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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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INDEPENDENT COMMISSIONER AND AUDITOR SWITCHING OF ASEAN ECONOMICS COMMUNITY

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ABSTRACT

Purpose: Objectives of this research are to (1) examine factors that affect auditor switching (2) examine role of independent commissioner on factors that affect auditor switching in five countries of Association of Southeast Asian Nations (ASEAN) region.
Design/methodology/approach: This research use panel regression analysis. Auditee-related factors are audit opinion, management change, financial distress, ownership and independent commissioner. Auditor-related factor is audit firm reputation. Country-related factor is financial deepening. Research samples are manufacture companies in Indonesia, Malaysia, Singapore, Thailand and Philippine.
Findings: Audit firm reputation, foreign ownership, financial deepening, and interaction between audit firm reputation and independent commissioner affect auditor switching. Audit opinion, management change, financial distress, institutional ownership, managerial ownership, independent commissioner, interaction between audit opinion and independent commissioner, interaction between management change and independent commissioner, interaction between financial distress and independent commissioner, interaction between ownership and independent commissioner do not affect auditor switching.
Originality/value: This research will be information and extra literature to public accountant profession, regulators and scholars about role of independent commissioner as well as effect of micro-level and macro-level factors on auditor switching practices by companies, to draw up rules and ethical framework and clarify the literature on agency theory and professional ethics of auditors to face ASEAN Economics Community.

KEYWORDS
ASEAN, independent commissioner, auditor switching.

JEL CODES
O16, M42.

INTRODUCTION

Board of commissioners can be used as a measure of the implementation of corporate governance (Talley, 2009). As shareholders' representatives, board of commissioners have significant role in monitoring internal management, includes of financial reporting. One of monitoring of financial reporting by board of commissioners is giving external auditor recommendation to general meeting of shareholders. Based on auditor characteristics and internal management factors, board of commissioners will recommend auditor to general meeting of shareholders.

Effectiveness of commissioners depends on independent commissioner composition. Independent commissioners are personnel of board of commissioners who does not have significant relationship with company (including subsidiary, affiliate, and associate company), shareholders; they are not audit firm staff that do auditing process in the company as well (Man and Wong, 2013). Independent commissioner will recommend external auditor based on public interests.

External auditor provides value added in financial reporting process by improving the reliability and credibility and improve the quality of financial information. The role of auditor is prevention, detection, and reporting (Hudaib and Cooke, 2005). In order to maintain optimal service, external auditor should be independent, so he/she can provide objective opinion (Nasser et al., 2006).

Auditor faces many pressures in the audit process that can affect to auditor switching. It can be internal pressure in the form of self-interest threat (Hudaib and Cooke, 2005). This pressure, potentially, reduces the independence of auditor because client can switch to another audit firm. Other pressures come from management. Management expects the best opinion in any actual conditions faced by the company. To oversee and ensure thus opinion, management may provide intimidation. The concrete act of intimidation is threat of auditor switching (Chow and Rice, 1982).

Enron case is a picture that auditor switching is important. Accounting scandal of Enron happened because of ethics problem between management and auditor. Arthur Andersen act with no independence to let earnings manipulation and have effect on auditor switching as well (Dunner et al., 2008). It is proved by increasing of audit risk on ex-client of Arthur Andersen, not only client in US but client around the world as well (Srinidhi et al., 2012; Kealey et al., 2007; Cahan and Zhang, 2006). This case leads to formulation of business ethics standard; which are transparency of financial statement (Willits and Nicholls, 2014) and audit rotation (Nagy, 2005); as Sarbanes Oxley Act (SOX). Some countries use audit rotation of SOX as well as regulation of mandatory switching; such as Indonesia, Singapore, Thailand, Laos have regulated 5 years of audit rotation; Cambodia have regulated 3 years of audit rotation (AFA, 2014). Audit rotation leads to auditor switching.

Focus of auditor switching is auditor independence. Auditor switching will increase auditor independence (Junaedi et al., 2016; Elder et al., 2015). Increasing of auditor independence is important to provide high audit quality (Tepalagul and Lin, 2015). It is proved by increasing of audit tenure (low auditor switching) more likely to act not independently, because of strong personal relation between auditor and management, so objectivity of auditor will be lost (Junaidi et al., 2012).

Generally, there are two kinds of audit firm switching which are mandatory switching and voluntary switching (Hoyle, 1978). Mandatory switching is audit firm switching in a specified period based on government regulation, while voluntary switching based on initiative of client (Lin et al., 2009). Audit tenure regulated to prevents deep relationship, loyalty and emotional with client, so that can threaten independence, competences in evaluating audit evidence (Nasser et al., 2006). Tenure regulation depends on condition of each country such as macroeconomics factor (financial deepening).

Association of Southeast Asian Nations (ASEAN) economic community increasingly towards the establishment at the end of 2015 (AFA, 2014). The ASEAN economic community will be a powerful, competitive regional economic force with an aggregated Gross Domestic Product (GDP) of 2.5 trillion USD, as year of 2014, representing the third largest economic cooperation following the North American Free Trade Agreement (NAFTA) and the European Union (EU) (Lee and Jeong, 2016). ASEAN countries are working on improving integration through harmonization of regulations, reduction of trade barriers and the promotion of labor mobility between countries (AFA, 2014), including requirement of accounting and auditing.

Accounting and auditing profession is an essential component in the development of private sector, boost domestic investor confidence and the ability to attract foreign direct investment. It is important to increase public sector in achieving sustainable management of public finance and promoting of governance, accountability and transparency (AFA, 2014). These explanations show that role of the auditor is very important for development of ASEAN countries, including audit tenure, quality as well as auditor switching.

Generally, Indonesia and ASEAN region have a different cultural environment that influences different behaviors including in the context of business. Market discipline as the main economic models does not necessarily produce the same output with implementation in the western region. Behavior that is likely to be communal and close relation between persons affect business activities as well. Data between countries used in this study provide an opportunity to analyze the relationship of a country's financial characteristics (financial deepening) related to auditor switching.

Objective of this study is to examine effect of audit opinion, management change, audit firm reputation, financial distress, ownership, independent commissioner and country's financial deepening on auditor switching. This study will examine role of independent commissioner on effect of audit opinion, management change, audit firm reputation, financial distress, and ownership on auditor switching as well. This study will capture the phenomenon of auditor switching from aspects of corporate governance implementation, especially role of independent commissioner. Relationship between corporate governance and external audit is a central issue in agency relationship, especially in ASEAN region as the backbone of economic growth in the world.

REVIEW OF LITERATURE

Jensen and Meckling (1976) define agency theory as a contract between one or more parties (principal) that bind the other party (the agent) to carry out management of company based on interests of principal, including the delegation of decision-making authority to the agent. Principal will provide incentives for agent and pay monitoring cost (Jensen and Meckling, 1976).

Accounting has an important role in minimizing the agency cost as a result of a conflict of interest between principal and agent. The financial statements, as a result of the accounting process, which has been audited useful for reducing agency cost (Francis and Wilson, 1988). This argument provides an explanation of financial auditing can reduce agency cost as well. Auditing is one of assurance service that aims to improve the quality of information produced by the management. Value given by the audit is expected to moderate the potential conflicts of interest.

Board of commissioner have important role in minimizing the agency cost as well. Board of commissioners can be used as a measure of the implementation of corporate governance (Talley, 2009). As shareholders' representatives, board of commissioners have significant role in monitoring internal management and ensure that management will make decision consistent to principal interests.

Auditor switching is an audit firm switching by client company. It can be caused by some factors which are both of client and auditor factors. First, client-related factors, which are financial difficulties, management failure, changes in ownership and Initial Public Offering (IPO). Auditor switching can be carried out due to take over as well (Anderson et al., 1993). Based on Enron case, ex-clients of Arthur Anderson had to perform switching. They have higher skepticism in the process (Nagy, 2005). Second, auditor-related factors, which are audit fees and audit quality. In the non-profit corporation context, consideration to switching auditor is affected by the operating structure, reputation management, and audit fees (Tate, 2007).

Mandatory and voluntary auditor switching can be distinguished based on which party become concern from the issue. If auditor switching is done voluntarily, main concern is on client side. If the auditor switching is done mandatorily, main concern is on auditor side (Hudaib and Cooke, 2005). When client switch its auditors, and there are no switching rules, there will be auditor resignation or dismissal by the client. Indonesia, Singapore, Thailand, Laos have regulation of auditor switching in every 5 years; Cambodia in every 3 years; Philippine, Malaysia, Vietnam have no particular auditor switching regulation (AFA, 2014).

IMPORTANCE OF THE STUDY

This research will be information and extra literature to public accountant profession, regulators and scholars about auditor switching practices by companies, to draw up rules and ethical framework and clarify the literature on agency theory and professional ethics of auditors. The phenomenon of auditor switching can be captured more integrated and can be interpreted appropriately so investors, potential investors, and creditors can make the best economic decision.

HYPOTHESES

Auditor switching is driven by the opinion given by the auditor (Chow and Rice, 1982). Company expects to get unmodified or unqualified opinion. Dissatisfaction with another opinion received, besides unmodified or unqualified opinion, will stimulate company to switch auditor. Qualified opinion explains that company have weak corporate governance. This explanation is in line with research related to qualified opinion with implementation of corporate governance (Lin and Ming, 2009). Companies that have weak corporate governance and get qualified opinion tends to switch auditor.

H1: Audit opinion affect auditor switching

Hudaib and Cooke (2005) shows that management change affects auditor switching, to absorb new ideas in order to improve the company's expansion policy under new management. Management change of company may change policy in accounting, finance, and auditor selection. Company will seek auditor that aligned with accounting policy and reporting. If this expectation is not met, company will replace its auditor. Hudaib and Cooke (2005) found company that changes CEO and having distress may receive qualified opinion, and affect to switch auditor. Hudaib and Cooke (2005) found intimidation and close relationship giving high probability of auditor switching as well, caused by worse qualified opinion.

H2: Management change affect auditor switching

Auditor reputation can affect auditor switching. If small audit firm, with small clients, loss one of significant client, then large audit firm considered more able to maintain the independence of the auditor rather than small audit firm. The larger audit firm is usually considered to be able to maintain independence better than smaller audit firm because they usually provide a range of services to clients in large numbers, thereby reducing their dependence on specific clients. In addition, larger audit firm is generally considered as a provider of higher audit quality and enjoy a high reputation in the business environment, so it will attempt to its image (Nasser et al., 2006).

The company will seek high credibility audit firm to enhance the credibility of financial statements. Investors tend to believe accounting data generated from a reputable auditor. Company will not switch audit firm if it already has high reputation and quality.

H3: Auditor reputation affect auditor switching

Company tends to switch auditor in financial distress condition (Hudaib and Cooke, 2005). This explanation shows company that received going concern opinion and still survive tends to get another auditor firm compared to company that did not receive going concern opinion. Auditor with distress client will have shorter tenure than non-distress client. Financial distress gives tension to relationship between auditor and management as well. This tension caused by differences related to methods of accounting, dissatisfaction with the audit opinion, or dissatisfaction with performance of auditor (Schwartz and Menon, 1985). Hudaib and Cooke (2005) found company that changes CEO and having distress may receive qualified opinion, and affect to switch auditor.

H4: Financial distress affect auditor switching

Generally, businesses started from family businesses and still being core basic of business development. The consequence is owners have big interventions to company's activities. Agency theory stated that the bigger interventions of the owners (or shareholders in public companies), the bigger performance of company (Jensen and Meckling, 1976). However, even legally there is separation between owners and management, but practically both parties can affect each other. Intervention of owners can happen in auditor selection as well (Lodge, 2008). Observation of capital market practitioners shows that shareholders switching affect auditor switching (Lodge, 2008).

Institutional shareholders spend more time to do research related to company and its industry, compared to individual shareholders spend less time to monitoring related to company (Man and Wong, 2013). Institutional shareholders give more direct monitoring, as one of corporate governance mechanisms, in discipline manager (Talley, 2009). Supervision of institutional shareholders can reduce agency problems, including decision of auditor switching. Institutional shareholders determine increasing demand of audit quality (Chan et al., 2007).

Managerial ownership is one of mechanisms to reduce agency problem. Managerial ownership makes interest of manager (agent) and shareholders (principal) can be aligned. Manager will do direct monitoring on internal performance of company. Interests alignment stimulates manager to make decision aligned with shareholders interest, including auditor switching decision making.

Foreign ownership is one of corporate governance mechanisms as well that can reduce agency problem. Foreign shareholders from countries with good corporate governance implementation will implement good corporate governance implementation as well in countries with developed corporate governance (Klapper et al., 2006). Foreign shareholders will implement better oversight than local shareholders as well because foreign shareholders will face risk of reputation and legal if it does not implement good corporate governance (Klapper et al., 2006). One of good corporate governance implementation is selection of auditor.

H5a: Institutional ownership affect auditor switching

H5b: Managerial ownership affect auditor switching

H5c: Foreign ownership affect auditor switching

The penetration of financial instruments indicates the level of public awareness of any existing financial instruments. Mechanisms for financial instruments is strongly influenced by the available information, including financial information. The deeper penetration of financial instruments, more sensitive position of public companies information.

De Gregorio (1999) shows that financial deepening would increase economic growth. Economic growth can run faster for more effective if allocation of funds goes to potential sector. Company will respond to this phenomenon by making optimal policy so that the performance of the company will obtain an optimal response from the market. One of policy must be made by the company is to determined audit firm.

This explanation is in line with policy of privatization that monitoring of market will be able to improve companies performance (Megginson et al., 1994). Companies can improve efficiency because of market pressures supervisions by public/investors/creditors. Public supervisions will stimulate company to make best policies for stakeholders. External parties tend to affect policy formulation of the company (Megginson et al., 1994).

Economic growth of countries is affected by financial sector. Financial deepening as the picture supervisions of the public will encourage companies to make the best policy for the various parties related to company's business, including auditor switching policy. Existence of well public supervisions will make high audit quality demand, so company will switch auditor with more qualified auditor.

H6: Financial deepening affect auditor switching

Board of commissioners is a picture of the implementation of corporate governance (Talley, 2009). Effectiveness of commissioners depends on independent commissioner composition. Independent commissioners are personnel of board of commissioners who does not have significant relationship with company (including subsidiary, affiliate, and associate company), shareholders; they are not audit firm staff that do auditing process in the company as well (Man and Wong, 2013). Independent commissioner will give recommendation to shareholders related to selection of auditor based on public interest.

H7: Independent commissioner affect auditor switching

Based on auditor characteristics and internal management factors, board of commissioners will recommend auditor to general meeting of shareholders. Shareholders will use recommendation by independent commissioner as consideration to make decision of auditor selection.

H7a: Independent commissioner affect the relationship between audit opinion and auditor switching

H7b: Independent commissioner affect the relationship between management change and auditor switching

H7c: Independent commissioner affect the relationship between auditor reputation and auditor switching

H7d: Independent commissioner affect the relationship between financial distress and auditor switching

H7e: Independent commissioner affect the relationship between institutional ownership and auditor switching

H7f: Independent commissioner affect the relationship between managerial ownership and auditor switching

H7g: Independent commissioner affect the relationship between foreign ownership and auditor switching

RESEARCH METHODOLOGY

SOURCE OF DATA

This research is a quantitative research based on secondary data collected from various available sources and databases (OSIRIS, Thomson Reuters, Beuro Van Dijk) in year 2012-2014.

RESEARCH SAMPLE

Research sample is manufacture companies listed in stock exchange in ASEAN region. There are five ASEAN countries used in this research.

TABLE 1: SAMPLE

Companies in Each Country			Total
Indonesia	Manufacture Companies listed 2012-2014 Incomplete Data	93 (10)	83
Malaysia	Manufacture Companies listed 2012-2014	211	211
Philippine	Manufacture Companies listed 2012-2014	20	20
Singapore	Manufacture Companies listed 2012-2014	120	120
Thailand	Manufacture Companies listed 2012-2014 Using Local Language	71 (5)	66
Number of Companies			500
Number of Observations			1000

VARIABLES AND OPERATIONAL DEFINITIONS

Auditor switching, as dummy variable (1 if switch auditor, 0 otherwise), is voluntary audit firm switch (Chow and Rice, 1982). Auditor switching, as ratio variable (1/4 if auditor switching direction from big four to non big four, 2/4 if big four to non big four, 3/4 if big four to big four, 4/4 if non big four to big four), is downward or upward direction audit firm switching seen by size of audit firm. Audit opinion is opinion provides by auditor in audit report, measured as dummy variable (1 if unqualified opinion, 0 if qualified opinion). Management change is CEO change caused by general meeting of shareholders or own decision (Hudaib and Cooke, 2005; Schwartz and Menon, 1985), measured as dummy variable (1 if change CEO, 0 otherwise). Financial distress is a condition where companies face finance difficulties (Hudaib and Cooke, 2005), measured by Altman Z-Score (Z= 1.2 [Working Capital to Total Assets] + 1.4 [Retained Earnings to Total Assets] + 3.3 [Earnings Before Interest an Tax to Total Assets] + 0.6 [Market Value of Equity to Book Value of Liabilities] + 0.999 [Sales to Total Assets]). Audit firm reputation is size of audit firm, measured as dummy variable (1 if affiliate with big four, 0 otherwise). Ownership is shareholders with significant intervention (Hudaib and Cooke, 2005; Lodge, 2008), measured by percentage of institutional, managerial, foreign ownership. Independent commissioner is composition of independent commissioner, measured by number of independent commissioners divided by total board of commissioner. Country (financial deepening) is public access to financial instrument or literacy (di Giovanni, 2005), measured by percentage of market capitalization to gross domestic products.

Control variables are leverage and size of company. Leverage is level financing composition, measured by total liability divided by total assets. Size of company seen by its asset, measured by logarithm of total assets.

REGRESSION MODEL

This research will use regression model is as follow:

ASWt+1 = β0 + β1AOt + β2MCt + β3FDt + β4BIGt + β5IOt + β6MOt + β7FOt+ β8FDPt + β9ICt + β10AOt*ICt + β11MCt*ICt + β12FDt*ICt + β13BIGt*ICt + β14IOt*ICt + β15MOt*ICt + β16FOt*ICt + β17LEVt + β18SIZEt + eWhere:

ASWt+1	:	Auditor Switching (ratio) period t+1
AOt	:	Audit Opinion period t
MCt	:	Management Change period t
FDt	:	Financial Distress period t
BIGt	:	Size of Audit Firm period t
IOt	:	Institutional Ownership period t
MOt	:	Managerial Ownership period t
FOt	:	Foreign Ownership period t
FDPt	:	Country-Financial Deepening period t
ICt	:	Independent Commissioner period t
LEVt	:	Leverage period t
SIZEt	:	Size of Company period t

Hypotheses test will be run by panel regression. This research will choose the best panel regression as well; between common, fixed and random effect; with redundant fixed effect and hausman test.

RESULTS AND DISCUSSION

RESULTS

TABLE 2: PANEL REGRESSION

Variables	Coefficients	Significance	Notes	Sign
Constant	-0.059			
AO	-0.108	0.135	H1 Rejected	
MC	0.051	0.467	H2 Rejected	
FD	-0.000	0.857	H3 Rejected	
BIG	-0.137	0.001***	H4 Accepted	-
IO	0.130	0.185	H5a Rejected	
MO	0.132	0.425	H5b Rejected	
FO	-0.166	0.071*	H5c Accepted	-
FDP	0.055	0.000***	H6 Accepted	+
IC	0.118	0.491	H7 Rejected	
AO_IC	0.110	0.457	H7a Rejected	
MC_IC	-0.097	0.525	H7b Rejected	
FD_IC	-0.000	0.815	H7c Rejected	
BIG_IC	0.188	0.041**	H7d Accepted	+
IO_IC	-0.246	0.235	H7e Rejected	
MO_IC	-0.343	0.334	H7f Rejected	
FO_IC	0.271	0.173	H7g Rejected	
LEV	0.029	0.000***		+
SIZE	0.017	0.002***		+
Dependend Variable: ASW (ratio) F Sig. = 0.000 Adjusted R-Squared = 0.066 *** Significant in 1% ** Significant in 5% * Significant in 10%				

This research uses common effect regression as panel regression based on. redundant fixed effect and hausman test.

TABLE 3: REDUNDANT FIXED EFFECT TEST

Effect Test	Significance
Cross-section	0.3451

Based on table 3, significance value of redundant fixed effect test is 0.3451 (no significant). This result shows that common effect is better than fixed effect regression.

TABLE 4: HAUSMAN TEST

Effect Test	Significance
Cross-section random	0.0698

Based on table 4, significance value of hausman test is 0.0698 (significant in 10%). This result shows that fixed effect is better than random effect regression. This research will use common effect regression as panel regression.

ROBUSTNESS TEST

Robustness test to testing weather result of panel regression is consistent if tested by the other analytical tools. Robustness test will be applied by logistic regression, with auditor switching (dummy) variable as dependent variable. Comparison between logistic regression and panel regression are as followed:

TABLE 5: LOGISTIC AND PANEL REGRESSION

Independent Variables	Logistic Regression		Panel Regression	
	Result	Sign	Result	Sign
AO	No significant		No significant	
MC	No significant		No significant	
FD	No Significant		No significant	
BIG	Significant in 1%	-	Significant in 10%	-
IO	No Significant		Significant in 5%	+
MO	No Significant		No significant	
FO	Significant in 10%	-	Significant in 1%	-
FDP	Significant in 1%	+	No significant	
IC	No significant		No significant	
AO_IC	No significant		No significant	
MC_IC	No significant		No significant	
FD_IC	No significant		No significant	
BIG_IC	Significant in 5%	+	Significant in 10%	+
IO_IC	No significant		Significant in 5%	-
MO_IC	No significant		No significant	
FO_IC	No significant		Significant in 1%	+
LEV	Significant in 1%	+	No significant	
SIZE	Significant in 1%	+	No significant	
Dependent Variable	ASW (dummy)		ASW (ratio)	

Robustness test show that results between logistic with panel regression are consistent for variables of audit opinion, management change, financial distress, auditor reputation, managerial ownership, foreign ownership, independent commissioner, interaction between audit opinion and independent commissioner, interaction between management change and independent commissioner, interaction between financial distress and independent commissioner, interaction between auditor reputation and independent commissioner, interaction between managerial ownership and independent commissioner. Logistic and panel regression have different results for institutional ownership, financial deepening, interaction between institutional ownership and independent commissioner, interaction between foreign ownership and independent commissioner, leverage, and size.

DISCUSSIONS

AUDIT OPINION AND AUDITOR SWITCHING

Audit opinion have no effect on auditor switching. This result is not supports opinion shopping concept that explains auditor switching motivated to get unqualified opinion. Aobdia et al. (2015) stated that company will not switch auditor for better opinion compared to previous opinion. If company will switch auditor, without improving internal factors and get better opinion compared to previous opinion, it means that company gets a new low quality auditor. Company will get negative reaction by investors. If company will switch auditor to high quality one, without improving internal factors, then company will get worse opinion compared to previous opinion. Audit opinion have no correlation with auditor switching also supported by independent characteristic of auditor that evaluate financial statement objectively.

MANAGEMENT CHANGE AND AUDITOR SWITCHING

Management change have no effect on auditor switching. This result indicates that change on management is not always followed by company policy in using auditor services (Damayanti and Sudarma, 2008). Burton and Roberts (1967) stated although change on management followed by change on management policy, only a few cases followed by change on financial management policy. It shows that accounting policy and reporting by predecessor audit firm can be adjusted to new management policy by renegotiation between both of these parties (Damayanti and Sudarma, 2008).

Management change can be done because of restatement and violation of financial statement as well (Niehaus and Roth, 1999). Menon and Williams (2008) explained problem of financial statement caused by poor management performance in maintaining relationship between company and auditor. If management change followed by auditor switching, then there will be high uncertainty in financial reporting, thus increasing the cost of capital (Menon and Williams, 2008). Management is the party who will take the responsibility on financial statement problem. Concern of solving problem is management change instead of auditor switching. This explanation shows that change on management is not always followed by auditor switching.

AUDITOR REPUTATION AND AUDITOR SWITCHING

Auditor reputation have negative significant effect on auditor switching. Auditor reputation measured by audit firm size. Large audit firm (affiliated with big 4) more independent compared with the small audit firm (affiliated with non-big 4). When large audit firm lost one of the clients, it is not so influential on its revenue. If small audit firm, with small clients, loss one of significant client, then large audit firm considered more able to maintain the independence of the auditor rather than small audit firm. The larger audit firm is usually considered to be able to maintain independence better than smaller audit firm because they usually provide a range of services to clients in large numbers, thereby reducing their dependence on specific clients. In addition, larger audit firm is generally considered as a provider of higher audit quality and enjoy a high reputation in the business environment, so it will attempt to its image (Nasser et al., 2006).

The company will seek high credibility audit firm to enhance the credibility of financial statements. Investors tend to believe accounting data generated from a reputable auditor. Company will not switch audit firm if it already has high reputation and quality.

FINANCIAL DISTRESS AND AUDITOR SWITCHING

Financial distress has no effect on auditor switching. Correlation between financial distress and auditor switching related to audit quality, audit opinion, and audit fee. These factors make financial distress do not affect auditor switching. Knechel and Vanstraelen (2007) compared companies between financial distress and save condition and show that auditor independence does not decrease but does not increase as well in bankruptcy prediction. Decreasing of audit quality came from auditor's decision that did not provide going concern opinion to distress company or provide going concern opinion to company that still able to operate well. Although there is problem of audit quality related to bankruptcy prediction, company refuse to switch to higher quality auditor because of increasing of audit fee. For example, a distressed company audited by low quality auditor (e.g. Non Big 4) will refuse to switch to high quality auditor (e.g. Big 4). Elliott et al. (2013) found that Big 4 auditor fee will increase in future. Ghosh and Lustgarten (2006) found decreasing of audit fee only in the first year after auditor switching. Increasing of audit quality that followed by increasing of audit fee make a distressed company do not switch auditor.

OWNERSHIP AND AUDITOR SWITCHING

Institutional ownership and managerial ownership have no effect on auditor switching. In ownership structure, there is problem called entrenchment effect. Entrenchment is the act of controlling shareholder protected by their control right to perform abuse of power (Fan and Wong, 2002). The higher ownership (institutional/managerial ownership) is not always followed by good performance, including financial reporting performance because of abuse of control right to meet self-interests instead of public interests.

Abuse of control right includes auditor switching as well. High control right may ignore demand of high audit quality, so it is not affect auditor switching. Fan and Wong (2002) stated that credibility of accounting information will be decreased when controlling shareholders are protected by their control right. Decision making of auditor switching based on self-interest, not based on needs of high financial reporting and auditing quality.

Foreign ownership has negative significant effect on auditor switching. Foreign investors will implement better monitoring than local investors because foreign investors would face the risk of reputation and legal if they do not implement good corporate governance (Klapper et al., 2006). Jiang and Kim (2004) stated that in Asian Countries, foreign investors interest for information-rich (low asymmetric information) company because they refuse to pay more high information cost. Jiang and Kim (2004) stated that foreign investors are more sophisticated than local investors because foreign investors have wider international capital network than local investors. Low asymmetric information and sophisticated characteristic make foreign investors will not switch auditor.

FINANCIAL DEEPENING AND AUDITOR SWITCHING

Economic growth of countries is affected by financial sector. Financial sector mediates all parties that have interest in business process. In dynamics of the relationship of various stakeholders in the business, there is a phenomenon of information asymmetry. Asymmetry of information risen up with high transactional and informational costs. The phenomenon of information asymmetry can be minimized if the financial markets operate efficiently (Kularatne, 2002).

Financial deepening is a picture of the enhancement of the role and activities of financial services to the economy. The higher financial deepening showed that a growing number of financial facilities particularly access to capital market which is owned by the public, thus the greater individual access to finance and investment facilities. The greater public access to a wide range of financial instruments and investments can reduce the risk and vulnerability of one of the financial sub-sector by government regulation framework to ensure public interests. This explanation is in line with policy of privatization that monitoring of market will be able to improve companies performance (Megginson et al., 1994). Companies can improve efficiency because of market pressures supervisions by public/investors/creditors. Public supervisions will stimulate company to make best policies for stakeholders. External parties tend to affect policy formulation of the company (Megginson et al., 1994).

De Gregorio (1999) shows that financial deepening would increase economic growth. Economic growth can run faster for more effective if allocation of funds goes to potential sector. Company will respond to this phenomenon by making optimal policy so that the performance of the company will obtain an optimal response from the market. One of policy must be made by the company is to determined audit firm.

Economic growth of countries is affected by financial sector. Financial sector mediates all parties that have interest in business process. Financial deepening as the picture supervisions of the public will encourage companies to make the best policy for the various parties related to company's business, including policy of auditor switching. Existence of well public supervisions will make high demand audit quality, so company will switch auditor with more qualified auditor. This result illustrates that financial deepening affect auditor switching positively.

INDEPENDENT COMMISSIONER AND AUDITOR SWITCHING

Independent commissioners do not affect auditor switching. There are two reasons why independent commissioners do not affect auditor switching. First, the bigger composition of independent commissioner, independent commissioner will recommend auditor switching to general meeting of shareholders to increase financial reporting quality. Second, the bigger composition of independent commissioner, independent commissioner will recommend to general meeting of shareholders to keep company's auditor. These differences make effectiveness of independent commissioner do not affect auditor switching significantly.

Chen and Zhou (2007) found that the bigger composition of independent commissioner with tends to switch auditor (Andersen Audit Firm) with another high quality auditor. This result shows that the more effective independent commissioner, the more demand of high quality auditor. They will recommend auditor switching to general meeting of shareholders to increase financial reporting quality.

On the other side, Lee et al. (2004) found that the bigger composition of independent tends to keep company's auditor. The more effective independent commissioner, the less hidden audit risk (Lee et al., 2004). Independent commissioner concerns about legal responsibility and reputation more, so they will support auditor, than recommend auditor switching to general meeting of shareholders, to accomplishing their assurance duties (Lee et al., 2004).

INDEPENDENT COMMISSIONER AS MODERATING VARIABLE

Independent commissioner has no effect on the relationship between audit opinion and auditor switching. Lee et al. (2004) stated that independent commissioner, as parties who are concerned about legal liability and reputation, will support the work of auditor in completing the audit services. Independent commissioner as representer of public interest will ensure audit quality, so independent commissioner will focus on the quality of a given opinion instead of type of opinion. Independent commissioner would support implementation of objective and high quality audit, with no opinion shopping.

Independent commissioner has no effect on the relationship between management change and auditor switching. Role of independent commissioner is finding new management that matches to management condition and policy instead of finding new auditor that match to new management. Qi (2011) stated that one of the functions of commissioner, includes of independent commissioner, is screening and monitoring in replacing and looking for CEO who have quality that match to company. This explanation illustrates that role of independent commissioner in management change is decreasing changes in policy that does not match with company, including changes in accounting policies and reporting, and auditor switching. Concern of independent commissioner is management change instead of auditor switching.

Independent commissioner has no effect on the relationship between financial distress and auditor switching. Correlation between financial distress and auditor switching related to audit quality, audit opinion, and audit fee. Decreasing of audit quality came from auditor's decision that did not provide going concern opinion to distress company or provide going concern opinion to company that still able to operate well. Independent commissioner will demand for high quality auditor, followed by high audit fee (Abbott et al., 2003; Carcello et al., 2002; Yatim et al., 2006). Although there is problem of audit quality related to bankruptcy prediction, company refuse to switch to higher quality auditor because of increasing of audit fee. For example, a distressed company audited by low quality auditor (e.g. Non Big 4) will refuse to switch to high quality auditor (e.g. Big 4). Elliott et al. (2013) found that Big 4 auditor fee will increase in future. Ghosh and Lustgarten (2006) found decreasing of audit fee only in the first year after auditor switching. Increasing of audit quality that followed by increasing of audit fee make a distressed company do not switch auditor.

Independent commissioner affects the relationship between auditor reputation and auditor switching. Independent commissioner recommends auditor to improve quality and credibility of financial statement. In order to improve quality and credibility of the financial statement, independent commissioner will not switch auditor based on reputation but based on industry specialization. Beasley and Petroni (2001) found that company, with higher composition of independent commissioner, will tend to choose specialist auditor than the big 6 auditors. Specialist auditor have the ability and experience better than non-specialist auditor, in financial statement auditing. This explanation illustrates that independent commissioner does not recommend auditor based on the reputation. Independent commissioner weakens the negative effect of auditor reputation on auditor switching.

Independent commissioner has no effect on the relationship between company ownership (institutional/managerial/foreign ownership) and auditor switching. In ownership structure, there is problem called entrenchment effect. Entrenchment is the act of controlling shareholder protected by their control right to perform abuse of power (Fan and Wong, 2002). The higher ownership (institutional/managerial/foreign ownership) is not always followed by good performance, including financial reporting performance because of abuse of control right to meet self-interests instead of public interests. Entrenchment effect happened as well on auditor recommendation by independent commissioner, through audit committee. Results of research Mendez and García (2007) found that entrenchment effect happened on activity of independent commissioner below 30% ownership. Owner-manager with holdings below 30% would weaken the role of independent commissioner in monitoring, includes of financial statement monitoring, while owner with holdings above 30% ownership would support independent commissioner (Mendez and García, 2007). Auditor switching is not based on recommendation by independent commissioner but based on owner self-interest.

CONCLUSION

Objective of this research is to examine (1) factors that affect auditor switching (2) role of independent commissioner in analysis factors that affect auditor switching in five countries of Association of Southeast Asian Nations (ASEAN) region. Audit firm reputation affect auditor switching, indicates that company will not switch audit firm if it already has high reputation and quality. Financial deepening affect auditor switching, indicates that existence of well public supervisions will make high demand audit quality, so company will switch auditor with more qualified auditor. Foreign ownership affect auditor switching, indicates that low asymmetric information and sophisticated characteristic make foreign investors will not switch auditor. Independent commissioner weakens negative effect of auditor reputation on auditor switching, indicates that independent commissioner will not switch auditor based on reputation, but based on industry specialization. In the other hand, audit opinion, management change, financial distress, institutional and managerial ownership, and independent commissioner do not affect auditor switching. Independent commissioner does not affect relationship between audit opinion, management change, financial distress and ownership with auditor switching.

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