

## DIFFERENCES IN THE INFLUENCE OF ENTERPRISE RISK MANAGEMENT AND INTERNAL AUDIT EFFECTIVENESS ON COMPANY FINANCIAL PERFORMANCE BEFORE AND DURING THE COVID-19 PANDEMIC



Everina Hansa<sup>1</sup>

Universitas Katolik Indonesia Atma Jaya, Jakarta, Indonesia

[everina.hansa@gmail.com](mailto:everina.hansa@gmail.com)<sup>1</sup>

Petrus Ridaryanto<sup>2</sup>

Universitas Katolik Indonesia Atma Jaya, Jakarta, Indonesia

[petrus.rd@atmajava.ac.id](mailto:petrus.rd@atmajava.ac.id)<sup>2</sup>

### Abstract

This research aims to examine the differences in the influence of Enterprise Risk Management and the effectiveness of internal audit on the Company's financial performance before and during the COVID-19 pandemic. The sample in this research was 85 primary consumer goods sector companies listed on the Indonesia Stock Exchange. Data analysis was carried out using multiple linear regression techniques with the help of the SmartPLS 4 program. The results of this research show that (1) Enterprise Risk Management has a positive effect on company financial performance, companies with high Enterprise Risk Management have high company financial performance; (2) The effectiveness of internal audit has a positive effect on the company's financial performance, companies with effective internal audit have higher financial performance; (3) There is a difference in the influence of Enterprise Risk Management on the company's financial performance before and during the COVID-19 pandemic, where during the COVID-19 pandemic, the influence of Enterprise Risk Management on the company's financial performance weakened so that a high value of Enterprise Risk Management may not necessarily improve performance. company finances during the COVID-19 pandemic; (4) There is no difference in the influence of internal audit effectiveness on the company's financial performance before and during the COVID-19 pandemic.

**Keywords:** Enterprise Risk Management, Internal Audit Effectiveness, Company Financial Performance, RoE

## INTRODUCTION

World economic developments, both due to globalization and most recently the COVID-19 pandemic which has been ongoing since the end of 2019, have created uncertainty in the company's business climate and increased company risks, including in Indonesia. The Central Bureau of Statistics (BPS) recorded a sharp decline in Indonesia's economic growth in the fourth quarter of 2020, namely to 2.97% compared to 4.97% in the fourth quarter of 2019, with a peak in the second quarter of 2020 at negative 5.32% (y-on-y). This happened for the first time after the 1998 economic crisis. The results of research conducted by KPMG in 2020, the global economic decline can influence investors' confidence in the company's financial performance, so it can have a negative impact on the company's finances in the future (Simanjuntak et al, 2023).

The decline in the Indonesian and world economies has increased the financial risk of companies in Indonesia without exception. The Indonesian government is aware of this by providing several stimuli for industry, one of which is by providing convenience in the form of credit relaxation and restructuring (Muttaqin & Syahbudi, 2023). Furthermore, the government determined a reduction in corporate tax rates and provided relaxation for reporting financial statements of public companies and reporting Annual Tax Returns. The company's business risk itself can be divided into financial risk, operational risk, and market risk.

In facing the uncertainty arising from economic developments, companies are required to implement good risk management to minimize increased risks. Risk management that is implemented poorly can make it difficult for companies to maintain the continuity of their business (Wahyuni and Oktaria, 2018).

The implementation of risk management today has become an inseparable part of implementing company strategy, especially to prevent and mitigate risks so that companies can survive in competition. According to the general view, risk itself is defined as uncertainty about events, whether expected or not, which may have a detrimental effect on the company's performance and operations. One of the most popular risk management implementations is Enterprise Risk Management. Implementing integrated Enterprise Risk Management will

help companies manage risks carefully and effectively (Wastuti & Hasan, 2022). The implementation of Enterprise Risk Management is expected to have a positive impact on company performance because risk prevention and mitigation measures have been carried out so that negative impacts can be reduced by implementing Enterprise Risk Management.

One way to assess company performance is to look at it using financial aspects, which generally financial data can be obtained through financial reports. Financial reports are a form of communication between management, as company managers, and external stakeholders, one of which is investors. Management as managers of the company has much more information than external parties, giving rise to information asymmetry. Management publishes financial reports to reduce information asymmetry.

The global pressure due to the economic downturn has resulted in the risk of manipulation of company financial performance results increasing. Management carries out this manipulation of financial reports to meet targets and good results even in uncertain economic conditions. Historically, several large-scale companies such as Enron (2001), Lehman Brothers (2008), and Garuda Indonesia (2001) have been proven to have manipulated financial reports.

For external parties, financial reports are used to analyze the company's condition and as a basis for decision-making. The various cases of manipulation of financial reports above have caused the need for financial reports to be presented honestly and reliably to increase. This is also in line with the characteristics of financial reports required by the Statement of Financial Accounting Standards. Honest and reliable financial reports are needed so that the financial reports are not misleading and the right decisions can be taken. Financial reports that are presented honestly and reliably will be a signal for investors, or what is better known as signal theory.

To achieve reliability and honesty of financial reports. There is a need to control and supervise management behavior as company managers, one of which is good corporate governance (Nalukenge et al., 2017). To support the creation of good corporate governance, it is necessary to have an effective audit function, which includes internal audit practices (Yassin and Nelson, 2012).

Internal audit formed within the company is expected to make a significant contribution to achieving company goals and implementing the company's strategy. In Indonesia itself, the existence of internal audit is regulated in Financial Services Authority Regulation no. 56/POJK.04/2015 concerning the Establishment and Guidelines for Preparing the Internal Audit Unit Charter.

It is hoped that the existence of an internal audit in the company will have a positive impact on the realization of adequate corporate governance. Adequate corporate governance will encourage the achievement of company goals and the implementation of company strategies efficiently and effectively so that it will have a positive impact on the company's financial performance.

Several previous studies related to the relationship between Enterprise Risk Management and company financial performance include Ghaziah and Chebana (2019) who explained that implementing Enterprise Risk Management efficiently can have a positive influence on a company's financial performance. Furthermore, this research also explains that uncertainty arising from various internal and external factors has a negative influence on the achievement of management and company performance, however, the implementation of an effective risk management system can reduce the effects of uncertainty.

Other research by Muthuveloo (2015) shows that comprehensive Enterprise Risk Management in companies will increase company performance and value. Meanwhile, other research by Quon et. al. (2012) shows different results, where the research results show that there is no statistically significant difference between Enterprise Risk Management and the company's financial performance. However, research by Quon et.al. also explained that statistically, it shows that the greater the risk faced by the company, the impact on the company's performance will decrease.

Khalilinasr and Bakhshi (2019) researched the impact of implementing Enterprise Risk Management on short-term and long-term company performance in different business environments, namely the banking system in Iran. The research results show that there is no significant relationship between the level of implementation of Enterprise Risk Management and company performance, both short and long-term.

There are also various previous studies regarding the relationship between the effectiveness or quality of internal audit and company performance, including Al-Matari (2014) who explained that the characteristics of internal audit will have a positive influence on company performance. Research by Al-Matari (2014) also emphasizes the role of internal audit as the backbone of business because it is a significant part of organizational governance. This research assesses characteristics through qualifications, experience and size of internal audit.

Research conducted by Al-Matari (2014) as mentioned above, is also supported by research conducted by Ado et. al. (2020) and Hassan and Farouk (2014) whose research results show that the effectiveness of audits has a positive influence on company performance, as seen from profitability. The effectiveness of the audit itself is assessed based on the independence, competence, and size of the auditor himself.

However, it is different in research conducted by Ahmeti et. al. (2022) which explains that there is no influence between the quality and effectiveness of internal audits on company performance. Research by Ahmeti et. al. (2022) explained that internal audit standards, effectiveness, and efficiency of internal audit do not have a significant influence on company performance, especially for financial performance as assessed by profitability. However, on the contrary, the independence of internal audit has a positive influence on the company's financial performance.

Research by Ahmeti et. al. (2022) is supported by other research conducted by Kiabel (2012) which shows the results that internal audits do not influence company performance, especially government companies. In research by Kiabel (2012), it is explained that although it is recommended that an internal audit function be established within the company, research shows that the existence of an internal audit function does not influence the company's profitability. Research by Kiabel (2012) assessed the characteristics of internal audit by the presence or absence of an internal audit function, the size of the number of internal audit team staff, and the qualifications and education level of the head of the internal audit.

From previous studies by previous researchers, there have been various contradictory results produced, depending on the industry and measurement dimensions used. In this

research, researchers are interested in conducting research on the influence of the relationship between Enterprise Risk Management and internal audit effectiveness on company performance before and during the COVID-19 pandemic (Sasongko & Rachma, 2021). The COVID-19 pandemic itself was chosen because it was a new external factor and had a significant impact on all areas of the economy in 2020. In this study, researchers focused the research sample on companies in the consumer goods sector on the Indonesian Stock Exchange because this sector was affected by the big impact of the implementation of the PSBB. The independent variables that will be studied are Enterprise Risk Management and internal audit effectiveness. Meanwhile, the sample that will be used is data from consumer goods sector companies listed on the IDX in 2018-2020.

## **RESEARCH METHOD**

The data used in this research is secondary data. The secondary data used are annual financial reports that have been audited and annual reports that have been published on the Indonesian Stock Exchange. The sampling method used is the purposive sampling method, that is, the sample is selected non-randomly based on certain criteria. The sample criteria used are:

- a. The complete annual report and financial statements published by the company for the financial years ending 2019 and 2020, where the reports can be downloaded via the website [www.idx.co.id](http://www.idx.co.id) and related company websites
- b. Reporting uses December 31 book closing
- c. There is complete data for all research variables

In this research, the data analysis techniques used are multiple linear regression tests and difference tests. Meanwhile, the program used to carry out data processing is SmartPLS 4.

## RESULTS AND DISCUSSION

### Descriptive Statistics

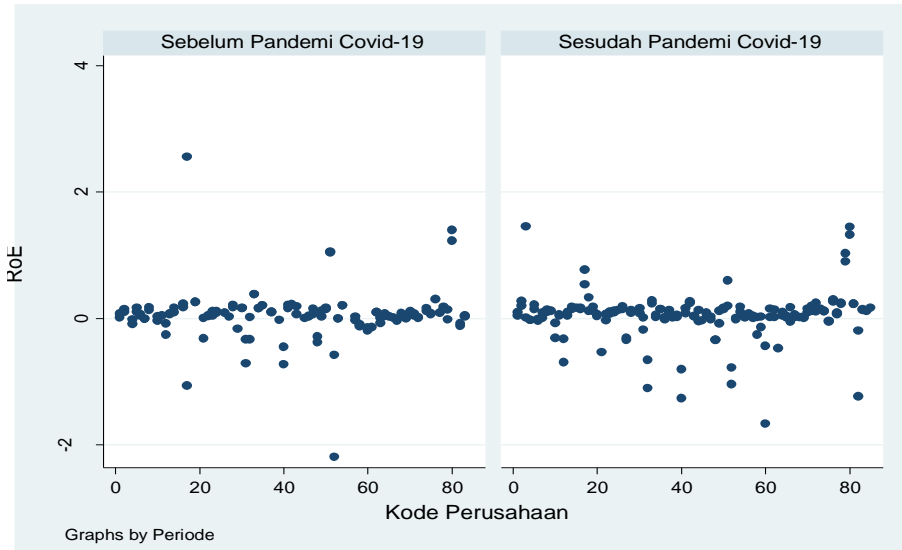
Descriptive statistics in this research were carried out to see an overview of the values of the research variables by looking at the minimum and maximum values, the mean and standard deviation of the data for each research variable. Based on the value of each research variable, the following are the results of descriptive analysis of all variables studied in this research:

**Table 1.**  
**Descriptive Statistics**

Period	Variable	N	Mean	elementary school	Min	Max
<b>Before Covid 19</b>	Company financial performance (RoE)	127	0.0635	0.4146	-2.1940	2.5546
	Enterprise Risk Management (ERM)	127	0.5580	0.1071	0.2593	0.9167
	Internal Audit Effectiveness	127	0.4803	0.2914	0.0000	1,0000
<b>During Covid 19</b>	Company financial performance (RoE)	156	0.0448	0.3836	-1.6664	1.4548
	Enterprise Risk Management (ERM)	156	0.5863	0.0980	0.3704	0.9167
	Internal Audit Effectiveness	156	0.4744	0.3048	0.0000	1,0000

Source: SmartPLS 4 Output (2023)

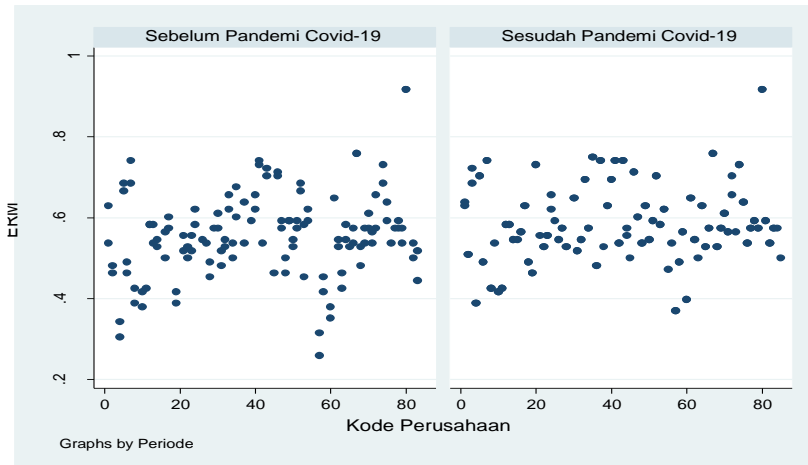
Based on the results of the descriptive analysis in Table 1 above, it is clear that the company's financial performance in the period before COVID-19 had a minimum value of -2.1940 and a maximum of 2.5546 with an average of 0.0635 and a standard deviation of 0.4146, while during the COVID-19 pandemic, the company's financial performance ranged from -1.6664 to 1.4548 with an average of 0.0448 and a standard deviation of 0.3836. If we look at the average value, the average financial performance of sample companies since the COVID-19 pandemic has decreased from 0.0635 to 0.0448, this indicates a decline in company financial performance (RoE) since the onset of COVID-19. A comparison of the RoE values of sample companies before and since the COVID-19 pandemic occurred can be seen in the following image:



**Figure 1.**

**Comparison Chart of Company Financial Performance (RoE) Before and During the COVID-19 Pandemic**

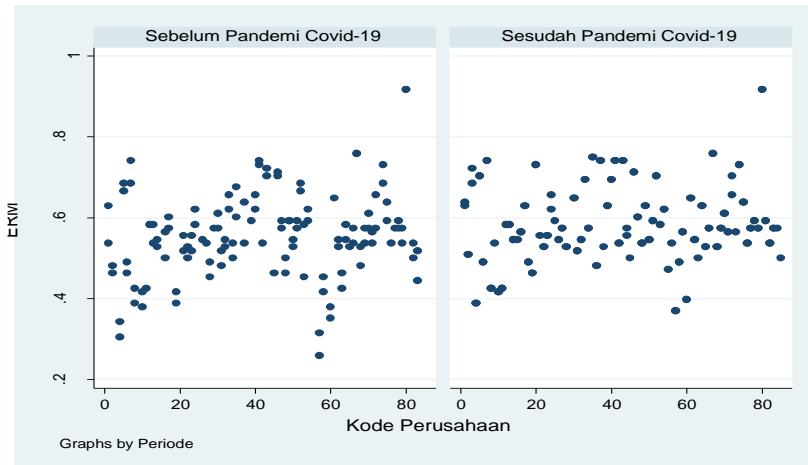
The results of further analysis of the Enterprise Risk Management variable show that the sample company's Enterprise Risk Management value in the period before the COVID-19 pandemic had a minimum value of 0.2593 and a maximum value of 0.9167 with an average of 0.5580 and a standard deviation of 0.1071, while during the COVID-19 pandemic, the company's Enterprise Risk Management value ranged from 0.3704 to 0.9167 with an average of 0.0448 and a standard deviation of 0.0980. If we look at the average value, since the COVID-19 pandemic it has decreased from 0.5580 to 0.0448, this indicates a decline in Enterprise Risk Management since the COVID-19 pandemic occurred. The distribution of Enterprise Risk Management value data for sample companies before and during the COVID-19 pandemic can be seen in the following graph:



**Figure 2.**

**Comparison Chart of Companies' Enterprise Risk Management Before and During the COVID-19 Pandemic**

The results of further analysis of the internal audit effectiveness variable show that the value of the sample company in the period before COVID-19 had a minimum value of 0.0000 and a maximum of 1.0000 with an average of (mean) of 0.4803 and a standard deviation of 0.2914, while during the COVID-19 pandemic, the company's internal audit effectiveness value ranged from 0.0000 to 1.0000 with an average of 0.4744 and a standard deviation of 0.3048. If we look at the average value (mean), since the COVID-19 pandemic it has decreased from 0.4803 to 0.4744, this indicates a decrease in the effectiveness of internal audit since the COVID-19 pandemic occurred. The distribution of internal audit effectiveness scores for sample companies before and during COVID-19 can be seen in the following graph and composition table:



**Figure 3.**

**Comparison Chart of Company Internal Audit Effectiveness Before and During the COVID-19 Pandemic**

**Table 2.**

**Table of Company Internal Audit Effectiveness Composition Before and During the COVID-19 Pandemic**

Period	Composition of Internal Audit Effectiveness			Number of Samples
	0	0.5	1	
Before the pandemic	24	84	19	127
During a pandemic	33	98	25	156

**Classic Assumption Test**

This research uses multiple linear regression analysis to determine the relationship between the influence of the independent variable on the dependent variable. Therefore, it is necessary to test classical assumptions, namely normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The results of each classical assumption test after that are as follows:

**Normality Test**

The normality test is carried out to test whether the dependent variable and independent variables come from a normally distributed population. The method used in this

research to test normality is by using the Kolmogorov-Smirnov Test. Data will be declared normally distributed if the Kolmogorov-Smirnov significance value is  $> 0.05$ .

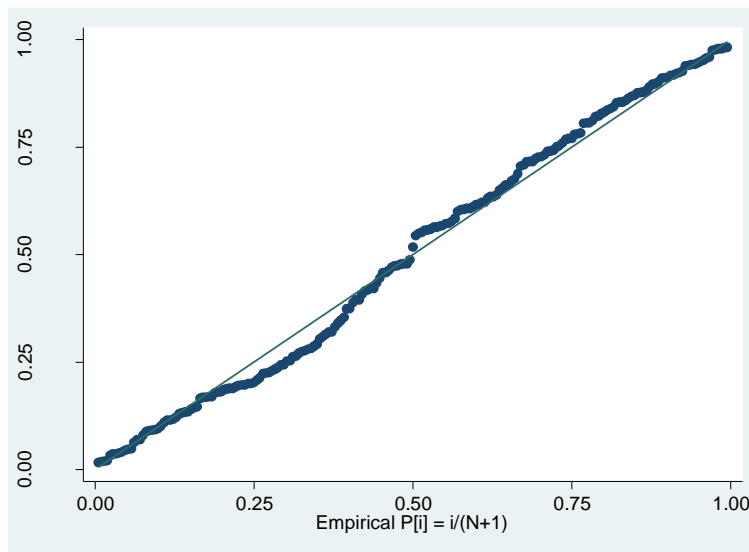
**Table 3.**  
**Normality Test Results**

Normality test	Sig. Normality test	Normality
<b>Before the pandemic</b>	0.810	Normal
<b>During a pandemic</b>	1.710	Normal

Source: processed data (2023)

The normality test results in Table 3 above show that data normality was met in both the research model before and during the COVID-19 pandemic, as indicated by the normality test probability  $> 0.05$ .

This is also supported by the PP Plot graphic display which shows the distribution of data following a straight line.



**Figure 4.**  
**PP Plot Normality Graph**

### Multicollinearity Test

The multicollinearity test was carried out to see whether, in the regression model, there was a strong linear relationship between each independent variable in the regression model. A good regression model should not correlate with the independent variables. In this test, the multicollinearity test assessment criteria use the Variance Inflation Factor (VIF)

value. If the VIF value is  $>10$  with a significance level  $<0.10$  then there are symptoms of multicollinearity.

**Table 4.**  
**Multicollinearity Test Results Before the COVID-19 Pandemic**

Variable	VIF	1/VIF
Enterprise Risk Management	1.02	0.9756
Internal Audit Effectiveness	1.02	0.9756

**Table 5.**  
**Multicollinearity Test Results During the COVID-19 Pandemic**

Variable	VIF	1/VIF
Enterprise Risk Management	1.03	0.9745
Internal Audit Effectiveness	1.03	0.9745

Source: processed data (2023)

From Tables 4 and 5 above, it can be seen that from the results of the multicollinearity test carried out, the VIF value of Enterprise Risk Management and internal audit effectiveness is 1.03 each with a respective level value of 0.971. This shows that there are no symptoms of multicollinearity in the independent variables because there are no independent variables that have a VIF value above 10 with a level value below 0.10.

### Heteroscedasticity Test

The heteroscedasticity test is carried out to test whether, in the regression model, there is an inequality of variation from the residual value of one observation to another. If the variation from the residual value from one observation to another is the same, it is called homoscedasticity and if the variance from one observation to another is different, it is called heteroscedasticity. A good regression model should be one where there are no symptoms of heteroscedasticity. The heteroscedasticity test can be carried out statistically, namely by using the Gletsjer Test. In this test, the model is declared free from heteroscedasticity if the significance value of all independent variables is  $> 0.05$ .

**Table 6.**  
**Heteroscedasticity Test Results**

Heteroscedasticity Test	Sig. Heteroscedasticity	Conclusion
Before the pandemic	0.5527	There is no heteroscedasticity
During a pandemic	0.6176	There is no heteroscedasticity

Source: processed data (2023)

The results of the heteroscedasticity test in Table 6 above show that in both the regression models before and during the COVID-19 pandemic, the probability of the heteroscedasticity test is  $> 0.05$ , which means there is no heteroscedasticity in both regression models.

### Autocorrelation Test

The autocorrelation test is carried out to test whether there is a correlation between the residual data in one period and the previous period. To determine whether there is autocorrelation or not, you can do the Durbin-Watson magnitude test. If the Durbin-Watson test value lies between  $dU$  and  $4-dU$ , it means there is no autocorrelation.

**Table 7.**  
**Autocorrelation Test Results**

Autocorrelation Test	Durbin Watson	Conclusion
Before the pandemic	1.478656	There is no autocorrelation
During a pandemic	1.788436	There is no autocorrelation

Source: processed data (2023)

The results of the analysis in Table 7 above show that the data avoids autocorrelation symptoms with the Durbin Watson value being in the  $dU$ - ( $4-dU$ ) range. Based on the overall classical assumption testing, it was concluded that the two regression models both before and during the COVID-19 pandemic met the classical assumptions required in the regression model so that regression analysis could be carried out.

### Hypothesis Testing

In this research, apart from conducting descriptive analysis related to research variables, testing was also carried out on the influence of Enterprise Risk Management (ERM) variables and the effectiveness of internal audit on company financial performance (RoE) for the period before and during the COVID-19 pandemic. Testing was carried out

using multiple linear regression analysis which was carried out 2 times, namely multiple linear regression analysis in the period before the COVID-19 pandemic and multiple linear regression analysis in the period during the COVID-19 pandemic.

**Table 8.**  
**Multiple Linear Regression Analysis Test Results**  
**Before the COVID-19 Pandemic**

. regress RoE ERM EfektivitasIA

Source	SS	df	MS			
Model	.108221346	2	.054110673	Number of obs =	211	
Residual	1.06035212	208	.005097847	F( 2, 208) =	10.61	
Total	1.16857346	210	.005564636	Prob > F =	0.0000	
				R-squared =	0.0926	
				Adj R-squared =	0.0839	
				Root MSE =	.0714	

RoE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ERM	.1811405	.0513298	3.53	0.001	.0799472	.2823338
EfektivitasIA	.0373197	.0158121	2.36	0.019	.0061472	.0684921
_cons	-.0385383	.0295567	-1.30	0.194	-.0968075	.0197309

**During the Covid-19 Pandemic**

Source	SS	df	MS			
Model	.059887457	2	.029943729	Number of obs =	112	
Residual	.49291386	109	.004522146	F( 2, 109) =	6.62	
Total	.552801317	111	.004980192	Prob > F =	0.0019	
				R-squared =	0.1083	
				Adj R-squared =	0.0920	
				Root MSE =	.06725	

RoE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ERM	.1186975	.0677566	1.75	0.083	-.0155938	.2529888
EfektivitasIA	.0565957	.0199735	2.83	0.005	.0170089	.0961825
_cons	-.0142149	.0396875	-0.36	0.721	-.0928743	.0644444

Based on the results of the regression analysis in Table 8 above, the following results were obtained:

**1) Coefficient of Determination Test (R2)**

Test the coefficient of determination (R2) is used to measure how much capable independent variables can explain variations in the dependent variable. Range is used by the R2 value, which is between 0 and 1 ( $0 \leq R2 \leq 1$ ). If the R2 value is getting closer to 1,

this means that the greater the overall independent variable can explain the dependent variable.

From Table 8 above, the R2 value for the regression model obtained for the period before and during the COVID-19 pandemic was 0.0839 or 8.39% and 0.0920 or 9.20%, respectively. This shows that the influence of the independent variable, namely Enterprise Risk Management and internal audit effectiveness on the dependent variable, namely the company's financial performance, is 8.39% and 9.20%. Meanwhile, the remaining 93.28% and 90.80% are influenced or explained by other variables outside this research model.

## 2) F test

The F test is a test carried out to see the overall significance of the influence of the independent variable on the dependent variable, namely the influence on Enterprise Risk Management and the effectiveness of internal audit as well as the moderation of the COVID-19 pandemic on the relationship between Enterprise Risk Management and the effectiveness of internal audit on the company's financial performance by comparing p-value with a certain level of significance. The test criteria used are if the p-value < significance level ( $\alpha = 5\%$ ), then H0 is rejected, which means that the independent variables jointly influence the dependent variable.

From Table 8 above, it can be seen that the significance values before and during the COVID-19 pandemic were respectively  $0.0001 < \alpha 0.05$  and  $0.0019 < \alpha 0.05$  so that H0 was rejected, which means that the independent variable has an overall effect on the dependent variable.

## 3) Partial Influence Test (t-test)

The t-test is a test carried out to test the influence of the independent variable on the dependent variable partially or individually. The test criteria used are if the significance level is  $< 0.05$ , then H0 is rejected, which means that the independent variable individually or partially influences the dependent variable.

In Table 8 above, the analysis results show that before the COVID-19 pandemic, the Enterprise Risk Management variable had a positive and significant influence on the company's financial performance (significance value =  $0.001 < 0.05$ ). Meanwhile, during

the COVID-19 pandemic, the Enterprise Risk Management variable did not have a significant influence on the company's financial performance (significance value =  $0.083 < 0.05$ ). This shows that before the COVID-19 pandemic occurred, companies that had high Enterprise Risk Management tended to have good company performance, but when the COVID-19 pandemic occurred, the level of Enterprise Risk Management no longer had an effect on the company's financial performance.

In the internal audit effectiveness variable, the influence of internal audit effectiveness has a positive influence on ROE (significance value =  $0.019 < 0.05$ ). Meanwhile, since the COVID-19 pandemic, the effectiveness of internal audits has had a significant and positive influence on the company's financial performance (significance value =  $0.005 > 0.005$ ). This means that since the COVID-19 pandemic occurred, companies with high internal audit effectiveness will support the achievement of high company financial performance.

## **Discussion**

### **The Influence of Enterprise Risk Management on Company Financial Performance**

The results of the analysis in this study show that under normal conditions, namely before the COVID-19 pandemic, Enterprise Risk Management had a positive and significant effect on RoE ( $p\text{-value} = 0.001 < 0.05$ ), which means that the higher the company's Enterprise Risk Management, the higher the company value, conversely, the lower the Enterprise Risk Management value, the lower the company's financial performance.

The results of this research are in line with the opinion of Sobel and Reding (2014), who state that Enterprise Risk Management aims to increase the value of stakeholders by increasing the efficiency of capital and allocating company resources appropriately and effectively. In addition, Enterprise Risk Management can support decision-making by emphasizing high-risk areas and can help predict risks in advance. Enterprise Risk Management can support building investor confidence, which in the process, helps stabilize financial performance and shows stakeholders that the company has practiced appropriate risk management. The implementation of Enterprise Risk Management is believed to be able

to minimize risks that might disrupt the company in achieving its goals and maintain business continuity in the long term.

The results of this research are also in line with signal theory, risk disclosure and Enterprise Risk Management are part of company information which is the basis for decision-making by investors. Disclosing risks and risk management carried out by management, will be a signal to investors that management's performance in managing the company is good. The results of this research are in line with the results of Shad's (2015) research which resulted in increasing awareness of risks within the company which helps in making better strategic and operational decisions. Better decision-making enables management to meet strategic objectives, reduce revenue volatility, and increase profitability. Apart from that, Enterprise Risk Management is useful in mitigating conflict and creating new opportunities.

Meanwhile, during the COVID-19 pandemic, the results of this research showed that Enterprise Risk Management did not have a significant influence on the company's financial performance. The results of this research are in line with the results of research conducted by Khalilinasr (2014), which states that there is no relationship between the implementation of enterprise Risk Management with the company's financial performance in the short and long term. Research by Khalilinasr (2014) explains that the greater the risks faced by companies have an impact on decreasing company performance and implementation of Enterprise Risk Management is unable to prevent the impact of risks experienced by the company.

### **The Influence of Internal Audit Effectiveness on Company Financial Performance**

This research provides empirical evidence that both before and during the COVID-19 pandemic, the effectiveness of internal audits had a positive influence on the company's financial performance. From the results obtained, it is shown that the existence of an effective internal audit function can help improve the company's financial performance and returns to investors. The results of this research are in line with research conducted by Al-Matari, Abdullah, and Fadzil (2014) whose research states that competent and experienced auditors have a positive influence on company performance because competent and experienced auditors can make better and more informed decisions fast.

According to agency theory, differences in interests between investors or principals and managers or agents cause agency conflicts to arise (Jensen and Meckling, 1976). Therefore, a supervisory and control function is needed over management work to achieve company goals. One form of control and supervision in question is the implementation of good corporate governance (Nalukenge, Tauringana, and Ntavi, 2017). One way to create good corporate governance is by creating an audit function, one of which is internal audit (Yassin and Nelson, 2012). It is hoped that the implementation of a good internal audit function will help optimize management and company performance.

### **Differences in the Effect of Enterprise Risk Management on Company Financial Performance Before and During the COVID-19 Pandemic**

The results of the analysis show that before the COVID-19 pandemic, Enterprise Risk Management had a positive and significant influence on the company's financial performance ( $p\text{-value} = 0.004 < 0.05$ ), whereas, after the COVID-19 pandemic, Enterprise Risk Management had no significant influence on financial performance. company ( $p\text{-value} = 0.083 > 0.05$ ), this means that there are differences before and during the COVID-19 pandemic, in the pre-pandemic period, companies with high Enterprise Risk Management tended to have high company financial performance and companies with Enterprise Risk Low management tended to have low financial performance, whereas since the COVID-19 pandemic occurred, a company's high and low Enterprise Risk Management does not always result in high or low company financial performance. This is because the COVID-19 pandemic caused a macroeconomic decline so the sample companies in this research were also negatively affected, including a decrease in the number of investors willing to invest their capital or large losses due to the community's economy declining so there was a significant decrease in sales. big during the pandemic. Therefore, even though the company's Enterprise Risk Management is high, it cannot support improving the company's financial performance.

### **Differences in the Effect of Internal Audit Effectiveness on Company Financial Performance Before and During the COVID-19 Pandemic**

Regarding the internal audit effectiveness variable, before the COVID-19 pandemic, the influence of internal audit effectiveness had a positive effect on the company's financial

performance ( $p\text{-value} = 0.0019 < 0.05$ ), and the effect increased significantly after the COVID-19 pandemic occurred. This indicates that companies with high internal audit effectiveness can support high financial performance.

This is because during the COVID-19 pandemic, although it tends to be carried out virtually, the intensity of carrying out the internal audit process has increased to prevent and monitor company operations from facing changes due to the inability to carry out direct supervision.

## CONCLUSION

This research conducts empirical testing on the influence of Enterprise Risk Management and internal audit effectiveness, which is proxied by the certification of the head of internal audit and internal audit experience, on the company's financial performance, which is proxied by Return on Equity, as well as to find out whether there are changes in the influence of Enterprise Risk Management and the effectiveness of internal audits on company financial performance before and during the COVID-19 pandemic. This research used a sample of 85 companies in the primary consumer goods sector in 2018-2021 which were selected using a purposive sampling technique with certain criteria, resulting in 156 research objects. Hypothesis testing was carried out using multiple linear regression analysis and moderated regression analysis with a significance level of 5% and data processing was carried out using SmartPLS 4 software.

Based on the results of the research and analysis presented in the Results and Discussion section, in this research model the independent variables, namely Enterprise Risk Management and internal audit effectiveness have a significant positive influence on the company's financial performance. In this research, it was also empirically proven that the COVID-19 pandemic caused differences in the influence on the relationship between Enterprise Risk Management and the effectiveness of internal audit and the company's financial performance.

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