



The Influence of The Audit Committee, Audit Opinion and Auditor Switching on Firm Value

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ABSTRACT

This study aims to analyze the influence of independent variables, namely audit committee, audit opinion and auditor turnover on the dependent variable, namely Company Value for property and real estate sector companies in 2019-2023 listed on the Indonesia Stock Exchange (IDX) and related company websites from secondary data taken from financial reports that have been audited by a Public Accounting Firm in the form of an Independent Auditor Report. The population was taken from 85 companies, while according to the criteria it produced 15 companies with a purpose sample method with data analysis using multiple regression analysis with data management using eviews 12. The results of the study showed that simultaneously the audit committee variable, audit opinion variable and auditor turnover variable had an effect on the company value variable. for the audit committee variable did not affect the company value variable, the audit opinion variable affected the company value variable and the auditor turnover variable did not affect the company value variable.

Keywords: Audit Committee, Audit Opinion, Auditor Change, Company Value

1. INTRODUCTION

Every company, to maintain sustainable continuity and ensure its ongoing operations, must conduct business activities with good governance and generate margins for the company through performance improvements reflected in stock price increases, which can be determined through the company's value. The increase in company value becomes an indicator of the company's profit, resulting in positive impacts for shareholders in terms of obtaining profits.

The property and real estate sector in Indonesia has become a rapidly growing business. News (2024) cites data from the Central Bureau of Statistics (BPS), which

states that the real estate sector contributed Rp 343.86 trillion to Indonesia's Gross Domestic Product (GDP) in 2023. Meanwhile, the construction sector contributed Rp 1.18 quadrillion to the GDP during the same period. The figures presented by BPS are similar to the calculations from research institution Mordor Intelligence, which estimated the value of the Indonesian property market in 2023 to be US\$ 93.1 billion (Rp 1.49 quadrillion). This value is expected to grow to US\$ 135.1 billion (Rp 2.16 quadrillion) by 2029. In Indonesia, the property sector has been dominated by large conglomerates such as Sinar Mas Land, Agung Podomoro Land, Summarecon Agung, and Ciputra Development.

This research on company value will analyze the variable of the audit committee as an integral part to assist the board of commissioners in carrying out its main function of overseeing financial reports, and the audit opinion, which is an objective assessment from an independent party, in this case, a Public Accounting Firm, regarding the financial statements, with the expectation of receiving the best opinion, which is unqualified (fair without exceptions). The research will also analyze the impact of auditor changes, if any, on the company value.

Based on these conditions, the researcher conducts this study titled 'The Effect of the Audit Committee, Audit Opinion, and Auditor Rotation on Company Value.' The research data pertains to the real estate and property sector from 2019 to 2023.

The research questions can be formulated as follows:

1. How do the variables of the Audit Committee, Audit Opinion, and Auditor Rotation affect the Company Value?
2. How does the Audit Committee variable affect the Company Value?

3. How does the Audit Opinion variable affect the Company Value?
4. How does the Auditor Rotation variable affect the Company Value?

According to the problems presented in this study, the objectives of the research can be outlined as follows:

1. To analyze the effect of the variables of the Audit Committee, Audit Opinion, and Auditor Rotation on Company Value.
2. To analyze the effect of the Audit Committee variable on Company Value.
3. To analyze the effect of the Audit Opinion variable on Company Value.
4. To analyze the effect of the Auditor Rotation variable on Company Value.

The benefits of conducting this research are aimed at various parties related to the need for financial reporting as follows:

1. Academics.
2. Investors.
3. Companies.
4. Lecturers.

2. LITERATURE REVIEW

a. Firm Value

According to Irhan Fahmi (2014:4), maximizing company value is the main goal of a company. The understanding of maximizing company value is how the company's management is able to provide maximum value when the company enters the market. This concept, in principle, builds trust among shareholders to optimize the company with the goal of achieving maximum profit.

The research by Khoirunnisa Cahya Firdarini and Dewi Safaatun (2022) states that company value can be understood as the investors' perspective on the company's performance, which shows the level of trust they have in the company, often associated with stock prices. The stakeholder theory asserts that companies are required to consider the interests of their stakeholders, especially investors and potential investors. Support from investors significantly affects the company's survival. The magnitude of this support is reflected in the company's value, where

the company value indicates the trust of investors in the company's performance.

Book value per share (Price book value) represents the net assets owned by shareholders by holding one share of stock. Since net assets are the same as the total equity of shareholders, the book value per share is the total equity divided by the number of outstanding shares. (Jogiyanto 2003:82)

$$PBV = \frac{\text{Price per share}}{\text{Book Value Per Share}}$$

b. Audit Committee

Putri Novinka Setiawati and Anggita Lenggeng Wijaya (2022) quote Jufri (2019), explaining that the audit committee is one of the forms of implementing good corporate governance. The main task of the audit committee is to assist the board of commissioners in overseeing the management's performance. The audit committee plays an important role in the company's internal control and ensures that all organizational governance processes are conducted transparently and accountably. With optimal performance from the audit committee, it is expected that corporate governance within the company can function properly, leading to improved performance and company value. According to Article 1 paragraph (1) of OJK Regulation 55/2015, the audit committee is a committee formed by and accountable to the board of commissioners, assisting in carrying out the duties and functions of the board of commissioners. The purpose of establishing the audit committee is "to assist the commissioners or supervisory board in ensuring the effectiveness of the internal control system and the

effectiveness of the external and internal auditors' tasks.

Measurement: The audit committee variable in this study is measured based on the percentage of the audit committee's presence compared to the board of commissioners (Indrastuti, 2021).

c. Audit Opinion

According to Sukrisno Agoes (2018:4), auditing is a critical and systematic examination carried out by an independent party on the financial statements prepared by management, along with the accounting records and supporting evidence, with the aim of providing an opinion on the fairness of those financial statements.

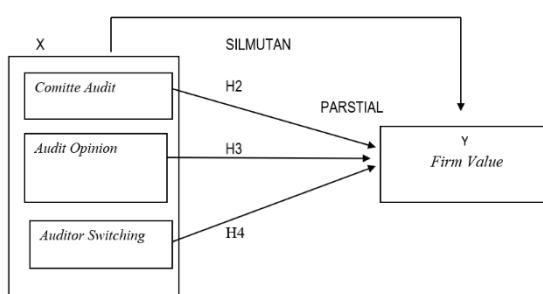
Sukrisno Agoes (2018: 109, 116) quotes from SA700 and SA705, stating that audits are divided into two categories: 1). Unmodified opinion is given when the financial statements are prepared in accordance with the applicable financial accounting standards (SAK ETAP/IFRS-based SAK). 2). Modified opinion is given if the auditor concludes that the financial statements are not free from (contain) material misstatements and the auditor is unable to obtain sufficient and appropriate audit evidence to conclude that the financial statements, as a whole, are free from material misstatement. Modified opinions consist of a qualified opinion, an adverse opinion, and a disclaimer of opinion.

d. Audit Switching

Auditor switching is the termination of the relationship between the former auditor and the company, followed by the appointment of a new auditor to replace the former one. Auditor switching represents the termination of cooperation between an auditor and a company. Uli (2014) defines auditor switching as the

change of auditors between the current year and the previous year. According to Mulyadi (2002), clients who change their auditors without a clear reason may do so due to dissatisfaction with the services provided by the former auditor. This change can also be caused by disputes between the client and their public auditor regarding the presentation and disclosure of financial statements. Based on Mulyadi's theory, the purpose of auditor switching is to obtain satisfactory results from the performance of the new auditor. Meanwhile, the benefits of auditor switching include preventing fraud in the presentation of financial statements. When a company undergoes an auditor change, the new auditor naturally requires considerable time to understand the characteristics and audit procedures of the client's business and its internal systems, which takes up time. The auditor's time in carrying out the audit process will affect the timeliness of the company's financial statement delivery. Thus, auditor switching can potentially affect the timeliness of financial statement delivery.

The auditor switching variable uses a dummy variable, with values of 1 and 0. If the client company experiences auditor switching, it is assigned a value of 1. Conversely, if the company still uses the old auditor or does not experience auditor switching, it is assigned a value of 0.



3. RESEARCH METHOD

3.1. Data Collection Techniques

The data collection technique through this research approach is based on secondary data from Independent Auditor Reports and annual financial statements of publicly listed property and real estate sector companies on the IDX, as well as collecting data on factors related to the research variables, namely the Audit Committee, Audit Opinion, and Auditor Switching on Company Value. The research type is quantitative, using data from the annual reports of publicly listed property and real estate sector companies on the IDX, Indonesian Stock Exchange Warehouse, Tower 1, 6th Floor, Jalan Jenderal Sudirman Kav.52-53, South Jakarta 12190.

3.2. Operational Definitions of Variables

The Audit Committee, in accordance with its functions and duties, is able to contribute to company value in financial reports through the optimization of oversight as an extension of the board of commissioners to the directors in carrying out company activities, including improving management performance which impacts the development of company value.

Based on theory and previous research results, the proposed hypothesis is:

H2: It is suspected that the Audit Committee has an influence on Company Value.

An audit opinion is an important part in providing accountability for the results of financial statement preparation in accordance with financial accounting standards and other provisions. A maximum audit with an unqualified opinion category impacts stakeholder confidence in financial statements, thereby providing better and more attractive company value.

Based on theory and previous research results, the proposed hypothesis is:



H3: It is suspected that the Audit Opinion has an influence on Company Value.

Auditor switching is a common occurrence in the mechanism of financial statement audits. Many factors cause companies to change auditors, whether due to internal reasons such as dissatisfaction with auditor performance or the company formally wanting to replace with another auditor. External factors can be caused by the Auditor or the Public Accounting Firm no longer meeting the requirements to conduct audits due to regulations.

Based on theory and previous research results, the proposed hypothesis is;

H4: It is suspected that Auditor Switching has an influence on Company Value.

3.3. Sample Collection Techniques

V. Wiratna Sujarweni (2016:4) defines a population as the entire number consisting of objects or subjects that have specific characteristics and qualities determined by the researcher to be studied and then drawn conclusions. The population studied is Publicly Listed Companies in the Property and Real Estate Sector listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023, which consists of 85 companies. V. Wiratna Sujarweni defines (2016:4) a sample as a part of a number of characteristics possessed by the population used for research, the sample that meets the criteria is 15 companies. The sample selection is based on the Purposive Sampling method, namely Audit Committee, Audit Opinion, Auditor Switching, and Company Value.

According to V. Wiratna Sujarweni (2016:6), the sampling technique conducted through non-probability sampling is a technique where not all members of the population have an equal opportunity to be selected as a sample.

This sampling method is determined based on the variables related to the research, with the aim of obtaining valid sample data that meets the criteria for data processing. The criteria used in this technique are related to purposive sampling. Purposive sampling, according to V. Wiratna Sujarweni (2016:7), is a sampling technique based on certain considerations or criteria. In this research, the variables related to the Audit Committee, Audit Opinion, Audit Swithching, and Firm Value are:

1. The company issues complete financial statements that have been audited, ending on December 31st during the period of 2019-2023.
2. Property and Real Estate Sub-Sector companies listed on the Indonesia Stock Exchange (IDX) during the period of 2019-2023.
3. Property and Real Estate Sub-Sector companies listed on the Indonesia Stock Exchange (IDX) during the period of 2019-2023.

3.4. Data Analysis Techniques

The data analysis technique used is statistics, in which the author utilizes computer application programs. Before testing the hypothesis with multiple regression analysis, a linearity test or classical assumption test is conducted. The hypothesis in this study is an associative hypothesis, which inquires about the relationship between two or more variables (Sugiyono, 2011: 106). In this study, the researcher uses the variables of the Audit Committee, Audit Opinion, Audit Swithching, and Firm Value in Property and Real Estate Sector Companies listed on the Indonesia Stock Exchange.

4. RESULTS AND DISCUSSION

According to Sugiyono (2011:147), descriptive statistics is a type of statistics used to analyze data by describing or illustrating the data that has been collected as it is, without intending to make conclusions that apply universally or generalizations.

4.1. Results

a. Model Estimation

The Chow test is used to choose between the CEM or FEM model. If the Cross-section Chi-Square probability value is $0.0003 < 0.05$, then we will choose the Fixed Effect Model. Based on the results of the test conducted, it is known that the Chow test has an F probability value of 0.0000, meaning that the model used is the Fixed Effect Model.

The Hausman test is used to choose between the FEM or REM model. If the H1 probability value or p-value > 0.05 , then the method chosen is the Fixed Effect Model. Based on the results of the test conducted, it is known that the Hausman test has an F probability value of $0.8966 > 0.05$, meaning that the model used is the Random Effect Model.

Cross-section Breusch-Pagan LM value is $0.0043 < 0.05$, which leads to the conclusion that the data fits the Random Effect Model.

b. Partial Test

Audit Committee has a t-statistic of 1.062261, where the t-statistic $>$ t-table, that is $1.062261 > 0.67791$, and the significance value is $0.3030 > 0.05$, so H2 is rejected, meaning the Audit Committee does not have a partial effect on Firm Value.

Audit Opinion has a t-statistic of 0.558789, where the t-statistic $<$ t-table, that is $0.558789 < 0.67791$, and the significance value is $0.0536 < 0.05$, so H2 is accepted, meaning the Audit Opinion has a partial effect on Firm Value.

Auditor Swtiching has a t-statistic of -1.512201, where the t-statistic $<$ t-table, that is $-1.512201 < 0.67791$, and the significance value is $0.1488 < 0.05$, so H2 is rejected, meaning the Auditor Swtiching does not have a partial effect on Firm Value.

c. Simultaneous Test

The results of the simultaneous test show that the F-statistic is 4.165.142 with a significance value of 0.007656. To find the F-table value, with a sample size (n) = 75, the number of variables (k) = 3, and a significance level (α) = 0.05, the F-table value is obtained as 4.165.142. Therefore, F-statistic $4.165.142 >$ F-table 3.124, and systematically, the significance value obtained is $0.007656 >$ the significance level of 0.05, so H1 is rejected, meaning the Audit Committee, Audit Opinion, and Auditor Swtiching have a simultaneous effect on Firm Value.

4.2. Discussion

The Audit Committee has a t-statistic of 1.062261, where the t-statistic $>$ t-table, that is $1.062261 > 0.67791$, and the significance value is $0.3030 > 0.05$, so H2 is rejected, meaning the Audit Committee does not have a partial effect on Firm Value. The Audit Committee, in accordance with its functions and duties outlined in the applicable regulations, has responsibilities within the company as an overseer appointed by the Board of Commissioners. However, these duties and functions have not been maximized, which means they do not influence profit



growth to increase the firm's value, serving as an indicator of the Board of Directors' performance. The quality of the Audit Committee's performance does not reflect investors' willingness to invest their money for the purpose of increasing the company's value.

The results of this study are in line with the research by Putri NS and Anggita LW (2022) and Mirnayanti and Iroh R (2022), while it contradicts the research by Fitri Amaliya and Eliada Herwiyanti (2019), which states that the Audit Committee has an effect on firm value.

The Audit Opinion has a t-statistic of 0.558789, where the t-statistic $< t\text{-table}$, that is $0.558789 < 0.67791$, and the significance value is $0.0536 > 0.05$, so H_2 is accepted, meaning the Audit Opinion does not have a partial effect on Firm Value. The Public Accounting Firm conducts the audit in accordance with the applicable regulations and standards, with the planning, execution, and reports being accountable as a Public Accounting Firm with competence. For investors, the audit opinion result has no relation to the firm's value. The results of this study are in line with the research by Raden ARS (2023), and contradict the research by Ismi N and Napisah (2024), which states that the audit opinion has an effect on firm value.

Auditor Switching has a t-statistic of -1.512201, where the t-statistic $< t\text{-table}$, that is $-1.512201 < 0.67791$, and the significance value is $0.1488 < 0.05$, so H_2 is rejected, meaning Auditor Switching does not have a partial effect on Firm Value. Auditor Switching refers to the leadership that conducts the financial statement audit. The same Public Accounting Firm may perform the financial statement audit, but the auditors may differ. Under these conditions, the result does not affect the firm's value.

5. CONCLUSION

Based on the results of the data analysis and the discussion that has been explained, the conclusion that can be drawn from this study is the effect of the independent variables: Audit Committee, Audit Opinion, and Auditor Change on Firm Value, both simultaneously and partially. The following are the results obtained in this study:

- a. Based on the results of the simultaneous test, the Audit Committee, Audit Opinion, and Auditor Change have a simultaneous effect on Firm Value.
- b. Based on the results of this study, the Audit Committee does not have a partial effect on Firm Value.
- c. Based on the results of this study, the Audit Opinion does not have a partial effect on Firm Value.
- d. Based on the results of this study, the Auditor Change does not have a partial effect on Firm Value.

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