ABSTRACT

Since the occurrence of large-scale audit failures in the United States at the beginning of the 20th century, as happened in Enron, reawaken the public's skepticism about the accounting profession's inability to maintain its independence. This prompted the birth of The Sarbanes-Oxley Act (SOX) in 2002 which aims to improve the oversight structure by applying a mandatory rotation of audit firm and auditors in the hope of auditor independence can be maintained. Inconsistency in the results of previous studies make audit firm rotation interesting for further study. This study tries to analyze the factors that affect public companies to rotate voluntarily their audit firm. The variables in this study that suspected affect the audit firm switching is institutional ownership, public ownership, the composition of an independent board of commissioners, management turnover, financial distress, audit opinion and auditor reputation. Through statistical testing with logistic regression methods from 504 sample data collected, found the variables that significantly influence audit firm switching is the composition of an independent board of commissioners and auditor reputation. Institutional ownership, management turnover, financial distress, and the audit opinion expressed no effect to audit firm switching. While public ownership variable had to be removed from the model due to multicollinearity with institutional ownership.

Keywords: mandatory rotation of audit firm and voluntary rotation of audit firm.