committee and leverage significantly have positive effect on the auditor selection. Firm size moderates the effects of the size of board of independent commissaries and leverage on the auditor selection, but does not moderates the effect of audit committee effectiveness on the auditor selection. Based on the research results, it shows that the size of board of independent commissaries with firm size as moderation can increase the selection of Big Four external auditor, while leverage with firm size as moderation can decrease the selection of Big Four external auditor.

© 2019 Published by UNNES. This is an open access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>)

INTRODUCTION

Company at the end of each period will publish an annual report, which contains financial statements and other financial information that describe the conditions of the relevant periods. An annual report functions for the communication media of stakeholders and shareholders involved in a company (Kurniawan & Khafid, 2016). High level of stakeholders and community assessment will result in the need for a third party with high independence to assess the reliability of the company's report. External auditor is one of several external mechanisms of good corporate governance as a tool that mitigates problems and minimize asymmetry information (Darmadi, 2016).

External auditors are needed as reciprocity for agency problems that arise between principal and agent. The higher the potential of agency conflict between stakeholders and managers or stakeholders and debt holders, the higher the demand for qualified auditors will be (Corten et al., 2018). According to the data from the Centre for Financial Professional Development (PPPK),

as of January 9, 2017 there were 468 public accounting firms registered in Indonesia with 1365 external auditors. The process of auditor selection involves client characteristics, characteristics of potential auditors, and institutional environment (Ianniello et al. 2015)

This study uses KAP types as an indicator of the selection of external auditors. The Centre for Financial Professional Development (PPPK) found on the results of periodic audits in 2014, non-compliance with audit standards was most often carried out by non-big ten KAP as many as 531 findings, followed by big ten KAP (non-big four) as many as 68 findings and big four KAP as many as 5 findings. Meanwhile, from the PPPK report in 2014 the big four KAP only had 16% clients, the rest were clients who used the non-big four KAP.

High-quality auditors guarantee the quality of accounting information that is publicly reported that helps investors better assess the risks, rewards, and value of listed entities (He et al. 2014). However, there are many cases that ensnare external auditors related to the audited financial statements. As in the case of the end of 2017 that ensnared KAP Purwantono, Suherman & Surja who had issued the assessment of the financial statements with insufficient evidence for the audit results of PT Telekomunikasi. The Minister of Finance of the Republic of Indonesia also sets administrative sanctions

* E-mail: septianamilla1@gmail.com
Address: L2 Building 2nd floor, Campus Sekaran, Gunungpati, Semarang, Indonesia, 50229

for each public accountant of KAP Satrio, Bing, and Eny who have been affiliated with Deloitte due to inappropriate opinions. This fact shows that the selection of external auditors who will audit the company needs to be considered more carefully. That is due to the selection of company auditors is based on the requirements for quality control (Dimitropoulos, 2016).

Some determinants that influence the selection of external auditors include the size of the board of independent commissioners, the effectiveness of audit committee, and leverage. The results from previous studies of these three factors still have inconsistencies results. Studies conducted by Solikhah et al.(2017), Singgih & Widya (2015) and Cholifah (2015) result fact that size of the board of independent commissioners and auditor selection have a significant positive relationship. On the other side, Rosita et al.(2017), and Nafasati & Indudewi (2015) do not indicate a relationship between these variables.

Rosita et al.(2017) and Kareem et al.(2017) do not give the result of the effect of audit committee effectiveness and auditor selection. Meanwhile, Putra(2014), Almer et al.(2014), Alfian & Suryansyah(2017), and Cholifah (2015) find a positive relationship of audit committee effectiveness and the selection of external. Fitriyani & Erawati (2016) and Nasrudin et al (2016) find the fact that there is an influence between the variable leverage with the variable of external auditor selection. Still, Trisnawati(2015), Rosita et al.(2017), and Alfian & Suryansyah (2017) show that there is no relationship between these variables.

The results of previous studies that are still varied give the result of research gaps in similar research. This encourages the researchers to raise these issues and establish firm size as a moderating variable. Firm size is expected to moderate the effects of size of the board of independent commissioners, audit committee effectiveness, and leverage on audit selection. Companies that have large company size will tend to choose big four KAP as a monitoring tool due to the increased risk of agency problems in the company (Trisnawati, 2015). Thus, this study is based on the aim of analyzing the effects of size of the board of independent commissioners, audit committee effectiveness, and leverage on audit selections and firm size is a moderating variable. The originality of the study is showed by the presence of firm size as a moderating variable.

The theoretical basis of this study uses agency theory. Agency theory is a theory that underlies the relationship between shareholders (principal) or owners with agents / managers. Different relationships between agents and principals will cause conflicts in the company that have an effect on the reporting of the company's earning quality. Asymmetric (imbalance) of information can cause problems between principals including shareholders and agents. Information asymmetry (AI) is caused by unbalanced information because there are things that are not disclosed as a whole by agents about the information received by the principals. Jensen & Meckling (1976) stated that one of the few things that will minimize asymmetric information by improving the

quality of annual reports done by external auditors.

Asymmetry information arises from agency conflicts that arise between the principal and the agent. The company chooses a qualified external auditor as an alternative to overcome this. The authority to appoint an auditor is carried out by the board of commissioners who are considered to have better objectivity than the management (Palembangan & Dewi, 2017). The board of independent commissioners has high expectations for management to present reliable information so that in the interest of the independent commissioners will use qualified auditors to assess the quality of information that will be used by shareholders (Singgih & Widya, 2015). A quite large number of boards of corporate independent commissioners can result in decisions that tend to be objective with regard to the selection of external auditors. Therefore, the size of the board of independent commissioners will have an impact on the tendency for the election of big four KAP. This is in line with research findings of Singgih & Widya (2015) and Cholifah (2015) which result in a fact of positive association with the board of independent commissioners' size and auditor selection .

H₁: The size of the board of independent commissioners has a significant positive effect on auditor selection.

Corporate audit committee provides recommendations on auditor selection conducted by the company. The audit committee professionally and independently has the function of providing assistance to the board of commissioners regarding the implementation of the supervisory function. An audit committee that has high effectiveness will tend to have auditor's recommendation who have high quality in providing audit services to the board of commissioners (Nafasati & Indudewi, 2015). Agency theory explains that audit committee can increase the level of corporate monitoring and independence in the selection of the company's external auditors, thereby reducing the level of agency problems between shareholders and agents. In line with the statement, the findings of Cholifah, (2015), Alfian & Suryansyah, (2017), Putra, (2014), and Nafasati & Indudewi, (2015) that the relationship of audit committee effectiveness is able to give a significant positive relationship to auditor selection.

H₂: Audit committee effectiveness has a significant positive effect on auditor selection.

The size of the company's leverage can affect the selection of external auditors in the company. Leverage shows the extent to which the assets in the company are financed using debt (Kasmir, 2010). Agency theory explains that agency problems can arise due to companies in applying for loans to banks or other financial institutions, namely agency problems in terms of violations of debt agreements between stakeholders and creditors. Companies with increased leverage will try to mitigate market suspicions to their performance, this causes companies to use high qualified auditors (Maharani & Pinasti, 2018). This is in accordance with the findings

of Trisnawati (2015), Nasrudin et al.(2016), Kareem et al.(2017) and Maharani & Pinasti (2018) which show that the relationship of leverage is able to provide a significant positive effect on auditor selection.

H₃: Leverage has a significant positive effect on auditor selection

Supervision through board of independent commissioners can minimize the asymmetry of information arising from the agency problem between the principal and the agent. This is because the board of commissioners will supervise the actions of top management as one of the mechanisms of the highest internal control (Nafasati & Indudewi, 2015). When firm size is large, the company's activities will be more complex which causes high level of fraud and errors so the company will need high-qualified supervision. Agency theory explains that the agency problem in a company can increase the amount of hidden information carried out by the agent. A fairly large number of board of commissioners will lead to an increase in the selection of big-fours external auditors. When the number of the board of independent commissioners is large with a large firm size, it will encourage the selection of qualified external auditors from the big four to increase the credibility of the company's financial statements.

H₄: Firm size significantly moderates the effect of board of commissioner size on auditor selection

Decisions in auditor selection within a company will highly consider the recommendations of the audit committee. One of some audit committee duties is an intermediary between company and external auditor. The selection of external auditors influences the level of supervision quality in the company. When firm size is high, the level of corporate complexity increases. Agency theory explains that agency problems that arise will increase due to the high size of the company, so the company will increase supervision in order to reduce the risk of information asymmetry. Thus, the effectiveness of audit committee with a firm size that tends to be large, will encourage qualified auditor selection that is the big four as the company's external supervision. The external auditors are chosen by the company to improve the quality of corporate governance and increase the reliability of the company's financial information (Singgih & Widya, 2015).

H₅: Firm size significantly moderates the effect of audit committee effectiveness on auditor selection

Leverage shows the amount of corporate business activities that are borne by corporate debt. Companies that have a high level of leverage have the risk of going bankrupt because they cannot repay their loans. This will increase the risk of giving wrong opinion for an external auditor (Trisnawati, 2015). Agency theory explains that high increase in leverage raises the demand for increased corporate monitoring. This will cause agency problems between agents and principals, where the principals need an external auditor as an objective mechanism as a

supervision to management. When firm size is large, the company will easily obtain loans in large quantities and the interest expense incurred that can be borne by the company (Knauer & Sommer, 2012). Therefore, high leverage with large firm size encourages companies to have high supervision from external auditors. Thus, the companies tend to use qualified external auditors from the big four to ensure company information contained in the annual reports is more accurate and reliable.

H₆: Firm size significantly moderates the effect of leverage on auditor selection

RESEARCH METHOD

This study used deductive research with type of quantitative research that used secondary data. The population in this study was the financial sector companies listed on the Indonesia Stock Exchange in 2017 with 95 companies. The selection of the financial sector is because the Financial Services Authority (OJK) issued a new regulation namely POJK No. 13 of 2017 concerning restrictions on the use of services from public accountants namely ≤ 3 consecutive book years for financial sector companies. The regulation is valid since 2017, so companies that have used audit services from the same public accounting firm for more than 3 years will make changes. Samples from the study were determined using the purposive sampling method, so it was obtained samples that match criteria as many as 89 companies with a one-year observation period and 89 analysis units were obtained. Sample selection criteria can be seen in Table 1.

Table 1. Research Sample

Sample Criteria	Beyond Criteria	Meeting Criteria
a. Financial sector companies listed on the IDX in 2017		95
b. Companies that issued financial statements in 2017	(5)	90
c. Company with complete data	(1)	89
Total Unit of Analysis		89

Source: secondary data processed, 2018

The dependent variable in the study was auditor selection. There are three independent variables, namely the size of the board of independent commissioners, audit committee effectiveness, and leverage; and firm size as moderation variable. The description of the operational definitions for each variable contained in this study in is Table 2.

Data collection technique in this study used documentation technique. The data used were in the form of annual report of the financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2017. Hypothesis testing used descriptive statistical analysis technique and inferential analysis technique. The moderation variable hypothesis was examined using a moderation regression analysis technique that is the absolute difference

Table 2. Operational Definitions of Research Variables

No	Variables	Variable Definition	Measurement
1.	Audit Selection (AUDC)	Determination of auditors who will audit the company. (Alfraih, 2017)	Score 1 if the company uses big four KAP, 0 if uses non-big four KAP. (Solikhah et al., 2017)
2.	The Size of Board of Independent Commissioners (BOCISIZE)	Total board of independent commissioners within a company. (Rosita et al., 2017)	$\frac{\text{Board of Independent Commissioner}}{\text{Board of Commissioner}}$ (Singgih & Widya, 2015)
3.	Audit Committee Effectiveness (AUDSCORE)	Assessment of activities, number of members and competence of the audit committee. (Fathoni & Hermawan, 2013)	Checklist (score) through 11 item questions about the activities, size, expertise and competence of the audit committee. (Putra, 2014)
4.	Leverage (LEV)	Ratio that shows a company's ability to meet its financial obligations. (Nguyen, 2017)	$\frac{\text{Total Debt}}{\text{Total Equity}}$ (Houqe et al. 2015)
5.	Firm Size (FSIZE)	The size of the company scale. (Fitriyani & Erawati, 2016)	Ln Total Asset (Fang et al. 2016)

Source: Various sources processed, 2018

test with a significance level of 5%. A logistic regression equation used the absolute difference value test is shown in equation 1. The use of logistic regression for this model was due to the research used bound variables that scale nominal data of two categories (dichotomy).

$$\ln \frac{AUDC}{1-AUDC} = \alpha + \beta_1 \text{BOCISIZE} + \beta_2 \text{AUDSCORE} + \beta_3 \text{LEV} + \beta_4 |\text{BOCISIZE-FSIZE}| + \beta_5 |\text{AUDSCORE-FSIZE}| + \beta_6 |\text{LEV-FSIZE}| + e \dots (1)$$

RESULTS AND DISCUSSIONS

The result of the Hosmer and Lemeshow's Godness of Fit Test shows that there is no significant difference between the model and its observation value so that the model can be accepted with a value of $0.097 > 0.05$. The result of overall model fit test with -2 Log Likelihood (-2LL) shows a decrease in the value of Chi Square from 120.872 to 101.120 so that the model hypothesized is fit with the data and feasible to be used. The coefficient of determination test result uses the Nagelkerke R² test shows a result that is 0.864 which means that the variability of the dependent variable can be explained by the independent variability by 86.4% while 13.6% is explained by other variables outside this research model. Testing of the model accuracy using the classification table shows that the correct prediction for

companies that choose non big four KAP is by 80.8% while the correct prediction for companies that choose big four KAP is by 59.5%. Thus, the overall percentage value of 71.9% can assess the accuracy of the research model. Based on the hypothesis testing, it can be written the regression equation shown in equation 2 and the results of hypothesis testing can be seen in Table 3.

$$\ln \frac{AUDC}{1-AUDC} = -8.327 + 3.315 \text{BOCISIZE} + 8.529 \text{AUDSCORE} + 10.526 \text{LEV} + 7.572 |\text{BOCISIZE-FSIZE}| - 0.162 |\text{AUDSCORE-FSIZE}| - 5.682 |\text{LEV-FSIZE}| \dots (2)$$

The Effect of the Size of Board of Independent Commissioners on Auditor Selection

The size of the board of independent commissioners is proven to provide a significant positive relationship on auditor selection. The effect of the size of the board of independent commissioners on the company's auditor selection is in accordance with the agency theory referred to in this study. Agency theory explains agency problems that arise between the principal and the agent can be overcome with the help of an independent party outside the two parties. The external auditor as the other party is the holder of the role in determining the credibility of information in the financial statements (Nafasati & Indudewi, 2015). The board of commis-

Table 3. Hypothesis Test

	Hypothesis	β	Sig	Results
1.	The size of board of independent commissioners has a significant positive effect on audit selection	3.315	0.033	H ₁ Accepted
2.	Audit committee effectiveness has a significant positive effect on audit selection	8.529	0.016	H ₂ Accepted
3.	Leverage has a significant positive effect on audit selection	10.526	0.010	H ₃ Accepted
4.	Firm size significantly moderates the effect of the size of board of independent commissioners on audit selection	7.572	0.014	H ₄ Accepted
5.	Firm size significantly moderates the effect of audit committee effectiveness on audit selection	-0.162	0.849	H ₅ Rejected
6.	Firm size significantly moderates the effect of leverage on audit selection	-5.682	0.012	H ₆ Accepted

Source: Secondary data processed, 2019

sioners elects external auditors at the AGM (General Meeting of Shareholders) every year.

Supervision carried out by the board of commissioners is one of the duties and responsibilities, supervision on the performance of the board of directors and ensuring the company's Good Corporate Governance (GCG) is carried out. Thus, the role of board of independent commissioners, which is part of the board of directors, is very influential in decision-making. The board of Independent commissioners have a more objective assessment and not side with any party. The existence of a total board of commissioners that is pretty much can give a more objective decision related to the selection of the company's external auditor (Maharani & Pinasti, 2018). This finding is in line with the findings of Singgih & Widya (2015) and Putra (2014).

The Effect of Audit Committee Effectiveness on Auditor Selection

This study shows a positive effect between the audit committee effectiveness and auditor selection. The audit committee as one of the internal mechanisms of GCG has the duties of evaluating external auditors and providing proposals for external auditors to be used by the company. Discipline and the minimum occurrence of fraud are the achievements of the audit committee in managing the company (Fathoni & Hermawan, 2013). This condition is in accordance with agency theory which explains that a high level of company monitoring will reduce the information asymmetry that arises and minimize the agency problem between the principal and the agent. Thus, the audit committee that has high effectiveness will use qualified external auditors affiliated with Big Four. The result is in accordance with the research conducted by Alfian & Suryansyah (2017), Putra (2014) and Nafasati & Indudewi (2015) which prove the positive effect of audit committee effectiveness and auditor selection.

The Effect of Leverage on Auditor Selection

Leverage is proven to be able to provide a significant positive effect on auditor selection. Companies with a tendency of increased leverage will use external auditors affiliated with the big four. Companies with a tendency for high value of leverage interpret the value of assets contained in the company obtained through debt financing. The large ratio of leverage will cause companies to have a tendency to use big four auditors as an effort to improve the quality of the annual report in maintaining good performance in the presence of shareholders and creditors. (Fitriyani & Erawati, 2016). The creditor will use the company's financial statements as a benchmark for the quality and going concern of the company. Thus, the behavior of leverage variable is in line with the perspective of agency theory has been described. This finding is in line with the findings of Fitriyani & Erawati (2016) and Nasrudin et al. (2016) which find a positive influence between leverage and auditor selection. So that if leverage increases, it has impact on the incentives which is higher for managers to

manage earnings, so the need for qualified external auditors increases to protect creditor rights and disclosure requirements (Trisnawati, 2015)

The Effect of The Size of the Board of Independent Commissioners on Auditor Selection Moderated by Firm Size

This study proves the relationship of firm size which is able to moderate the positive effect of the size of the board of independent commissioners with audit selection. The board of independent commissioners is presumed to tend selecting external auditors with adequate quality that is the big four, so that it will increase company supervision. Firm size is proven to be able to strengthen the effect of the size of the board of independent commissioners on auditor selection. This is similar to agency theory where a third party that is independent to the company can improve the company's monitoring system (Singgih & Widya, 2015). Companies with a tendency of the size of the board of independent commissioners that are a lot followed by large-sized companies, will need high supervision to reduce the information asymmetry that arises from the existing agency problems within the company. So the company will use big four external auditors. The higher the number of board of independent commissioners, the monitoring on the quality level of the annual report will increase and reduce the information that is not revealed (Rosita et al., 2017).

The Effect of Audit Committee Effectiveness on Auditor Selection Moderated by Firm Size

This study proves the inability of the firm size to provide moderation of the positive relationship of audit committee effectiveness and auditor selection. This is not in line with agency theory which provide an explanation for the increasing complexity of the company causing an increase in the supervisory function of the company. When the firm size tends to be large, it causes the company to improve the function of the audit committee which is a GCG monitoring tool. The effectiveness of the audit committee does not depend on the size of the company. This is because it has been the duty of the audit committee as the supervisor of the internal control system, the quality of the annual report and the effectiveness of the audit function within the company. Thus, the audit committee will optimize the supervision on management performance to continue prioritizing conservatism in the preparation of the annual report regardless of firm size. Thus, the firm size is not able to give effect for the level of audit committee effectiveness with auditor selection.

The Effect of Leverage on Auditor Selection Moderated by Firm Size

This study proves the presence of moderating effect of the firm size on the relationship between leverage and auditor selection. Firm size is proven to weaken the relationship of leverage to the selection of external audi-

tors. This is proven by the existence of agency theory, where an increase in total leverage causes the demand for company monitoring to increase. A company with a high level of leverage tends to result in an increase in default risk, the company will be threatened unable to cover all its obligations (Andriyani & Khafid, 2014). Companies that have a small firm size but high leverage will be difficult to get the trust from lenders and shareholders so the company will choose an external audit from the big four. By selecting non-big four auditors, the company will work with the auditor to present the modified financial statements to the public, so that the company's leverage can be covered by the company. This causes the non big four auditor to provide a less informative financial statement for shareholders (Guedhami et al., 2014).

CONCLUSIONS

Indicators that become consideration in the decision-making process for the selection of external auditors by the company are a matter that is still being debated. This research gives empirical evidence from the size of the board of independent commissioners, the audit committee effectiveness and leverage that the results are proven to be able to increase the influence of company selection towards auditor selection with adequate quality, that is, big four. Firm size is proven to increase the effect of the size of the board of independent commissioners and weaken leverage on auditor selection. However, firm size has not been able to moderate the audit committee effectiveness on auditor selection

Suggestion for the next researcher is to use different indicators that are considered capable of giving audit selection influences for example major suppliers, main customers or main competitors. This is due to these variables can determine the determinants of the selection of external auditors related to institutional theory which argues that organizations in the same line of business are largely influenced by their key stakeholders, which will make them more like each other. This will examine in different ways from agency theory.

REFERENCES

Alfian, N., & Suryansyah, A. (2017). Pengaruh Efektivitas Komite Audit, Ukuran Perusahaan dan Leverage Terhadap Pemilihan Auditor Eksternal (Studi Empiris Pada Perusahaan Manufaktur Terdaftar di BEI Tahun 2014-2016). *AKTIVA Jurnal Akuntansi*, 2(2), 82–93.

Alfrah, M. M. (2017). Choosing an external auditor: does the composition of boards of directors matter? *International Journal of Law and Management*, 59(3), 394–412. <https://doi.org/10.1108/IJLMA-03-2016-0032>

Almer, E. D., Philbrick, D. R., & Rupley, K. H. (2014). What Drives Auditor Selection? *American Accounting Association*, 8(1), 26–42. <https://doi.org/10.2308/ciaa-50779>

Andriyani, R., & Khafid, M. (2014). Analisis Pengaruh Leverage, Ukuran Perusahaan dan Voluntary Disclosure Terhadap Manipulasi Aktivitas Riil. *Accounting Analysis Journal*, 3(3), 273–281.

Cholifah, A. (2015). Pengaruh Mekanisme Corporate Governance Terhadap Pemilihan Auditor Eksternal (Studi Pada Perusahaan Sektor Keuangan Yang Terdaftar di Bursa Efek Indonesia Tahun 2010-2015).

Corten, M., Steijvers, T., & Lybaert, N. (2018). Auditor choice in private firms: a stakeholders perspective. *Managerial Auditing Journal*, 33(2), 146–170. <https://doi.org/10.1108/MAJ-03-2017-1535>

Darmadi, S. (2016). Ownership Concentration, Family Control, And Auditor Choice: Evidence From an Emerging Market. *Asian Review of Accounting*, 24(1).

Dimitropoulos, P. (2016). Audit Selection in the European Football Industry under Union of European Football Associations Financial Fair Play. *International Journal of Economics and Financial Issues*, 6(3), 901–906.

Fang, J., Pittman, J. A., Zhang, Y., & Zhao, Y. (2016). Auditor Choice and Its Implications for Group-Affiliated Firms. *Journal of Accounting Research*. <https://doi.org/10.1111/1911-3846.12276>

Fathoni, A., & Hermawan, A. (2013). Pengaruh Efektivitas Dewan Komisaris dan Komite Audit Terhadap Manajemen Laba untuk Perusahaan Yang Terdaftar di BEI Tahun 2010 dan 2011. *Jurnal Akuntansi Dan Keuangan Indonesia*, 1–26.

Fitriyani, N. M. D., & Erawati, N. M. A. (2016). Good Corporate Governance dan Karakteristik Perusahaan Pada Pemilihan Auditor Eksternal. *E-Jurnal Akuntansi Universitas Udayana*, 15(1), 229–256.

Guedhami, O., Pittman, J. A., & Saffar, W. (2014). Auditor Choice in Politically Connected Firms. *Journal of Accounting Research*, 52(1). <https://doi.org/10.1111/1475-679X.12032>

He, X., Rui, O., Zheng, L., & Zhu, H. (2014). Foreign Ownership and Auditor Choice. *Journal Accounting and Finance*. <https://doi.org/10.1016/j.jaccpubpol.2014.04.002>

Houqe, M. N., Zijl, T. van, Dunstan, K., & Karim, W. A. K. M. (2015). Corporate Ethics and Auditor Choice – International Evidence. *Research in Accounting Regulation*. <https://doi.org/10.1016/j.racreg.2015.03.007>

Ianniello, G., Mainardi, M., & Rossi, F. (2015). Family control, Corporate Governance, and Auditor Choice: Evidence From Italy. *Journal Accounting and Finance*, 5(2), 99–116.

Jensen, M. C., & Meckling, W. H. (1976). Theori of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Accounting and Economics*, 3, 305–360.

Kareem, M., Salim, B. F., & Enzi, J. Al. (2017). Auditor Selection: Big Four or Non-Big Four? Case of Oman. *International Business Management*, 11(5), 1087–1095.

Kasmir. (2010). *Analisis Laporan Keuangan*. Jakarta: PT Raja Grafindo Persada.

Knauer, T., & Sommer, F. (2012). Interest Barrier Rules as A Response to Highly Leveraged Transactions Evidence From The 2008 German Business. *Review of Accounting and Finance*, 11(2), 206–232. <https://doi.org/10.1108/14757701211228228>

Kurniawan, A. R., & Khafid, M. (2016). Factor Affecting The Quality of Profit in Indonesia Banking Companies. *Jurnal Dinamika Akuntansi*, 8(1), 30–38.

Maharani, D. A., & Pinasti, M. (2018). Corporate Governance dan Pemilihan Auditor. *Jurnal Ekonomi, Bisnis Dan Akuntansi (JEBA)*, 20(3).

Nafasati, F., & Indudewi, D. (2015). Pengaruh Mekanisme Internal Corporate Governance Terhadap Pemilihan Auditor Eksternal. *Jurnal Dinamika Sosbud*, 17(2), 48–56.

Nasrudin, W., Asma, W., Norhayati, M., & Aima, S. N. (2016). Corporate Governance & Auditor Choice in Malaysia. *International Conference on Governance and Accountability 2016, 00007*. <https://doi.org/10.1051>

Nguyen, P. (2017). Asset Risk and Leverage Under Informa-

- tion Asymmetry. *The Journal of Risk Finance*, 18(3). <https://doi.org/10.1108/JRF-11-2016-0143>
- Palembangan, C., & Dewi, N. (2017). Kekuasaan CEO dan Pemilihan Auditor. *JRAK*, 13(2), 77–90.
- Putra, D. (2014). Pengaruh Mekanisme Corporate Governance Terhadap Pemilihan Auditor Eksternal. *Jurnal Akuntansi IBI Darmajaya*, 15–16.
- Rosita, L., Respati, N. W., & Sondakh, A. G. (2017). Pengaruh Kepemilikan Asing, Komisaris Independen, Efektivitas Komite Audit, Ukuran Perusahaan dan Leverage Terhadap Pemilihan Auditor Eksternal (Studi Empiris Pada Perusahaan Manufaktur Terdaftar di BEI Tahun 2010-2015). *Simposium Nasional Akuntansi XX*, (2), 1–18.
- Singgih, A., & Widya, Y. (2015). Faktor Representasi Stock Holder dan Debt Holder Berpengaruh Terhadap Keputusan Pemilihan Auditor Berkualitas (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia). *Jurnal Akuntansi*, XIX(03), 326–339.
- Solikhah, B., Firmansyah, N. Della, & Pirzada, K. (2017). The influence of effective BOC on choice of auditor. *Pertanika Journal of Social Sciences and Humanities*, 25(November), 271–280.
- Trisnawati, I. (2015). Faktor Determinan Pemilihan Auditor Eksternal yang Berkualitas. *Jurnal Bisnis Dan Akuntansi*, 17(2), 112–124.