

The Effect Of Audit Committee, Internal Auditor And Audit Quality On Firm Value

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Abstract.

This study aims to determine the effect of internal auditor on company value, audit quality on company value, internal audit on company value with the audit committee as a moderating variable and audit quality on company value with the audit committee as a moderating variable in consumer goods sector companies listed on the Indonesia Stock Exchange for the 2017-2020 period. This research was conducted using quantitative methods with a casualty approach. This study totaled 54 companies and was sampled as many as 12 companies using the purposive sampling method. Data analysis using SPSS version 25. Based on the results of partial and Moderated Regression Analysis (MRA), it can be concluded that: 1) Internal Auditor does not have a significant effect on Company Value, 2) Audit Quality has a significant effect on Company Value, 3) The Audit Committee cannot moderate the influence of Internal Auditor on Company Value, 4) The Audit Committee can moderate the effect of Audit Quality on Company Value.

Keywords : Internal Auditor, Audit Quality, Company Value and Audit Committee.

I. INTRODUCTION

Companies are established of course have a goal, one of which is to achieve maximum profit and the company's goal in the long term is to optimize the company's value. Firm value or also called the market value of the company is the price that prospective buyers are willing to pay if the company is sold. (Tamia, 2019). This study uses Price Book Value (PBV) as a proxy to calculate firm value. Price Book Value is an important measure in stock purchase decisions for investors. The high and low Price Book Value (PBV) is caused by the decline in stock prices so that the stock price is below its book value or actual value, therefore the higher the Price Book Value (PBV) ratio, it means that the company has succeeded in creating value for shareholders (Retno, 2019). The phenomenon of the value of companies in the consumer goods industry as measured by Price Book Value (PBV) has fluctuated. The factor causing the average calculation of the value of companies in the consumer goods industry has decreased due to more populist government policies, the weakening of the rupiah against the US dollar, the increase in inflation caused by an increase in cigarette excise rates, an increase in BPJS contributions, and an increase in the tariffs of several toll roads. So that people hold back their consumption patterns, which results in the purchasing power of the Indonesian people being low. (Hasanah, 2020) In general, companies only focus on increasing profitability, because this profitability is reported in the form of numbers that can be measured. This makes it very easy for external parties to assess the company from a financial perspective. Non-financial matters are less of a focus for companies, such as neglecting the quality of audits, internal auditors and audit committees, financial reports are only supervised and audited casually.

This can strengthen or weaken the external party to the value of the company. Companies that have good reports in terms of assets, liabilities and capital but low audit quality, internal auditors, audit committees will raise the assessment of external parties that the numbers reported by the company do not match reality. (Pangestu, 2019) Financial statements are the main parameter used to draw company value. Due to its significant influence, some companies are known to manipulate the company's financial statements. This action is usually carried out to embellish the value of the company to remain attractive in the eyes of shareholders and stakeholders including investors, especially publicly listed companies whose annual financial reports can be seen transparently by the public. (kontan.co.id) Audit quality is determined by two things, namely independence and competence. Independence is an ethic that must be maintained by

auditors who are required to be honest and objective in conducting audits. Independence will be lost if the auditor has a relationship (family or financial) with his client. Auditor independence is designated through an audit opinion which is a source of information that is useful in making investment and funding decisions. Meanwhile, auditor competence can be indicated by the size of the KAP. Audit quality is often proxied by the size of the KAP (Public Accounting Firm). (Dewata, 2017) The audit committee has the responsibility to oversee the external audit financial statements and internal control system. With the audit committee, the financial statements have been monitored so that financial performance is controlled so that it also has a good impact on company value.(Widyati, 2018)

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Signaling Theory

Information is an important element for investors and business people because information essentially presents information, records or descriptions both for past, current and future circumstances for the survival of a company and how the market effects it. complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for making investment decisions. Information published as an announcement will provide a signal for investors in making investment decisions. If the announcement contains positive value, it is expected that the market will react at the time the announcement is received by the market. When the information is announced and all market participants have received the information, market participants first interpret and analyze the information as good news or bad news. If the information announcement is a good signal for investors, there will be a change in the volume of stock trading (Hartono, 2015).The relationship between signaling theory and firm value is that good company signals (good news) are expected to increase stock prices and vice versa bad company signals (bad news), the stock price will decrease. So that good value company signals will increase company value.

Firm Value

Firm value describes the quality of management managing their wealth, which can be seen from the measurement of financial performance obtained. A company will try to maximize its company value. The increase in the value of a company is usually characterized by an increase in the share price in the market (Sari, 2019). Price Book Value (PBV) is a calculation or comparison between market value and book value of a stock. with this PBV ratio, investors can find out directly how many times the market value of a stock is valued from its book value. This ratio can provide an overview of the potential price movement of a stock so that from this description, indirectly this Price Book Value (PBV) ratio also has an influence on stock prices.

Audit Committee

The audit committee is the right hand of the board of commissioners who have duties, functions and responsibilities towards the company, so that it is easier to control and the monitoring carried out will be more effective. Associated with disclosure of social responsibility, it will help the board of commissioners and make it easier to carry out control and supervision of social responsibility (Rivandi & Putri, 2019). The audit committee is a body formed within the client company whose task is to maintain the independence of the examining accountant from management. The audit committee is measured numerically from the number of committee members found in the company in the annual report (Ulina et al., 2018). Its purpose is to assist the Board of Commissioners to improve the quality of financial reports, establish a climate of discipline and control that can reduce opportunities for irregularities in company management, improve the functions of internal auditors and external auditors and identify matters requiring the board of commissioners.

Internal auditors

Internal auditors help organizations achieve their objectives through a systematic and regular approach in evaluating and improving the effectiveness of risk management, control and governance processes. To achieve the objectives of internal auditors Review and assess the goodness, adequacy and application of the management control system, internal control and other operational controls and develop effective controls that are not too expensive, Ensure compliance with policies, plans and procedures established by management, Ensure how far the company's assets are accounted for and protected from the

possibility of all forms of theft, fraud and abuse, Ensure that the data management developed in the organization is reliable, Assess the quality of the work of each section in carrying out the tasks assigned by management, Suggest operational improvements in order to increase efficiency and effectiveness.

Audit Quality

Audit quality as an assessment by the market where there is a possibility that the auditor will provide findings regarding a violation in the client's accounting system and a violation in its records. The possibility that the auditor will report a misstatement report has been detected and defined as auditor independence. An auditor is required to be able to produce high quality work, because auditors have a big responsibility to interested parties in the financial statements of a company including the public.(Ulina et al., 2018) Auditor firms with the Big Four classification are considered to have better quality audit services than public accounting firms with classifications other than the Big Four, one of which can be seen from the quality of human resources in the recruitment process. The company's financial information with the appointment of a Big Four auditor firm will tend to be of higher quality than auditor firms other than the Big Four, this can be believed to provide attestation and audit services that are more independent in disclosing creative accounting practices implemented by companies with specific objectives, such as in the context of increasing dividend payments and company value (Ulina et al., 2018).

Hypothesis

Audit Committee and Firm Value

Firm value is defined as a measure of the success of the company's performance on investment ending with audit activities by an independent auditor's office. Auditor firms with the Big Four classification are considered to have better quality audit services than public accounting firms with classifications other than the Big Four, one of which can be seen from the quality of human resources in the recruitment process. The company's financial information with the appointment of a Big Four auditor firm will tend to be of higher quality than auditor firms other than the Big Four. So with Audit Quality and Audit Committee, of course this will affect the company's value. The audit committee has an important role in maintaining company accountability. The audit committee is tasked with overseeing and monitoring the company's financial reporting system and the internal auditor process to avoid information asymmetry which is one of the problems in agency theory (Sari & Sayadi, 2020).

The more members in an audit committee will affect the independence of the audit committee. Therefore, the more members of the audit committee will increase the independence of the audit committee and will affect the quality of the company's financial statements. That way the Audit Committee is expected to be able to increase company value and assist the implementation of internal auditors. In addition, the existence of an audit committee can reduce conflicts of interest that exist in agency theory and increase company value in the eyes of the principal (Sari & Sayadi, 2020). In research conducted by Mardiyansih & Kamil (2020), the results show that the audit committee has a positive effect on firm value because of the existence of an audit committee.

H1 : Audit Committee has a significant Affect on Firm Value

Internal Auditor to Firm Value

International Standards For The Professional Practice Of Internal Auditing issued by The Institute of Internal Auditors, in the 1210 Attribute standard regarding skills, it is stated that internal auditors are encouraged to demonstrate their expertise / skills through the acquisition of appropriate professional certifications and qualifications, such as CIA (Certified Internal Auditor) or other certifications offered by The IIA and other appropriate professional organizations. as well as at point 1230 regarding Continuing Professional Development, it is stated that internal auditors must improve their knowledge, skills and other competencies through continuous professional development. With internal audit that has adequate expertise and skills shown through the certification owned, internal audit can carry out all inspection procedures properly and be able to detect if there are things that deviate from the company so that it is expected to increase public confidence in the company. The effect of internal auditors on company value has been studied by Suryana Usdi (2019) shows that internal auditors have an effect on company value because internal

auditors are seen as an important and strategic element and are needed in supporting the effective realization of good company value.

H2 : Internal auditors has a significant effect on Firm value

The Effect of Audit Quality on Firm Value

DeANGELO defines audit quality as the auditor's ability to find errors or fraud in the accounting system and pressure from clients to selectively close books even though fraud has been found. DeANGELO also states that audit quality is related to independence and can be proxied by auditor size. Big four KAPs are assumed to provide higher audit quality than non-big four KAPs because they invest more time in reputation and experience, and are motivated to get a return on their investment. The effect of Audit Quality on Firm Value has been studied by Elvia Puspa Dewi (2020). The results showed that Audit Quality has an effect on firm value because audit quality as measured by the Big Four audit firm category and other than Big Four proved to have a significant effect on firm value. The findings of this study support agency theory, where good audit quality serves to reduce information asymmetry through good audit practices.

H3 : Audit Quality has a significant Affects on FirmValue

III. METHODS

The population used in this study are manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period, totaling 54 companies. The sample studied was taken using the criteria set by the author, obtained from 100 data from 25 sample companies for 4 years. Quantitative data analysis using multiple linear regression analysis.

IV. RESULTS AND DISCUSSIONS

Hypothesis Test Results

The t test is done by looking at the significant value <0.05 then there is an influence, if the significant value > 0.05 then there is no influence.

Table 1. Hipotesis test

Model		Unstandardized Coefficients		T	Sig.	Conclusion
		B	Std. Error			
1	(Constant)	-.471	1.787	-.264	.793	
	Audit Committee	.523	.139	3.755	.001	Accepted
	Internal Auditor	.414	.470	.881	.383	Rejected
	Audit Quality	1.569	.416	3.769	.000	Accepted

Referring to the table above, it can be seen that:

1. The Audit Committee variable obtained a t value of 3.755 and a significant value of 0.001 <0.05 , meaning that the audit committee has a significant effect on firm value.
2. The internal auditor variable obtained a t value of 0.881 and a significant value of 0.383 > 0.05 , meaning that internal auditors have no significant effect on firm value.
3. The audit quality variable obtained a t value of 3.769 and a significant value of 0.000 <0.05 , meaning that audit quality has a significant effect on firm value.

V. CONCLUSION

The Effect of the Audit Committee on Firm Value

Referring to the results of data analysis, it can be concluded that the Audit Committee affects Firm Value. This supports the research conducted by Dewi Zakiyah (2018), which in agency theory states that the existence of an audit committee can strengthen the relationship between audit quality and firm value because the audit committee and external auditors have a crucial task in the financial statements as a supervisory arrangement so that there is no asymmetric information on shareholders.

The influence of internal auditors on company value

Referring to the results of data analysis, it can be concluded that internal auditors have no effect on firm value. This is in line with research conducted by Hana Ferwita Oktaviani (2019) showing that internal auditors have no effect on firm value, because the number of internal auditors if they do not have the

effectiveness of the auditors themselves can affect stakeholders' views of the company. In accordance with the stewardship theory which explains that internal auditors are an independent assessment function established in an organization to examine and evaluate its activities as a service to the organization, the effectiveness of internal auditors is influenced by several factors, namely independence, competence and audit quality. The effectiveness of internal auditors is the achievement of the goals and objectives of the internal auditor function.

The Effect of Audit Quality on Firm Value

Referring to the results of data analysis, it can be concluded that Audit Quality affects firm value because audit quality as measured by the Big Four and non-Big Four audit firm categories is proven to affect firm value. The findings of this study support agency theory, where good audit quality serves to reduce information asymmetry through good audit practices.

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