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The Influence of Management Commitment, Internal Audit Competency, and Quality of Audit Services on Good Corporate Governance (GCG)

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ABSTRACT: This study aims to analyze the effect of management commitment on Good Corporate Governance, internal audit competence on Good Corporate Governance and audit service quality on Good Corporate Governance. The population in this study were all hotels in Badung Regency. The data collection method used in this research is by distributing research questionnaires. The sampling technique was carried out by purposive sampling method and based on predetermined criteria, the number of hotels that met the criteria were 71 four-star hotels in Badung Regency. Respondents in this study were the General Manager, Accounting and Internal Audit in the hotel. The research hypothesis was tested using multiple linear regression analysis techniques with the help of the SPSS 22.00 application for windows. The results showed that the variables of management commitment, internal audit competence and audit service quality partially had a positive effect on Good Corporate Governance.

KEYWORDS: Management Commitment, Internal Audit Competence, Quality Audit Services, Good Corporate Governance

INTRODUCTION

Corporate governance is one of the efforts to strengthen the competitiveness of Indonesian companies, namely through improving corporate governance practices, which is one way to spur financial and operational performance and increase investor confidence in addition to providing access to incoming capital. During the global financial crisis in 1998 and 2008 in Indonesia, which showed that corporate governance was very important. Weak implementation of corporate governance practices has been identified as one of the causes of the global financial crisis. In this regard, improving the implementation of corporate governance practices for issuers and public companies in Indonesia is a top priority. For this reason, corporate governance plays a very important role, especially in banking companies that are managed based on the basic principles of good corporate governance, namely; transparency (transparency), accountability (accountability), responsibility (responsibility), independence (independency), and equality or fairness (fairness) to gain investor confidence (Sukrisno Agoes, 2016:45). The advantages that can be reaped by the company with the implementation of Good Corporate Governance are, minimizing the cost of capital, improving the company's image, increasing the value of the company's shares. Good corporate governance is a structure that is run by stakeholders, shareholders, commissioners and managers to develop company goals and means to achieve these goals and monitor performance (OECD, 2003) in Zarkasyi (2008:35). In Law No. 40 of 2007 the principles of Good Corporate Governance reflect that GCG must be implemented by companies (Bainur Alamsyah, 2014). Article 4 also states that the enactment of this law, the articles of association of the company, and the provisions of other laws and regulations do not reduce the obligation of each company to comply with the principles of good faith, the principle of propriety, the principle of propriety, and the principle of governance. A good company (good corporate governance) in running the Company.

The role of management's commitment in realizing the implementation of GCG is equally important. The form of management commitment can be seen from the managerial aspect which is the core in determining the running of the company's performance, namely the managerial process cannot be separated from the integrity of the company's leadership. Management commitment in the management of Human Resources (HR) which is important in the company. Because employees are people who are ready, capable and alert in achieving organizational goals (Ketut Tanti Kustina, 2017).

Internal audit is an internal audit that is expected to provide accurate and objective information to assist top management in making decisions and to minimize a possible loss of company funds. The role of internal audit will be more reliable in developing and maintaining the effectiveness of internal control systems, risk management and Good Corporate Governance in order to support the realization of a healthy company (Yuha, 2015).

Quality of audit services as the probability that the auditor will find and report violations in the client's accounting system. Violation findings measure audit quality in relation to the knowledge and expertise of the auditor. Meanwhile, reporting of violations depends on the auditor's encouragement to disclose the violation. This encouragement will depend on the independence of the auditor. The quality of the audit produced by the auditor can be influenced by several factors, including time pressure in conducting the audit, the work experience of the auditor, high objectivity, ethics that must be obeyed by the auditor and high independence of the auditor.

Research conducted by Hariyati, Ongki Dessy (2015) regarding internal audit with the title The Effect of Performance Assessment and Internal Control on Good Corporate Governance (Study at PT JAMSOSTEK (Persero) Regional Division VI East Java) showed significant results while research conducted by Rismawati , Muhammad Yusuf, and Rezeki Asriani (2016) regarding internal audit with the research title The Effect of Internal Audit and Task Complexity on the Implementation of Good Corporate Governance (GCG) in Public Service Agencies (BLU) in Indonesia and the results of their research are the influence of internal audit has a significant effect. Where the role of internal audit is sufficient to assist the company in preventing fraud and providing recommendations on good corporate governance, as well as providing added value for the company. Ketut Tanti Kustina, Devy Levyanti, Zulianto (2017) also conducted a different study entitled The Effect of Internal Audit Competence on the Effectiveness of Good Corporate Governance at the Denpasar Branch Office of PT Bank QNB Indonesia and the results of the research did not have a significant effect. In addition, Ni Nyoman Desy Utami Dewi (2017) also conducted research on internal audit with the research title The Effect of Internal Auditor Competence and Quality of Audit Services on the Realization of Good Corporate Governance (GCG) at Hotels in the Lovina Area. The results have a significant effect. Based on the research results of Bainur Alamsyah, Yudha Nadhirah Qintharah, Rismawati, Muhammad Yusuf, Rezeki Asriani, Ketut Tanti Kustina, Devy Levyanti Zulianto and Ni Nyoman Desy Utami Dewi, this research focuses on the influence of management commitment, internal audit competence, and quality of audit services in supporting implementation of Good Corporate Governance.

Based on the introduction above, there are still inconsistencies from the results of previous studies. Therefore, this study aims to provide empirical evidence about the Effect of Management Commitment, Internal Audit Competence, and Quality of Audit Services on Good Corporate Governance (GCG).

LITERATURE REVIEW

Agency Theory (Agency Theory)

Agency theory states that there is a relationship between the party who gives the authority, namely the owner or top management (principal) and the party who receives the authority (agent), namely the manager (Lubis, 2010: 91). In relation to external audit, the agency theory developed by Jansen and Meckling (1976) explains the difference in interests between management and shareholders. In relation to governance, this theory explains that between management and stakeholders, it makes the importance of internal auditors in a hotel. The tendency of the management who wants personal gain, will make the implementation of corporate governance not run effectively. In an agency relationship, the management who is given the authority to carry out operations will indirectly obtain more information than the principal or shareholders. The imbalance of information obtained between management and company owners will lead to information asymmetry.

This will provide opportunities and opportunities for management to abuse the authority given to them for personal gain. This can lead to distrust by company voters because of these differences in interests. Based on the agency theory, a strong internal audit is needed to prevent or reduce management from abusing or not implementing good corporate governance so that it can harm the hotel itself.

The models in this study are:

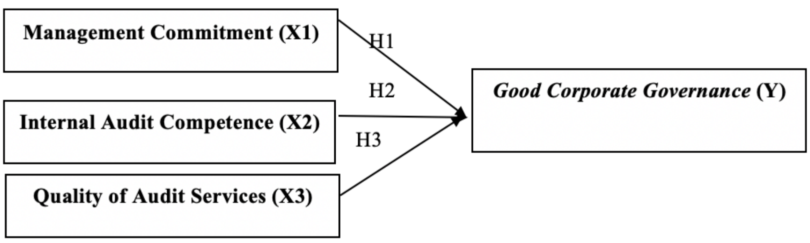

Figure 1. Research Model

RESEARCH METHODS

This research was conducted at four-star hotels in Badung Regency, Bali. The population of this study is the total number of hotels in Badung Regency as many as 192 hotels (Bali Province Central Statistics Agency 2017). The considerations that I use in this method include taking a sample of hotels that have been operating for more than 3 years. So hotels that operate for less than 3 years cannot be sampled in this study. The number of hotels that were sampled from this study were 71 four-star hotels in Badung Regency. Respondents in this study were Internal Audit, General Manager and Chief Accounting, so the number of respondents in this study were 213 respondents. The reason for choosing Internal Audit, General Manager and Chief Accounting as respondents is because the three respondents have a very close relationship with the variables used, namely management commitment, internal audit competence and audit service quality. In addition, the three respondents also carry out direct work so it is easier for me to get information. To obtain data and information to support this research, the data collection method used in this research is a questionnaire.

RESULTS

There were 213 questionnaires distributed and the number of questionnaires that did not return were 27 questionnaires or 12.67%. There were 186 questionnaires returned or 87.32%. Questionnaires that cannot be processed 0 pieces or 0% with details can be seen in table 3 as follows:

CLASSIC ASSUMPTION TEST

Table 1 .Normality test One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		186
Normal Parameters[a,b]	Mean	.0000
	Std. Deviation	.58514577
Most Extreme Differences	Absolute	.101
	Positive	.074
	Negative	-.101
Kolmogorov-Smirnov Z		.972
Asymp. Sig. (2-tailed)		.301

The results of the normality test show that the Kolmogorov Sminarnov (K-S) is 0.972, while the Asymp value. Sig (2-tailed) of 0.301. These results indicate that the regression equation model is normally distributed because of the Asymp value. Sig (2-tailed) of 0.301 is greater than the real rate used, which is 5% (0.05).

Table 2. Multicollinearity Test
Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Management Commitment	.408	2.452
Internal Audit Competence	.462	2.164
Quality of Audit Services	.291	3.438

Based on Table 3, it is shown that there is no independent variable that has a tolerance value of less than 0.10 and there is also no independent variable that has a VIF value of more than 10. Therefore, the regression model is free from the symptoms of multicollinearity

Table 4. Heteroscedasticity Test
Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.385	.167		2.311	.023
Management Commitment	-.010	.069	-.025	-.150	.881
Internal Audit Competence	-.057	.063	-.139	-.899	.371
Quality of Audit Services	.078	.076	.201	1.031	.305

Based on the results of the heteroscedasticity test in Table 4, it shows that the significance value of all independent variables is greater than 0.05 so it can be explained that the data used in the regression equation is data that is free from heteroscedasticity symptoms.

Table 5. Multiple Linear Regression Analysis
Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.241	.172		1.401	.163
Management Commitment	.205	.072	.185	2.862	.005
Internal Audit Competence	.460	.065	.428	7.040	.000
Quality of Audit Services	.314	.078	.309	4.024	.000

Based on the results of multiple linear regression analysis as presented in the table, the following regression equation can be made:

$Y=0.185X1+0.428\ X2+\ 0.309\ X3$

The table shows the regression coefficients for each of the tested independent variables have a positive coefficient direction and have a significance value of less than 0.05. The regression coefficient value of management commitment (X1) of 0.185 means that it shows that there is a positive relationship between management commitment and Good Corporate Governance. The regression coefficient value of internal audit competence (X2) of 0.428 means that it shows that there is a positive relationship between internal audit competence and Good Corporate Governance. The regression coefficient value of audit service quality (X3) of 0.309 means that it shows that there is a positive relationship between audit service quality and Good Corporate Governance.

CONCLUSION

This study aims to examine the effect of management commitment, internal audit competence and audit service quality on Good Corporate Governance. Respondents in this study amounted to 186 respondents at 4-star hotels in Badung Regency. The data obtained based on the results of the questionnaires filled in by the respondents and analyzed using multiple linear regression analysis models, it can be concluded as follows:

1. Management commitment has a positive and significant effect on Good Corporate Governance as evidenced by the t-count value of 2.862 with a significance value of 0.000 less than 0.05. This shows that the better the management commitment, the better Good Corporate Governance will be.
2. Internal audit competence has a positive and significant effect on Good Corporate Governance as evidenced by the t-count value of 7.040 with a significance value of 0.000 less than 0.05. This shows that the better the internal audit competence, the better Good Corporate Governance will be.
3. The quality of audit services has a positive and significant effect on Good Corporate Governance as evidenced by the t value of 4.024 with a significance value of 0.000 less than 0.05. This shows that the better the quality of audit services, the better Good Corporate Governance will be.

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