THE INFLUENCE OF CORPORATE GOVERNANCE ON INTEGRATED REPORTING DISCLOSURE MODERATED BY TYPE AUDITOR

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ARTICLE INFO

Received: 02-05-2022
Accepted: 09-05-2022
Published: 20-05-2022

Abstract

The objective of this research is to the influence of independent board members, board size, female board, type of auditor to independent board members as a moderating variable on IRD. The sample in this study was the LQ45 Non-Banking on Indonesia Stock Exchange in 2016-2020 period with a purposive sampling technique. The analytical tool used was Eviews 10 (x64). The result is independent board members have a positive effect and negative significant on IRD, board size have a positive effect on IRD, female board have a no effect on IRD, and type of auditor no strengthens independent board members on IRD.

Keywords:
Independent Board Members, Board Size, Female Board, Type of Auditor, IR

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INTRODUCTION

Companies implement corporate governance to improve financial performance, maximize company value, reduce risk by the board and be responsible to shareholders for creating Good Corporate Governance (Dwiridotjahono, 2009). Companies must manage relationships with stakeholders and create value implementing GCG (Andes, Nuzula, & Worokinasih, 2020). GCG is not a formality but must become an organizational culture in encouraging increased value in the company (Ana, Sulistiyo, & Prasetyo, 2021). GCG is a corporate culture challenge that was previously only a formality to benefit all parties as a benchmark for the company (Dwiridotjahono, 2009).

The International Integrated Reporting Committee (IIRC) organization published the International Integrated Reporting Framework (IIRF) in 2013 as a guide in integrated reporting (IIRC, 2013). With integrated reporting, investors expect capital allocation decisions to be of higher quality because it is supported by financial and non-financial information (PWC, 2013). Integrated reporting disclosure (IRD) is a corporate reporting with eight elements and produces short, medium, and long-term information reporting. The following are the components of IRD (Amosh & Mansor, 2020): (1) an overview of the organization and the external environment, (2) governance, (3) business models, (4) risks and opportunities, (5)
strategy and resource allocation, (6) performance, (7) views, (8) basic preparation and presentation.

The stock index iq45 was issued on February 24, 1997, with a base value calculation of 100 shares. The stock exchange regularly monitors performance developments in trading activity on 45 shares. The exchange of shares is carried out in two periods: the first period from February to July and the second from August to January. If it does not meet the criteria for the IQ45 index, the company is removed from the IQ45 index stock and replaced by a company that meets the criteria (Tandelilin, 2017).

The encourage researches to conduct research study independent board members, the board size, female board, type of auditor on independent board members as moderating variables. Information on financial and non-financial statements by GCG by the company is expected to strengthen the influence of IRD. Many studies have already discussed GCG and IRD, but only used GCG and IRD variables without adding moderating variables. It is has not shown the moderating effect of auditor type on independent board members on IRD. Indonesia country has not provided rules for reporting integrated reporting because this is still new for companies and still provides voluntary disclosure. Integrated reporting data collection by researchers also requires a broad understanding because it is easy for errors or biases to arise.

METHODS
The data used in this study was a quantitative approach from the annual report on the Indonesia Stock Exchange (IDX) or on the company’s website. The population was the company saham indeks iq45 non-banking on IDX in 2016-2020. The sampling method used purposive sampling. The research data collection technique collected a list of all 2016-2020 iq45 index stock companies on the IDX, identification companies banking and non-banking, and identification companies with complete data on each variable, total is 210 amount compan.

This study discussed the corporate governance of IRD. The five variables used included dependent, independent, dummy, moderating, and control variables. For the IRD variable after being assessed, it was calculated by the following formula (Amosh & Mansor, 2020):

\[
\text{Integrated reporting disclosure} = \frac{\text{item element}}{\text{total elements}} \times 100
\]

The next step, the disclosure index used in research (Mawardani & Harymawan, 2021), can be described in the following.

\[
\text{IRD} = \ln (\text{OR} + \text{GV} + \text{BM} + \text{RO} + \text{SR} + \text{PF} + \text{OL})
\]

a) Independent board members are measured by calculating the proportion of independent members (Ofoegbu, Odoemelam, & Okafor, 2018); (Mawardani & Harymawan, 2021), with the following formula:

\[
\text{INDBOARD} = \frac{\text{INDCOMM} + \text{INDDIR}}{\text{BOARDSIZE}}
\]

Definition:
\[
\text{INDBOARD} = \text{Independent board member}
\]
The Influence Of Corporate Governance On Integrated Reporting Disclosure Moderated By Type Auditor

INDCOMM = Independent Commissioner
INDDIR = Independent Director
BOARDSIZE = Total board size

b) Board size is measured by counting the total number of board members (Fasan & Mio, 2016; Mawardani & Harymawan, 2021), with the following formula:

\[ BOARDSIZE = BOC + BOD \]

Definition:
BOARDSIZE = Total board size
BOC = Board of commissioners
BOD = Board of directors
c) The female board is measured by calculating the proportion of female members (Nalikka, 2009; Mawardani & Harymawan, 2021), with the following formula:

\[ FEMALEBOARD = \frac{TOTALFEMALEBOARD}{BOARDSIZE} \]

Definition:
FEMALEBOARD = Ratio of female board members
TOTALFEMALEBOARD = Number of female board members
BOARDSIZE = Total board size
d) Type of auditor is measured by a score of 1 if the companies use KAP BIG-4 and is assessed with a score of 0 if the companies use KAP Non-BIG-4 (Ghani, Jamal, Puspitasari, & Gunardi, 2018; Mawardani & Harymawan, 2021).
e) Control variables include company size, leverage, liquidity, and ROA (Mawardani & Harymawan, 2021)

1) Company size = Log total assets
2) Leverage = Total liabilities/total assets
3) Liquidity = Ratio of current assets/current liabilities
4) ROA = net profit/total assets

The following is multiple regression analysis in this study after being moderated:

\[ IRD = a + \beta_{INDBOARD} + \beta_{BOARDSIZE} + \beta_{FEMALE} + \beta_{BIG4} + \beta_{INDBOARD} \times \beta_{BIG4} + \beta_{FIRMSIZE}C^1 + \beta_{LEVERAGE}C^2 + \beta_{LIQUIDITY}C^3 + \beta_{ROA}C^4 + e \]

RESULTS AND DISCUSSION

Table 1. Descriptive Statistical Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>StDev</th>
<th>Minimum</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRD</td>
<td>4.3462</td>
<td>0.1109</td>
<td>4.0412</td>
<td>4.3734</td>
<td>4.5150</td>
</tr>
<tr>
<td>ID1 (INDBOARD)</td>
<td>0.2441</td>
<td>0.0833</td>
<td>0.0517</td>
<td>0.2352</td>
<td>0.6250</td>
</tr>
<tr>
<td>ID2 (BOARDSIZE)</td>
<td>12.31</td>
<td>3.23</td>
<td>6.00</td>
<td>12.00</td>
<td>23.00</td>
</tr>
<tr>
<td>ID3 (FEMALE)</td>
<td>0.12</td>
<td>0.13</td>
<td>0.00</td>
<td>0.0909</td>
<td>0.5000</td>
</tr>
<tr>
<td>ID4 (AUDITOR)</td>
<td>0.75</td>
<td>0.44</td>
<td>0.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>MODERASI</td>
<td>0.18</td>
<td>0.12</td>
<td>0.00</td>
<td>0.2000</td>
<td>0.6250</td>
</tr>
</tbody>
</table>
The Influence Of Corporate Governance On Integrated Reporting Disclosure Moderated By Type Auditor

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.220692</td>
<td>0.120614</td>
<td>34.99351</td>
<td>0.0000</td>
</tr>
<tr>
<td>ID1 (INDBOARD)</td>
<td>0.197590</td>
<td>0.184416</td>
<td>1.071435</td>
<td>0.2858</td>
</tr>
<tr>
<td>ID2 (BOARDSIZE)</td>
<td>0.010606</td>
<td>0.003288</td>
<td>3.225284</td>
<td>0.0016</td>
</tr>
<tr>
<td>ID3 (FEMALE)</td>
<td>-0.147404</td>
<td>0.085232</td>
<td>-1.729445</td>
<td>0.0859</td>
</tr>
<tr>
<td>ID4 (AUDITOR)</td>
<td>0.084776</td>
<td>0.057726</td>
<td>1.468598</td>
<td>0.1441</td>
</tr>
<tr>
<td>MODERASI</td>
<td>-0.309585</td>
<td>0.206374</td>
<td>-1.500119</td>
<td>0.1358</td>
</tr>
<tr>
<td>K1 (FIRMSIZE)</td>
<td>-0.013610</td>
<td>0.007003</td>
<td>-1.943423</td>
<td>0.0539</td>
</tr>
<tr>
<td>K2 (LEVERAGE)</td>
<td>0.141515</td>
<td>0.059965</td>
<td>2.359961</td>
<td>0.0196</td>
</tr>
<tr>
<td>K3 (LIQUIDITY)</td>
<td>0.022263</td>
<td>0.008652</td>
<td>2.573027</td>
<td>0.0111</td>
</tr>
<tr>
<td>K4 (ROA)</td>
<td>0.250773</td>
<td>0.119180</td>
<td>2.104157</td>
<td>0.0371</td>
</tr>
</tbody>
</table>

Table research result above is (1) Independent board members get a P-Value of 0.2858 (>) from an alpha of 0.05 and has a positive regression coefficient of 0.197590. Then H0 fails to be rejected, meaning that the independent board member variable does not affect IRD. (2) Board size has a P-Value of 0.0016 (<) from an alpha of 0.05 and has a positive regression coefficient of 0.010606. Then H0 is rejected, meaning that the board size variable positively affect IRD. (3) Female boards get a P-Value value of 0.1441 (>) from an alpha of 0.05 and has a negative regression coefficient of -0.147404. Then, H0 failed to be rejected, meaning that the female board variable does not affect IRD. (4) Type auditor get a P-Value of 0.1441 (>) from an alpha of 0.05 and has a positive regression coefficient of 0.084776. Then, H0 fails to be rejected, meaning that the type auditor variable does not affect IRD. (5) The type of auditor on the independent board member as a moderating variable gets a P-Value value of 0.1358 (>) from an alpha of 0.05 and has a negative regression coefficient of -0.309585. Then, H0 fails to be rejected, meaning that the type of auditor fails in strengthening the positive influence of independent board members on IRD.
In the results of testing the control variables, (1) Firm size gets a P-Value value of 0.0539 (>) from an alpha of 0.05 and has a negative regression coefficient of -0.013610. Then H0 fails to be rejected, meaning that the firm size variable does not affect IRD. (2) Leverage gets a P-Value value of 0.0196 (<) from an alpha of 0.05 and has a positive regression coefficient of 0.141515. Then H0 is rejected, meaning that the leverage variable has affect IRD. (3) Liquidity gets a P-Value value of 0.0111 (<) from an alpha of 0.05 and has a positive regression coefficient of 0.022263. Then H0 is rejected, meaning that the leverage variable has affect on IRD. (4) ROA gets a P-Value of 0.0371 (<) from an alpha of 0.05 and has a positive regression coefficient of 0.250773. Then H0 is rejected, meaning that the ROA variable has affect on IRD.

The first hypothesis revealed that no effect on IRD and opposite the previously presented theory. (Suttipun & Bomlai, 2019) found no significant independent board member relationship to integrated reporting, while (Taliyang & Jusop, 2011) also revealed no significant independent board member relationship to voluntary reporting. These results may be due to the lack of regulations requiring reporting in developing countries, so no pressure on independent board members to make voluntary reports, including integrated reporting, was found (Suttipun & Bomlai, 2019).

The second hypothesis proved a positive effect on IRD. This study is similar to previous research, which revealed a relationship between board size and the level of integrated reporting (Abeysekera, 2010) Associated with agency theory, managers and shareholders could do and earn by working together to get the profits they wanted to achieve beforehand. (Fama & Jensen, 1983) discovered that managers pursued their interests and the interests of shareholders. Furthermore, related to stakeholder theory, managers took responsibility for a series that could affect company goals (Freeman & Phillips, 2002).

The third hypothesis discovered no effect on IRD. The descriptive statistical analysis results on the mean only showed 11%, meaning that female boards in the company were still minimal and many companies did not make women directors. These results are supported by previous research where gender diversity in women had insignificant results on integrated reporting (Mawardani & Harymawan, 2021). The female board is less in taking a high risk because it has a cautious character. Women do not rush in making decisions to get the right decision and have a low risk. However, this situation shows no power and does not encourage female boards to integrate the company’s reporting.

The fourth hypothesis showed that the type of auditor did not strengthen the influence of independent board members on IRD. In disclosing information integrated reporting KAP Big-4 and Non-Big-4 on independent board members were not proven to strengthen, supported by previous research that was not significant on integrated reporting (Mawardani & Harymawan, 2021). The cause of the failure of the Indonesian KAP to only audit the company’s financial statements, not the annual report issued by the company, was revealed by (Rafifah & Ratmono, 2015). Types of external auditors and independent board members are external parties to the company who assist in the realization of the preparation of the company’s annual report, and integrated reporting disclosures are given a lot of information and authority from the company’s internal parties. Therefore, the results of the first hypothesis on independent board members had no effect. The fourth hypothesis was that auditor types did not strengthen independent board members towards IRD, with similar results not supported.

In the first control variable, firm size, revealed by (Wiguna & Jati, 2017) firm size did not affect voluntary disclosure due to the high variance, and the company bears agency costs, so it did not require more disclosure of information. Furthermore, for the second control variable on leverage, companies with high leverage to meet creditor needs for information and reduce the cost of increasing capital could provide more information needed to meet information needs voluntarily (Ghani et al., 2018) The third control variable is liquidity, companies with high liquidity would appear to have a good financial position. This result revealed more information than those with low liquidity (Ghani et al., 2018). Finally, the fourth variable is ROA, companies with high profits can reveal more information.
CONCLUSION

This study can add to the literature related to GCG and IRD because these findings can assist investors in providing reporting information, helping managers get to know IRD better and further research as a reference for further reference materials. The results of this study are expected to provide an overview of companies regarding the importance of IRD in reporting, especially companies listed on the IDX.

This study has research limitations: (1) only testing one moderating variable, (2) using a non-banking LQ45 Stock Index company sample for the 2016-2020 period so that it cannot yet know a more concrete impact on IRD, (3) assessing IRD manually which can contain errors in assessing. Further research can hopefully conduct data processing more thoroughly.

The implications of this research are expected to provide information to companies on the IDX to implement integrated reporting disclosure. The benefits of this reporting disclosure can provide good value reporting quality by considering non-financial resources (human, intellectual, social resources). The concept of creating short, medium and long-term value for the company is also important, including having strong relationships with stakeholders, developing intellectual capital, and managing risk.
**BIBLIOGRAPHY**


The Influence Of Corporate Governance On Integrated Reporting Disclosure Moderated By Type Auditor


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