The Effect of Independent Commissioners, Audit Committee, Internal Audit, Audit Quality, Company Size on Financial Performance in Banking Companies

Olga Cendy Navillia
Faculty of Business Law and Social Sciences, University of Muhammadiyah Sidoarjo
cendynavillia17@gmail.com

Ruci Arizanda Rahayu
Faculty of Business Law and Social Sciences, Universitas Muhammadiyah Sidoarjo
ruci_rahayu@umsida.ac.id

Abstract

This study aims to determine the financial performance of companies in the financial sector. Financial performance is projected by Return Of Assets (ROA) as a measure of financial performance based on company operations. This study is determined by the variables of the independent board of commissioners, audit committee, internal audit, audit quality, and company size, with the object of research of banking companies listed on the Indonesia Stock Exchange for the period 2020-2022. Sampling was carried out using a purposive sampling method involving 96 sample companies. Multiple regression analysis was used as the analysis method in this study. The results showed that the independent board of commissioners, internal audit, and company size have a significant correlation with the financial performance of banking companies. Meanwhile, the audit committee and audit quality have no correlation with the financial performance of banking companies.

Keywords: Company financial performance; Return Of Assets (ROA); Financial sector companies

INTRODUCTION

Businesses around the world are developing with a focus on corporate survival in a highly competitive global era. Competition between companies from various sectors is getting tougher, where they compete actively to increase the competitiveness of their companies. (Bancin & Harmain, 2022). One of the factors that affect the competitiveness of the company is financial performance. Financial performance is the financial condition of a company in a certain period which is used to assess the extent to which the company has managed to manage financial aspects effectively and accurately. (Nur Amalia, 2021). Financial performance is an important part for management in making strategic decisions and as a source of information for interested parties such as investors, creditors, and other entities that have an interest in the reliability of the company. (Yulianti & Cahyonowati, 2023). Financial performance can be assessed through an evaluation of the financial statements published by the company using financial ratios that are analyzed periodically in each specific period. One of the financial performance indicators used in this study is Return of Assets (ROA). ROA provides a more comprehensive picture of how well the company uses all types of assets to generate profits, so that the higher the profit value, the better the company's profits. Meanwhile, ROE only focuses on the return that shareholders
get from the equity investment they invest in. (Astaningrum & Widodo, 2023). Thus, strong financial performance is a good foundation for the growth and sustainability of the company.

Good financial performance can be achieved by increasing profits in the company. An increase in the company is considered a good sign for investors. Launching from CNBC Indonesia, there is a phenomenon of increasing profits that occur in one of the banking sectors. In 2022, PT Bank Rakyat Indonesia (BRI) managed to record an impressive achievement by achieving a consolidated net profit of Rp 51.17 trillion attributable to owners of the parent entity. The profit was recorded to have jumped 64.71% compared to the previous year. The increase in profit was in line with the increase in interest income which reached Rp 151.8 trillion, up 5.8% compared to the previous year. BRI's net interest income (NII) also increased from Rp 114.1 trillion to Rp 124.6 trillion or up 9.2% compared to the previous year. From the additional net premium income, BRI's operating income also increased to Rp 126.2 trillion. Judging from this phenomenon, BRI recorded a very good performance throughout 2022. (Putra, 2023).

In addition, based on data from the Financial Services Authority in November 2022, bank credit grew by 11.6% (yoy) while the collection of Third Party Funds (DPK) grew by 8.78% (yoy). Good banking development is reflected in ample liquidity conditions as reflected in the AL/NCD and AL/DPK ratios of 134.97% and 30.42% respectively. The liquidity ratio is still far above the threshold, although lower than last year's period due to accelerated lending and the policy of increasing the reserve requirement ratio. Bank capital is also relatively strong and is believed to be able to absorb the risks faced with a CAR of 25.49 percent. Credit risk tended to decline as reflected in the gross and net NPL ratios of 2.65 percent and 0.75 percent respectively, while Loan at Risk amounted to 15.12 percent. The decrease in credit risk was partly due to the improvement in the quality of loans restructured due to the impact of Covid-19. (Financial Services Authority, 2023). The increase in profits that occurred showed that the company managed to improve its financial performance. If the company manages to achieve good financial performance, it will attract investors to invest their capital. (Widyari et al., 2022).

There are several factors that drive the rise and fall of financial performance. One of the factors is Good Corporate Governance. IICG (Indonesia Institute of Corporate Governance) is one of the organizations that promote good corporate governance in Indonesia. IICG is an initiative of the Indonesian Transparency Institute (MTI) and community leaders to socialize the concepts, practices and benefits of Good Corporate Governance (GCG) to the business world, especially the community and the wider community in 2000. IICG is part of Civil Society's mission to encourage the creation of a trustworthy, ethical and dignified Indonesian business community. As an independent non-profit organization, IICG is committed to encouraging the practice of GCG and good corporate governance in Indonesia as well as assisting and assisting companies in adopting the concept of corporate governance. With good corporate governance, companies can expect to improve their performance and profitability. (Pratiwi & Bahari, 2020). Good Corporate Governance is an important component in supporting the implementation of effective and transparent corporate governance in Indonesia, which is expected to encourage the improvement of the company's financial performance. (Tamba & Adiwibowo, 2021). To achieve efficient and effective financial performance for the company through Good Corporate Governance, it is necessary to align the management of the company from the independent board of commissioners and the audit committee to manage the company's good operations. (Adi & Suwarti, 2022). The independent board of commissioners has the role and responsibility to ensure the implementation of the company's strategy, supervise management in carrying out company operations, and ensure accountability. The main focus of commissioner accountability is to protect the interests of other stakeholders involved and affected by company activities. (Bancin & Harmain, 2022). The more independent members of the board of commissioners, the
higher the level of supervision carried out on company performance. (Tamba & Adiwibowo, 2021). Based on agency theory, it is hoped that the role of the independent board of commissioners can assist in reducing problems that arise between agents and principals. This aims to maintain company resources in order to achieve greater profits and improve the company's financial performance (Adi & Suwarti, 2022). Some previous studies regarding the independent board of commissioners on the company's financial performance show varied and inconsistent results, such as the results revealed from previous studies that the independent board of commissioners has a positive and significant effect. While the results revealed from previous studies state that the independent board of commissioners has no effect on financial performance. (Andriani & Trisnaningsih, 2023; Arimby & Astuti, 2023).

The audit committee has an important role in ensuring compliance with operational activities in accordance with company policies and verifying financial reports in accordance with applicable accounting standards. (Sari et al., 2020). The more the presence of an audit committee in the company will increase protection and supervision of accounting and financial processes, which in turn can make a positive contribution to the company's financial performance. (Wardati et al., 2021). This reflects agency theory which states that the existence of a large audit committee is considered capable of providing effective supervision of management, thereby reducing agency costs and improving the company's overall financial performance (Yuliyanti & Cahyon, 2021). (Yuliyanti & Cahyonowati, 2023). Several previous studies regarding the audit committee on the company's financial performance show mixed and inconsistent results, as revealed by previous studies that the audit committee has no statistical effect on financial performance (Bancin & Harmain, 2020). (Bancin & Harmain, 2022; Malik, 2022). However, both contradict the results of previous research which revealed that the audit committee has a significant positive correlation with financial performance (Ika Nova Andriani & Harmain, 2022; Malik, 2022). (Ika Nova Andriani & Trisnaningsih, 2023; Wardati et al., 2021). As for previous research which states that the audit committee has a significant negative correlation with financial performance (Adi & Suwarti, 2022).

The next factor that drives the ups and downs of financial performance is internal audit. Internal audit is a consultative activity carried out independently and objectively, which aims to increase added value and improve the company's operational efficiency. (Saleh et al., 2023) Internal audit plays a central role in the company by providing direct consultation to management, providing recommendations, and strategic advice that supports the growth and progress of the company (Syifa, 2021). Internal audit with its existence not only provides trust but also encourages the improvement of the company's financial performance. (Syatia & Yushita, 2017) Internal audit refers to an internal examination by the audit division within the company that reviews financial statements, accounting records, conformity with upper management policies, and compliance with applicable professional standards. (Jayanti et al., 2023). This is in line with the relationship between stakeholder theory and internal audit which lies in the use of the company's financial audit report as a source of information for stakeholders to understand the company's condition and support decision making in line with the company's common interests. (Saleh et al., 2023). The implementation of a good internal audit is evaluated from the effectiveness and efficiency of the company's internal and continuous improvement over time, this makes the important role of internal audit in increasing the growth potential of the company's financial performance. (Meidiana & NR, 2020). Based on previous research that has been conducted, it shows varied and inconsistent results regarding internal audit on financial performance. Previous research revealed that there is a significant positive effect between internal audit and financial performance. (Asih & Septiani, 2018; Darmayanti & Arigawati, 2023).
Contrary to the results of previous research which revealed that internal audit has no effect on financial performance (Jayanti et al., 2023). (Jayanti et al., 2023).

The next factor related to the ups and downs of financial performance is audit quality. Audit quality is a step that aims to harmonize information between company managers and shareholders through examining financial statements. (Marietza et al., 2020). Audit quality reflects the important role of auditors in ensuring that the company's financial statements are reliable and in accordance with applicable audit standards. (A. Damayanti & Widiatmoko, 2023). The level of increase in company profits can be achieved significantly through an increase in the quality of the audit applied. High audit quality has an important role in ensuring the reliability of financial statements, so as to increase shareholder confidence and overall strengthen the company's financial performance. If audit quality standards are met, it has the potential to achieve integrity in improving financial performance. (Meidona, 2018). This refers to agency theory which can affect the quality of financial statements under special conditions that require the application of controls to align the interests of agents and principals. (Rizki & Wuryani, 2021). Thus, companies must place audit quality as a top priority because it is an important component in maintaining transparency, accountability, and trust from the various parties involved. (Aji et al., 2023). Based on previous research, there are differences in research results regarding audit quality on financial performance. Previous research states that audit quality is stated to have a significant positive effect on financial performance (Aji et al., 2023). (Aji et al., 2023). However, there are differences in statements from previous studies that audit quality has a negative effect on financial performance. (Marietza et al., 2020). Meanwhile, previous research states that audit quality has no effect on financial performance (Apriani et al., 2020).

The next factor that can drive the rise and fall of financial performance is company size. The size of a company is reflected in how much total assets it has (Wulandari & Novitasari, 2020). This shows that the greater the amount of assets, the greater the amount of funds managed and the more complex the management task. (P. M. D. Damayanti & Septiyanti, 2022). An increase in the number of assets and sales can signal the growth of company size. Large companies that have been listed on the stock exchange have broad access to sources of funds through the capital market or banking institutions. This is used to fund investments to improve the company's financial performance. (Nur Amalia, 2021). This refers to agency theory, because the larger the size of the company, the more complicated the needs and challenges are because supervising and managing a large company becomes difficult so that reducing agency costs in large companies with large financial resources can facilitate the management of potential information, reduce additional costs for information disclosure, and increase investor confidence to achieve better corporate financial performance. (Ningsih & Wuryani, 2021). The more effectively the company manages assets in its operating activities to create profits, the higher the potential profit value generated. Thus, the larger the size of the company, the higher the company's financial performance. (Diana & Osesoga, 2020). Based on the research that has been done, there are several varied results regarding company size on financial performance. Previous research states that company size has a positive effect on company performance (Rosella & Nugroho, 2023; Uci Rosalinda et al., 2022). Meanwhile, different results were obtained by previous research which stated that company size had no effect on financial performance (Astuti et al., 2021).

Agency theory was first proposed in 1976 by Michael C. Jensen and William H. Meckling. This theory discusses the relationship between principals and agents. Agency relationships occur when clients (shareholders) give agents (management) the authority to make decisions regarding company management. This relationship between principal and agent can lead to information asymmetry. This problem may be caused because the agent has more information
about the company's condition than the principal. Agency theory assumes that all individuals act in accordance with their respective interests in order to increase their own profits. The definition of information asymmetry according to Brigham and Houston (2014) is: Information asymmetry is a situation where managers have different (better) information about the company's prospects than investors". Suhendah and Imelda (2012) state that information asymmetry is it explains that this is a situation where companies have access to information about a company not owned by outsiders, resulting in an imbalance in information ownership between companies. Agency problems not only arise between shareholders and agents, but also between controlling shareholders and non-controlling shareholders. (Intia & Azizah, 2021).

This research focuses on financial sector companies in the banking sub-sector listed on the Indonesia Stock Exchange. The selection of this sub-sector is based on consistent growth from year to year and high profit achievement. The high profit earned by the company is an important indicator of good financial performance, so this reflects good financial performance in assessing the company from the point of view of the profit earned (Meidona, 2018). (Meidona, 2018). Several previous studies related to the variables used in this study developed research from (P. M. D. Damayanti & Septiyanti, 2022) that the independent board of commissioners, audit committee and company size have a positive effect on financial performance. In this study using different dependent variables, namely banking sub-sector companies and adding two independent variables, namely internal audit and audit quality. Based on the background explanation and given the inconsistent results of previous research, researchers are interested in conducting this research. This research has an important role in the hope that it can provide benefits for investors or potential investors in analyzing the company's financial performance before making an investment. This is done by considering the role of the independent board of commissioners, audit committee, internal audit, audit quality, and company size that affect the company's financial performance. The purpose of this study was to determine the effect of the independent board of commissioners, audit committee, internal audit, audit quality, and company size on financial performance.

THEORETICAL FRAMEWORK AND HYPOTHESIS

The independent board of commissioners is a member of the board of commissioners who has no relationship with the board of directors, other members of the board of commissioners, majority shareholders and is also not involved in business relationships or other affiliations that can affect independence and decisions in overseeing the company. (Malik, 2022). The independent board of commissioners is tasked with implementing the policies or strategies that have been set, overseeing the company's achievements, and ensuring that company operations run with high transparency. (Rizki & Wuryani, 2021). In the perspective of agency theory, the independent board of commissioners plays a role in overseeing opportunistic actions taken by managers and aligning the interests of investors and managers, so that company performance can be influenced by the structure and composition of members on the board of commissioners (Tamba & Adiwibowo, 2021). In addition, the selection of this agency theory is because there are still managers who directly interact in every activity of a company so that managers understand the condition of the company (Hasanudin et al., 2021). Previous research found that the independent board of commissioners has a significant positive correlation with the company's financial performance (Malik, 2022). Meanwhile, the results of previous research found that the independent board of commissioners has a negative and significant correlation with the company's financial performance. (Ningsih & Dewi, 2019). Based on the results of this study, it is the basis for formulating the following hypothesis.
H1: The independent board of commissioners affects the company's financial performance

Every company in Indonesia is required to form an audit committee formed by the board of commissioners through a board of commissioners decree. The audit committee is a committee that works professionally and independently formed by the board of commissioners. Its task is to assist and strengthen the function of the board of commissioners over the financial reporting process, risk management, audit implementation, and implementation of corporate governance in companies (Shanti, 2020). The audit committee is responsible for regulating the implementation of effective corporate governance, where the main focus is to encourage the implementation of effective corporate governance, ensure proper internal control systems, improve transparency and financial reporting standards, and evaluate in detail the scope, accuracy, independence, and objectivity of public accountants (Malik, 2022). The more the presence of an audit committee in the company can increase supervision of financial processes and potentially have a positive impact on increasing earnings value. Increasing company profits is one of the factors in improving the company's financial performance (Wardati et al., 2021). This supports agency theory that an effective audit committee can improve the quality of financial statements and reduce agency problems by reducing information imbalances between managers and stakeholders. This is reflected in the improvement of the company's financial performance. (Yuliyanti & Cahyonowati, 2023). The results of previous research state that the audit committee has a significant positive effect on the company's financial performance (Sitanggang, 2021). Conversely, previous research shows that the audit committee has a significant negative effect on financial performance (Adi & Suwarti, 2022). Based on the results of this study, it is the basis for formulating the following hypothesis.

H2: The audit committee affects the company's financial performance

Internal audit in a company has an important role in overseeing company activities, especially in terms of financial performance. By carrying out internal audits, companies can gain the trust needed to improve company performance (Nugroho & Bayunitri, 2021). This is based on stakeholder theory where companies do not only measure from the point of view of shareholders but their influence on employees, customers, the environment as a whole. This will help companies to better understand the financial implications of various business decisions on all parties involved (Saleh et al., 2023). Thus, internal audit has the ability to increase the growth potential of the company's financial performance (Meidiana & NR, 2020). Previous research results show that internal audit has a significant positive correlation with financial performance. (Darmayanti & Arigawati, 2023; Saleh et al., 2023). This is the basis for formulating the following hypothesis.

H3: Internal audit affects the company's financial performance

Audit quality reflects the important role of auditors in carrying out their responsibilities in examining the financial statements of a company, which aims to produce reliable and fair financial statements (A. Damayanti & Widiatmoko, 2023). This refers to agency theory which can affect the quality of financial statements under certain conditions that require control to align the interests of agents and principals (Rizki & Wuryani, 2021). This makes audit quality a top priority in the company because it can maintain transparency, accountability, and trust of all parties involved. (Aji et al., 2023). Previous research reveals that audit quality has a significant positive correlation with financial performance (Aji et al., 2023). Meanwhile, previous research states that audit quality has a negative effect on financial performance. (Marietza et al., 2020). This is the basis for formulating the following hypothesis.
H4: Audit quality affects the company's financial performance

Company size is a scale by which the size of the company can be classified in various ways, including total assets, sales, and stock market value. (Suryani & Purbohastuti, 2020). Company size affects financial performance where larger companies have access to greater sources of funds for investment in generating increased profits. (Nur Amalia, 2021). The more efficient the management of assets in its operational activities, the greater the potential profit that can be generated. This makes the larger the size of the company, the higher the financial performance. (Diana & Osesoga, 2020). The larger the size of the company, the more complicated the needs and challenges faced because supervising and managing a large company becomes increasingly difficult so that this refers to agency theory where reducing agency costs in large companies with great financial strength can facilitate information management, reduce additional costs for information disclosure, and increase investor confidence to achieve better company performance (Ningsih & Dewi, 2019). Previous research on company size has a positive correlation with financial performance (Rosella & Nugroho, 2023; Uci Rosalinda et al., 2022). Meanwhile, previous research revealed that company size has a negative correlation with financial performance (Kurniawan & Samhaji, 2020; Rahmatin & Kristanti, 2020). This is the basis for formulating the following hypothesis.

H5: Company size affects financial performance

RESEARCH METHODS

Research Type and Sample

This research uses quantitative methods. The type of data in the study uses secondary data. The data source used is the annual financial statements of banking companies. The data collection technique is carried out directly in the form of company documentation by obtaining data from the annual financial statements of banking sector companies listed on the Indonesia Stock Exchange from 2020-2022 and can be accessed through the official website, namely www.idx.co.id. The population in this study are banking sector financial companies listed on the Indonesia Stock Exchange in 2020-2022 with a total population of 47 companies. The sampling technique uses purposive sampling technique, which is a sampling technique by selecting several criteria.

Research Model

The dependent variable in this study is financial performance, while the independent variables include independent board of commissioners, audit committee, internal audit, audit quality and company size.
The hypothesis in this study is as follows:
H1: The independent board of commissioners affects the company's financial performance.
H2: The audit committee affects the company's financial performance.
H3: Internal Audit affects the company's financial performance.
H4: Audit quality affects the company's financial performance.
H5: Company size affects the company's financial performance.

Table 1. Sampling Criteria

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking sector financial companies listed on the Indonesia Stock Exchange for the period 2020-2022</td>
<td>47</td>
</tr>
<tr>
<td>2</td>
<td>Banking sector financial companies that publish financial reports consistently during the period 2020 – 2022</td>
<td>(1)</td>
</tr>
<tr>
<td></td>
<td>Financial companies in the banking sector that managed to achieve profits during the period 2020-2022</td>
<td>(14)</td>
</tr>
<tr>
<td></td>
<td>Number of companies selected as research samples</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Number of samples selected 32 × 3</td>
<td>96</td>
</tr>
</tbody>
</table>

Source: Processed by researchers

Variable Identification and Indicators
The dependent variable in this study is financial performance. There are five independent variables in this study, including the independent board of commissioners, audit committee, internal audit, audit quality, and company size. The following is a table of variable indicators:

Table 2: Variable Indicators

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicator</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance (Y)</td>
<td>$ROA = \frac{Net \ Profit}{Total \ Assets}$</td>
<td>Ratio</td>
</tr>
<tr>
<td>Source: (Nur Amalia, 2021; Rosella &amp; Nugroho, 2023)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Board of Commissioners (X)</td>
<td>$DKI = \frac{Number \ of \ independent \ commissioners}{The \ total \ number \ of \ members \ of \ the \ independent \ board \ of \ commissioners}$</td>
<td>Ratio</td>
</tr>
</tbody>
</table>
Audit Committee \((X)_2\)

\[\sum = \text{Number of members of the company's audit committee}\]

Source: (Malik, 2022; Sari et al., 2020)

Internal Audit \((X)_3\)

\[\sum = \text{Number of members of the company's internal auditors}\]

Source: (Meidiana & NR, 2020; Saleh et al., 2023)

Audit Quality \((X)_4\)

\[KA = \text{Proxyd by a public accounting firm (big four (1) or non big four (0))}\]

Dummy

Source: (Apriani et al., 2020; Meidona, 2018)

Company Size \((X)_5\)

\[\text{Firm Size} = \text{Ln (Total Asset)}\]

Ratio

Source: (P. M. D. Damayanti & Septiyanti, 2022; Rosella & Nugroho, 2023)

Source: Processed by researchers

### Technical Analysis

Data analysis in this study was carried out using SPSS 23 software, with the aim of assessing the validity and reliability of the data, viewing data distribution, and determining the strength or closeness of the relationship between the two variables studied. This study uses multiple regression analysis methods because the independent variables used are more than one, the focus of multiple regression analysis in this study is to explore the relationship between two or more independent variables and the dependent variable (P. M. D. Damayanti & Septiyanti, 2022). The multiple regression analysis equation is as follows:

\[Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e\]

**Description:**

- **Y**: ROA
- **X1**: Independent Commissioner
- **X2**: Audit Committee
- **X3**: Internal Audit
- **X4**: Audit Quality
- **X5**: Company Size
- **a**: Constant
- **\(\beta\)**: Regression Coefficient
- **e**: Standard Error

**Hypothesis Test**

Hypothesis testing shows support for an estimate of population parameters that are unknown whether true or false, based on information obtained from samples taken from the population. This is done using a partial significant test (t-test) with the aim of assessing how
much influence each independent variable individually (partially) has on the dependent variable. In this hypothesis test, if the significance value is less than 0.05, the hypothesis will be accepted, while if the significance value is more than 0.05, the hypothesis will be rejected. This aims to determine the existence of a significant relationship between the variables studied (Marietza et al., 2020).

RESULTS AND DISCUSSION

Normality Test

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Means</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Board of Commissioners</td>
<td>96</td>
<td>1.00</td>
<td>666666667</td>
<td>242228853</td>
<td>303749389</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>96</td>
<td>3.00</td>
<td>8.00</td>
<td>4.0000</td>
<td>1.27321</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>96</td>
<td>-3498614518</td>
<td>503462062</td>
<td>.0000</td>
<td>838900593</td>
</tr>
<tr>
<td>Audit Quality</td>
<td>96</td>
<td>.00</td>
<td>1.00</td>
<td>.4375</td>
<td>.49868</td>
</tr>
<tr>
<td>Company Size</td>
<td>96</td>
<td>27996521</td>
<td>3522818895</td>
<td>2880549608</td>
<td>914138668</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>96</td>
<td>69353</td>
<td>84093281</td>
<td>13929232</td>
<td>16069194</td>
</tr>
</tbody>
</table>

Source: SPSS 23 Output

In terms of sampling, 96 observations were obtained from banking companies listed on the IDX during the 2020-2022 period. Descriptive statistical analysis presented in Table 3 shows that the minimum value of 1.00 and the maximum is 666666667, with an average of 242228853 and a standard deviation of 303749389. The audit committee, the minimum value is 3.00 and the maximum value is 8.00, with an average of 4.0000 and a standard deviation of 1.27321. Internal audit has a minimum value of -3498614518 and a maximum value of 503462062, with an average of .0000 and a standard deviation of 838900593. Audit quality has a minimum value of .00 and a maximum value of 1.00 with an average of .4375 and a standard deviation of .49868. Company size has a minimum value of 27996521 and a maximum of 3522818895 with an average of 2880549608 and a standard deviation of 914138668. While financial performance has a minimum value of 69353 and a maximum of 84093281 with an average of 13929232 and a standard deviation of 16069194.

Classical Assumption Test

Classical assumption testing is carried out to assess the feasibility of using the research model. This is done to ensure that the regression model used has met various basic assumptions such as normality, multicollinearity, autocorrelation, and heteroscedasticity. The following are the results of the classical hypothesis test that has been carried out on the data used in this study (Malik, 2022).
Normality Test

<table>
<thead>
<tr>
<th>Table 4. Normality Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-standardized Remaining</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters$^{a,b}$</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>The Most Extreme Difference</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Test Statistics</td>
</tr>
</tbody>
</table>

Source: SPSS 23 Output

From the data listed in Table 4, a significance value of 0.200 was obtained which exceeds the threshold value of 0.05. From these test results, the data shows a normal distribution. This is in accordance with the prerequisites required in the Kolmogorov-Smirnov normality test. With the fulfillment of the normality assumption in the regression model, further testing can be carried out.

Multicollinearity Test

<table>
<thead>
<tr>
<th>Table 5. Multicollinearity Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient$^a$</td>
</tr>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>a. Dependent Variable: Financial Performance</th>
</tr>
</thead>
</table>

Source: SPSS 23 Output

Multicollinearity test is conducted to evaluate the possibility of correlation between independent variables in the regression model, by looking at the low tolerance value and high VIF value, because VIF is calculated as the inverse of tolerance (VIF = 1/tolerance). Based on Table 5, the variables of independent board of commissioners, audit committee, internal audit, audit quality, and company size show a tolerance value > 0.100 which states that there is no correlation between the independent variables. In addition, the results of the Variance Inflation Factor (VIF) calculation show that the VIF value for these variables.

Autocorrelation Test

The information in Table 6 shows that the Durbin-Watson value is 1.958 with a sample of 96 and a total of 5 variables, then the du value = 1.7785 and the 4-du value = 2.2215. Since the DW value is between du and 4-du (1.7785 < 1.958 < 2.2215), it can be concluded that there is no autocorrelation.
Table 6. Autocorrelation Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Waston</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.615a</td>
<td>.378</td>
<td>.343</td>
<td>13022994.69</td>
<td>1.958</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Company Size, Audit Committee, Independent Board of Commissioners, Internal Audit, Audit Quality
b. Dependent Variable: Financial Performance

Source: SPSS 23 Output

Heteroscedasticity Test

To evaluate the presence of heteroscedasticity, it is done by observing the Scatterplot to see whether there is a random distribution or a certain pattern in the residuals. The presence of heteroscedasticity can be indicated if the points are not random and form a pattern. A regression model that is considered good is one that does not experience heteroscedasticity (Nur Amalia, 2021).

![Scatterplot](image)

Based on the results of the heteroscedasticity test, there is no very clear pattern and the points tend to spread evenly. Therefore, it can be concluded that there is no indication of heteroscedasticity in this study.

Multiple Regression Analysis Test

The constant has a positive value of 41496319.86, which indicates that a positive sign signifies the relationship between the independent variable and the dependent variable. In this context, if there is an increase in the five independent variables, namely the independent board of commissioners, audit committee, internal audit, audit quality, and company size, then financial performance will increase. The value of $\beta_1 = 0.018$ which indicates that the assumption of a 1% increase in the independent board of commissioners variable will increase financial performance by 0.018 or 1.8%. The value of $\beta_2$ is -1531156.345, which means that if there is a 1% increase in the audit committee variable, financial performance will decrease by -1531156.345. While the $\beta_3$ value is 0.009 which indicates that the assumption of a 1% increase in the internal audit variable will result in an increase in financial performance of 0.009 or 0.9%.
The value of $\beta_4$ is -5062089.816, meaning that if there is a 1% increase in the audit quality variable, financial performance will decrease by -5062089.816. The $\beta_5$ value is 0.005, indicating that it is assumed that every 1% increase in the company size variable will be followed by an increase in financial performance of 0.005 or 0.5%.

The multiple linear regression equation is obtained as follows:

$$Y = 41496319.86 + 0.018X_1 + (-1531156.345)X_2 + 0.009X_3 + (-5062089.816)X_4 + 0.005X_5 + \epsilon$$

The significance level in this study was set at 5% or 0.05. To find the value of the $t$ distribution table at a significance level of 5%, the $t$ table value is 1.98667. The results of the individual parameter test ($t$ test) show that the independent board of commissioners variable has a $t_{\text{count}}> t_{\text{table}}$ value where $4.097 > 1.98667$ with a significance level of 0.000 < $t_{\text{table}}$, namely $-1.255 < 1.98667$ with a significance level of 0.213 > 0.05. This shows that the audit committee has no effect on financial performance. The internal audit variable has a $t_{\text{count}}> t_{\text{table}}$ value where $5.2250 > 1.98667$ with a significance level of 0.000 < $t_{\text{table}}$, namely $-1.672 < 1.98667$ with a significance level of 0.098 > 0.05, which means that audit quality has no effect on financial performance. The company size variable has a significant effect on financial performance because the $t_{\text{count}}> t_{\text{table}}$ value is $3.483 > 1.98667$ with a significance level of 0.001 < 0.005.

**Determination Coefficient Test**

**R2 Test**

*Table 8. Coefficient of Determination*

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.615*</td>
<td>.378</td>
<td>.343</td>
<td>13022994.69</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Company Size, Audit Committee, Independent Board of Commissioners, Internal Audit, Audit Quality

*Source: SPSS 23 Output*

The determination degree test (R2) is used to evaluate the extent to which the model formed can explain the variation in the independent variables. Based on the results listed in Table 8, the adjusted coefficient of determination (R Square) is 0.378. This means that about 37.8% of the variation of all independent variables such as the independent board of commissioners, audit
committee, internal audit, audit quality, and company size can explain the variation of the dependent variable, namely financial performance. While the remaining 62.2% is explained by other independent variables that are not included in this research model such as intellectual capital, corporate social responsibility, and environmental.

**The Effect of the Independent Board of Commissioners on the Company’s Financial Performance**

Based on the test results, it is known that the significant level of the independent board of commissioners variable is 0.00 < 0.05, so H1 is accepted. This shows that any increase in the proportion of independent commissioners will be followed by an increase in the company's financial performance. The independent board of commissioners successfully carries out its roles and responsibilities in overseeing management performance. Their independence ensures that the independent board of commissioners is not influenced by certain parties, so that it can provide a balance for stakeholders (Yuliyanti & Cahyonowati, 2023). The results of this study are in accordance with the agency theory perspective where the independent board of commissioners has a function to oversee opportunistic behavior by managers, as well as ensuring alignment between the interests of investors and managers (Tamba & Adiwibowo, 2021). The results of this study are in line with previous research which found that the independent board of commissioners has a significant correlation with the company's financial performance (Malik, 2022; Ningsih & Dewi, 2019).

In contrast to the results revealed from previous research which states that the independent board of commissioners has no effect on financial performance (Ika Nova Andriani & Trisnaningsih, 2023).

**The Effect of Audit Committee on Corporate Financial Performance**

Based on the test results, it is known that the significance level of the audit committee variable is 0.213 > 0.05, so H2 is rejected. This shows that the number of committee members in the banking sector involved in the preparation of the company’s financial statements will not affect the analysis of the company’s financial performance conditions. The difference in operational conditions between the banking and manufacturing sectors is the cause of the non-optimal performance of the audit committee so that it can provide opportunities for management not to present transparency in the financial statements. This results in an imbalance of information between management and shareholders which has the potential to cause agency problems (Yuliyanti & Cahyonowati, 2023). In the context of agency theory, the absence of a significant effect of the audit committee on financial performance can be explained that the number of audit committee members, few or many as agents, will not have an effect on financial performance. The audit committee is an auxiliary role of the board of commissioners, so it is not directly involved in the operational management of the company (Malik, 2022). The results of this study are in line with previous research which states that the audit committee has no effect on financial performance. (Bancin & Harmain, 2022; Malik, 2022). In contrast to previous research which states that the audit committee has an effect on financial performance (Wardati et al., 2021).

**The Effect of Internal Audit on Corporate Financial Performance**

Based on the test results, it is known that the significance level of the internal audit variable is 0.00 < 0.05, so H3 is accepted. This shows that the more internal auditors involved can increase internal audit efficiency and improve financial reporting. The number of auditors tailored to the needs of the company supports management in carrying out its responsibilities and improving the company's financial performance. (Asih & Septiani, 2018). The link between stakeholder theory and internal audit is in the internal audit report on the company's financial performance. The report that has been examined by the auditor becomes a source of stakeholder information to evaluate the company's condition and becomes the basis for making
decisions related to responsibility in achieving company goals (Saleh et al., 2022). The results of this study are in line with previous research which shows that internal audit has a significant correlation with financial performance. (Darmayanti & Arigawati, 2023; Saleh et al., 2023). In contrast to the results of previous research which revealed that internal audit has no effect on financial performance (Jayanti et al., 2023).

The Effect of Audit Quality on Corporate Financial Performance

Based on the test results, it is known that the significance level of the audit quality variable is $0.98 > 0.05$, so $H_4$ is rejected. In agency theory which assumes that humans always act to maximize profits, the existence of an independent third party such as an external auditor is very important as an intermediary between the principal and the agent. Evaluation of audit quality must consider input from clients and output from auditors, because the accuracy of information in financial statements is highly dependent on the quality of auditors (Rizki & Wuryani, 2021). This is due to the professional nature of the audit carried out by the Public Accounting Firm in accordance with professional standards that apply to all Public Accounting Firms, be it big four or non-big four, must comply with the same ethical and quality standards. This indicates that the size or scale of the Public Accounting Firm involved does not affect the audit results so that audit quality has no effect on the company's financial performance. (Apriani et al., 2020). The results of this study are in line with previous research which noted that there is no effect of audit quality on financial performance. (Apriani et al., 2020; Ningsih & Dewi, 2019). In contrast to the results of research which states that audit quality has an effect on financial performance (Aji et al., 2023).

The Effect of Company Size on Company Financial Performance

Based on the test results, it is known that the significance level is $0.001 < 0.05$, so $H_5$ is accepted. These results prove that large companies have greater ability and stability in generating profits, which means that the larger the size of the company, the higher its financial performance. Large companies have wider access to information and are more easily accessible to investors (Diana & Osedega, 2020). This is in line with agency theory which explains that information asymmetry occurs when managers have access to more internal company information and get it faster than external parties such as investors and creditors (Ningsih & Wuryani, 2021). The results of this study are in line with previous research which states that company size affects financial performance. (Kurniawan & Samhaji, 2020; Rahmatin & Kristanti, 2020). In contrast to the results of previous studies which state that company size has no effect on financial performance (Astuti et al., 2021).

CONCLUSIONS

Based on the results of research and analysis, it shows that the existence of an independent board of commissioners has a significant correlation with the company's financial performance because the independent board of commissioners successfully carries out its roles and responsibilities in overseeing management performance. So that any increase in the proportion of independent commissioners will be followed by an increase in the company's financial performance. The audit committee has no correlation with financial performance because the number of committee members involved in preparing the company's financial statements will not affect the analysis of the company's financial performance conditions. Internal audit has a significant correlation with financial performance because the more internal auditors involved can increase internal audit efficiency and improve financial reporting. Audit quality has no correlation with financial performance because the size of the public accounting firm involved does not affect the audit results, so audit quality has no impact on the company's financial
performance. Company size has a significant correlation with financial performance because large companies have greater ability and stability in generating profits, which means that the larger the size of the company, the higher its financial performance. This study has several limitations that need to be considered, the first is the R square value which is still relatively low. Second, this study only focuses on financial companies in the banking sub-sector listed on the Indonesia Stock Exchange. From the limitations previously described, the suggestions given for further research are first, adding other independent variables in future studies to increase the R square value, such as intellectual capital, corporate social responsibility, and environmental. Second, increase the research period and can expand the scope of objects, not only limiting it to banking companies but also covering all financial sector companies or other sectors such as manufacturing and mining.

REFERENCES


https://doi.org/10.33395/Owner.V6i4.1124


Shanti Yunita Kurnia (2020). The Effect of the Audit Committee on the Company's Financial Performance with the Board of Commissioners as an Intervening Variable. *Iqtishaduna: Journal of Our Economy, 9*(2), 147-158.


