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The Effect of ESG Disclosure, Audit Quality, Internal Audit, on Company Value

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corporate value; environmental disclosure; social disclosure; governance disclosure; audit quality

ABSTRACT
This study aims to examine the presence or absence of the effect of ESG Disclosure, Environmental Disclosure, Social Disclosure, Governance Disclosure, Audit Quality, and Internal Audit on Company Value. The population used in this study is companies listed on the IDX in several non-financial sectors, namely the energy, raw materials, health, industry, and infrastructure sectors in the 2020-2022 period that successively publish sustainability reports, annual reports, and financial statements for the fiscal year December 31. The total population in this study was 346 companies with the number sampled being 45 companies using purposive sampling techniques. The data was analyzed using regression panel data made into two models and processed using E-Views software version 9. The results of this study provide results that in model 1 ESG Disclosure, Audit Quality, Internal Audit partially affect Company Value. The results in model 2 provide results that Environmental Disclosure affects Company Value, Social Disclosure does not affect Company Value, Governance Disclosure does not affect Company Value, Audit Quality affects Company Value, Internal Audit does not affect company value. In model 1 and model 2, the Leverage control variable, ROE has a significant positive influence on Company Value, while Firm Size does not have a positive influence on Company Value

1. Introduction

Companies in general have their main goal which is to be able to achieve the maximum possible profit. If this goal is achieved, then a company may be said to be successful. Companies will always feel it is important to be able to make improvements to their company value. An increase in company value indicates a good performance of the company. This will then lead to increased confidence in the market which is not only focused on the company's current achievements or performance, but also on the company's future prospects (Sondokan, Koleangan, & Karuntu, 2019).

COVID-19, which is a pandemic outbreak that emerged in early 2020, has caused significant disruption and changed various aspects of life that people were previously familiar with. COVID-19 is the latest phenomenon that has a significant impact on companies in Indonesia. Fluctuations in stock prices are inevitable due to diverse and unpredictable external factors, of which COVID-19 is one of them. For example, when the COVID-19 pandemic was rife, various corporate sectors in Indonesia experienced significant declines stemming from the impact of economic and market uncertainty.

Based on research conducted by (Revinka, 2021), it can be seen that there was a decrease in company value during the first quarter of 2020 which when compared with the same period in the previous year, namely in the first quarter of 2019. This happened because of the concerns felt by investors about the confirmation of COVID-19 cases in Indonesia, which in the first quarter of 2020 had been announced and widely reported.

One of the blue chip companies, PT Astra International Tbk. (ASII) was faced with a significant decline in their share price in 2020. If you pay attention, the share price of PT Astra Internasional Tbk.ini there is a decrease if compared with five years ago before 2020. Their share price on December 27, 2019 was at the level of Rp6,926.00 per share. However, at the close of the first quarter of 2020, ASII's share price decreased to IDR 3,520.00 which means that the price decrease reached almost half (Idris, Chairunisa, & Saputro, 2020).

Some non-financial sectors that are interesting to pay attention to are the energy sector, raw materials sector, health sector, industrial sector, and infrastructure sector. Mining companies become companies that carry out most of their business operations related to natural resources. The Mining Advocacy Network (JATAM) reported that from 2014 to 2020 there were 116 mining conflicts related to pollution and environmental destruction to termination cases (Mining Advocacy Network, 2020; (Arifianti & Widianingsih, 2023). In (Maysaroh & Murwaningsari, 2023), the company's production activities can affect the environment, for example such as improper waste or waste disposal and burning fossil materials. Increased environmental pollution both from air, soil, wind can affect human health. Greenhouse gas emissions may also increase. Then, in the health sector, medical waste can pollute humans and the environment. If not treated properly, medical waste can endanger humans as well as other living things because of its content. The presence of bacteria, viruses, toxins, and contaminated radioactive materials can be harmful to humans as well as the surrounding environment (Asrun, Sihombing, & Nuraeni, 2020). Related to infrastructure, waste derived from the construction of buildings that are built or demolished has a significant impact on the environment. Therefore, the analysis of the environmental impact of construction waste needs to be carried out by the company (Firmawan, 2023).

In today's times, investors also pay attention to the sustainability factor of the company they will invest in. One of them is ESG (Environmental, Social, Governance) disclosure which has become a consideration for investors in their decision making when investing. Several previous studies have provided results that ESG disclosure has a positive and significant influence on company value (Adhi & Cahyonowati, 2023); (El-Deeb, Ismail, & El Banna, 2023). These results are then in line with stakeholder theory and legitimacy theory. Another study conducted by (Bashatweh et al., 2021) specifically in the banking sector shows that ESG disclosure has a significant influence on company value.

In addition to companies having to think about sustainability, companies are also required to be able to provide welfare and a sense of security for their investors. Investors need a quality audit in the company in which they will invest. The quality of the audit is very important, with qualified auditors expected to minimize the opportunity for companies to falsify their financial data (Holly, Jao, & Thody, 2023). (Holly et al., 2023) conducted previous research and stated that there is a positive influence of audit quality on company value.

In addition to audit quality, internal audits are also needed to determine the value of the company. Fraud cases in public companies that are rife experienced by them have resulted in public and investor confidence declining. The latest event or case in the transportation sector is a case involving PT Garuda Indonesia Tbk. PT Garuda Indonesia Tbk. recorded a net profit (profit) which turned out that the airline actually suffered a loss (loss). With a good and quality internal audit, it is expected that such fraud cases can be minimized or even eliminated. In several previous studies, it was given that the company's value was not significantly affected by the existence of internal audits (Octaviani, 2023; Oktaviani, 2019). Based on the results of previous research, there have not been many studies examining the impact of internal audit on company value.

Stakeholder *Theory*

The origins of *stakeholder* theory can be traced back to 1960, in that year SRI (Stanford Research Institute) proposed the first concept of stakeholder theory. This theory emphasizes that organizations need support from *stakeholders* not always from *shareholders* but also from other stakeholders so that the company can continue to survive and develop (Mahajan, Lim, Sareen, Kumar, & Panwar, 2023).

Companies need to identify, consult and involve stakeholders in each of their programs so that their actions are seen as important to both the company and stakeholders (Harmoni, 2013). Stakeholders can also provide their support through the implementation of financial and non-financial information disclosure practices. In this case, stakeholders expect that company management can be responsible for every business activity they carry out (Kujala and Korhonen, 2017).

Agency Theory

In 1976, agency theory was discovered by Michael C. Jensen and William H. In this theory, it is explained about the employment agreement between *the principal and the agent, where* the principal as the owner of the company gives trust, while *the agent* acts as a manager who is responsible for the implementation of his duties and obligations in fulfilling the interests of *the* principal (Sukma, Rizki, & Priyambodo, 2023).

Agency theory and audit quality have a research relationship where in the realm of agency, the role of an independent entity as a third party (mediator) is needed that connects principal and *agent*. In this context, auditors act as these third parties who are considered to have the ability to connect the interests of them. When carrying out their duties, auditors provide an assessment of the fairness of the financial statements prepared by the manager, and the reliability of the fairness of the financial statements can be seen from how good the quality of audits carried out by external auditors (Dewita & Erinos, 2023).

Then, the relationship between agency theory and corporate internal auditors when viewed from the perspective of this theory is a governance oversight mechanism to monitor the behavior of senior managers (Ardianto, Anridho, Ngelo, Ekasari, & Haider, 2023). The possibility of reducing the occurrence of opportunistic behavior can be avoided.

Signaling Theory

Research by (LUBIS, 2020)explains that in 1973, signal theory was first discovered by Michael Spence. When a signal is given, the information owner attempts to convey information that can be utilized by the recipient from the information that the information owner has been able to.

In signal theory (*Signaling Theory*) explained how a company communicates to users its financial statements by carrying out managerial actions that are in line with the interests of the owner. *Agents* need to provide financial statement information to *principals* when or because of information discrepancies or asymmetries (Thiono, 2005). Signaling carried out by managers can reduce the occurrence of information discrepancy conditions. The manager will give a positive indication or signal by providing information that the financial statements produced have good quality and integrity. This will result in the *principal* 's trust in the information (Thiono, 2005).

Company Value

Company value is a condition achieved by a or a company that comes from a sense of public trust in the company since the company was established until now. High corporate value illustrates the prosperity obtained by its shareholders, so the value of the company becomes very important (Purwanto & Artiani, 2022). In research conducted by (Sondokan et al., 2019) it is stated that an increase in stock price has the potential to increase the value of the company.

Related to the time period, the company views its goals in two main objectives, namely short-term and long-term. In the short term, the focus lies on maximum efforts to achieve optimal profits by utilizing existing resources. Meanwhile, in a long-term perspective, the orientation is on increasing wealth for shareholders or owners of the company. In the company's efforts to achieve this long-term goal, the company strives to maximize its corporate value, which is often reflected in the company's stock price (Arista, Sadjiarto, & Santoso, 2022).

ESG *Disclosure*

ESG is an acronym for *Environmental, Social, and Governance*. Where environmental criteria will be considered by the company to be able to carry out high financial and operating performance of the company but are sustainable, environmentally friendly, and do not damage nature. Then, social criteria are where the company will try to explore good relationships with outside communities, both between workers in different companies, suppliers, customers, communities, and so on. Furthermore, corporate governance criteria discuss the capacity and legitimacy of the company, internal relations, *internal control*, investor and/or shareholder rights, and so on.

ESG is now an important aspect of corporate responsibility and sustainability. The increased demand for ESG has created several global organizations, such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (Lydenberg, 2013).

ESG disclosures vary in different countries. Many companies (including in Indonesia) have adopted the Global Reporting Initiative (GRI) which is then used as a guideline or guide for them in reporting and disclosing their ESG performance.

Audit *Quality*

According to Holly *et al*. (2023), audit quality is needed by investors in the companies they invest in. A quality audit can minimize falsification of financial data and check the correctness of the company's financial reporting.

The definition given by DeAngelo (1981) about audit quality is the probability of the ability possessed by auditors to search and find possible violations in the financial statements of companies audited by them. The more quality the auditing process, the more quality a financial statement will be produced (Bagaskara *et al*., 2023).

Independent auditors must be able to produce accountable audits with optimal quality work. This is because they have a great responsibility to parties who have an interest in the use of financial statements (Mulatsih and Feriyana, 2023).

In measuring audit quality, one of the measuring instruments is Audior *Industry Specialization* (AIS). The use of AIS as a proxy for audit quality is because AIS is another part of audit quality. Auditors who specialize are considered to have a deeper understanding of a particular industry, so as to be able to produce audits with higher quality standards (Craswell *et al*., 1995). To be able to produce good audit quality, a professional auditor must maintain and prioritize the integrity of the audit results (Yandari and Sudaryati, 2018).

Audit Internal (*Internal Audit*)

Understanding internal audit by Suginam (2017) is a stage of managerial supervision that aims to measure and evaluate the extent to which the control system functions effectively. In addition, this audit also aims to provide support to all members of management in order to carry out their duties more effectively. This process involves providing analysis, assessment, recommendations, as well as comments related to the activity being examined. Another function of internal auditors is to act as a bridge and good communicator between company owners and managers (Ferry *et al*., 2017).

There is a relationship between internal auditors and internal control. Internal control system is always needed in the company's operational activities because of the business activities carried out, possible risks cannot be avoided (Arfamaini, 2015). A guide is needed by a company related to risk management, where one approach is to implement *Enterprise Risk Management* (ERM). Through the implementation of ERM, companies can gain a deep understanding of how to control risks in order to minimize their impact on the achievement of company strategies and objectives (Rikaz, 2022). The internal components of *Enterprise Risk Management (*ERM) involve organizational structure, code of ethics, performance targets, authority and responsibility, and Human Resources (HR) standards as the main foundation (COSO, 2017).

The Effect of ESG Disclosure on Company Value

Companies create and disclose their ESG reports on environmental, social, and governance performance. Strong ESG practices and disclosure to investors can improve long-term financial performance and increase a company's stock value. However, economic conditions, industry trends, and specific variables that impact stock prices are not just ESG performance (Lin *et al.*, 2021; Harjoto and Wang, 2020). ESG performance is only one of several elements to examine when assessing a company's long-term growth and share price (Eccles and Serafeim, 2011; Seker and Sengur, 2021).

Based on research conducted by El-Deeb *et al.* (2023), the results indicate that there is a significant positive effect of ESG disclosure on company value. The previous theories and explanations are the same as the research findings of El-Deeb *et al.* (2023). Then other studies also provide results that ESG has a positive influence on company value (Melinda and Wardhani, 2020; Adi and Cahyonowati, 2023; Bashatweh, 2023). So that the hypothesis can be formulated as below:

H1 : ESG disclosure positively affects Company Value

The Effect of Environmental Disclosure on Company Value

Since 2002, the Ministry of Environment (KLH) in Indonesia has implemented the Company Performance Rating Assessment Program in Environmental Management (PROPER). PROPER is an initiative that aims to manage and/or control environmental impacts with the aim of increasing company participation or involvement in environmental conservation efforts (Bundoyo and Davianti, 2019). Companies that have concern for the environment, can create sustainable company activities. This will give a good impression in the eyes of *stakeholders*, so that the explanations above are in line with *stakeholder theory.*

Research conducted by Mumtazah and Purwanto (2020) revealed that positive environmental disclosure has a relationship but is not so significant. However, there are also studies that provide results that company value has a significant positive effect (Daromes, 2020; Asrizon *et al*., 2021). Another study by Sari (2023) also states the same thing that there is a positive impact on environmental disclosure of company value.

H1a : Environmental Disclosure positively affects Company Value

The Effect of Social Disclosure on Company Value

A large number of social and moral standards must be adhered to within the company in order for the theory of legitimacy to be used correctly (Long and Driscoll, 2008). Companies that participate in social disclosure tend to maintain their reputation and relationships with *stakeholders* so as to generate higher corporate value (Gray *et al.,* 1995). The perception *of stakeholders* can be influenced by good social disclosure carried out by the company in the form of interesting activities.

Research conducted by El-Deeb and Sobhy (2017) examines that companies that effectively implement sustainable and transparent practices in providing their social information, generally have a tendency to achieve superior financial performance. This contributes positively to the increase in company value. Other studies have also found that social disclosure has a significant positive influence that can increase company value (Setiawati, 2018; El-Deeb *et al*., 2023). Then, social disclosure in the form of CSR was studied to have a significant positive influence (Puspitasari and Ermayanti, 2019; Aminah and Leaders, 2023).

H1b : Social Disclosure positively affects Company Value

The Effect of Governance Disclosure on Corporate Value

For investors, governance-related disclosures are crucial. This can assure them that the company is transparent enough to be monitored by external parties. So that it can produce higher company value and higher stock returns (Shleifer and Vishny, 1997).

Companies that provide more comprehensive governance disclosures tend to gain more trust from investors and improve the company's reputation. The impact includes an increase in market value and more optimal financial performance for the company, encouraging the company's performance to be even better.

Research conducted by Aboud and Diab (2018), El-Deeb (2015), Hassan *et al.* (2009) states that governance disclosure has a positive impact or influence on company value and financial performance. Recent research conducted also by El-Deeb *et al.* (2023) found the same thing that *governance disclosure* has a positive effect on company value.

H1c : Governance Disclosure positively affects Corporate Value

The Effect of Audit Quality on Company Value

Agency theory and audit quality relate in a way that emphasizes the need for the role of an independent mediator, i.e. the auditor in overseeing the actions of the *agent* to suit the interests of the *principal*. The auditor acts as an effective third party in facilitating alignment between the various interests of the *agent* and *principal*.

Then in Rahmawati and Khoiriawati (2022), signal theory provides information signals that will help investors and/or other stakeholders during the decision-making process for a company. In addition, this theory also provides an explanation for auditors related to management's views on the company's performance opportunities in the future.

Previous research that has been conducted on the effect of audit quality on company value has shown that there is a positive influence (Holly *et al.,* 2023). Then, the results of other studies on audit quality and its effect on company value using AIS measurements also gave significant positive results (Antonius, 2017; Abba and Sadah, 2020). Based on existing theories and research, the following hypotheses can be made:

H2 : Audit Quality has a positive effect on Company Value

The Effect of Internal Audit on Company Value

Management is an internal party in a company that is contracted to carry out their duties for the benefit of shareholders. Management needs to be responsible for all its duties to shareholders (owners/*principals*). This is in line with agency theory which explains the relationship between shareholders as *principals* and management as *agents* (Oktaviani, 2019).

Internal audit aims to assist members of the organization in carrying out their responsibilities and/or duties effectively. In attribute standard 1210 regarding proficiency, it is explained that internal audit must be able to demonstrate its ability through obtaining appropriate professional certifications or qualifications, such as obtaining the title of CIA (*Certified International Auditor*).

The influence of internal auditors on company value was previously examined by Usdi (2019) providing research results that internal auditors affect the quality of financial reporting if internal audit plays a good role according to its function. This will increase the value of the company because internal auditors are seen as an important and strategic element and are needed in supporting the realization of effective corporate value. Research conducted by Fitriana and Nurhadi (2017) on a company provides results that internal audit has a significant positive effect on company performance. Company performance and company value are always a concern for investors, where if these two things are achieved well, shareholder prosperity is also achieved (Widiastuti *et al*., 2021). However, in research conducted by Oktaviani (2019) and Octaviani (2023), it was found that there was no influence on internal audit on company value.

This study aims to examine the presence or absence of the effect of ESG Disclosure, Environmental Disclosure, Social Disclosure, Governance Disclosure, Audit Quality, and Internal Audit on Company Value.

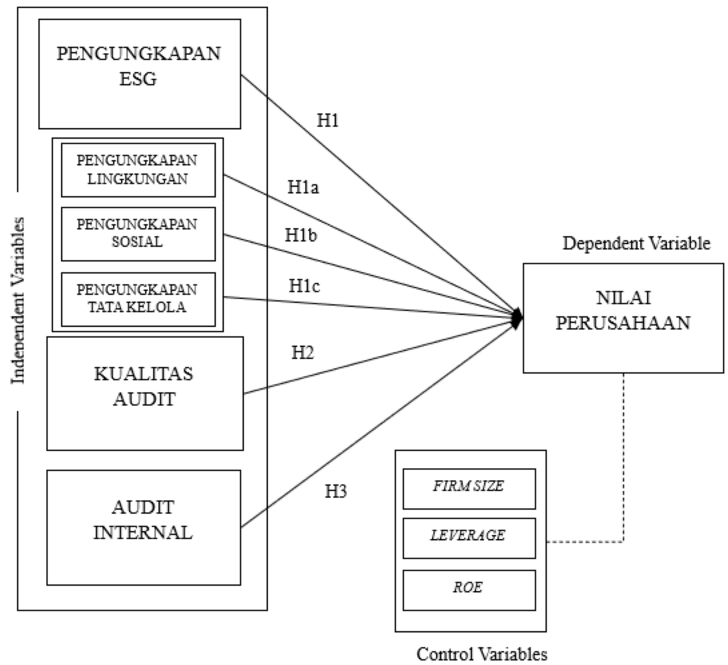

Figure 1 Conceptual Framework

2. Materials and Methods

The research to be carried out is to use quantitative methods as a tool to test hypotheses in proving the presence or absence of influence between variables, namely on independent variables against *dependent* variables in companies engaged in the non-financial sector (energy, raw materials, health, industry, and infrastructure sectors) on the IDX for the period 2020 – 2022. The independent variables (independent variables) in this study are ESG (*Environmental, Social, Governance*) Disclosure, Audit Quality, *and Internal Audit with the dependent variable (dependent variable) in this study, namely Company Value*. In addition to independent and bound variables, this study also uses control variables, namely *firm size, leverage* (using *debt to asset ratio*), and ROE (*return on equity*). The research source was obtained from secondary data derived from the company's financial statements, *annual reports*, as well as *sustainability reports* in the non-financial sector (energy, raw materials, health, industry, and infrastructure sectors) listed on the Indonesia Stock Exchange (IDX) website and *company websites* for 2020 – 2022.

Based on the time period, this study uses panel/*pooling* data which is a combination of two types of data, namely *cross section* and *time series data*. Data will be processed using the help of one of the statistical analysis tool applications, namely E-Views software version 9.

Table 1 Measurement Methods

Variable	Measurement Method	Source
Company Value	$\boxed{Tobin's\ Q = \frac{Total\ market\ value\ of\ firm + Debt}{Total\ asset\ value\ of\ firm}}$	Ismail dan El-Deeb (2020)
ESG Disclosure	$\boxed{Indeks\ Standar\ GRI = \frac{Nilai\ Pengungkapan\ ESG}{Total\ 94\ pengungkapan}\ x\ 100\%}$	GRI Standard Index in Yawika and Handayani (2019)
Environmental Disclosure	$\boxed{Indeks\ Standar\ GRI = \frac{Nilai\ Pengungkapan\ Lingkungan}{Total\ 32\ pengungkapan}\ x\ 100\%}$	GRI 300 Standard Index

Social Disclosure	$Indeks\ Standar\ GRI = \frac{Nilai\ Pengungkapan\ Sosial}{Total\ 40\ pengungkapan}\ x\ 100\%$	GRI 400 Standard Index
Governance Disclosure	$Indeks\ Standar\ GRI = \frac{Nilai\ Pengungkapan\ Tata\ Kelola}{Total\ 22\ pengungkapan}\ x\ 100\%$	GRI Standard Index 102
Audit Quality	$AIS = \frac{Jumlah\ klien\ KAP\ pada\ industri}{Jumlah\ emiten\ dalam\ industri}\ x\ 100\%$ *Dummy variable*: 0 = Auditor tidak berspesialisasi dalam industry 1 = Auditor berspesialisasi dalam industry	Zhou and Elder in Andreas (2012)
Audit Internal	$Internal\ Audit = Jumlah\ auditor\ internal$	Stewart and Kent (2006)
Company Size	$Firm\ Size = Logarithm\ of\ Total\ Assets$	Hermuningsih (2012)
Leverage	$Leverage\ (debt\ to\ asset\ ratio) = \frac{Total\ debt}{Total\ Assets}$	Nirmalasari and Widati (2022)
ROE	$ROE = \frac{Net\ Income}{Total\ Equity}$	Ardimas and Wardoyo (2014).

The data analysis method used is the panel data regression method both in regression models 1 and 2. One of three approaches will be selected between *the Common Effect Model method, Fixed Effect Model,* or *Random Effect Model* by performing the Chow Test, *Hausman Test,* and Lagrange-Multiplier Test. The Chow Test is used to compare the methods used between CEM and FEM, the Hausman Test compares the methods used between REM and FEM, the LM Test compares the methods used between CEM and REM.

Model 1 panel data regression:

$$NP_1 = \beta_0 + \beta_1 ESG + \beta_2 KA + \beta_3 AI + \beta_4 FS + \beta_5 LV + \beta_6 ROE + \varepsilon$$

Model 2 panel data regression:

$$NP_2 = \beta_0 + \beta_{1a} ED + \beta_{1b} SD + \beta_{1c} GD + \beta_2 KA + \beta_3 AI + \beta_4 FS + \beta_5 LV + \beta_6 ROE + \varepsilon$$

3. Result and Discussion

In determining the population, *the sampling technique used is* purposive sampling so that the sample obtained is in accordance with the criteria of the research conducted. The *sampling* results obtained were a total of 135 observational samples from 45 company samples per year taken from the period 2020 – 2022.

Table 2 Uji Chow

Model	**Chow Test**	
	Tstat	**Prob.**
1	216.051245	0.0000
2	209.695303	0.0000

Source: E-Views data processing version 9

The results of the table above found that both model 1 and model 2 produce a prob value of *Chi-Square Cross-section* less than 0.05 (alpha 5%) which is 0.0000. Thus, it can be decided that H0 is rejected which means that the right model to use is the FEM model. Thus, compared to the common effect model, the fixed effect model *is more suitable for use*.

Table 3 Hausman Test

Model	Hausman Test	
	Tstat	Prob.
1	40.200018	0.0000
2	41.308676	0.0000

Source: E-Views data processing version 9

The results of the table above found that both model 1 and model 2 produce a prob value of *random cross-section* less than 0.05 (alpha 5%) which is 0.0000. Thus, it can be decided that H0 is rejected which means that the right model to use is the FEM model.

Table 4 Uji LM

Model	LM Test	
	Tstat	Prob.
1	34.25141	0.0000
2	30.67710	0.0000

Source: E-Views data processing version 9

The results of the table above show that both model 1 and model 2 produce a prob value of *Breusch-Pagan* less than 0.05 (alpha 5%) which is 0.0000. Thus, it can be decided that H0 is rejected which means that the right model to use is the REM model. Then, these results also show and provide assurance that there are differences in behavior between individuals and time.

Table 5 Model Hypothesis Test 1

The selected model is FEM
Dependent Variable: Company Value

Variable	Theory	Beta	Std. Error	t-Stat	Prob (2 Tail)	Prob (1 Tail)	Results
C		38.61198	0.902783	42.76996	0.0000	0.00000	
ESG	+	0.089545	0.015682	5.709992	0.0000	**0.00000**	**H1 Accepted**
KA	+	1.390147	0.359326	3.868760	0.0002	**0.00010**	**H2 Accepted**
IA	+	0.006981	0.003038	2.297450	0.0241	**0.01205**	**H3 Accepted**
FS		-1.278222	0.027892	-45.82813	0.0000	0.00000	
LV		1.908305	0.385310	4.952643	0.0000	0.00000	
ROE		0.714190	0.241333	2.959357	0.0040	0.00200	
Goodness of Fit Model							
R-squared				0.940917			
Adjusted R-squared				0.905749			
F-statistic				26.75478			
Prob F-stat				0.000000			

Source: E-Views data processing version 9

It is obtained that the *adjusted value of R2* is 0.906 or 90.6%. This means that each independent variable, namely ESG disclosure, audit quality, and internal audit, together (simultaneously) can affect the dependent variable, namely the company's value by 90.6%. The remaining 100% minus 90.6%, which is 9.4%, is explained by other variables outside the variables studied in this study. The large *adjusted R2* number is obtained by healing the symptoms of heterokedasticity using the GLS *(Generalized Least Squared*) method and the *white method*.

The probability value of *F-Statistic* is 0.000000 where this result is less than the significance or alpha value of 5% (0.000000 < 0.05). Thus, with these results, it is found that simultaneously, ESG disclosure variables, audit quality, and internal audit have an influence on company value or there is at least one independent variable that can affect the dependent variable.

The T test is carried out with the intention to determine whether there is a partial influence of the independent variable (ESG disclosure, audit quality, and internal audit) on the dependent variable (company value). The decision in this study will be based on a significance value or alpha of 5%.

Table 6 Model Hypothesis Test 2

The selected model is FEM Dependent Variable: Company Value							
Variable	**Theory**	**Beta**	**Std. Error**	**t-Stat**	**Prob (2 Tail)**	**Prob (1 Tail)**	**Results**
C		31.41142	1.990830	15.77805	0.0000	0.00000	
ED	+	0.302128	0.093052	3.246863	0.0017	**0.00085**	**H1a Accepted**
SD	+	-0.204935	0.112127	-1.827701	0.0712	**0.03560**	**H1b rejected**
GD	+	-0.009484	0.038070	-0.249112	0.8039	**0.40195**	**H1c rejected**
KA	+	1.041683	0.492420	2.115438	0.0374	**0.01870**	**H2 Accepted**
IA	+	0.006422	0.009114	0.704607	0.4831	**0.24155**	**H3 rejected**
FS		-1.029665	0.089756	-11.47183	0.0000	0.00000	
LV		1.639202	0.574370	2.853912	0.0055	0.00275	
ROE		0.418927	0.177502	2.360132	0.0206	0.01030	
Goodness of Fit Model							
R-squared				0.931806			
Adjusted R-squared				0.888560			
F-statistic				21.54702			
Prob F-stat				0.000000			

Source: E-Views data processing version 9

Based on the table above, it is obtained that the *adjusted value of R2* is 0.889 or 88.9%. This means that each independent variable, namely environmental disclosure, social disclosure, governance disclosure, audit quality, and internal audit, together (simultaneously) can affect the dependent variable, namely the company's value by 88.9%. The remaining 100% minus 88.9%, which is 11.1%, is explained by other variables outside the variables studied in this study.

The probability value of *F-Statistic* is 0.000000 which is smaller than the significance or alpha value of 5% (0.000000 < 0.05). Thus, with these results, it is found that simultaneously, the variables of environmental disclosure, social disclosure, governance disclosure, audit quality, and internal audit have an influence on company value or there is at least one independent variable that can affect the dependent variable.

The T test is conducted with the intention of determining whether there is a partial influence of the independent variable (environmental disclosure, social disclosure, governance disclosure, audit quality, and internal audit) on the dependent variable (company value). The decision in this study will be based on a significance value or alpha of 5%.

The Effect of ESG Disclosure on Company Value

From the hypothesis testing that has been done, it was found that ESG disclosure has a positive and significant influence on company value. This can be seen in the probability value of ESG disclosure which is 0.00000 which is smaller than alpha by 5% (confidence level is 95%). Thus, it was found that H1 was accepted with the meaning that ESG disclosure has a positive influence on company value.

The results of this study are in line with stakeholder theory which says that stakeholders can provide their support through financial and non-financial disclosure practices where stakeholders expect management to be accountable for every business activity of the company carried out by them (Kujala *et al*., 2017). The results of this study have the same results as previous studies conducted by Melinda and Wardhani (2020), Adhi and Cahyonowati (2023), Bashatweh (2023), and El-Deeb *et al*. (2023) that ESG Disclosure has a positive influence on Corporate Value

The Effect of Environmental Disclosure on Company Value

From the hypothesis testing that has been done, it was found that Environmental Disclosure has a positive and significant influence on company value. This can be seen in the Environmental disclosure probability value of 0.00085 which is smaller than alpha by 5% (confidence level is 95%). Thus, it was found that H1a was accepted with the meaning that Environmental Disclosure has a positive influence on company value.

The results of this study have alignment with stakeholder theory. Environmental disclosure is still in line with ESG where stakeholders always provide their support regarding financial and non-financial disclosure practices carried out by the company and account for every business activity carried out by the company (Kujala *et al*., 2017). Companies that have concern for the environment, can create sustainable company activities. This will give a good impression in the eyes of *stakeholders*, so that the explanations above are in line with stakeholder theory *.* The results of this study have the same results as several previous studies that Environmental Disclosure has a positive effect on Company Value (Daromes, 2020; Asrizon *et al*., 2021; Sari, 2023).

The Effect of Social Disclosure on Company Value

From testing the hypothesis that has been done, it was found that Social Disclosure does not have a positive influence on Company Value. This can be seen from the beta coefficient of social disclosure which is minus (negative) of 0.204935. Although the value of sig. is 0.03560 which means smaller than alpha 5%, H1b is still rejected because the direction of the hypothesis and the results of the hypothesis test are not in line. Thus, it was found that H1b was rejected with the meaning that Social Disclosure did not have a positive influence on Company Value.

The results of this study have contradicted *the stakeholder theory* that social disclosure tends to be able to maintain their reputation and relationship with stakeholders so as to produce higher company value (Gray et al., 1995). This will be used by *stakeholders* to assess the good or bad value of the company. According to Stacia and Juniarti (2015), this happens because of its relationship with CSR (*Corporate Social Responsibility*) which is still not very appreciated by investors.

The results of this study have the same results as some previous studies that Social Disclosure does not have a positive effect on Company Value (Deswanto and Siregar, 2018). Then, social disclosures that are closely related to CSR produce several studies also with the results of CSR disclosures having no effect on Company Value (Puspa *et* al., 2021; Silviana and Krisnawati, 2020; Stacia and Juniarti, 2015). However, the results of this study are not in line with research conducted by El-Deeb and Sobhy (2017), Setiawati (2018), El-Deeb *et al*. (2023), and Aminah and Pemuka (2023) who stated that social disclosure or CSR disclosure has a significant positive influence on company value.

The Effect of Governance on Corporate Value

From the hypothesis testing that has been done, it was found that Governance Disclosure does not have a positive influence on Company Value. This can be seen from the beta coefficient of social disclosure which is marked minus (negative) of 0.009484 and the sig value. greater than 5% which is 0.40195. Thus, it was found that H1c was rejected with the meaning that Governance Disclosure did not have a positive influence on Company Value.

Still within the same scope of discussion as ESG disclosure (overall), environmental disclosure, and social disclosure, the theory used in governance disclosure is also related to stakeholder theory. Where, the results of this study have results contrary to *stakeholder* theory. If the company presents a more comprehensive governance disclosure, then the company tends to gain more trust from investors and will increase the company's reputation. But on the contrary, in this study the average company only reveals the structure and composition of their governance and this is expressed in a general picture, not complex.

The results of this study have similar results with several previous studies, namely those conducted by Majidah and Habiebah (2019), Zaitul (2021), and Wangi and Aziz (2023) that governance disclosure has no effect on company value. However, another study that is not in line with the results of this study that there is a positive influence between governance disclosure on company value and / or company performance is obtained from the research of Hassan *et al*. (2009), El-Deeb (2015), Aboud and Diab (2018), and El-Deeb *et al*. (2023).

The Effect of Audit Quality on Company Value

From hypothesis testing that has been carried out in model 1 and model 2, it was found that Audit Quality has a positive and significant influence on company value. This can be seen in the probability value of audit quality in model 1 which is 0.00010 and in model 2 which is 0.01870 which is smaller than alpha by 5% (confidence level is 95%). Thus, it was found that H2 was accepted with the meaning that Audit Quality has a positive influence on the value of the company.

Audit quality is in line with agency theory which emphasizes the need for the role of an independent mediator, namely the auditor in overseeing the actions of the manager (*agent*) to be in accordance with the interests of the owner (*principal*). The auditor acts as an effective third party in facilitating alignment between the various interests of the *agent* and *principal*. Then, audit quality is also related to signal theory, where management can provide signals or information in the form of explanations to auditors related to management's views on future company performance opportunities. With existing theories, audit quality is achieved accordingly.

The results of this study have the same results as previous studies conducted by Antonius (2017), Abbda and Sadah (2020), and Holly *et al.* (2023) which states that Audit Quality has a positive influence on Company Value.

The Effect of Internal Audit on Company Value

From testing the hypothesis that has been carried out in model 1, it is found that Internal Audit has a positive and significant influence on company value. This can be seen in the probability value of internal audit which is 0.01205 which is smaller than alpha by 5% (confidence level is 95%). Thus, it was found that H3 was accepted with the meaning that Internal Audit has a positive influence on the value of the company.

The importance of building *stakeholder* trust, especially investors and / or shareholders in making high investment decisions will increase the demand for company shares. Positive signals (in signal theory) will be up to increased investment opportunities for company growth in the future (Oktaviani, 2019). With internal auditors, it is expected to create *good and healthy* internal control.Good *internal control* can improve the company's image so as to give a positive signal to *stakeholders*.

The results of this study have the same results as previous studies that are indirectly related to company value. By Usdi (2019) it was found that internal auditors have an influence on the quality of financial reporting, where quality financial reporting can increase company value. Then, research by Fitriana and Nurhadi (2017) that internal auditors have a significant positive influence on company performance. The company's performance is always a concern for investors, where the company's performance is good, shareholder prosperity is also achieved and the company's value increases.

However, contrary to the previous explanations, in the 2nd panel data regesion model, it was found that Internal Audit had no significant effect on Company Value. This may be influenced by an increasing number of variables that cause interactions between individuals to also change and/or differ. Thus, internal audit variables need to be interpreted carefully. The results in model 2 are in line with research conducted by Oktaviani (2019) and Octaviani (2023) who provide their research results that there is no influence on internal audit on company value.

4. Conclusion

This study provides data analysis results for panel data regression in model 1 and model 2 which can then be summarized and concluded as follows:

The results of the research in model 1 found that the variables of ESG Disclosure, Audit Quality, and Internal Audit individually or partially, have a positive effect on Company Value. In the control variable, Leverage and ROE have a positive effect on Company Value, while Firm Size does not have a positive influence on Company Value.

The results of the study in model 2 break down the ESG Disclosure variables into three, namely Environmental Disclosure, Social Disclosure, and Governance Disclosure. The results of data testing found that individually or partially, Environmental Disclosure and Audit Quality have a significant positive effect on Company Value. Meanwhile, Social Disclosure, Governance Disclosure, and Internal Audit have no effect on Company Value.

The limitation of this study is that there are still many companies that do not publish sustainability reports. Then, many companies have not disclosed the number of personnel from their internal audit teams, so that the measurement of internal audit by the number of personnel is considered to be accurate. The suggestion that can be given is that due to the limited provision of necessary information, the number of sectors can be increased more so that it can increase the sample of companies. Another solution is to increase the time period of the study. Then, other proxies can be used to measure internal audit variables better and more accurately in the future

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