Effect of board of Commissionersand Audit Committee on the Firm Value with Mediating Effect Financial Reporting Quality

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Abstract
This study aims to examine and analyze; (1) the influence of board of Commissioners and audit committee on the financial reportingquality, (2) the influence of board of Commissioners and audit committee on the firm value, (3) the influence of financial reporting quality onthe firm value, and (4) the indirect influence of board of Commissioners and audit committee onfirm value through thefinancial reporting quality.

This research uses explanatory research method and type of research is verification. The types of data used are primary and secondary data and the scale interval and ratio are used as measurement scale. Data collection was using survey techniques with the distribution of a questionnaire on nationalcommercial banking listed at the Indonesia Stock Exchange and using the Price to Book Value of data obtained from the Website Yahoo.finance.com, while observation unitsin this study are BOC / Independent Commissioner, Audit Committee and Accounting Manager / Accounting Section. Validity and reliability tests were conducted on the collected questionnairesand the next ordinal scale data is converted into an interval scale. The data were analyzed with descriptive statistics by employing the average (mean) and inferential statistics by using SEM-PLS.

The results showed that: (1) The board of commissionersand audit committee have significant positive effect on the financial reporting quality, (2) The board of commissioners and audit committee have significant positive effect on the firm value, (3) financial reporting quality has significant positive effect on the firm value, and (4) the financial reporting quality mediates the positive effect of board of commissioners and audit committee on the firm value.
Keywords: Board of Commissioners, Audit Committee, Financial Reporting Quality, Firm Value

1. INTRODUCTION

According to the Financial Services Authority (OJK), in order to meet the interests of the shareholders, the structure and processes of the company is a major concern in corporate governance to ensure fairness, responsibility, and corporate behavior that is transparent and accountable (OJK, 2014). There fore, both public and closed companies must perceive good corporate governance (GCG) as an effort to improve the performance and firm value (Tjager, 2003) .In order to improve the performance and firm value, the role of board of commissioners and audit committee, a corporate governance structure - becomes very important and strategic in realizing and maintaining corporate control system.

Several studies show the influence of board of commissioners on the firm value asboard of commissioners size (O`Connell and Cramer, 2010; Al Manaseer et al., 2012; Kang and Kim 2011; and Kyereboah-Coleman 2007); independent commissioners (O`Connell and Cramer, 2010; Kang and Kim, 2011; and Nuryanah and Islam, 2011); dual post of independent commissioners (Fich and Shivdaasani, 2006; Field et. al, 2011); and the frequent meeting of board of commissioners (Khanchel, 2007; Lin et. al, 2002; Hsu and Petchsakulwong's, 2010; Kang and Kim, 2011; Vafeas, 2000)

In addition, some previous research found the influence of audit committee on the firm value by the size attribute of audit committee (Al-Matari et al., 2012; Bozec, 2005; Bauer et al., 2009); the independence of the audit committee (Dey, 2008; Nuryanah and Islam, 2011; and Khanchel, 2007) and the frequency of audit committee meeting. (Khanchel, 2007; and Kyereboah-Coleman, 2007). Thus, some of the results of the above studies have shown the influence of board of commissionersand audit committee on the firm value.According to the International Accounting Standard Board (IASB), the main purpose of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010). Several studies have been conducted to analyze the factors that affect the financial reporting quality,such as earnings management, restatements and timeliness (Barth et al, 2008; Shipper and Vinsent, 2003; Cohen et al, 2004). In addition, the measurement of financial reportingquality focuses on the dimensions of the qualitative characteristics of financial statements (Jonas and Blanchet, 2000; Mc Daniel et al., 2002; Daske H. and Gebhart, 2006; and Van beest et. al, (2009, 2013).

In fact, there are some phenomena related to financial reporting quality: (1) The results of the Association of Certified Fraud Examiners (ACFE) indicate fraudulent financial reporting provide the greatest number of losses of around $ 1 million (ACFE, 2012). (2) the Supreme Audit Agency (BPK) found fraud that occurred in some of the State Owned Enterprises (SOEs) which aims to directors seem to have a high performance. (HasanBisri, 2013). From the facts of the phenomena, it shows how the financial reporting quality should be examined closely and carefully.

The firm value is very important because it shows the prosperity of high stock.The higher thefirm value, the higher thestock price (Bringham, 1996). Several studies have documented the influence of financial reporting quality onthe firm value (Sloan, 1996; Chan, et al, 2001; Wagenhofer Perotti, 2011; Panagiotis et al., 2009; Fanani 2009; and Sharmaet al., 2012).

In fact, the findings of the phenomena associated with the firm value: (1) Edwin Sebayang(2015) indicatesthatone of thecauses ofthe drop in IHSG is due toslowing growth inthe bank's net profit (2) First Asia Capital analyst states that IHSG drop was influenced by a decrease in net profit of some banks (David N Sutyanto, 2015). The existence of these phenomena show the importance of financial statement information for investors because earnings information is determined by the financial reporting quality which will have impact on the firm value that is reflected in the stock value.

Misuse of information in the financial statements can be traced using agency theory, (Jansen and Meckling, 1976). In addition, positive accounting theory, Watts and Zimmermann (1986) stated that thebonus plan hypothesis caused earnings management. Thus, manipulation of financial statements information will result in declining quality of financial reporting information because it reduces the usefulness of financial reporting information for forecasting a future profit and cash flow (Kieso et al., 2011: 145). One instrument, believed to have an important role, particularly in terms of supervision of top management, is board of commissioners (Fama and Jansen, 1983). However, discoverycases related to board of commissioners, among others, are: (1) According to the Deputy Governor of Bank Indonesia, Bank Indonesia assessment results show that there are problems regarding board of commissioners (Siti Fadjriah, 2007). (2) Director of Banking Research and Regulation of Bank Indonesia said that the role of commissioners and directors ofthe bank supervision needs to be improved. This is because perpetrators in banking become increasing lysophisticatedin commiting the crimes (WimbohSantoso, 2011).

Several previous studies have documented the role ofthe board of commissioners that affect the financial reporting quality. The role of the board of commissioners as board size (Yu, 2008; Ball and Shivakumar, 2008; Kao and Chen, 2004; Yermack, 1996; Dalton et al., 1999; and Ahmed et al., 2006); independence of commissioners (Beasley, 1996; Chtourou et al. 2001; Kao and Chen, 2004; Klein, 2002; Chen et al., 2005; Xie et al., 2003; Dimitropoulos and Asteriou, 2010); number of positions carried by independent of the board of commissioners (Beasley, 1996; Ferris et al., 2003; Sarkar et al., 2006; Chandar et. al, 2012); and the number of meetings held meeting of the board of commissioners (Xie et al., 2003; Abbot et al., 2004; Chen et al., 2005).
The audit committeehas an important rolein order to maintain corporate accountability. Audit committeeis in charged with overseeing and monitoring the company's financial reporting system and internal and external audit process (Bairotta, 2010, 32). Blue Ribbon Committee (BRC) said that in general the regulation requires the audit committee goals to strengthen the quality of financial information and maintain or improve investor confidence in the quality of financial reporting and financial markets (Bedrad et al., 2010).This is in line as regulated in Decreeof Bapepam LK number. Kep 643/BL/2012 on the establishment and implementation of the guidelines of audit work committee and Bank Indonesia Regulation Number. 8/PBI/2006 on the Implementation of Good Corporate Governance (GCG) for commercial banks in forming the obligations of the audit committee.In fact, the regulation of the audit committee is not necessarily a positive response, because thee are still violations related to the existence of an audit committee, namely (1) Head of Accounting Standards and Disclosure Bapepam-LK states that the research results Bapepam-LK in 2012 showed that of the total listed companies, 27 companies only have an audit committee as many as 1 to 2 people. It does not yetmeet the minimum limit number of audit committeeas stipulated in Bapepam-LK No.IX. I.5on the Formation and Implementation Guidance of the Audit Committee (Etty Wulandari, 2012); (2) Head of Monitoring Division Company on Miscellaneous Industry Financial Services Authority (OJK) said that the report in 2012, published in 2013 showed that only 30 percent of audit committee members have academic background in accounting (UciRufiadah, 2013) (3) In addition, Directorate of Accounting Standards and Governance Financial Services Authority (OJK) stated that during theresponsibilities and qualifications of the audit committee are still unclear. Many of the audit committee have relationship with shareholders, commissioners, and directors (Marunduri Allison, 2013).

Several previous studies have documented the influence of audit committee on financial reporting quality. The role ofthe audit committeeas the independence ofaudit committee (Klein, 2002; Bedard et al., 2004; Vafeas 2005; Bradburyet al., 2006), the size of the audit committee (Feloet. Al., 2003), characteristics of the audit committee (Adreson et al., 2003; and Dhaliwal, et al., 2006), the frequency ofaudit committee meetings (Xieet. al., 2003; Vafeas 2005 and Abborttetal., 2004).Underthe circumstances, conditions and phenomena that have been mentioned above, and supported bysome ofthe research thathave been done before, empirically prove the influence of board of commissioners and audit committeeo n the firm value. On the other hand, also there are some empirical evidences that show the influence of board of commissioners and audit committeeon the financial reporting quality. Also,the influence of the financial reporting quality on firm value. There fore it should be assumed that the financial reporting quality mediates thee ffects of board of commissioners and the audit committeeon the firm value.

II. LITERATURE RVIEW

A. Board of Commissioners

One instrument, believed to have an important role, particularly in terms of supervision of top management, is commissioners (Fama and Jansen, 1983). In order to improve the performance and firm value, the role of the commissioners, as the corporate governance structure, becomes very important and strategic in creating and maintaining enterprise control system (Bapepam, 2012; KNCG 2006; OJK, 2014 and PBI, 2006). Young (1998) states that corporate governance describe procedures forimproving the financial reportsquality,indicating the role of commissioners in improving company performance by pressing the manipulation of earnings and provide assurance on the proper information about the company's operations. Therefore, the dimensions inherent in the commissioners become the factors affecting the commissioners in carrying out its role in the company. Dimensions of BOC are(1) Size of the BOC (KNCG, 2006; OJK, 2014; Bank Indonesia Regulation (PBI) No.8/14/PBI/2006), (2) Independence of the members of the BOC (Bapepam, 2012; KNCG, 2006; OJK, 2014; PBI, 2006), (3) Total Position Member of the Board of Commissioners (FRC, 2011; OJK, 2014;PBI,No.8/14/PBI/2006.(4). Authorized Board Of Commisioners (OJK,2014:112),(5) Responsibilities of the Board of Commissioners (OECD, 2004: 25; (OJK, 2014:112) and (6) Number Meeting of the Board of Commissioners (PBI No.8/14/PBI/2006.

B. Audit Committee

According to the FTSE 100 Audit Committee Chairman "An audit committee is essentiallyan oversight committee, for it is who is responsible for the internal controls and the financial statements." (ACI; 2013). The same thing is stated in Title 1 of Public Law no. 107-204: "audit committee is a committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer And if no such committee exists with respect to an issuer, the entire board of directors of the issuer "(Bairotta,2010; 47). Accordingly, the audit committee is a committee established by and under the responsibility of the board of commissioners in order to assist the duties and functions of the board of commissioners carry out oversight functions. In Indonesia liability applies formation of audit committees in line with efforts to repair and application of good corporate governance, set up by decision of Bapepam-LK No.643/BL/2012. Also in the banking industry, through Bank Indonesia Regulation No.8/PBI/2006, regarding the implementation of good corporate governance for commercial banks. Furthermore, the Sarbanes Oxley Act (SOA) has mandated that every audit committee should have a formal audit charter and published as part of the obligations of the company's annual statement. Audit charter is a document which is useful as clarity of communication to all parties associated with the role, responsibility, authority and their functional framework (Moeller, 2009) .This is in line with the regulation as stated in The Institute of Internal Auditors (IIA, 2013) in audit Committee Charter. Dimensions of the audit committee are (1) The authority of the Audit Committee (Kalbers and Forgarty, 1993; Decision chairman of Bapepam Number: Kep-643/PM/2012; Audit Committee Charter (IIA, 2013). (2) Composition of the Audit Committee (Decision of Bapepam Number: Kep 643/PM/2012; Bank Indonesia Regulation No.8/14/PBI/2006; HM TreasuryUK,2007:7). (3) Number Meetings of the Audit Committee (Decision of Chairman of Bapepam Number: Kep-643/PM/2012; Audit Committee Charter (IIA, 2013), (4) Responsibilities of Audit Committee (Bank Indonesia Regulation No.8/4/PBI/2006;the Chairman Bapepam Number: Kep-643/PM/2012; Audit Committee Charter (IIA, 2013); FRC, 2012).

C. Financial Reporting Quality

Conceptually financial reporting can be defined as the accuracy of financial statements in conveying information about the company's operations, especially on the expected cash flows, so that investors can take investment decisions (Kieso et al., 2011: 4) The purpose of financial reporting is to provide the primary financial statement information the high quality of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010).Financial reporting quality was measured with dimensions (1) acrual Based (IASB 2010; IAI-PSAK No. 1 and SFAS No. 2 based on IFRS, 2012), (2) Going Concern (IAI_PSAK No. 1 and SFAS No. 2 based on IFRS, 2012), (3) Relevance (IASB, 2008: 36), (4) Faith fullness Representation (IASB, 2008). (Jonas and Blanchet, 2000; Tasios, 2012; Jonas and Blanchet, 2000), (5) Verivability (Suwarjono 2010; 173; IASB, 2008; 39), (6) Understandability (IASB, 2008; Jonas and Blanchet, 2000; Courtis 2005), (7) Comparability (IASB, 2008, 2010; Jonas and Blanchet, 2000; Vincent and Shipper, 2003; Beuselick and Manigart, 2007; Cole et. al., 2012; Tasios and Bekiaris, 2012), and (8) timeliness (IASB, 2010; Fredy et. al, 2013).

D. Firm Value

According to Fama (1978) the firm value will be reflected in the share price, the market price of shares of the company formed between the buyer and the seller when the transaction is called the value of the enterprise market, because the market price of the stock is considered a reflection of the true value of the company's assets. Some of the indicators used by investors to assess the company such as by using size: (1) Price Book Value (PBV). This ratio measures the value given to the management of financial markets and corporate organizations as a company that continues to grow (Brigham, 1996).

E. Theoritical Framework

Boad OfCommisioners, Audit Committee, Financial Reporting Quality and firm Value.

The concept of good corporate governance emphasizing the importance of the right of shareholders to obtain information with true, accurate, and timely. Therefore, in order to meet the interests of the shareholders, the structure and processes of the company is a major concern in corporate governance to ensure fairness, responsibility, and corporate behavior that is transparent and accountable (OJK, 2014). Thus, companies should view good corporate governance (GCG) as an effort to improve the performance and firm value (Tjager, 2003).

According to Fama (1978) the firm value will be reflected in the share price, the market price of shares of the company formed between the buyer and the seller when the transaction is called the value of the enterprise market, because the market price of the stock is considered a reflection of the true value of the company's assets. In order to improve the performance and firm value, the role of board of commisioners and audit committee - as a corporate governance structure - becomes very important and strategic to establish and maintain corporate control system

Comissioner oversight function and audit committee effective willincrease the firm value. In Indonesia the establishment of board of commisioners and audit committeeinthe banking industry isan obligation. It is stated in Bank Indonesia Regulation Number. 8/PBI/2006 on the Implementation of Good Corporate Governance (GCG) for commercial banks.This is in line as regulated in Decree of Bapepam LK number. Kep 643/BL/2012.Furthermore, the Sarbanes Oxley Act (SOA) has mandated that every audit committee should have a formal audit charter and published as part of the obligations of the company's annual statement. Audit charteris a document which is useful as clarity of communication to all parties associated with the role, responsibility, authority and their functional framework (Moeller, 2009).This matching declared The Institute of Internal Auditors (IIA, 2013) in audit Committee Charter. Research Adams and Mehran(2005), in the US foundthat the board of commisioners size has posi ive effecton firm value. Similarly, the results of the study indicated (Kang and Kim,2011; Khan and Javid, 2011; Kyereboah-Coleman,2007; O'Connell and Cramer, 2010). However, the research results (Irina and Nadezhda2009 ;, Nanka-Bruce 2011; and Al Manaseer et al., 2012) showed a negative influence between theboard of commisioners size and firm value. On the other hand, some studies show a positive effect between the independent commisioner and the firm value (Nanka-Bruce, 2011; O`Connell and Cramer, 2010; Kang and Kim, 2011; and Nuryanah and Islam). Field research results Valentiet al., (2011) says that the double post commissioners positive contribution to the performance of the company when the company is ready to release some of its shares in the capital market.

According to Bank Indonesia Regulation (PBI) No. 8/14/PBI/2006, BOC shall hold regular meetings at least four times a year. Some research shows the influence posif board meetings and firm value (Khanchel, 2007; Lin et al., 2002; Kang and Kim, 2011). In order to increase the firm value, the audit committee shall perform the duties and responsibilities as per the guidelines mandated in the Bank Indonesia Regulation (PBI) No. 8/14/PBI/2006; KNCG, 2006; and the Financial Services Authority (OJK, 2014). There fore, the audit committee has authority related duties and responsibilities. In addition, the structure of the audit committee meeting and the rules stipulated in Bank Indonesia Regulation No.8/14/PBI/2006 and Decision of Chairman of Bapepam Number:Kep-643/PM/2012.The research result Bauer et al.,(2009) found a positive effect between audit committee size and the firm value. In addition, several studies documenting the positive relationship between the independence of audit committees and firm value. (Dey, 2008; Nuryanah and Islam, 2011; and Khanchel, 2007). Research Khanchel (2007), in the US showed a positive relationship between the independence of audit committees and firm value.Several studies document the relationship between audit committee meetings and firm value. (Khanchel, 2007; and Kyereboah-Coleman, 2007). Research Khanchel (2007), in the US by using a sample of 624 non-financial companies listed period 1994-2003, with multiple regression, where the company's performance using Tobin proxy-Q. Show a positive relationship between the independence of audit committees and firm value. The quality of financial reporting is a broad concept, not only related to financial information, but also includes disclosures, and non-financial information that is useful for decision making that explicitly explains his desire to build a comprehensive assessment tool to assess the quality of financial reporting related to all qualitative characteristics because these characteristics determine the decision usefulness of financial reporting information (FASB and IASB, 2008). Measurement scale of financial reporting quality refers to the financial statements resulting product contains the value as in the qualitative characteristics of financial statements (IASB, 2010).Yermack (1996) states that the board of commissioners in small amounts is considered more effective because it did not have much difficulty in coordination. Furthermore, commissioners smaller more willing to discuss issues and less risky and can react more quickly to changing market conditions.Kao and Chen (2004) conducted a study in Taiwan. Results of this study concluded that the smaller the proportion of independent commisioner diminishing the financial reporting quality

According to Sarkar et al., (2006) that an independent commissioner concurrent positions at other companies will be busy with a variety of activities, not only on the company concerned but also on other companies in which he doubled his position. In line with this, Ferriset.al., (2003) found that the independent commissioner too many concurrent positions will experience the constraints of time and energy, so less effectively perform oversight functions, and ultimately weaken corporate governance. Research results Chandar et al., (2012) supports the previous statement is to minimize the double post commissioners will strengthen the financial statements to be more qualified, because the commissionersfocus on duties and responsibilities. Instead, Lu et al., (2013) found that independent commissioner hold concurrent positions to maintain certain ratios which indicate better performance than the independent commisioner who are not concurrently. However, research Smaili and Labelle (2007) in Canada did not find any significant effect on the double post commissioners in another company with the effectiveness of the oversight function of the board of commissioners. Results of the study Chen et al., (2005) in China, shows that the proportion of independent commissioners, the frequency of meetings of the board of commisioner members in a year, the length of the top of the director positions, influence on fraud in the financial statements.The audit committee has an important role in order to maintain corporate accountability. Audit committee charged with overseeing and monitoring the company's financial reporting system and internal and external prosesaudit (Bairotta, 2010; 32). In order to carry out its duties, the audit committee based on the audit committee charter. Bank International Statement stated that the Charter of the Audit Committee composed of the goals of establishing an audit committee, the membership of the audit committee, the secretary of the audit committee, the organization of a meeting / conference audit committee, the roles and responsibilities of the audit committee related to internal control, internal audit, regulatory compliance, relationship with external auditors, personnel or access to information and the application of the audit committee charter (BIS, 2013).Several previous studies have documented the relationship between the independenceaudit committee and financial reporting quality (Klein, 2002; Bedard et al., 2004; Vafeas 2005; Bradbury et al., 2006). Further research results Felo et al., (2003) documented the positive relationship between audit committee size and financial reporting quality. Likewise, the results Dhaliwal et al., (2006) found a positive relationship between audit committee expertise and financial reporting quality. Research results Adreson et al., (2003), which examines the relationship between Earning Response Coeffient (ERC) and the characteristics of the Audit Committee, found that the characteristics of the audit committee (the independent, activity and audit committee size) influence the informational content of earnings as measured by ERC.

The research result Xie et al., (2003) and Vafeas (2005) documented that when the audit committee more frequent meetings, then discretionary accruals to be lower, so it shows the quality of financial reporting better. Furthermore, empirical studies conducted by Abbott et al., (2004) found that audit committee meetings at least four times a year tend to reduce restatement of financial statements.According to the International Accounting Standard Board (IASB), the main purpose of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010). According to Fama (1978) the firm value will be reflected in the share price, the market price of shares of the company formed between the buyer and the seller when the transaction is called the value of the enterprise market, because the market price of the stock is considered a reflection of the true value of the company's assets. Several studies have documented a relationship between financial reporting quality and the firm value (Sloan, 1996; Chan, et al., 2001; Perotti and Wagenhofer, 2011; ZainalFanani, 2009).

Empirical evidence about the market reaction to earnings information shown in research Perotti and Wagenhofer (2011), which examines the relationship between earnings quality and stock returns. The study also showed that the use of proxy ERC and the value of stocks as a proxy for earnings quality gives an advantage over the quality of accruals and abnormal accruals. Various other studies have shown that accounting earnings associated with stock prices (Chan et al.,; 2001 and Sloan; 1996). In addition, research Fanani (2009) states that the quality of financial reporting by attribute relevance, timelines and conservatism have economic consequences dominant relationship with the stock value as a result of information asymmetry. The research result Sharma et al., (2012) showed some ratios, based on financial statements is a significant correlation with the stock market indicators. Furthermore, studies conducted by Panagiotis et al., (2009) showed that the ratio of working capital to total assets and net profit to sales had a negative impact on stock returns, while the ratio of net income to total assets and sales to total assets positive impact on stock returns and type of non-discretionary accruals become more important than that discretionary.

From the description above, it can be concluded that the value of the company will be affected the financial reporting process which is reflected in the basic assumptions and the quality of financial reporting information as a result of financial reporting. The basic assumption andquality financial statement information is important, because the basic information used by or prospective investors as a basis for assessing the company reflected in the share price. In accordance with the framework that has been described previously, it can be formulated hypotheses of the study. The formulation of the hypothesis is

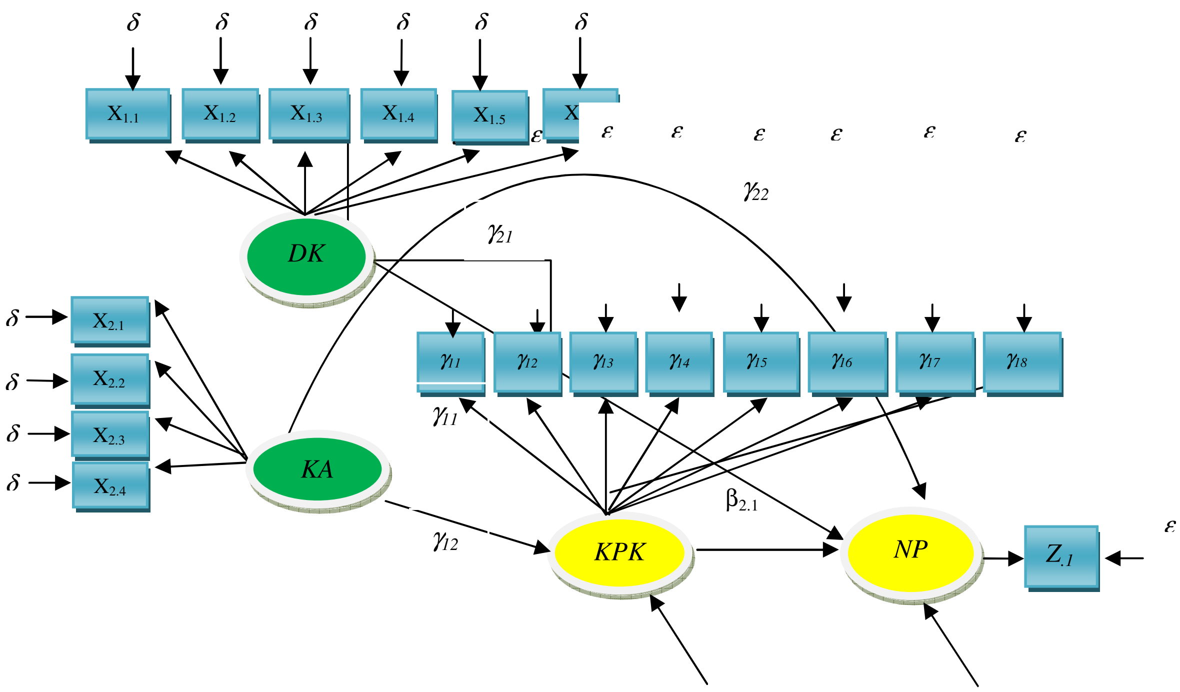
H1. Board of commissioners and Audit committee positive effect on the Firm Value
H2. Board of commissioners and Audit committee positive effect on the financial reportingquality
H3. Financial reporting quality positive effect on the Firm Value
H4. Financial reportingquality mediate the positive effect of board of commissioners and audit committee the Firm Value

III. RESEARCH METHODOLOGY

In this study, the research object is the board of commisioners, audit committee, financial reporting quality and corporate value. Observation units are Board of Commissioners/Independent Commissioners, Audit Committee and Accounting Manager/Accounting Section on commercial bank listed at the Indonesia Stock Exchange. Commercial banking unit of analysis is that 40 commercial banks listed. This research used explanatory research and verification. The type of data used are primary and secondary data and use the scale interval and ratio as a measurement scale. Data collection techniques used by the distribution of a questionnaire survey on the commercial Bank listed on he Indonesia Stock Exchange. The firm value using the Price to Book Value of data obtained from the WebsiteYahoo.finance.com.The unit of analysis in this study is that the commercial banks listed. The unit of analysis is the aggregate level of the data collected to be analyzed in the study and refer to what the focus of the research (Bougie, 2010: 116) . From 40 commercial banks listed, which do not respond as much as 10 commercial banks listed. In other words, the amount of the rate of return of questionnaires as much as 117 or 73%. According to Cooper and Schindler (2006: 314) argues that the rate of return of 30% is included, and will be better again when it reaches 70%. The data on the firm value, the source of the data obtained from the company's annual report in a manner downloaded from the website 30 commercial banks listed at the Indonesia Stock Exchange, and the stock price data obtained from the Indonesia Stock Exchange by downloading via yahoo finance.com.

Research variable

(a) Independent Variables / Variables are: (1). Board of Commisioners (BOC) = X1 and (2).Audit Committee = X2 (b) Intervening Variable : Financial Reporting Quality = Y (c) the dependent variable : Firm Value = Z. Testingthe validity of usingthe product moment correlation (validity index) which point statement declared invalidif the correlation coefficient point statementof 0.30.≥.Then test the reliability of using split-half of the Spearman Brown and results expressed reliable if the reliability coefficient greater than 0.70. The test results showed that the questionnaire with SPSS four variables are valid and reliable and can be used for further analysis. While the data analysis tools using the Partial Least Square (PLS.). The research model developed from the problems studied using Structural Equation Model (SEM) with the method of Partial Least Square (PLS) can be described by the following scheme:



Research Model Structure

Description:

DK = latent exogenous variables, describing the variable BOC

KA = latent exogenous variables, variables describe the Audit Committee

KPK = endogenous variables, variables describe Financial Reporting Quality

Z = the endogenous variables, describing variable Firm Value

δ = Weight factor manifest variables/indicators for latent exogenous variables DK and KA

ε = Weight factor manifest variables/indicators for endogenous latent variables

γ(x) = coefficientof latent exogenous variables influence the path

β = coefficientof latent exogenous variables influence the path

$\longrightarrow$ = Signs stating influence between latent variables exogenous to endogenous latent variables.

Equation Models Measurement
Equation of latent exogenous variable setting X_1 is:
$X_{11} = \lambda^{(x)}_{11} X_{1.1} + \delta$, $X_{12} = \lambda^{(x)}_{12} X_{1.2} + \delta$, $X_{13} = \lambda^{(x)}_{13} X_{1.3} + \delta$, $X_{14} = \lambda^{(x)}_{14} X_{1.4} + \delta$, $X_{15} = \lambda^{(x)}_{15} X_{1.5} + \delta$, $X_{16} = \lambda^{(x)}_{16} X_{1.6} + \delta$
Measurement equation latent exogenous variables X_2 is:
$X_{21} = \lambda^{(x)}_{21} X_{2.1} + \delta$, $X_{22} = \lambda^{(x)}_{22} X_{2.2} + \delta$, $X_{23} = \lambda^{(x)}_{23} X_{2.3} + \delta$
$X_{24} = \lambda^{(x)}_{24} X_{2.4} + \delta$
Measurement equation Y endogenous latent variables are: Y11
$Y_{11} = \lambda^{(y)}_{11} Y_{.1} + \varepsilon$, $Y_{12} = \lambda^{(y)}_{12} Y_{.12} + \varepsilon$, $Y_{13} = \lambda^{(y)}_{13} Y_{.13} + \varepsilon$, $Y_{14} = \lambda^{(y)}_{14} Y_{.14} + \varepsilon$, $Y_{15} = \lambda^{(y)}_{15} Y_{.15} + \varepsilon$, $Y_{16} = \lambda^{(y)}_{16} Y_{.16} + \varepsilon$, $Y_{17} = \lambda^{(y)}_{17} Y_{.17} + \varepsilon$, $Y_{18} = \lambda^{(y)}_{18} Y_{.18} + \varepsilon$
Measurement equation endogenous latent variable Z is:
$Z_1 = \lambda^{(z)}_{1} Z + \varepsilon$

IV. RESULTSANDDISCUSSION

By using structural equation modeling alternative method of partial least square obtained full path diagram model of the influence of the commissioners and the audit committee of the quality of financial reporting and its implications for the value of the company as shown in the following figure.

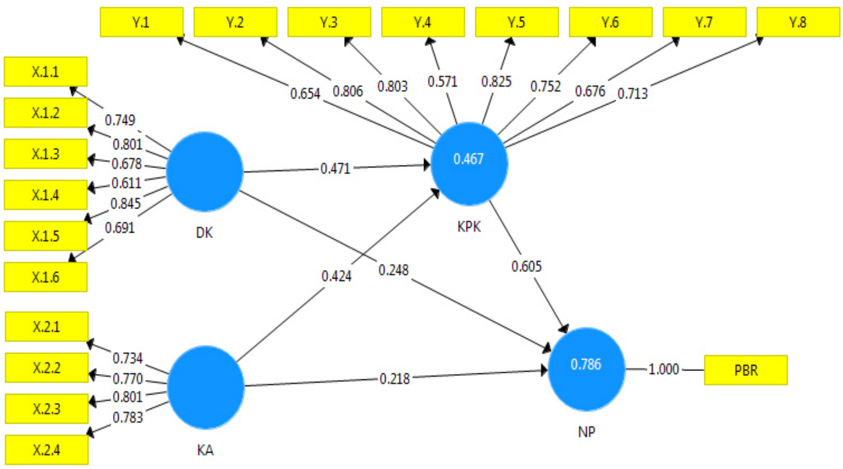


Figure
Research Model Diagram

Through weighting factors contained in the figure can then betested for validity of each manifest variables construct and test the reliability of the variables studied.

Board of Commissioners	Variable Manifest	Weighting Factor	R^2	t-values	CR	AVE
	X1.1	0.794	0.630	4.167	0.873	0.538
	X1.2.	0.801	0.642	9.198		
	X1.3	0.678	0.460	4.336		
	X1.4	0.611	0.373	2.514		
	X1.5	0.845	0.714	10.610		
	X1.6	0.691	0.477	7.092		
The Audit Committee	**Variable Manifest**	**Weighting Factor**	**R^2**	**t-values**	**CR**	**AVE**
	X2.1	0.734	0.539	2.606	0.855	0.597
	X2.2	0.770	0.593	3.706		
	X2.3	0.801	0.642	7.047		
	X2.4	0.783	0.613	4.603		
Financial Reporting Quality	**Variable Manifest**	**Weighting Factor**	**R^2**	**t-values**	**CR**	**AVE**
	Y.1.1	0.654	0.428	4.543	0.900	0.532
	Y.1.2	0.806	0.650	18.469		
	Y.1.3	0.803	0.645	11.956		
	Y.1.4	0.571	0.326	4.066		
	Y.1.5	0.825	0.681	12.958		
	Y.1.6	0.752	0.565	10.718		
	Y.1.7	0.676	0.457	6.020		
	Y.1.8	0.713	0.508	6.636		

Result Of Hypothesis

Out put of results SmartPLS measurement model of each variable in this study, showing the board of commisioner, audit committee and financial reporting quality has avalueof t>1.96, composite reliability (CR) is greater than 0.70 and greater, and AVE0.50. Thus, based onthe results of test measurements to qualify, and may be continued structural model test. While the results of OutputSmart PLS structural model of the hypothetical sections I, II, III and IV in this study

Hypothesis Test Results

Struktur	Part	coefficient	P-Value	R-Square
Part I	DK→KPK	0.471	< 0.001	0.467
	KA→KPK	0.424	0.001	
Part II	DK→NP	0.248	0.023	0.786
	KA→NP	0.218	0.047	
Part III	KPK→NP	0.605	< 0.001	
Part IV	DK→KPK→ NP		0.002	0.285
	KA→KPK→ NP		0.012	0.256

1) Effect of Board of Commissioners and Audit Committee on Financial Reporting Quality

Results of the first part of hypothesis testing, in accordance with the theoretical description above, indicates that board of commisioner and audit committee positive effect onfinancial reportingquality. The results support several previous studies. (Ball and Shivakumar, 2008; Kao and Chen, 2004; Dalton et. Al., 1999; Ahmed et al.2006; Klein 2002; Chen et al., (2005); Xie et al., (2003); Dimitropoulos and Asteriou, 2010; Lu et al., 2013; Xie et al., 2003; Abbot et al., 2004; Bedard et al., 2004; Vafeas 2005; Bradbury et al., 2006; Felo et al., 2003; Dhaliwal , et al., 2006; Adreson et al., 2003; and Vafeas, 2005) indicates that board of commissioners andaudit committee positive effect onfinancial reportingquality. However, these results differ from some previous research (Beasley, 1996); Ferris et al., 2003; Sarkar et al., 2006; and Chandar et al., 2012) showed that board of commissioners negatively affect on financial reportingquality. Meanwhile, Petra (2007); Mak and Kusnadi (2005); and Sunday (2008) indicates that board of commissioners and audit committee does not have a significant impact on financial reportingquality.From the description above, it can be concluded that the role of the board ofcommissioners and audit committee, - as a corporate governance structure - becomes very important and strategic in realizing and maintaining corporate control system. The Blue Ribbon Committee (BRC) states that the regulation requires the general purpose committee audit to strengthen the quality of financial information and maintain or improve investor confidence in the quality of financial reporting and financial markets (Bedrad et al., 2010).

This is in line with the statement of Young (1998) that describe the corporate governance procedures improve thefinancial reporting quality. This is because the main purpose of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010). Therefore, the basic assumption (IAI_PSAK No. 1 and SFAS No. 2 based on IFRS, 2012) and use the qualitative characteristics of financial information, in its application to provide financial information on the financial statements for various purposes (IASB, 2010).

Thus, as the structure of corporate governance, board ofcommisionerand audit committee in carrying out its role based on the rules set forth in the charter (Bapepam. No: KEP-643/BL/2012; dan PBI. No:6/7/ PBI/2006), so that oversight function to be effective, so that financial reporting quality.The results ofthis studysupportedamong others ; (1) The results of the Association of Certified Fraud Examiners (ACFE) indicate fraudulent financial reporting provide the greatest number of losses of around $ 1 million (ACFE, 2012). (2) the Supreme Audit Agency (BPK) found fraud that occurred in some of the State Owned Enterprises (SOEs) which aims to directors seem to have a high performance. (HasanBisri, 2013).

2) Effect of Board of Commissioners and Audit Committee on Firm value

The second hypothesis testing results show thatboard of commisioner and audit committee positive effect onfirm value. The results support previous studies showing that board of commisioner and audit committee positive effect on firm value. (O`Connell and Cramer, 2010; Kang and Kim 2011; Khan and Javid 2011; Kyereboah-Coleman 2007; Nuryanah and Islam, 2011; Nanka- Bruce 2011; Field et al., 2011, Lu et al., 2013; Khanchel, 2007; and Lin et al., 2002; Kang and Kim 2011; Kyereboah-Coleman 2007; Nuryanah and Islam, 2011; Khanchel, 2007; and Dey, 2008). Nevertheless, the results of this study do not support several previous studies, in which some of the results of previous research showing negative effects board of commisioners and audit committee on the firm value (Irina and Nadezhda 2009; Nanka-Bruce 2011; and Al Manaseer et al., 2012; Fich and Shivdaasani 2006; Haniffa and Hudaib 2006; Mak and Kusnadi, 2005; García-Sánchez, 2010; Vafeas, 1999, Al-Matari et. al., 2012; Bozec, 2005; and Dar et al., 2011), addition The results showed that the board of commisioners and audit committee has no effect on the firm value (Petra 2007; Mak and Kusnadi, 2005; and Sunday, 2008).According to the Financial Services Authority, in order to meet the interests of the shareholders, the structure and processes of the company is a major concern in corporate governance to ensure fairness, responsibility, and corporate behavior that is transparent and accountable (OJK, 2014). Therefore, both public and closed to be looked good corporate governance (GCG) as an effort to improve the performance and firm value (Tjager, 2003).

From the above description, it can be concluded that the firm value is affected by the effectiveness of the corporate governance structure, because in order to meet the interests of the shareholders, the structure and processes of the company is a major concern in corporate governance to ensure fairness, responsibility, and corporate behavior transparent and accountable (OJK, 2014). Therefore, both public and closed to be looked good corporate governance (GCG) as an effort to improve the performance and firm value (Tjager, 2003). In the end, the high firm value is very important because of the high firm value which will be followed by higher shareholder wealth, the higher the stock price, the higher firm value (Brigham: 1996).In order to improve the performance and firm value, the role of board of commisioners and audit committee, a corporate governance structure - becomes very important and strategic in realizing and maintaining corporate control systems, so as to produce a good performance. Good corporate performance will be responded positively by the market, which is reflected in the firm value. The results ofthis studysupportedamong others ; (1) Edwin sembayang (2015) that one of the causes of the drop in IHSG is due to slowing growth in net profit of the bank. (2) Analyst First Asia Capital stating that the drop in ISHG influenced by a decrease in net profit of some banks (David N Sutyanto, 2015).

3) Effect of Financial Reporting Quality On The Firm Value

The third hypothesis testing results show that financial reportingquality significant positive effect on the firm value. Results of this research supports previous studies (Sloan, 1996; Chan.et al., 2001; Yohn, 2009; Perotti and Wagenhofer, 2011; ZainalFanani 2009 and Mingzhi, 2011). Fanani (2009) stated thatfinancial repoting quality with the attributes of relevance, timelines and conservatism have significant economic consequences relationship with the value of the shares as a result of asymetri information.

According to Francis and Schipper (1999) that has the value relevance of accounting information if the information is able to predict or influence the share price. Barth et al., (2001) suggested that the accounting information is said to be irrelevant if the information has a positive and significant relationship with stock prices. Thus the rational logic is, accounting information which represents the profit performance of the company. If the accounting or profit information useful and is used by investors as a basis for making a decision, then the investor reaction will be reflected in stock prices.

4) Financial Reporting Quality Mediating Effects of Board of Commissioners and Audit Committee on the Firm Value

The fourth part of the hypothesis to be tested is the indirect influence of boad of commissioners and the audit committee on thefirm value through the financial reportingquality. To test the effect of indirectly board of commisioners and audit committee on the firm value through the financial reporting quality used Sobel test (Kline, 2011: 164)is through two standard error of the path coefficient linking the indirect effect. Results of fourth hypothesis testing showed that financial reporting quality mediates positive influence of board of commissioners and the audit committee on the firm value. Indirect effect commissioners through the financial reporting quality on the firm value is greater than the direct influence of board of commissioners on firm value. The direct effect of audit committee on the firm value is lower than the indirect effect through financial reporting qualityonfirm value. Thus, the financial reporting quality is a mediating variable.

From the description above, it can be concluded that the firm value will be affected the financial reporting process which is reflected in the basic assumptions and the quality of financial statements information as a result of financial reporting. The basic assumption information andqualityof financial statements as financial reporting quality, if the supervisory role of the corporate governance structure effective. Therefore the basic assumption andquality of financial statement information is important, because the basic information used by or prospective investors as a basis for assessing the company reflected in the share price. Thus the results of this study that the financial reporting quality mediate the positive effect of boad of commissioners and the audit committee on the firm value. Results of this research, while supporting the main objective of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010).

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the phenomenon, the problem formulation, formulation of hypotheses and research results, it can be concluded as follows:

1) The results showed that board of commisoners and audit committee having an effect positively on the financial reporting quality
2) The results showed that board of commisioners and audit committee, having an positive on firm value
3) The results showed that financial reporting quality having anpositive effect on firm value
4) The results showed a variable financial reporting quality as anmediating variable effect of boad of commissioners and audit committee on the firm value

Recommendations

1) For further research can include other variables that could improve the financial reporting quality and firm value, such as factors of risk management committee, and management commitment that is not included as a variable of the study.
2) This research has not revealed the influence of Disclosure as moderating variables on the relationship withfinancial reporting quality andthe firm value. This, because the companies that have gone public have an obligation to make sustainability report in accordance with the Article 66 paragraph 2 of Law No. 40 Year 2007 regarding Limited Liability Company. Bapepam-LK has issued rules requiring public companies to disclose the implementation of CSR activity in its annual report.
3) This research has not revealed the whole the firm value , then further research can investigate other variables to the firm value such as growth in assets, deposits, credit and bank soundness and Investment Opportunity Set.

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