

Effect Of Implementation Of Good Corporate Governance And Internal Audit Of The Quality Of Financial Reporting And Implications Of Return Of Shares

Erlynda Y. Kasim

Abstract: The quality of financial reporting produced by the company are expected to meet the quality characteristics to Achieve the objective of the conceptual framework of financial reporting. Good implementation of adequate corporate governance in a company is one of the factors that Determine the quality of financial reporting. Similarly, the internal implementation of audit firm certainly factors Affect the quality of financial reporting. Quality financial reporting will certainly get a market response that can be seen from the level of the stock return. The paper examines two independent variables items, namely Good Corporate Governance and Internal Audit and its influence on the quality of financial reporting and its implications to Return Shares. In the design of this study will be performed on companies listed in the Indonesia Stock Exchange with multiple linear regression method.

Keywords: Financial Reporting, Good Corporate Governance, Internal Audit

INTRODUCTION

The company's goal is to run operational activity in the framework of the company makes a profit (net income). Financial reporting is a system for communicating the company's activities to the user (users) financial information (Kieso et.al.2008). Thus should be able to meet the financial reporting needs of users so that the information obtained can be used as a decision-making. According Kieso (2008 :) financial reporting should meet the main qualitative characteristics, among others, relevant and honest presentation (faithful representation). Other qualitative character is comparable (comparability), can be verified (verification), timely (timeliness), and can be understood (understandability). Thus the expected financial reporting does not contain the problems associated with these characters. Financial reporting include wider as described Beest et.al (2009: 4) states that "financial reporting quality is a broader concept that not only Refers to financial information, but Also to disclosures, and other non-financial information useful for decision making included in the report ". Beest et. Al (2009: 3) in research operationalize the fundamental characteristics of financial reporting (relevance and faithfull representation) and qualitative characteristics of the amplifier (understandability, comparability, verivability and timeliness) as defined in the IASB in 2008. In fact there are still many problems occur in financial reporting both within government agencies, state enterprises, and private-owned enterprises. Up to now the company's financial reporting is a problem that many in the media spotlight. The phenomenon that occurs among others, are still many problems related to financial reporting in the financial statements of government. For example, Chairman of the CPC, Rizal Djalil expressed there still exists some problems related to the financial reporting of government (<http://bisniskeuangan.kompas.com>). On another occasion he also manyampaikan headwinds central government's financial report card which is considered still green. CPC found the persistence of the receivables over oil and gas lifting of Rp3,81 trillion from Rp7.81 trillion in total and still requires discussion. Financial reports on government institutions is still a lot to experience problems.

Another issue expressed also by the head of the CPC Representative of Jakarta, Blucer Rajagukguk although a predicate WTP (unqualified) turns CPC still get their troubled findings in the report. Likewise, the financial statements of the government of West Java are still getting WTP audit opinion with a note. As expressed by members of the CPC V Agung Firman Sampurna, some financial reporting permasalahan in West Java, among others, is the abolition of the asset building process at the General Hospital of Al-lhsan which is not in accordance with procedures, budgeting and evaluation mechanisms grant expenditures that are not in accordance with, and official travel expenditures in a number of regional organizations are incomplete supporting evidence. In addition to West Java, Banten Government also found the 40 issues financial statements include 12 findings relating to the internal control system problems and 28 findings relating to compliance with laws and regulations. Related to the qualitative characteristics of financial reporting issues relevant also occur in Askrindo insurance company. PT. Askrindo made a mistake in terms of investments which result in the financial statements become irrelevant. It thus would result in customers who want to become insurance customers PT Askrindo will be reduced so that income earned PT Askrindo will be reduced. Another problem is also the issue of timeliness or timeliness. Capital market analysts from aspiration Indonesia Research Institute, Yanuar Rizky found Bapepam-LK should have to check the issuer's financial statements published late auditednya. In accordance with the rules of the Stock Exchange (Stock Exchange Indonesia), then according to the Head of the Division of Real Sector Corporate Assessment BEI, I Gede Nyoman Yetna, Bei impose sanctions on 26 issuers were late to submit financial reports first half 2013, with the written sanction I. From the above phenomena can we see the problems in financial reporting in the company terlisting in IDX (Indonesia Stock Exchange), among others, non-fulfillment of the relevant qualitative character, faithfull representation and timeliness. Thus we can draw the conclusion from all the above phenomena that occur there are many problems of financial reporting in an institution,

both government agencies and private companies. Supposedly financial reporting companies have a good quality and do not contain any problems. We know that the purpose of financial reporting is to provide financial information about an entity that is useful to the users of statements such as investors, potential investors and creditors (Kieso: 2008). Thus financial reporting should be qualified so that it can be used by users of financial statements as decision-making. Similarly, some issuers BEI are still getting financial report with the audit report is still not WTP (unqualified). For companies listed on the Stock Exchange, there were late collecting their financial statements to the Stock Exchange as a predetermined time. This issue also violates other qualitative characteristics, namely timeliness (timeliness). Financial reporting quality problems widely studied by previous researchers. Many factors affect the quality of financial reporting. Good corporate governance systems will certainly lead to good quality financial reporting, such as the research and Yetman Yetman (2004) found that by strengthening monitoring and supervision of the non-profit institution can both lead to high quality financial statements. Likewise Nasriel Client f (2011) found that corporate governance mechanism affects the quality of accounting information on companies in Tunisia. Corporate governance or also known in Indonesia with the terms of Good Corporate Governance (GCG) is one of the determinants of the quality of the accounting reporting. The company that runs the principles of fairness, transparency, accountability and responsibility will affect the processing of financial activities and will produce good quality financial reporting. Financial Services Authority will issue 33 corporate governance rules in 2015, of which 11 rules have been issued in 2014. Chairman of the Board of Commissioners FSA Muliaman D Hadad said, the presence of GCG's roadmap can improve regulatory practices and good governance for companies in Indonesia comprehensively, especially for issuers and public companies. According to Hadad, it is intended that at least aligned with corporate governance in the ASEAN region, in order to meet MEA in 2015. Issue GCG implementation is not new in Indonesia, where the ministerial regulations already impose regulations on the implementation of GCG in SOEs (state owned enterprises Agency). Along with the increasingly urgent needs of enterprise governance besides SOE bantuan conjunction with MEA in 2015, it is necessary to set up a more formal rules and the magnitude of legality. It is expected the Indonesian company can apply the rule to the interests of the company in order to meet the principles of good corporate governance, which in turn produce quality financial reporting. Other factors that influence the quality of corporate financial reporting is internal audit implementation. The company carries out internal audit is an independent party companies who ensure that the company has been running the company in accordance with applicable policies. Research Gill, Herndandez and Perez (2012) found that banks with high quality financial reporting, has a strong collaborative relationships between internal and external audit. Martin Barif (2003) also suggests that the internal audit has built confidence in the company's financial reporting. Implementation of adequate internal audit ensure the preservation of the company's assets, thus qualitative quality financial reporting can be met, namely, relevance and faithful representation. Good

quality of financial reporting will certainly get a good response for the users of financial statements that one of them is the investor. Investors are responding to the financial reporting quality company with reflected in the company's stock price on the stock exchange. Based on the description above, the researchers will conduct research with the title: Effect of Implementation of Good Corporate Governance and Internal Audit Implementation of the Quality of Financial Reporting and impikasinya to Return Shares.

Literature Review

Good Corporate Governance, F. Mayer (1997) defines corporate governance is a way to bring the interests of investors and managers in one direction and ensure that the company runs in accordance with the interests of investors ("Corporate governance is concerned with ways of bringing the interests of investors and managers into line and Ensuring that firms are run for the benefit of investors "). Keasey et.al (1996) defines corporate governance as structure, processes, culture and system that led to the success of the organization operasionalisassi ("Corporate governance includes' the structures, processes, cultures and systems that Engender the successful operation of Organizations"). Meanwhile, according to the Organization for Economic Cooperation and Development (OECD) in the book Corporate Governance Manual (2010), Corporate Governance is an internal tool for the operation and control of the company; which involves a set of relationships between the company's management, board, shareholders and other stakeholders ("The internal means by the which corporations are operated and controlled [...], the which involve; a set of relationships between a company's management, its board, its shareholders and other stakeholders "). Morten Huse (2007: 18) states that corporate governance is seen as the interaction between multiple internal and external players and board members in directing the company to create value ("Corporate governance is seen as the interactions between various internal and external actors and the board members in directing a firm for value creation") Under the ministerial decree No. SOE KEP-117 / M-MBU / 2002 Corporate governance is a process of structure used by the organs of state enterprises to increase the success of the business and corporate accountability in order to create shareholder value over the long term by taking into account the interests of other stakeholders, based on laws and values ethics. From the definition above, the authors conclude that corporate governance is a system sautu the relationship between the manager, the board of directors, shareholders, creditors and other stakeholders in order to achieve company goals. NCG (National Committee on Governance) states that the principles of Good Corporate Governance are: Transparency. Witch is managing the company in a transparent manner with all stakeholders (those who are involved directly or indirectly with the activity of the company). Here, the managers of the company must act transparently to the stock growers, honestly what their efforts in making the report, not manipulative. Disclosure of information in the decision-making process and disclosure of information that is considered important and relevant. Accountability. Namely clarity of function, structure, systems and accountability within the company, so that the

management of the company can be done effectively and efficiently. Management must make a clear job description to all employees and confirms the basic functions of each part. From here the company will become clear rights and responsibilities, functions and responsibilities and authority in any company policy. Responsibility. That is aware that there are parts of the company that had an impact on the environment and society in general. Here the company must pay attention to the environmental impact, environmental safety, and suitability themselves with the norms prevailing in the local community. Companies must appreciate and proactively to every society and every social unrest developed in the community. Independence upright to hand with the community. Companies must have full autonomy in decision-making decision-making is done with consideration of the existing authorities in full. Companies must run a profitable business in order to maintain continuity, however, not profits without seeing another person who should also benefit. Everything has to be profitable and none were harmed. Fairness. That is a kind of equality or fair treatment in fulfilling the rights and obligations of the stakeholders that arise under the agreement and the legislation in force. Companies must create a solid system to make everything work as expected. With the job fair is expected all existing regulations adhered to in order to protect everyone who has an interest in business continuity. While Zabihollah Rezaee (2004) explained that there are seven corporate governance mechanisms, namely: oversight, managerial, compliance, The audit, advisory, assurance, and monitoring functions. UNDP (United Nations Development Program) 1997 (Sedarmayanti, 2012: 13) divides the corporate governance principles as follows: Participants, Rule of Law, Tranparancey, Responsiveness, Concensuss Orientation, Equity, Efectiveness and efficiency. Accountability, Strategic Vision From some of the principles of good corporate governance, the writer using GCG principle Mechanism of Good Corporate Governance. Internal audit. According IIAA (Institute of Internal Auditors Australia), Internal Audit is defined as a dynamic profession that is involved in helping the organization to achieve the goal. Internal audit paying attention apda evaluation and improvement of the effectiveness of risk management, control and governance processes of an organization ("Internal audit is a dynamic profession Organisations Involved in Helping Achieve Reviews their objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organization "). While KH Spencer Pickett (2003), states that the internal audit activity and consultancy is an objective and independent assurance designed to add value to the operational peningkayan organization (company). Internal audit helps an organization to accomplish its objectives by a systematic approach and discipline to evaluate and improve the effectiveness of risk ("Internal auditing is an independent and objective assurance and consulting activity that is designed to add value to improve an organization's operations. It helps an organization Accomplish its objectives by bringing a systematic, discipline approach to Evaluate and improve the effectiveness of risk "). Sawyer (2006) defines the internal audit is a systematic and objective assessment conducted internal auditor on the operation and control of the different

within the organization. From the definition above, it can be concluded that the internal audit is a process that is done to help achieve management objectives by means of control and evaluation of the company's operations. According to Sawyer (2006), the implementation of the Internal audit include the following:

- a) The financial and operating information is accurate and reliable.
 - b) The risks faced by the company have been identified and minimized.
 - c) Regulation of external as well as internal policies and procedures have been followed acceptable
 - d) Krietria satisfactory operation have been met
 - e) The resources have been used efficiently and economically
 - f) The purpose of the organization has achieved effectively
1. According to PPAI (Code of Practice of Internal Auditors), SPAI (Internal Audit Professional Standards) consists of: Standard Attributes. With regard to the characteristics of organizations, individuals and parties who perform internal audit activities, which tersdiri from: Destination, Authority, and Responsibility, Independence and Objectivity, Expertise and Professional Accuracy, Quality Assurance and Improvement Program Internal Audit Function. Performance Standards. Explaining the nature of internal audit activities and is a measure of the quality of audit work. Performance Standards provide best practices for the implementation of the audit from planning to follow-up monitoring. Standard Attribute and Performance Standards apply to all types of internal audits. Standard attributes consist of several indicators, among others: Management of Internal Audit Function, Scope of Assignment, Planning Assignment, Assignment implementation, Communication Results of Assignment, Follow-up monitoring, Risk Acceptance resolution by the Management. Financial Reporting. M. Saeed (1990: 237) defines financial reporting as communication system between management and user groups of the financial statements, in order to report the results of the company's business activities and also to show the credibility, accountability and relaibilitas of observance ("The corporate financial reporting is a system of communication between the management and the user-groups of the financial statements; in order to report the results of the business activities of a corporate enterprise and Also to demonstrate the credibility, accountability and reliability of its working."). Kieso et.al (2008: ...) defines the purpose of Financial Reporting as: to provide financial information about the entity that is useful to present potential investors, creditors in decision-making as a provider of funds ("The purpose of financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and others creditors in making decisions in their capacity as capital providers "). Kieso et.al and M. Saeed defined as a financial reporting system used by the users of financial statements in order to take a decision. The users of financial statements is an external party or providers of funds (capital) for the

company. According to the dictionary Kohlers, by Cooper et. Al (1984), financial reporting is defined as the explanations and details (eksibisi) delivered, or reports are fused in a report that consists of facts, opinions or details were used or helps in clicking interpret the statement or statements ("It defines it as an explanation or exhibit attached to a financial statement, or embodied in a report containing a fact, opinion or helpfull or detail required in the interpretation of the statement or report "). Similarly, the two definitions above, in the Dictionary of Kohler also stated that the financial reporting contains all matters relating to the financial information that ultimately helps the user to be able to interpret the financial statements that would be used for decision-making purposes. Based on the above definition of the experts, it can be concluded that the financial reporting is a system that reports on business activity of a business with the aim to meet the information needs of the user (user). Thus the quality of financial reporting is considered if it meets the needs of users in the decision making process. Kieso et.al. (2008: 44) states that according to the IASB the qualitative characteristics of financial reporting is comprised of: 1. Relevance, that the accounting information to be able to make a difference to the decisions that have: a. Predictive Value, value is used as input in the process used to predict investor Untuk terntang future expectations. For example, an investor wants to buy shares in company X, then they can analyze its current resources and the resources available, an income dividend distribution of the past can be used to predict the amount, timing and uncertainty of future cash flows PT. X. b. Confirmatory value, a value that can help users of financial statements to confirm or correct prior expectations. For example, at the time of issuing the financial statements PT.Y annual financial, then the report may confirm or alter the past or future expectations are now based on previous evaluation.

2. Representation Faithfull, the intention is that the figures and explanations fit with what or who was involved. Faithfull Representation includes things: a. Completeness, namely that all the important information in relation to the faithfull representation has been presented. b. Neutrality, the intention is not perusahaan can choose the information only to please the majority party only. c. Free from error, the financial statements are free from errors would be more accurate (so more faithful). 3. Enhancing quality according to the IASB is karakteristik complementary qualitative nature which includes: a. Comparability, information that is measured and reported by the same rules against different companies will be compared. b. Verification, occurs when an independent measure by using the same method, then the result will be the same. c. Timeliness, means the information available to decision makers before the information is losing its ability to influence the decision. d. Understandability, the intention is that the quality of information that should be able to make the user look at the significance of the report are reasonable. Kieso see the quality characteristics of the IASB's financial reporting is the

main characteristic of which consists of relevant and faithful representation; and supporting characteristics, namely comparability, verification, timeliness and understandability. Jane L. Reimers (2008) states that the making of useful information if such information:

1. Relevant, For information to be relevant it needs to be significant enough to influence business decisions.
2. Reliable .when information is reliable, you can depend on it and you can verify its accuracy.

The information is completely independent of the person reporting it. 3. Comparability. In addition to being relevant and reliable, useful information possesses comparability. This means investors will be Able to compare corresponding financial information between two Similar companies- how one company's net income Compares with another company's net income. 4. Consistent, to be useful, accounting information must consisten. Consistency is the actersitik that makes it possible to track a company's performance or financial condition from one year to the next. Reimers explained that good financial reporting is useful for users to meet such things are relevant, reliable comparable and consistent. In his research, Abhijit Barua (2006) using qualitative characteristic dimensions of financial reporting in accordance with FASB karaktersitif and consists of:

1. Relevance, that the accounting information to be able to make a difference to the decisions that have: a. Predictive Value, b. Confirmatory value, 2. Representation Faithfull, the intention is that the figures and explanations fit with what or who was involved. Faithfull Representation includes things:

a. Completeness. b. Neutrality. Similarly with Nobes and Stadler (2014) in his research using kualitatif characteristics of financial reporting issued by the IASB. Qualitative characteristics ; Framework, Reliability, Relevance, Faithful representation, Comparability, Verifiability, Timeliness, Understandability, Prudence / conservatism, Accruals / matching, Qualitative characteristic, other. Transparency From the dimensions above, the authors use the dimensional quality of financial reporting as follows: 1. Relevant, financial reporting should be relevant to the user. 2. Representation Faithfull, the figures correspond to what actually happened. 3. Comparability, can be compared. 4. Timeliness, just in time for decision making. 5. Understandability, can. Stock Return. According to Eduardo Tandelling (2010: 51), Return is the expected reward on investment. Thus, stocks are rewarded Return on investment expected stock. According to Gitman and Zutter (2012: 311), total rate of return is the total gains or losses suffered by investment in a period ("total rate of return is the total gain or loss experienced on an investment over a given period"). Gitman calculate the rate of return by the formula:

$$rt = \frac{Ct + Pt - Pt-1}{Pt-1}$$

Where:

rt = actual, expected, or required rate of return during period t

Ct = Cash flow received from the investment in time period t-1 to t

Pt = Price (value) of assets at time t

Pt-1 = price (value) of assets at time t-1

Gitman same as above, Brayley and Myers (2004) calculate the Return stock with the following formula:

$$\text{Returns} = \frac{\text{DIV}_t - \text{Pt} + \text{Pt}_{-1}}{\text{Pt}_{-1}}$$

DIV_t = Dividend year t

P_t = price of Shares in t

P_{t-1} = price of Shares of year t-1

Research Methods

Object Research. According to Kothari (2004: 33), Variable is a concept which can take different quantitative values ("A concept the which can take on different quantitative values"). While Uma Sekaran (2006: 115) says that the variable is anything that can differentiate or bring variation in value. Value can be different at different times for the same object or person, or at the same time for different object or person. The object of this research is the implementation of Good Corporate Governance (GCG), pelaksanaan internal audit, financial reporting quality and stock returns. Research Methods. The method used in this research is survey research methods. According to Kothari (2004: 120) survey is a descriptive study and usually use a large sample. According to Fink in his book Uma Sekaran (2013: 102), Survey is a system to collect data from or about the person to describe, compare, or explain knowledge, attitudes and behavior ("a system for collecting information from or about to describe, or explain Reviews their knowledge, attitudes and behavior "). Fink further explained that the survey system includes penentuanan purpose of data collection, research design, survey instrument to prepare valid and reliable, mengadinitrasikan survey, manage, and analyze and report the results. The design of the study according to Kothari (2004: 35-39) consists of (1) exploratory research studies, (2) Descriptive research studies and (3) hypothesis testing research studies. Similarly, according to Uma Sekaran (2013: 95-98), the design of the study consisted of (1) exploratory studies, when not much is known about the situation at hand; (2) Descriptive studie, to collect datsa that describe the characteristic of persons, events or situations; and (3) causal studies, to test weather or not one variable causes another to change. Based on the above explanation, then this is the design penelitianana penelitain causal or hypothesis testing or also called explanatory research, which is to explain the relationship between variables by testing the assumptions of the (hypothetical). Operationalization of Research Variables. According to Uma Sekaran (2006: 200), to reduce the abstract concept to make it can be measured in a way that is tangible (real) called operational concept ("reduction of abstract concepts to render them measurable in a tangible way is called operationalizing the concepts"). Operations of each variable in this study are as follows: 1. Variable Good Corporate Governance (GCG) Variable Good Corporate Governance (GCG) (hereinafter given the symbol X1), the definition of Good Corporate Governance (GCG) is as follows: the relationship between the manager, the board of directors, shareholders, creditors and other stakeholders to achieve its goals. GCG dimensions and indicators used in this research is according to the NCG (National Committee on Governance) and SOE Menterisi decision No. 117 / M-MBU 2002 Prices are abbreviated as, namely:

Transparency, Accountability, Responsibility, Independent, and fairness.1. Transparency, with indicators: a. Submission Information b. Fairness in the provision of information c. Publish the financial statements along with management analysis results in internet 2. Accountability, with indicators: a. The existence of written guidelines for corporate governance b. The existence of an evaluation and monitoring system c. The existence of reward and punishment system 3. Responsibility, with indicators: a. Obey the laws and regulations b. Lack of accountability for CSR c. Accountability to all stakeholders d. Provide financial and non-financial reporting to the authorities 4. Independence, with indicators: a. Professional standards b. Pressures and conflicts of interest 5. Fairness 2. Variable Internal Audit Internal audit (symbol X2) is a process undertaken to help achieve management objectives by means of control and evaluation of the company's operations. This study to use the dimensions of the implementation of internal audit with dimensions according to PPAI (Internal Auditor Practice Guidelines) which set SPAI (Internal Audit Professional Standards) consists of:

1. Standard Attributes Attribute standards with regard to the characteristics of organizations, individuals and parties who perform internal audit activities, the indicators consist of: e. Destination, Authority, and Responsibility f. Independence and Objectivity g. Expertise and Professional Accuracy h. Quality Assurance and Improvement Program Internal Audit Function.

2. Performance Standards Explaining the nature of internal audit activities and is a measure of the quality of audit work. Performance Standards provide best practices for the implementation of the audit from planning to follow-up monitoring. Standard Attribute and Performance Standards apply to all types of internal audits. Standard attributes consist of several indicators, among others: a. Management of Internal Audit Function b. Scope of Assignment c. Planning Assignment d. Assignment implementation. e. Communication Results of Assignment f. Follow-up monitoring. g. Risk Acceptance resolution by the Management

3. Variable Quality of Financial Reporting: Quality of Financial Reporting (the symbol Y) is a system that reports on business activity of a business with the aim to meet the information needs of the user (user). Thus the quality of financial reporting is considered if it meets the needs of users in the decision making process. The dimensions and indicators of the quality of financial reporting used in the study according to the IASB, is as follows: 1. Relevance, financial reporting should be relevant to the user, with the indicator:

- a. Have feedback
- b. Has predictive value c. On time d. Complete information
2. Representation Faithfull, the figures correspond to what actually happened, with the indicator: a. Honest presentation
- b. Can be verified / tested c. Information is neutral
3. Comparability, can be compared to the indicators: a. Consistency of application of accounting policies b. Internal comparisons across time c. External comparisons between entities
4. Timeliness, right time for decision-making, with the indicator: a. Timely completion of financial reporting

5. Understandability, can dimngerti indicators: a. Utilization
b. Form and terms can be understood 3. Variable Stock
Return

Stock return is expected in return on investment shares. Brayley and Myers (2004) calculate the Return stock with the following formula:

$$\text{Returns} = \frac{\text{DIVt} - \text{PT} + \text{Pt-1}}{\text{Pt-1}}$$

DIVt = Dividend year t

Pt = price of Shares in t

Pt-1 = price of Shares of year t-1

Type Data, Research Instruments and Equipment Research Measure. The type of data that can be used in research when viewed from the data source, consisting of primary data and secondary data sources of data in this research is the primary source. According to (Uma Sekaran, 2013: 36), information obtained first-hand research through surveys, interviews, focus groups, or observation is referred to as primary data ("information that researcher Gathers first hand through instruments such as surveys, interviews, focus groups or observations "). While secondary data according to Uma Sekaran (2013: 36) is the data that already exists and does not need dikumpulka by researchers ("data that already exist and do not have to be collected by the researcher"). Kedau Pnelitian uses these data types, namely primary data and secondary data. Research Instruments. Definition of research instruments according Sugiyono (2013: 148) is a tool used to measure the natural and social phenomena being observed. The instrument used in this study is in the form of a questionnaire. Items instrument which is based on indicators defined variables. In preparing the instruments item using clear language so that all interested parties understand what is meant in this study, thus this instrument items described in the form of questions to be answered by the parties in question. In this research the item instrument that will answer (respondent) filed are implementing internal audit and akuntans company. Measurement Tool Research. Measurement techniques used to transform qualitative data from the questionnaires into a measure of quantitative data is Summated Rating Method: Schale Likert (Likert Scale). According to Uma Sekaran (2013: 220), Likert Scale designed to examine how strong the subjects agree or disagree with the statement following five-point scale ("Likerts scale is designed to examine how subjects strongly agree or disagree with statements on a five-point scale with the following anchors"): Strongly Disagree Agree Agree Strongly Agree No selection 1 2 3 4 5. Population and Sampling Techniques. Population Research. According to Uma Sekaran (2013: 240), population is a whole group of people, events or things that be of interest to researchers investigated ("population Refers to the entire group of people, events, or things of interests for the which the researcher want to Investigate "). Population in this research are manufacturing companies listed in Indonesia Stock Exchange. Researchers took populations perusahaan manufacturing because of manufacturing companies including complex enterprise in terms of the company's operations. Companies listed on the stock exchange registered as company of three groups: 1. Group of basic industry and chemical company 2. Group of companies of various industries 3. Group consumer goods

industries sector companies. Sampling Techniques. According to Uma Sekaran (2013: 241), the samples are part of the population ("a simple is a subset of the population"). The sample is part of the number and characteristics possessed by this population. What is learned from the sample, the conclusion will be applied to the population. For that samples taken from a population should be truly representative (representative) (Sugiyono, 2008:81). According Sugiyono (2013: 118), a sampling technique sampling techniques. Further explained by Sugiyono that sampling techniques can basically be divided into two, namely nonprobability probability sampling and sampling. Probability sampling include: simple random sampling, systematic random sampling, stratified random sampling (proportioned stratified random and disproportionate stratified random), cluster sampling area (single stage and multistage clusters), and double sampling. While nonprobability sampling include convenience sampling, judgment sampling and quota sampling. According to Uma Sekaran (2013: 245), there are two types of sampling design, ie probability sampling, in which elements of the population, in part has a probability or a non-zero chance of being selected in the subject ("the elements in the population have some known, non-zero chance or probability of being selected as subjects "). While nonprobability sampling, if the elements of the population do not have the opportunity predetermined to be selected as the subject ("the elements do not have a known or predetermined chance of being selected as subjects"). This study uses a sampling technique nonprobability, by using purposive sampling method which, according to Uma Sekran (2013: 252), that samples samole devoted to people with certain spresifikasi which can provide information, or because they know the information referred to by the researchers (' The sampling to confine the specific types of people who can provide the desired information, either Because they are the only ones who have it, or the conform to some criteria set by the researcher "). Researchers took populations are companies listed on the Stock Exchange with the selection of companies manufacturing consumer goods industry group. Wide selection of manufacturing companies didasai reason for the activity of the company's operations are quite complex compared to other types of industry. Companies listed on the stock exchange registered as company of three groups: 1. Group of basic industry and chemical company 2. Group of companies of various industries 3. Group consumer goods industries sector companies. Researchers will use the 3 group company namely consumer goods industry sector as a sample. List of companies are:
Consumer goods industry sector

A. Food & Beverage

- 1 ADES (Akasha Wira International Tbk)
- 2 AISA (Tiga Pilar Sejahtera Food Tbk)
- 3 ALTO (Tri Banyan Tirta Tbk)
- 4 CEKA (Light Kalbar Tbk)
- 5 DAVO (Davomas Abadi Tbk)
- 6 DLTA (Delta Jakarta Tbk)
- 7 ICBP (Indofood CBP Sukses Makmur Tbk)
- 8 INDF (Indofood Sukses Makmur Tbk)
- 9 MLBI (Multi Bintang Indonesia Tbk)
- 10 MYOR (Mayora Indah Tbk)

- 11 PSDN (Prashida Aneka Niaga Tbk)
- 12 BREAD (Nippon Indosari Corporindo)
- 13 SKLT (Sekar Laut Tbk)
- 14 STTP (Siantar Top Tbk)
- 15 ULTJ (Ultrajaya Milk Industry and Trading Company Tbk)

B. Cigarette

- 1 GGRM (Gudang Garam Tbk)
- 2 HMSP (Hanjaya Mandala Sampoerna Tbk)
- 3 RMBA (Bentoel International Investama Tbk)
- 4 WIIM (Wismilak Inti Makmur Tbk)

C. Pharmaceutical

- 1 DVLA (Darya Varia Laboratoria Tbk)
- 2 INAF (Indofarma Tbk)
- 3 KAUF (Kimia Farma Tbk)
- 4 KLBK (Kalbe Farma Tbk)
- 5 BRANDS (Merck Tbk)
- 6 PYFA (Pyridam Farma Tbk)
- 7 SCPI (Schering Plough Indonesia Tbk)
- 8 SIDO (Medicinal and Pharmaceutical Industry Sido Appears Tbk)
- 9 SQBI (Taisho Pharmaceutical Indonesia Tbk)
- 10 TSPC (Tempo Scan Pacific Tbk)

D. Cosmetics and household goods

- 1 MBTO (Martina Berto Tbk)
- 2 MRAT (Mustika Ratu Tbk)
- 3 TCID (Mandom Indonesia Tbk)
- 4 UNVR (Unilever Indonesia Tbk)
5. Housewares
- 1 KDSI (Kedawung Setia Industrial Tbk)
- 2 Ketch (Kedaung Indag Can Tbk)
- 3 LMPI (Lasting Industry Makmur Tbk)

At the time of distributing questionnaires to companies, researchers must ask for permission prior to study each relevant officials permission. Untuk company distributing questionnaires and interviews to the accounting and internal auditors (Internal Control Unit). Survey planned to be implemented by sending a letter (e-mail) to the company by calling in advance. Where possible the author will come to the company and interviews directly to the relevant parties. By conducting interviews, it can obtain a picture of the results of research more clearly, not only based on a written questionnaire results alone. Data Testing Tool. Validity Testing According to Uma Sekaran (2013: 225), the validity of the test is to test how well built instrument that can measure the concept to be measured ("a test of how well an instrument that is developed measures the particular concept it is intended to measure"). Correlation techniques used for ordinal scale data is Rank-Spearman correlation techniques with the formula: Where:

r = Spearman Rank correlation coefficient
 x = Scores statement to i , $i = 1, 2, 3, \dots, n$
 y = total score statements to i , $i = 1, 2, 3, \dots, n$
 = 0.05), then if: α With a confidence level of 95% (r_{table} , means that the data in question valid > r_{hitung} , r_{table} , means that the data in question is invalid < r_{hitung} .
 Testing Reliability According Uma Sekaran (2013: 225), reliability testing is to test how consistent the instrument can measure any concept measured ("a test of how consistently a measuring instrument measures whatever it is measuring

concept"). Testing can be done by using split (split half) with the following steps (Sugiyono, 2009: 190): 1. For items that are valid into two items, namely an odd item that is inserted into parts of the first and even items that included a second hemisphere. 2. Add up scores of each item in each hemisphere that will produce two total score is the total score of the first parts and second parts of the total score. 3. Correlate the total score of the first parts of the hemisphere second with a total score using the Spearman rank correlation techniques. 4. Calculate the overall reliability for the items by using the formula of Spearman-Brown: Where: r_{tot} = Figures overall reliability item r_{tt} = coefficient of correlation parts of the first and second parts = 0.05), then if: α With a confidence level of 95% (r_{table} , meaning the data is concerned reliable and fit for use in testing the hypothesis. > 1. r_{tot} r_{table} , means that the data in question are not reliable and are not fit for use in testing the hypothesis. < 2. r_{tot} In addition, the reliability can also be seen from Cronbach Alpha coefficients which indicate how far an item is positively correlated with the other items in a variabel. Semakin approaching the Cronbach Alpha coefficient, the higher the reliability of the data. Ghazali (2013: 133) stipulates that a variable is said to be reliable if it has a value of Cronbach alpha coefficients > 0.60. Data Analysis Tool. The analysis used to prove the hypothesis in this study is structural equation modeling (SEM) based component or variance which is known as Partial Least Square (PLS). Analysis tools have been on the consideration of the limited number of samples, where the number of samples in this study only 36 companies and is not eligible to use structural equation modeling (SEM) based covariance for second order factor model types. According to Imam Ghazali (2013), partial least square (PLS) is a powerful analytical method therefore not based on many assumptions. Data does not have to multivariate normal distribution and the sample size should also not great.. Location and Time Research Location of the study is based on aspects studied were the implementation of good corporate governance, internal audit to achieve quality financial reporting and its implications for the stock price, then the location of this research will be conducted on-persahaan company listed on the Stock Exchange. The research was carried out for 4 months, ie from January to April 2014 Month (according to the time of completion essay 1).

Conclusions and suggestions

According C.R. Kothari (2004) hypothesis is a proposition or set of propositions which set as an explanation of the incident investigation or likely to be accepted as a fact that occurred ("proposition or a set of propositions set forth as an explanation for the occurrence of some investigation or accepted as highly probable in the light of the established facts "). Further Kothari stated that the researchers hypothesis is a formal inquiry which is intended to be solved (formal questions that he intends to resolve "). In accordance with the framework and the problems that have been outlined in the previous paragraph, it can be formulated hypotheses of the study. Exercising their Good Corporate Governance (GCG) affects the quality of Financial Reporting, Implementation of Internal Audit affect the quality of financial reporting, Internal audit implementation affect the implementation of Good

Corporate Governance, Quality of Financial Reporting influence on Stock Return.

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