

ABSTRACT

As a mandatory, the government has arranged about the change of auditors within a certain period. This is intended to maintain auditor independence in providing audit services. Although indirectly, these regulations have an effect on auditor retention, but problems arise when companies change auditors before the stipulated period. Auditor retention can be caused by various factors including those from the auditee or from the auditors themselves.

This study aims to determine the effect of audit quality, audit opinion, accounting firm level competition, financial distress, profitability and company size on auditor retention, both simultaneously and partially. The population in this study were all transportation sub-sector companies listed on the Indonesia Stock Exchange in 2015-2018. This study uses purposive sampling with 104 company samples, of which 20 are outlier data, so 82 final samples are obtained. Statistical analysis uses descriptive analysis and logistic regression analysis.

The results showed that audit quality, audit opinion, competition between public accounting firms, financial distress, profitability, and company size had a simultaneous effect on auditor retention. Partially, the level of competition of accounting firms negatively influences auditor retention, company size has a positive effect on auditor retention, while audit quality, audit opinion, financial distress and profitability have no effect on auditor retention. The novelty in this study is in the form of variable level of competition of accounting firms which is proxy using industry specialization.

The researcher can then expand the object and add to the research period by paying attention to the variables that are not supported in this study. Management should pay attention to retention of specialist auditors again, because they have a better understanding of the characteristics of the industry. For auditors, it is better to pay attention to the level of complexity of the company to be audited to increase competency.

Keywords: Auditor Retention, Audit Quality, Audit Opinion, Competition between Public Accounting Firms, Financial Distress, Profitability and Company Size