ABSTRACT

Board independence is seen as a corporate governance mechanism. High level of board independence means that the board will consider whole shareholders' interests. As high quality auditor provides more benefit for the whole shareholders, firm with high level of board independence will choose high quality auditor. However, in emerging country which has low investor protection, such as Indonesia, family control over a firm can be seen as a threat to minority shareholders. Controlling family has a desire to gain private benefits through expropriation. In such firm, the family places its member on strategic position, such as chairman of commissioner or vice-chairman. Because the chairman position is held by the family, the decision of board can be biased toward the interest of the family, including choosing lower quality auditor to maintain family's private benefits. Hence, family control in a firm can moderate the effect the board independence independent variable on audit quality chosen by a firm. This research also includes several control variables, such as audit complexity, firm size, leverage, and profitability. This research also includes additional analysis that analyze the model without moderating effect and use family control as another independent variable.

Keyword: Audit quality, board independence, family control, audit complexity, firm size, leverage, and profitability.