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Original Research Article

The Role of Corporate Governance to Integrated Reporting (Survey on Indonesia's State-Owned Enterprises/SOEs)

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Abstract

This research attend to examine the role of Corporate Governance (CG) to preparation integrated reporting. Corporate Governance as one of the main factors to determine the success of implementing integrated reporting which one of its proxies like audit committee is believed to influence the scope of integrated reporting. This study is intended to follow up the suggestions from previous researchers (Beedard & Gendron, 2010; Li, Mangena, & Pike, 2012; Lisic, 2015; A. Setiawan, 2016; Chariri and Juniarti, 2017) who recommended the use of complete CG proxies look like; institutional ownership, independent commissioners and audit committees to obtain empirical evidence that effect the greatest contribution to the readiness of integrated reporting in Indonesia's State-Owned Enterprises/SOEs. Data collection techniques were carried out by purposive sampling method with certain criteria by using multiple regression analysis SPSS Version 22. This result shows that only 11.7% of Element Integrated Reporting on SOEs in IDX (Indonesia Stock Exchange) within 2012-2017 can be explained by independent variables (Corporate Governance). While the remaining 88.3% is explained by other reasons outside the model.

Keywords: Corporate Governance, Integrated Reporting, Annual Report, SOEs.

INTRODUCTION

Integrated Reporting is the newest reporting format that prioritizes transparency in reporting company performance. Integrated reporting presenting financial and non-financial information such as economic, financial, governance, environmental, intangible, and social issues that are integrated about how an organization creates value added [1-4]. Full attention to optimizing stakeholder interests on social, environmental and corporate governance issues is the main factor for the implementation integrated reporting [5]. Previous research has focused on the contribution of corporate governance to corporate financial performance, voluntary disclosure in annual reports in both the private sector and the public sector; relating to what was revealed and why it should be disclosed in relation to size, industry, management, the strength of stakeholders, ownership and government [6, 7].

The Integrated Reporting Council (IIRC) was formed to found the solution of sustainability information on communication and responsibilities, which have resulted in an International Integrated Reporting (IR) framework for organizations. The IIRC has representatives from various authorities, legislators, the audit profession, trading and industry. The Global Reporting Initiative (GRI) and IIRC have the same vision about the Integrated Reporting working together to develop reporting frameworks, standards and requirements that lead to efficiency and effectiveness in corporate reporting practices Global Reporting Initiative, 2016 [8]. Previous research on integrated reporting abbreviated IR on the Indonesia Stock Exchange (BEI) was carried out by [9]. The results showed that companies listed on the IDX had presented annual reports in accordance with the elements of integrated reporting even though the scope of presentation was relatively low at 51% (33 out of 64 indicators). This means that the annual report of companies listed on the IDX has not provided the desired information in accordance with the concepts in integrated reporting. Research that has existed so far has focused more on the conceptual order so that the application of integrated reporting requires real action not just a discourse [4]. Previous studies focused more on benefits, developments and challenges faced by companies in implementing integrated reporting [10, 11]. Previous research findings on IR show that only a few stakeholders use integrated reporting as the main source of financial and investment information [12] and IR is only seen as supplementary information.

Information for sustainability organizational can be communicated separately in "CSR reports" or integrated in the Annual Report. Several companies that won the Indonesian Sustainability Reporting Award are preparing to disclose integrated reporting with little modification that adds value to their reporting [13]. Disclosure of information sustainability is a requirement for organizations in various industries, both those operating in public (public sector) companies and in the private sector (private sector). Including State-Owned Enterprises (SOEs) must also disclose sustainable information (sustainability information); SOEs has a fundamental goal to contribute services to the community by not always having to have a goal for profit [14]. According to Gallo & Jones Christensen [15] argues that SOEs have high incentives to report integrated information compared to the private sector.

Research from Ballou, Casey, Grenier, & Heitger [16] concluded that integrated reporting aims to overcome the limitations of conventional financial reporting and sustainability reporting and believed to present a more comprehensive business perspective. Several companies in Indonesia have also implemented integrated reporting, for example PT. Aneka Tambang Tbk, and PT. Tambang Timah Tbk. The description shows that integrated reporting is easy to implement and has economic benefits [13, 9]. The condition that the implementation of integrated reporting in Indonesia is still voluntary, but some companies have tried to implement sustainable financial reporting.

Previous studies has proven that Corporate Governance (CG) as one of the main factors to determine the success of implementing integrated financial reporting. Corporate Governance with the proxy of institutional ownership, independent commissioners and audit committees is believed to influence the scope of integrated reporting. Research investigating the influence of company characteristics such as the audit committee on integrated reporting is believed to be important because audit committees are often associated with financial reporting quality [17-19]. The audit committee must play an active role in reviewing financial reports including integrated reporting and must pay attention to all aspects that might have an impact on integrated reporting integrity [20]. Agency theory is a theory that used to explain the reasons why audit committees are believed to influence the scope of integrated reporting. Supervision is one of the important activities in implementing good corporate governance. Agency theory explains that good quality supervision can reduce manager's opportunistic behavior so managers will work for the interests of their principals. The audit committee needs to hold regular meetings in carrying out oversight of financial reporting and internal control. Well-organized and scheduled meetings will assist the audit committee in monitoring accounting records and internal control systems [19].

This study try to explore the role of corporate governance to integrated reporting in state-owned enterprises (SOEs). The reason researchers chose SOEs because the implementation of CG in Indonesia’s SOEs was not optimal, and also with huge state ownership in SOEs made supervision less effective. This assumption is based on previous research on the application of CG in SOEs [6, 21]. This study will use a complete CG measurement proxy as a follow-up suggestion from several previous studies to use a complete GC proxy. This research try to obtain empirical findings on CG proxies that provide highest contribution to successful implementation of integrated reporting.

Litherature Review and Hypothetical Testing

Good Corporate Governance

The World Bank defines corporate governance as a collection of laws, regulations and rules that must be fulfilled, which can encourage the performance of company resources to function efficiently in order to generate sustainable long-term economic value for shareholders and the surrounding community overall. Corporate governance institutions in Malaysia, namely the Finance Committee on Corporate Governance (FCCG), defines corporate governance as the process and structure used to direct and manage business and company activities towards increasing business growth and corporate accountability. Article 1 Decree of the Minister of SOEs No. 117 / M-MBU / 2002 July 31, 2002 concerning the Implementation of CG in SOEs states that corporate governance is a process and structure used by SOEs to increase success of business and corporate accountability in order to realize long-term shareholder value while still showing stakeholders (other stakeholders), based on laws and regulations and ethical values.

Component of Corporate Governance

n April 2001, the Indonesian National Committee for Corporate Governance Policies (Corporate Governance Policies) issued The Indonesian Code for Good Corporate Governance for the Indonesian business community. In the Indonesian Code for Good Corporate Governance it starts with:

Institutional Ownership

Institutional ownership is the proportion of share ownership by institutions such as NGOs, private companies, securities companies, pension funds, insurance companies, banks and investment companies. Institutional ownership has the ability to control management through an effective supervision process that reduces management actions to manage earnings. Institutional investors in supervising are more effective than individual investors, this is because institutional investors are more experienced in supervising and seeing mistakes made by management [22]. The greater the ownership by the institution, the greater the role of the institution in the corporate governance mechanism so that aspects of supervision of the company's performance will increase. stitutional ownership can reduce the tendency of management to use discretionary in financial statements so as to provide quality reported earnings. In institutional ownership, institutional investors are judged to have more experience and knowledge in reading financial information presented by management so that it is not easily deceived by acts of manipulation by management. So, usually management will try to avoid earnings management actions and the resulting profits will be of higher quality.Komisaris Independen

Independent Commissioner

The best position to carry out the monitoring function in order to create a company that is good corporate governance. By comparing companies that commit fraud with companies that do not commit fraud, they find that companies that commit fraud have a percentage of external independent commissioners who are significantly lower than companies that do not commit fraud. The composition of the board of commissioners is one of the characteristics of the board relating to the information content of earnings.The Independent Commissioner in carrying out his role as a function of supervision, the composition of the board can influence management in preparing financial statements so that a quality earnings report can be obtained. The proportion of independent commissioners can increase supervision of management so that they do not act opportunistically, which only emphasizes a greater proportion of independent commissioners so that it can improve the quality of profits presented by the company.

Audit Committee

The Indonesian Audit Committee Association (IKAI) defines the audit committee as follows:"A committee that works professionally and independently is formed by the board of commissioners and, as such, its job is to assist and strengthen the function of the board of commissioners (or supervisory board) in overseeing the financial reporting process, risk management, conducting audits and implementation of corporate governance in companies ".The audit committee has the duty to provide professional and independent opinions to the board of commissioners regarding reports or other matters submitted by the board of directors to the board of commissioners, as well as to identify matters that require the attention of the board of commissioners. The audit committee is expected to comply with all applicable provisions as stipulated by the Capital Market Supervisory Agency (BAPEPAM-LK), Bank Indonesia, the Indonesia Stock Exchange (IDX), as well as the decision of the minister of BUMN for SOEs .In addition, the audit committee can also assess the effectiveness of internal controls, including the functions of internal auditors and the Internal Control Unit (SPI), so that they can provide recommendations on increasing the effectiveness of internal auditors to improve the company's internal control system. The audit committee in BUMN can play a more active role if it turns out that the SOEs internal auditor is not functioning properly. The audit committee can also synergize with internal auditors, such as conducting joint audits for strategic aspects that require further deepening.

Integrated Reporting

An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. Until nowt the economy faces a new paradigm of value or value paradigm. Investors and other stakeholders need a report that can present an overall picture of how an organization produces value and how the condition of the organization in the short to long term. The value referred to here is not only the value in the form of nominal numbers, but also the potential of the company which is difficult to measure by numbers. The company tries to create value for stakeholders through a sustainable strategy. The current trend is that the company's financial statements are considered to no longer present a comprehensive picture of a company. The financial statements do not present other information that also underlies financial information such as social information, environment, governance, risks and prospects, and the company's business sustainability. For this reason, a report is needed that can better describe the intangible value of the company and the impact of the sustainable strategy implemented by the company on the community and also a description of the impact of the company's strategies on long-term shareholder value.

In 2011 IIRC was supported by the Global Reporting Initiatives (GRI) to develop a new reporting model called Integrated Reporting (commonly symbolized as <IR>) as a solution in order to answer the need to discover new ways to measure and communicate company value creation. IIRC defines <IR> integrated reporting as a process of information communication in an organization that is reflected in "integrated report" to stakeholders about value creation over time. Integrated report itself is defined as a concise and integrated communication about how the strategy, governance and remuneration, performance and prospects of an organization produce value creation in the short, medium and long term. The integrated report provides a broader reporting approach compared to the traditional reporting currently available. The integrated reporting concept is a new concept initiated by the IIRC International Integrated Reporting Council. How the entity reports to stakeholders in a concise report but from the report can be drawn strategies, performance and how the company's added value in the future [23].

The integrated reporting must explain the unique value creation of the company, and explain how the company creates value and for whom, value measurement In December 2013, the International Integrated Reporting Council (IIRC) Framework was issued which provides an initial framework for companies to encourage integrated thinking and reporting in ways integrated. <IR> combines a number of reports consisting of financial, management records, governance and remuneration, as well as ongoing reports into one reporting package to explain the ability of an organization to create value and maintain its value in the long run. <IR> presents together material information about the strategy, governance and remuneration, performance, risks and prospects of an organization that reflects the commercial, social and environmental context in which the organization operates.

Development of Hypotheses

Supervision is one of the important activities in implementing good corporate governance. Agency Theory says that the quality of good supervision can reduce manager's opportunistic behavior so managers will work in the interests of their principals. The audit committee needs to hold regular meetings in carrying out oversight of financial reporting and internal control. Well-organized and scheduled meetings will assist the audit committee in monitoring accounting records and internal control systems [19]. Similar views are conveyed by [24, 25] that routine meetings allow audit committees to be more effective in monitoring financial reporting processes and internal controls and improving the quality of information produced by management and audit quality [26, 27]. Other studies also show that audit committee members who meet more often tend to have more time to carry out supervisory roles in corporate financial reporting [28-32, 25]. Audit committee members which meet regularly are often expected t to perform monitoring tasks more effectively than rarely conducting regular meetings. Zhang *et al.*, [33] uses the number of meetings to measure whether the frequency of meetings affects the quality of financial reporting and finds a positive correlation. On the basis of these arguments, the relationship between the frequency of audit committee meetings and integrated reporting can be hypothesized as follows: the higher the frequency of audit committee meetings, the more integrated reporting elements in the company's annual report.

RESEARCH METHODOLOGY

This research was conducted at Indonesia's state-owned companies listed on the Indonesia Stock Exchange (IDX). Secondary data is obtained through tracking various SOEs company annual reports and other required reports which are published on IDX. Company's annual report was used in this study considering not all the company has the data needed. Dependent variable is element of integrated reporting that measured the following eight Content Elements [34]; *Organizational overview and external environment*, *Governance*, *Business model*, *Risks* and *opportunities*, *Strategy and resource allocation*, *Performance*. *Outlook*, *Basis of preparation and presentation*. Independent variables consist of Institutional Ownership/ IO (Percentage of state and private share ownership), Independent Commissioner/IC (Number of professional commissioners), Audit Committee/AC (audit committee expertise and frequency of audit committee meetings. The broad scope of integrated reporting elements in the annual report is analyzed by descriptive statistics. The relationship between Institutional Ownership, Independent Commissioner and Audit Committee and IRE was analyzed using the regression equation as follows:

$$IRE = \alpha + \beta_1 IO + \beta 2IC + \beta_3 AC + e$$

Keterangan:

IRE = Integrated Reporting Element
IO = Numbers of Institutional Ownership
IC = Numbers Independent Commissioner
AC = Audit Committee

This study uses secondary data in the form of annual financial statements of State-Owned Enterprises / BUMN in the Indonesia Stock Exchange (IDX) in the period 2012 to 2017. The data of this study were obtained from the website www.idx.co.id (http: // web .idx.id /).by using multiple regression analysis SPSS Version 22. The results of regression analysis are in the form of coefficients for each independent variable.

RESULTS AND DISCUSSIONS

Here is the list of SOEs selected as the research sample. There are 20 SOEs which selected as research sample within 2012-2017.

Table-1: Lists of the State Owned Enterprises (SOEs) in IDX

No	Code of Emitten	List of the SOEs	Business Activity
01	INAF	PT. Indofarma (Persero) Tbk	Pharmacy
02	KAEF	PT. Kimia Farma (Persero) Tbk	Pharmacy
03	PGAS	PT. Perusahaan Gas Negara (Persero) Tbk	Pharmacy
04	KRAS	PT. Krakatau Steel (Persero) Tbk	Metal Industry
05	ADHI	PT. Adhi Karya (Persero) Tbk	Construction
06	PTPP	PT. Pembangunan Perumahan (Persero) Tbk	Construction
07	WIKA	PT. Wijaya Karya (Persero) Tbk	Construction
08	WSKT	PT. Waskita Karya (Persero) Tbk	Construction
09	BBNI	PT. Bank Negara Indonesia (Persero) Tbk	Banking
10	BBRI	PT. Bank Rakyat Indonesia (Persero) Tbk	Banking
11	BBTN	PT. Bank Tabungan Negara (Persero) Tbk	Banking
12	BMRI	PT. Bank Mandiri Indonesia (Persero) Tbk	Banking
13	ANTM	PT. Aneka Tambang (Persero) Tbk	Mining Industry
14	PTBA	PT. Bukit Asam (Persero) Tbk	Mining Industry
15	TINS	PT. Timah (Persero) Tbk	Mining Industry
16	SMBR	PT. Semen Baturaja (Persero) Tbk	Cement Industry
17	SMGR	PT. Semen Indonesia (Persero) Tbk d.h PT. Semen Gresik Indonesia (Persero) Tbk	Cement Industry
18	JSMR	PT. Jasa Marga Indonesia (Persero) Tbk	Transportation
19	GIAA	PT. Garuda Indonesia (Persero) Tbk	Transportation
20	TLKM	PT. Telekomunikasi Indonesia (Persero) Tbk	Telecommunication

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IRE	114	4	8	6.73	.998
IO	114	.5099822027520360	1.0000000000000000	.651333231809951	.108803886276220
IC	114	.2000000000000000	.6250000000000000	.413593010303537	.099515220978744
AC	114	2	7	4.04	1.200
Valid N (listwise)	114				

The results of statistics descriptive analysis above can be described:

1. Integrated Reporting (IRE)
   The results of descriptive statistical tests show that the IRE level has the lowest value of 4 (four) that owned by PT Krakatau Steel (KRAS) in 2014, PT Aneka Tambang (ANTM) in 2016 and PT Semen Baturaja (SMBR) in 2012. While the highest value of 8 is owned by PT KAEF, PT PGAS, PT WIKA, BBNI, BBRI, BBTN, BMRI, PTBA, TINS, JSMR, GIAA, TLKM. The IRE average value of 6.73 which means that the element of IRE in the annual report of the BUMN Go Public company has been fulfilled by each SOEs company with a standard deviation of 0.988.
2. Institutional Ownership (IO)
   Institutional Ownership Variables have a maximum value of 1,000 owned by PT SMBR in 2012 and a minimum value of 0.50 owned by PT TLKM in 2015 and 2016. The average yield of 0.65 shows that the proportion of institutional ownership in state-owned companies is of considerable value and the standard deviation value is 0.108803.
3. Independent Commissioner (IC)
   The measurement of independent commissioners shows a minimum value of 0.20 at PT SMBR in 2017 with a maximum value of 0.625 in two Bank companies namely BBNI and BBRI in 2015 and 2016. The average results show a value of 0.413, indicating that the proportion of the board more than one third the proportion of the board of commissioners so that according to regulations and the standard deviation value is 0.099.
4. Audit Committee (AC)
   The minimum value for measurement of the audit committee is 2 (two) which is pointed to PT INAF and PT ADHI. The maximum value is 7 (seven) belongs to PT WIKA (2014) and BBTN (2016). The average audit committee is 4.04 which means that almost all BUMN companies are in accordance with the provisions of having an audit committee of at least 3 (three) people in a company as auditor and having a standard deviation value of 1,200.

Classical Assumption Test

Normality Test		
One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		114
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.92547136
Most Extreme Differences	Absolute	.066
	Positive	.043
	Negative	-.066
Test Statistic		.066
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Based on the results of the normality test using Kolmogorov-Smirnov above shows the magnitude of the Kolmogorov Smirnov value is 0.66 and significant at 0.200 with α = 0.05, so it can be explained that the research data during the period 2012-2017 shows that it has been normally distributed.

Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	7.377	.769			
	IO	-2.093	.869	-.228	.871	1.148
	IC	-.163	.949	-.016	.873	1.146
	AC	.193	.084	.233	.770	1.299

Based on multicolinerity test in the above table for each variable has a tolerance value> 0.10 and has a VIF value of less than 10. It meansthat there is no multicollinearity between independent variables in the regression model.

Autocorrelation Test	
Runs Test	
	Unstandardized Residual
Test Value[a]	-.01203
Cases < Test Value	57
Cases >= Test Value	57
Total Cases	114
Number of Runs	53
Z	-.941
Asymp. Sig. (2-tailed)	.347
a. Median	

Based on observations from the results of the autocoleration test using the Run Test, a significance value of 0.347 was obtained. These results are greater than 0.05 (0.347> 0.05), it concluded that the regression model does not occur autocoleration.

Heteroscedacity Test (White Test)

Heteroscedacity testing with Glejser Test and Park Test it caught heteroscedacity problems, the researchers used the White Test to test heteroscedacity. White Test used to get the value of R^2 to calculate c^2, where $c^2 = n \times R^2$ [35]. The examination is done if the value of c^2 counts $< c^2$ table, then the alternative hypothesis of heteroscedacity in the model is rejected [36].

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.236[a]	.056	.030	1.16675
a. Predictors: (Constant), KA, Kind, Kinst				
b. Dependent Variable: RES2				

Chi-square Distribution Table									
d. f	.995	.99	.975	.95	.9	.1	.05	.025	.01
1	0.00	0.00	0.00	0.00	0.02	2.71	3.84	5.02	6.63
2	0.01	0.02	0.05	0.10	0.21	4.61	5.99	7.38	9.21
3	0.07	0.11	0.22	0.35	0.58	6.25	7.81	9.35	11.34
4	0.21	0.30	0.48	0.71	1.06	7.78	9.49	11.14	13.28
5	0.41	0.55	0.83	1.15	1.61	9.24	11.07	12.83	15.09
6	0.68	0.87	1.24	1.64	2.20	10.64	12.59	14.45	16.81
7	0.99	1.24	1.69	2.17	2.83	12.02	14.07	16.01	18.48
8	1.34	1.65	2.18	2.73	3.49	13.36	15.51	17.53	20.09
9	1.73	2.09	2.70	3.33	4.17	14.68	16.92	19.02	21.67
10	2.16	2.56	3.25	3.94	4.87	15.99	18.31	20.48	23.21
11	2.60	3.05	3.82	4.57	5.58	17.28	19.68	21.92	24.72
12	3.07	3.57	4.40	5.23	6.30	18.55	21.03	23.34	26.22
13	3.57	4.11	5.01	5.89	7.04	19.81	22.36	24.74	27.69
14	4.07	4.66	5.63	6.57	7.79	21.06	23.68	26.12	29.14
15	4.60	5.23	6.26	7.26	8.55	22.31	25.00	27.49	30.58
16	5.14	5.81	6.91	7.96	9.31	23.54	26.30	28.85	32.00
17	5.70	6.41	7.56	8.67	10.09	24.77	27.59	30.19	33.41
18	6.26	7.01	8.23	9.39	10.86	25.99	28.87	31.53	34.81
19	6.84	7.63	8.91	10.12	11.65	27.20	30.14	32.85	36.19
20	7.43	8.26	9.59	10.85	12.44	28.41	31.41	34.17	37.57
21	8.64	9.54	10.98	12.34	14.04	30.81	33.92	36.78	40.29
22	9.89	10.86	12.40	13.85	15.66	33.20	36.41	39.36	42.98

Based on the output of the Model Summary above, it can be seen that the R Square value is 0.056. Then the value of Chi Square (c^2) is (n X R^2) 114 X 0.056 = 6.384. The Chi Square value of the table is seen with the Degree of Freedom k-1, independent variable 4-1 = 3. The c^2 table value is 7.81. The value of c^2 count <from c^2 table (0.056 <7.81) then the alternative hypothesis of heteroscedacity in the model is rejected.

Suitability test of the model (R^2)					
Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.374[a]	.140	.117	.938	1.758
a. Predictors: (Constant), KA, KInd, KIns					
b. Dependent Variable: IRX					

From the table above the Adjusted R^2 value is 0.117. This result shows that only 11.7% of Integrated Reporting on SOEs in IDX (Indonesia Stock Exchange) within 2012-2017 can be explained by independent variables (Corporate Governance). While the remaining 88.3% is explained by other reasons outside the model.

F- Test						
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.786	3	5.262	5.981	.001[b]
	Residual	96.784	110	.880		
	Total	112.570	113			
a. Dependent Variable: IRX						
b. Predictors: (Constant), AC, IC, IO						

From the F test was found that the F value was 5.981 and the significant value of the F test was 0.001 which was smaller than 0.05 (0.001 <0.05), the role of institutional ownership, independent commissioners and audit committees had a significant effect on Integrated Reporting.

t-test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.377	.769		9.598	.000
	IO	-2.093	.869	-.228	-2.409	.018
	IC	-.163	.949	-.016	-.171	.864
	AC	.193	.084	.233	2.309	.023

a. Dependent Variable: IRX

Based on the t-test above, shows that each independent variable on integrated reporting is as follows:

- The significant value of institutional ownership variables (IO) is 0.018 smaller than 0.05 (0.018 <0.05), Institutional Ownership variables affect the integrated reporting (hypothesis accepted).
- The significant value of independent commissioners (IC) is 0.84 greater than 0.05 (0.864> 0.05), the Independent Commissioner variable does not affect the integrated reporting (hypothesis rejected).
- The audit committee variable has a significance value of 0.023 smaller than 0.05 (0.023 <0.05), the Audit Committee variable has an influence on the Integrated Reporting (hypothesis accepted).

DISCUSSIONS

This results confirm the previous research conduct by [24, 25, 19]. The audit committee needs to hold regular meetings in carrying out oversight of financial reporting and internal control. Well-organized and scheduled meetings will assist the audit committee in monitoring accounting records and internal control systems (that routine meetings allow audit committees to be more effective in monitoring financial reporting processes and internal controls and improving the quality of information produced by management and audit quality [26, 27]. This results confirm other studies that show audit committee members who meet more often tend to have more time to carry out supervisory roles in corporate financial reporting [28-32, 25, 13, 9]. Audit committee members which meet regularly are often expected t to perform monitoring tasks more effectively than rarely conducting regular meetings [33]. On the basis of these arguments, the relationship between the frequency of audit committee meetings and integrated reporting can be hypothesized as follows: the higher the frequency of audit committee meetings, the more integrated reporting elements in the company's annual report.

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