

ABSTRACT

This study aims to examine the relationship between internal corporate governance mechanisms for the selection of the external auditor on the service sector companies. The mechanisms of internal corporate governance are described by the percentage of the largest shareholder and the number of commissioners and the proportion of independent board.

This study uses a quantitative approach that using a logistic regression study. This study used a sample of service sector enterprises during the period 2010-2012 are listed on the Indonesia Stock Exchange.

Result of this research in general, it can be concluded that the internal corporate governance mechanisms unrelated with the company's decision in selecting the external auditors.

Keywords: Good Corporate Governance, mechanisms of internal corporate governance and auditor choice.