Jurnal Ekonomi Perusahaan
Volume 29, Issue 1, March, 2022
ISSN: 0854-8154 (Print), 2830-1560 (Online)

ABSTRACT

The mechanisms and principles of good corporate governance are crucial to increasing company value. However, this principle is still missed by many companies. Qualified auditors that can conduct a good auditing quality are the key to this issue. This research departs from a belief that the ability of audit quality moderates the effect of good corporate governance on company value. This study aims to confirm this notion. Therefore, the authors analyze the data from 129 companies taken purposively from various industries listed on the Indonesia Stock Exchange from 2017 to 2019, using the pooling test as the primary analysis tool. This study reveals that institutional ownership positively influences company value. As expected, audit quality moderates this relationship. However, this study fails to confirm the effect of the board of commissioners and managerial ownership on company value. Moreover, audit quality also fails to show its moderating effect in those unconfirmed relationships. The authors propose suggestions for further research.

Keywords:

Company value, good corporate governance, audit quality

How to cite (APA):

Nurhasanah, D., Suhartono, S. (2022). Quality audit moderates the influence of good governance on company value. *Jurnal Ekonomi Perusahaan*, 29(1), 16-30. https://doi.org/10.46806/jep.v29i1.835

Review Article

Quality audit moderates the influence of good governance on company value

Dina Nushasanah[1]Sugi Suhartono[2]

[12]Institut Bisnis dan Informatika Kwik Kian Gie, Jakarta, Indonesia.
*Correspondence address: dinanrhasanah@gmail.com

INTRODUCTION

Good corporate governance is a system of corporate control and regulation related to the relationship between various parties in a company. The issue of good corporate governance has been a popular concept recently. However, many large companies with high corporate values do not adequately apply the principles of good corporate governance. This negligence caused the collapse of the world's foremost companies, which disrupted the home country's economy so that the government intervened. For example, the number of large companies that fell prompted the US Federal Government to issue the Sarbanes Oxley Act, which contains corporate governance reforms.

In the last five years, many companies have still violated the principles of good corporate governance. Nissan is one company that does it. In 2018, the Japanese government captured Nissan CEO Carlos Ghosn for manipulating earnings reports, a fraud he has practiced since 2010. He also got accused of misusing company assets for personal gain.

Carlos Ghosn's breach could last for years as Nissan's internal auditors and senior management turned a blind eye. Because of this, Nissan had to close several factories and lay off thousands of employees in various countries.

In Indonesia, some companies commit various kinds of violations of the principles of good corporate governance that are detrimental to the state. One of them is the case of embezzlement of funds by the management of PT. Tiga Pilar Sejahtera Food (AISA) in 2018. A fact-based investigation carried out by Ernst & Young (EY) showed that the old directors of AISA had inflated funds worth Rp 4 trillion. There are also indications of an inflated revenue of Rp 662 billion. Another inflation of Rp 329 billion occurred in the post of profit before interest, taxes, depreciation, and amortization. There was also a flow of 1.78 trillion rupiahs to the parties who had access to manage earnings management. The auditor also found transactions with affiliated parties which did not conduct under adequate disclosure to stakeholders. These violations led to the arrest of the former directors of AISA, namely Joko Mogoginta and Budhi Istanto. Stock prices plummeted as a result of the violation of strong corporate governance norms in this case, which include openness, accountability, independence, and fairness. They threatened to delist AISA from the Indonesia Stock Exchange if it did not comply.

The value of a company rises when good governance standards are followed. What elements influence the company's value, you might wonder? The size of the board of commissioners, the independence of the board of commissioners, the presence of an audit committee, management ownership, institutional ownership, concentrated ownership, and public ownership are all factors that have been studied in the past. Previous studies, on the other hand, yielded conflicting results.

The board of commissioners is needed to supervise the implementation of company policies. The board of commissioners who consistently carry out their duties as a good corporate governance mechanism will reduce the tendency for fraudulent financial statements (Manossoh, 2016: 104). The board of commissioners makes the company more controlled, increases the company's value, and attracts investors. The question is, does the number of commissioners affect the company's value?

Agustina (2017), Suryaningsih et al. (2018), and Ahmad et al. (2020) found that the size of the board of commissioners has a significant positive effect on firm value. On the other hand, Kusumaningrum and Nugroho (2019) stated that the size of the board of commissioners had a significant negative effect on firm value. Other studies (e.g., Thendeat & Meita, 2019; Istikaroh & Shodiq, 2020) found that the size of the board of commissioners had no significant effect on firm value.

Regarding the company's value, agency conflicts often occur, namely conflicts of interest between shareholders and managers (Puspaningrum, 2017). Managers focus only on projects and investments that generate significant short-term returns rather than maximizing shareholder wealth through long-term investments. Therefore, shareholders do not like the individualistic attitude of managers, which can cause the company burden and reduce the company's value.

If managerial ownership increases, then the individualist actions of managers can be reduced because the interests between shareholders and managers are increasingly united. Increased managerial share ownership increases the perception of shared interests

with shareholders, so that management will be more motivated to make decisions that increase firm value. Research by Anita and Arief (2016) and Agustina (2017) confirms this theory. On the other hand, Alfinur (2016) finds that managerial ownership has a negative effect on firm value. Puspaningrum (2017) and Sunardi (2019) found a positive but not significant effect.

Institutional ownership refers to non-bank financial firms that manage funds on behalf of people owning stock in a corporation. The more institutional ownership there is, the more power external parties have over the company. As a result, the company's agency costs fall and its value rises (Widianingsih, 2018). Institutional ownership, logically, makes the supervisory function more effective. As a result, when making decisions, managers will be more committed to the good governance principle. As a result, the stock price rises, attracting new investors to the company.

Different studies on the impact of institutional ownership on firm value have come up with different conclusions. Institutional ownership has a beneficial effect on firm value, according to Putra (2016), Wardhani et al. (2017), and Hersugondo (2018). Warapsari and Suaryana (2016), Sari and Sanjaya (2018), and Sunardi (2018) all found non-significant impacts (2019).

Accounting scandals reduce public confidence in the accounting profession and the resulting audit quality. Audit quality is the probability of an auditor finding and reporting an error or fraud in the client's accounting system (Tandiontong, 2015:73). Previously, the authors have explained that one of the challenges in applying the principles of good governance is the agency problem. One way to prevent this problem is to present the auditor as a third party. The impact of the existence of an auditor is measured based on the quality of the resulting audit.

Research on the effect of audit quality on firm value gives mixed results. Aca et al. (2020) and Wijaya (2020) find that audit quality positively affects firm value. Rusli (2016) found there was no relationship between the two. The research of Sitorus and Herlina (2020), which places audit quality as a moderating variable, gives the opposite result from expectations, where audit quality weakens the influence of good corporate governance on firm value.

The authors are motivated to re-examine the effect of the size of the board of commissioners, management ownership, and institutional ownership on firm value because the results of earlier studies have been inconsistent. In addition, to sharpen the three correlational correlations analyzed, the authors investigate the moderating effect of audit quality.

LITERATURE REVIEW

Agency Theory

Jensen and Meckling (1976) were the first to offer agency theory to describe the interaction between agents and principals. A contract in which the principal delegated decision-making responsibility to the agent is defined as an agency relationship. The shareholder is the principal, and the company's management is the agent. Management has an edge over outside stockholders because they are insiders. Management has

complete knowledge of the company, whereas shareholders are more concerned with maximizing the value of their investments. Because of the knowledge asymmetry between the principal and agent, management tends to maximize its reward by controlling the information given to shareholders (adverse selection). These disparities in goals might result in a conflict of interest between the agent and the principal, which is referred to as agency problem.

Signaling Theory

Besley & Brigham (2008:517) explain the signal as an action by the company's management to provide clues to investors about the company's prospects. More specifically, signal theory explains how a company provides external parties with financial statement information (signals). Companies that publish financial statements provide information about the company's condition to the public. External parties can respond to this information as a good signal (good news) or a bad signal (bad news). External parties can use this signal to determine which organizations are qualified and in excellent working order, or vice versa. This knowledge is crucial for investors because it aids in the decision-making process. The signal can be exploited by management to enhance the company's worth because of its vital role. The broadcast signal, on the other hand, minimizes the information imbalance between management and outside parties.

Good Corporate Governance

Good corporate governance, according to Spira (2002:3), is concerned with the company's internal governance process, which generates a picture of corporate accountability. The corporation manages its operations correctly with solid corporate governance. The goals of strong corporate governance are to improve an organization's efficiency, effectiveness, and sustainability while also benefiting shareholders, employees, and other stakeholders. Second, open, fair, and responsible management leads to increased organizational legitimacy. Third, shareholders and stakeholders' rights and obligations must be recognized and protected. This approach can help a company's performance, as well as its ability to secure lower-cost financing and investor confidence.

Accountability, Transparency, independence, responsibility, and fairness are the five elements of good corporate governance. The proportion of independent commissioners, the size of the board of commissioners, the audit committee, management ownership, institutional ownership, concentrated ownership, and public ownership are all drivers of successful corporate governance.

Company Value

According to Sartono (1996:11), firm value is a tool to maximize shareholder prosperity. The investor's perception of a company's success, as reflected in the stock price, determines company value. If the stock price is high, the company's value is also high, and the shareholders benefit as well.

Company value can increase if company management, shareholders, and stakeholders create good cooperation in making financial decisions. It also eliminates agency problems between the two parties. Brigham and Daves (2018:296) explain that

the relative value of shares can be measured through the market value ratio. There are four ratios to measure firm value. The first is the earning price ratio (PER). This ratio is calculated by dividing the current market price per share by the current earnings per share. Second, a comparison of market price and book value per share is known as price to book value (PBV). The third metric is the price cash flow ratio (PCF), which compares market price per share to cash flow per share. Tobin's Q is the fourth ratio, which compares the market value of a company's shares to the book value of its equity.

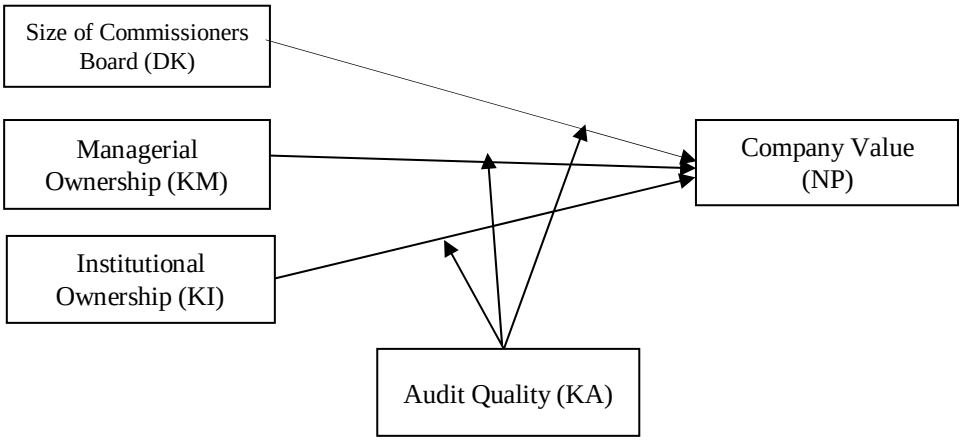
Audit Quality

DeAngelo (1981: 186) defines audit quality based on two aspects. First is the auditor's ability to find material misstatements in the client's financial statements based on generally accepted auditing standards. Second is the willingness of the auditor to report these findings in the audit report. The purpose of the audit is to increase confidence in the financial statements. Statement of Auditing Standards (PSA) No. 1 (SA 150) issued by the Indonesian Accounting Association (2011) covers general standards, fieldwork standards, and reporting standards.

Auditor size is often associated with audit quality. The larger the size of the auditor, the higher the audit quality.

Conceptual Framework

The structural relationship in this study is based on two premises (Figure 1). First, the size of the board of commissioners and managerial and institutional ownership has a positive effect on firm value. Second, audit quality moderates these three relationships.



Board of Commissioners' Size Effect

The Board of Commissioners is in charge of supervising and providing advice to the Board of Directors to ensure the implementation of good corporate governance, which encourages better company operations. The board of commissioners can also reduce agency problems. The large size of the boards of commissioners gives a good signal (good news) to investors so that the share value increases.

The increase in share value is associated with the number of commissioners found by Badruddien et al. (2017), Suryaningsih et al. (2018), and Ahmad et al. (2020), in which the board of commissioners has a significant positive effect on firm value.

H1: The size of the board of commissioners (DK) has a positive effect on firm value (NP).

Managerial Ownership Effect

Managerial ownership is a condition in which managers own company shares. As shareholders, managers will play an active and careful role in making decisions. They will also be more active in fulfilling the interests of shareholders. The manager will give a signal in the form of information to shareholders that are more detailed and honest so that the information asymmetry between the agent (manager) and the principal (shareholder) decreases. In addition, the managers also become more motivated to improve their performance to increase the company's value.

Research conducted by Anita & Yulianto (2016), Agustina (2017), and Widianingsih (2018) confirm this theory. The three studies found that managerial ownership positively affects firm value. In other words, the higher the level of managerial ownership, the higher the firm value.

H2: Managerial ownership (KM) positively affects firm value (NP).

Institutional Ownership Effect

Institutional ownership is the ownership of company shares by non-bank financial institutions or other institutions, which can reduce the influence of other interests, such as managers' interests. The higher the level of institutional ownership, the higher the level of control and supervision of external parties. As a result, agency costs decrease, and firm value increases.

In terms of signalling theory, institutional ownership can also reduce problems between agents and principals. The higher the level of external oversight, the more honest the financial statements. As a result, they are increasing the desire of investors to invest increases so that the company's value increases.

Departing from those theories, the research of Wardhani et al. (2017), Santoso (2017), and Harjadi et al. (2018) found that institutional ownership has a positive effect on firm value.

H3: Institutional ownership (KI) positively affects firm value (NP).

Audit Quality Moderating Effect on the relationship of the size of the board of commissioners (DK) and firm value (NP).

Financial statements audited by an auditor who has a good reputation can positively influence audit quality if the audit results are clearly conveyed and the problems found are communicated to the party responsible for corporate governance, namely the company's board of commissioners. As previously stated, the existence of a board of commissioners, which functions as a company supervisor, also impacts the reports produced. The auditor's report reduces the agency problem between the agent and the principal. He also helps the board of commissioners oversee the company to achieve good

corporate governance. Investors are more interested in investing in companies that show good corporate governance. So, the quality of the company's financial statements and audit reports can be a signal for investors, which affects their investment confidence and stock prices.

H4: Audit quality (KA) moderates the effect of the size of the board of commissioners (DK) on firm value (NP).

Audit Quality Moderating Effect on the Relationship of Managerial Ownership on Firm Value

As explained, managerial ownership can reduce agency problems between management and shareholders. Auditor quality affects firm value. The better the quality of the auditors, the more detailed the financial reports provided by management to external parties, free from material misstatement, quality, and credibility. Such a report is a good signal (good news) for investors, which increases positive sentiment on the company's prospects. The result is an increase in the value of the company.

H5: Audit quality (KA) moderates the effect of managerial ownership (KM) on firm value (NP) positively.

Audit Quality Moderating Effect on the Relationship of Institutional Ownership and Company Value

The vital role of institutional ownership is to improve more optimal supervision so that the management function in running the company is better for increasing the company's value. Institutional control minimizes agency problems between management and shareholders when associated with agency theory. With the existence of an auditor as a third party who oversees financial statements, the impact of institutional ownership on company supervision is getting better.

Better financial reports provide a good signal for investors and increase investor confidence in the company. Furthermore, the attractiveness of investment increases and the company's value is reflected in the stock price increase.

H6: Audit quality (KA) moderates the effect of institutional ownership (KI) on firm value (NP).

RESEARCH METHODS

Population and Sample

The population in this study are various industrial companies and basic and chemical industries listed on the Indonesia Stock Exchange (IDX) from 2017 to 2019. Data were collected through monitoring secondary data analysis units from www.idx.co.id, www.sahamok.net, www.invesnesia.com, id.investing.com, and their official websites. The sample was selected using a non-probability approach purposively.

Dependent Variable

The company value, expressed as Tobin's Q, is the dependent variable in this study. When Tobin's Q value is greater than one, it means that investors bring value to the company. The greater Tobin's Q, the higher the stock price of the company. The use of this measure refers to Santoso (2017).

$$Q=[(EMV+D)]/[(EBV+D)]$$

Information:

Q: Company Value

EMV: Equity Market Value

EBV: Equity Book Value (book value of equity)

D: Debt (book value of total debt)

Independent Variable

Board of Commissioners' Size

The board of commissioners is the issuer's or public company's entity responsible for general and/or specific oversight in accordance with the articles of association. According to the Financial Services Authority rule number 33/POJK.04/2014, they also provide recommendations to the board of directors. The number of commissioners in a firm determines the size of the board of commissioners.

DK= Σ Board of Commissioners

Managerial ownership

The percentage of the company owned by management is known as managerial ownership. The number of shares owned by management is compared to the number of shares outstanding in this study to determine managerial ownership.

$$KM = (\text{Number of shares owned by management})/(\text{Number of shares outstanding})\times 100\%$$

Institutional Ownership

Shares controlled by external companies such as investment firms, pension funds, banks, mutual funds, and insurance firms are referred to as institutional ownership. The number of shares owned by the institution and the number of shares outstanding are compared to determine this variable.

$$KI = (\text{Number of shares owned by the institution})/(\text{Number of shares outstanding})\times 100\%$$

Moderating Variables

Audit quality is the moderating variable in this study. The number of auditors determines the quality of the audit. The more the number of auditors, the higher the quality of the audit. A dummy scale is used for the audit quality variable. If the company is not audited by the big four KAP, the code is 0, and if the company is audited by the big four KAP, the code is 1.

Data analysis technique

Coefficient Similarity Test (Pooling)

The coefficient similarity test is used to determine whether the combination of cross-sectional and time-series data (pooling) can be executed. Another goal is to find out whether the intercept, slope or both of the two regression equations are the same or different. The coefficient similarity test was carried out using a dummy variable with the help of IBM SPSS version 22.

Descriptive statistics

Referring to Gozhali (2018:19), descriptive statistics provide an overview of data based on the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness. This study uses the mean, standard deviation, maximum, and minimum.

Classic assumption test

The classical assumption test determines whether the regression model used has an estimation accuracy, is unbiased, and is consistent. Classical assumption test includes normality test, multicollinearity test, and heteroscedasticity test.

Hypothesis testing

Hypothesis testing tests the determination of the regression function of the sample to estimate its actual value. This research hypothesis is tested by testing the coefficient of determination using the t-test.

RESULT

The descriptions of 129 units of analysis are presented in Table 1. The value of the board of commissioners ranges from 2 to 12 people, with a mean of 4.050 and a standard deviation of 1.938.

Table 1

Unit Analysis Description

Variable	N	Minimum	Maximum	Mean	Standard Deviation
DK	129	2,000	12,000	4,050	1,938
KM	129	0,000	89,444	11,802	18,889
KI	129	0,049	98,243	66,862	21,140
NP	129	0,392	7,556	1,270	0,996

The value of managerial ownership runs from 0.00 to 89.44, with a mean of 11.8018 and a standard deviation of 18.889. The sample is heterogeneous if the standard deviation is greater than the mean. In general, the data distribution reveals that managerial ownership of shares is small.

Institutional ownership value ranges from 0.049 to 98.243 with a mean of 66,862 and a standard deviation of 21.140. A standard deviation that is lower than the mean indicates that the sample is homogeneous, and the data distribution tends to be around the mean.

Tobin's Q, a proxy for company value, has a range of 0 to 7.556 points, with a mean of 1.270 and a standard deviation of 0.9957. Tobin's Q values are homogenous or distributed around the mean if the standard deviation is less than the mean.

A dummy variable is used to assess audit quality. Companies audited by the big four KAPs are given a dummy value of "1," whereas companies not audited by the big four KAPs are given a dummy value of "0." There were 28 companies (21.7%) audited by the large four KAPs, and 101 companies that were not audited by the big four KAPs (78.3 percent). As a result, there are more unaudited units of analysis than those audited by the top four KAPs.

Pooling Test

All year dummy variables have a significance value (sig.) greater than 0.05, according to the test (Table 2). This implies that the coefficient similarity test was passed on all of the data (pooling). As a result, all research data may be merged, and testing only needs to be done once.

Table 2
Pooling Test Results

Model	Sig.	Decision
(Constant)	0,745	-
DK	0,197	Passed Pooling Test
KM	0,412	Passed Pooling Test
KI	0,242	Passed Pooling Test
KA	0,540	Passed Pooling Test
DK_KA	0,703	Passed Pooling Test
KM_KA	0,805	Passed Pooling Test
KI_KA	0,407	Passed Pooling Test
D1	0,874	Passed Pooling Test
D2	0,849	Passed Pooling Test
D1_DK	0,886	Passed Pooling Test
D1_KM	0,975	Passed Pooling Test
D1_KI	0,827	Passed Pooling Test
D1_KA	0,354	Passed Pooling Test
D1_DK_KA	0,741	Passed Pooling Test
D1_KM_KA	0,428	Passed Pooling Test
D1_KI_KA	0,323	Passed Pooling Test
D2_DK	0,425	Passed Pooling Test
D2_KM	0,918	Passed Pooling Test
D2_KI	0,827	Passed Pooling Test
D2_KA	0,376	Passed Pooling Test
D2_DK_KA	0,306	Passed Pooling Test
D2_KM_KA	0,388	Passed Pooling Test
D2_KI_KA	0,520	Passed Pooling Test

Classical Assumption Test

Normality test

In this section, the authors tested Ho: Residuals are normally distributed. The test shows that Asymp. Sig. (2-tailed)=0.000. This value is lower than alpha<0.05 (Table 3). Therefore, we should reject Ho and decide that the residuals are non-normally distributed. However, Bowerman et al. (2014:278) The Central Limit Theorem states that if the number is 30 or more, the sample can be considered normally distributed. With the number of units of analysis as many as 129, this study has fulfilled these assumptions.

Table 3
Classical Assumption Test

TEST		Variables				Information
		DK	KM	KI	KA	
Normality		Asymp. Sig. (2-tailed) = 0,000				According to the Central Limit Theorem, n 30 is considered to be normally distributed.
Multikolonierity	Tolerance	0,770	0,284	0,291	0,838	There is no multikolonierity
	VIF	1,299	3,519	3,437	1,193	
Heteroskedasticity		3,999 < 7,815 Chi^2 Count < Chi^2 Table				There is no heteroscedasticity

Multicollinearity Test

The multicollinearity test is intended to check whether the correlation between the independent variables is significant. The tolerance values for the variable size of the board of commissioners, managerial ownership, institutional ownership, and audit quality are 0.770, 0.284, 0.291, and 0.838. All values meet the Tolerance > 0.10. Their VIF values are: 1,299, 3,519, 3,437, and 1,193, which met the conditions: VIF < 10. Thus, the regression model is multicollinearity-free.

Heteroscedasticity Test

The value of R2 is 0.041. This value is used to calculate Chi2. With the number of samples (n) of 129 and R2 of 0.031, the calculated Chi2 value is 3.999. The equation model has a Chi2 table value of 7,815. When compared, it is found that the Chi2 count is less than the Chi2 table value or 3.999 < 7,815. Therefore, the regression model is free from heteroscedasticity.

Hypothesis Testing

The summary of the t-test result is displayed in Table 4. As we can see, the test succeeded in rejecting Ho and confirming H1, H3, and H6 and failed to confirm H2, H4, and H5. Therefore, we dare to state that commissioner board size (DK) and institutional ownership (KI) have a positive effect on firm value (NP) (β1=-0.114, Sig./2=0.048; β3=0.018, Sig./2=0.014) and audit quality moderates this relationship negatively or audit quality weakens the effect of institutional ownership (KI) on firm value (β6=0.045, Sig./2=0.023). On the other hand, the following variables: Managerial ownership (KM)

is found not to affect firm value. Audit quality also has no moderating effect on the relationships of commissioner board size (DK) and managerial ownership (KM) with the firm value (Table 4).

Table 4
Summary of T-Test

Dependent Variables	Independent Variables	β_i	Sig.	Sig./2	Decision
Company Value	(Constant)	0,203	0,786	0,393	-
	DK	-0,114	0,095	0,048	Reject Ho
	KM	0,014	0,135	0,068	Don't reject Ho
	KI	0,018	0,028	0,014	Reject Ho
	DK_KA	-0,024	0,829	0,415	Don't reject Ho
	KM_KA	-0,015	0,487	0,244	Don't reject Ho
	KI_KA	-0,047	0,045	0,023	Reject Ho

Discussion

The Influence of Board of Commissioners' Size on Firm Value

This study found results that contradict the hypothesis that the size of the board of commissioners has a significant negative effect on firm value. Initially, it was hypothesized that the effect was positive.

The board of commissioners has a supervisory function. The bigger the size of the board of commissioners, the better the supervision should be. However, the large number of commissioners can also make the company's activities less effective. The number of commissioners also impacts the cost of their salaries. The more costs incurred the lower the company's profit. The profits that will be distributed to investors in dividends will also be smaller. So, many commissioners can be bad news for investors, which lowers stock prices. The results of this study are in line with research conducted by Kusumaningrum & Nugroho (2019), which states that the size of the board of commissioners has a significant negative effect on firm value.

The Effect of Managerial Ownership on Firm Value

Managerial ownership in a company can increase the company's value because it can affect the running of the company. This expectation was not achieved in this study. This study finds that managerial ownership does not significantly affect firm value.

In this study, more companies have below-average managerial ownership than above-average managerial ownership. Due to the small number of shares owned by the management, share ownership has not been able to motivate them to work efficiently and effectively, which has an impact on increasing the company's value. The results of this study are in line with research conducted by Putra (2016), Puspaningrum (2017), and Sunardi (2019), stating that managerial ownership has a positive and insignificant effect on firm value.

The Effect of Institutional Ownership on Firm Value

This study found that, as expected, institutional ownership has a significant positive effect on firm value. Companies with high institutional ownership will further increase the value of the company. The reason is that in companies with a high level of institutional ownership, more parties will supervise the management in running the company so that it can hinder the manager's opportunistic behavior and reduce agency problems that occur in the company and monitor the company's decision making.

High institutional ownership can be a good signal (good news) to investors to invest their shares in the company. The results of this study are in line with the research conducted by Wardhani et al. (2017), Santoso (2017), and Harjadi et al. (2018), which gives the result that institutional ownership has a positive effect on firm value.

Moderation Effect of Audit Quality on the relationship of the size of the board of commissioners (DK) and firm value (NP).

Not as expected, in this study, audit quality was not able to moderate the effect of commissioner board size on firm value. The use of the big four KAPs as auditors can help to increase the value of the company. The audit quality of the big four KAPs improves the company's performance and assists the supervisory function carried out by the board of commissioners. However, if the size of the board of commissioners of a company is large and it is not audited by the big four KAPs, then the company's value will decrease. A larger number of commissioners results in higher costs, lowering company profits and dividends. So, using the KAP big four cannot provide investors confidence for better management performance.

Moderation Effect of Audit Quality on the Relationship of Managerial Ownership on Firm Value

This study found that audit quality could not be a moderating variable. The higher managerial ownership can reduce agency problems between agents and principals in the company. The big four KAP is expected to stimulate managers to provide a good signal (good news) to investors.

Usually, investors pay more attention to the company's performance and stock prices development. They do not consider the auditor much when making an investment decision. Therefore, the use of the big four KAPs as auditor can not strengthen the influence of managerial ownership on the firm value.

Audit Quality Moderating Effect on the Relationship of Institutional Ownership and Company Value

This study finds that audit quality can moderate the effect of institutional ownership on firm value. A negative moderating coefficient indicates that audit quality weakens the influence of institutional ownership on firm value.

The results of this study are in line with research conducted by Sitorus and Herlina (2020), which gives the result that audit quality weakens the influence of good corporate governance on firm value. The authors have not found the precise reasons to explain this result. Future researchers can study it.

CONCLUSION

The size of the board of commissioners has a negative effect, and institutional ownership has a positive effect on firm value. Managerial ownership does not affect firm value. Audit quality can moderate the effect of institutional ownership on firm value but cannot moderate the effect of board size and managerial ownership on firm value.

Subsequent research can operationalize research variables differently, as follows: frequency of meetings as an observation variable for the board of commissioners, moderating gender for managerial ownership, firm value based on price-earnings ratio (PER), price to book value (PBV), and price cash flow ratio (PCF), and audit specialization as a representation of audit quality.

REFERENCES

Aca, A. I., Musa, F., & Garba, M. (2020). Audit quality and firm value of listed insurance companies in Nigeria. Global Scientific Journals, 8(7):2083-2099.

Agustina, D. (2017). Pengaruh corporate governance dan variabel keuangan terhadap nilai perusahaan. Jurnal Bisnis dan Akuntansi, 19(1):13-26.

Ahmad, G. N., Lullah, R., & Siregar, M.E.S. (2020). Pengaruh keputusan investasi, keputusan pendanaan, kebijakan dividen, dan ukuran dewan komisaris terhadap nilai perusahaan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2016-2018. Jurnal Riset Manajemen Sains Indonesia, 11(9):1689-1699.

Alfinur (2016). Pengaruh mekanisme good corporate governance (GCG) terhadap nilai perusahaan pada perusahaan yang listing di BEI. Jurnal Ekonomi Modernisasi, 12(1):44-50.

Anita, Aprilia dan Arief Yulianto (2016). Pengaruh kepemillikan manajerial dan kebijakan dividen terhadap nilai perusahaan. Management Analysis Journal, 5(1):17-23.

Badruddien, Y., Gustyana, T.T., & Dewi, A.S. (2017). Pengaruh good corporate governance, leverage dan ukuran perusahaan terhadap nilai perusahaan (Studi empiris pada sektor industri barang konsumsi di Bursa Efek Indonesia periode 2012-2015). E-Proceeding of Management, 4(3):2236-2243.

Besley, S., & Brigham, E.F. (2008). Essentials of Managerial Finance. Fourteenth Edition. South-western: Thomson.

Bowerman, Bruce L., Richard T. O'Connell, dan Emily S. Murphree (2014). Business Statistics in Practice, Seventh Edition, New York: Mc Graw Hill Irwin.

Brigham, Eugene F., dan Philip R. Daves (2018). Intermediate Financial Management, Thirteenth Edition, USA: Cengage.

DeAngelo, Linda Elizabeth (1981). Auditor Size and Audit Quality. Journal of Accounting and Economics, 183-199.

Fauzi, A.S., Suransi, N.K., & Alamsyah (2016). Pengaruh GCG dan CSR terhadap nilai perusahaan dengan profitabilitas sebagai variabel pemoderasi. Jurnal InFestasi, 12(1), 1-19.

Ghozali, Imam (2018). Aplikasi Analisis Multivariete Dengan Program IBM SPSS 25. Edisi 9: Badan Penerbit Universitas Diponegoro.

Hadiwijaya, T., Lahindah, L., & Pratiwi, I.R. (2016). Effect of capital structure and corporate governance on firm value (Study of listed banking companies in Indonesia Stock Exchange). Journal Of Accounting and Business Studies, 1(1), 39-58.

Hapsari, Ajeng Andriani (2018). Pengaruh good corporate governance (GCG) dan corporate social responsibility terhadap nilai perusahaan. Jurnal Bakti Masyarakat Indonesia, 1(1), 211-222.

Harjadi, Dikdik, Nanda Fajarwati, dan Dewi Fatmasari (2018). Pengaruh kepemilikan institusional dan leverage terhadap nilai perusahaan. Jurnal Ekonomi dan Perbankan Syari'ah Al-Amwal, 10(2), 245-258.

Hersugondo (2018). Struktur kepemilikan dan nilai perusahaan pada perusahaan jasa keuangan yang terdaftar di BEI tahun 2013-2016. Prosiding SENDI, 805-812.

Ikatan Akuntansi Indonesia (2011). SA Seksi 150 tentang Standar Auditing. Jakarta: Ikatan Akuntansi Indonesia.

Istikharoh, S., & Shodiq, M.J (2020). Pengaruh struktur modal dan proporsi dewan komisaris terhadap nilai perusahaan dengan kinerja keuangan sebagai variabel intervening (Studi empiris pada

perusahaan manufaktur yang terdaftar di BEI tahun 2016-2018). Prosiding Konferensi Ilmiah Mahasiswa Unisula, 3:.922-943.
Jensen, M.C., & Meckling, W.H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics, 3:305-360.
Kusumaningrum, W., & Nugroho, B. (2019). Good corporate governance dan profitabilitas terhadap nilai perusahaan konstruksi bangunan. Jurnal Mahasiswa Bina Insani, 3(2):143-152.
Manossoh, H. (2016). Good Corporate Governance Untuk Meningkatkan Kualitas Laporan Keuangan. Bandung: PT Norlive Kharisma Indonesia.
Nuryan, I. (2016). Strategy development and implementation of good corporate governance (GCG) on BUMN and BUMD in Indonesia. Jurnal AdBispreneur, 1(2): 145-152.
Puspaningrum, Y. (2017). Pengaruh corporate social responsibility dan kepemilikan manajerial terhadap nilai perusahaan dengan profitabilitas dan ukuran perusahaan sebagai variabel moderating (Studi empiris pada perusahaan pertambangan di Bursa Efek Indonesia). Jurnal Profita, 2(1):1-14.
Putra, A.A. (2016). Pengaruh good corporate governance terhadap nilai perusahaan (Studi empiris pada perusahaan LQ 45 yang terdaftar di Bursa Efek Indonesia tahun 2009-2013). Jurnal Ekonomi KIAT, 27(2):1-15.
Republik Indonesia. 2014. Peraturan Otoritas Jasa Keuangan Nomor 33/POJK.04/2014 tentang Direksi dan Dewan Komisaris Emiten Atau Perusahaan Publik. Jakarta: Otoritas Jasa Keuangan.
Rusli, Y.M. (2016). Pengaruh kualitas audit dalam hubungan antara tax planning dengan nilai perusahaan. Prosiding Seminar Nasional INDOCOMPAC, 395-406.
Santoso, A. (2017). Pengaruh good corporate governance terhadap nilai perusahaan dengan kinerja sebagai variabel intervening. Prosiding Seminar Nasional dan Call For Paper Ekonomi dan Bisnis, 67-77.
Sari, D.P.K, & Sanjaya, R. (2018). Pengaruh good corporate governance dan karakteristik perusahaan terhadap nilai perusahaan. Jurnal Bisnis dan Akuntansi, 20(1): 21-32.
Sartono, R. Agus (1996). Manajemen Keuangan. Third Edition, Yogyakarta: BPFE.
Sitorus, R.R. & Rianti, H.P. (2020). Pengaruh internet financial report dan good corporate governance terhadap nilai perusahaan dengan kualitas audit sebagai variabel pemoderasi. Jurnal Akuntansi Manajerial, 5(1):.1-17.
Spira, Laura F. (2002). The Audit Committee: Performing Corporate Governance. New York: Kluwer Academic Publisher.
Sumarno, J., Widjaja, S., & Subandriah. (2016). The impact of good corporate governance to manufacturing firm's profitability and firm's value. Jurnal Ilmu Ekonomi Signifikan, 5(2):181-196.
Sunardi, N. (2019). Mekanisme good corporate governance terhadap nilai perusahaan dengan leverage sebagai variabel intervening pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2012-2018. Jurnal Ilmiah Manajemen Forkamma, 2(3): 48-61.
Suryaningsih, I., Andini, R., & Oemar, A. (2018). Pengaruh kepemilikan manajemen, ukuran dewan komisaris, dan kebijakan dividen terhadap nilai perusahaan dengan corporate social responsibility sebagai variabel moderating (Studi kasus pada perusahaan industri perdagangan barang dan konsumsi di BEI periode tahun 2012-2016). Jurnal Of Accounting, 4(4):1-20.
Tandiontong, M. (2015). Kualitas Audit dan Pengukurannya. Bandung: Alfabeta.
Thendean, C.A., & Meita, I. (2019). Pengaruh ukuran dewan komisaris dan ukuran dewan direksi terhadap nilai perusahaan dengan kepemilikan intitusional sebagai variabel moderasi. Jurnal Ekonomi, Manajemen, dan Akuntansi, 21(2), 152-162.
Warapsari, A.A.A.U., & Suaryana, I.G.N.A. (2016). Pengaruh kepemilikan manajerial dan institusional terhadap nilai perusahaan dengan kebijakan utang sebagai variabel intervening. E-Jurnal Akuntansi Universitas Udayana, 16(3), 2288-2315.
Wardhani, T.S., Chandrarin, G., & Rahma, A.F. (2017). Pengaruh kepemilikan institusional terhadap nilai perusahaan dengan keputusan investasi, keputusan pendanaan, dan kebijakan dividen sebagai variabel moderasi. Jurnal Ilmiah Akuntansi, Keuangan, dan Pajak, 1(2), 93-110.
Widianingsih, D. (2018). Kepemilikan manajerial, kepemilikan institusional, komisaris independen, serta komite audit pada nilai perusahaan dengan pengungkapan CSR sebagai variabel moderating dan firm size sebagai variabel kontrol. Jurnal Akuntansi dan Pajak, 19(1), 38-52.
Wijaya, AL (2020). The effect of audit quality on firm value: A case in the Indonesian manufacturing firm. Journal Of Accounting, Finance, and Auditing Studies, 6(1), 1-15.