THE INDONESIAN JOURNAL OF ACCOUNTING RESEARCH
Vol. 18, No. 2, May 2015
Page 169 -190

Analysis of The Influence of The Board of Commissioners, Directors, Audit Committee and External Audit Effectiveness On The Level of Mandatory and Voluntary Disclosure

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Abstract: *This study aims to examine the effect of the effectiveness of the board of commissioners, directors, audit committees and external audit (audit costs, the size of the Public Accounting Firm and the audit opinion) on the level of mandatory and voluntary disclosure. The study uses a sample of 142 non-financial public companies listed on the Indonesia Stock Exchange in 2011 and 2012. The result of the study concludes that the size of the public accounting firm has a significant negative effect on the level of mandatory disclosure, while the effectiveness of the board of commissioners and directors positively influence mandatory disclosure. The effectiveness of the directors and audit committee also positively influence the level of voluntary disclosure, whereas external audit does not influence the level of voluntary disclosure.*

Keywords: *Effectiveness, Mandatory Disclosure, Voluntary Disclosure*

Abstrak: *Penelitian ini bertujuan untuk menguji pengaruh efektivitas dewan komisaris, direksi, komite audit dan audit eksternal (biaya audit, ukuran Kantor Akuntan Publik dan opini audit) pada tingkat pengungkapan wajib dan sukarela. Penelitian ini menggunakan sampel dari 142 perusahaan publik non-keuangan yang terdaftar di Bursa Efek Indonesia pada tahun 2011 dan 2012. Hasil penelitian menyimpulkan bahwa ukuran kantor akuntan publik memiliki pengaruh negatif yang signifikan terhadap tingkat pengungkapan wajib, sementara efektivitas dewan komisaris dan direksi berpengaruh positif terhadap pengungkapan wajib. Efektivitas direksi dan komite audit juga secara positif mempengaruhi tingkat pengungkapan sukarela, sedangkan audit eksternal tidak mempengaruhi tingkat pengungkapan sukarela.*

Kata Kunci: *Efektivitas, Pengungkapan Wajib, Pengungkapan Sukarela*

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1. Introduction

Each company consists of several components, namely the General Meeting of Shareholders as of the highest component, the Board of Directors who manages the company and the Board of Commissioners who supervises the directors. The difference of interests between capital owners and management in managing the company causes the agency problem. Agency theory that links the differences in ownership and control provides the theoretical basis for research of corporate governance (Jensen & Meckling, 1976). Agency theory states that incentives related to performance can mitigate agency costs, as well as the interests of the managers in line with the increase of shareholder value. Disclosure of information is a prerequisite for managers to monitor and analyze performance (Gao & Kling, 2012).

Indonesia implements the two-tier system which separates the board of commissioners and board of directors. This system is also implemented in China as described by Gao & Kling (2012). The board of commissioners or supervisory board must oversee the board of directors and senior management, in which the members are independent. The Board of Directors is a collegial organ of a company that manages the company (KNKG, 2006). The directors are also responsible for reporting the company's performance information to the owner of the company. The audit committee is a committee responsible for assisting the board of commissioners in overseeing management's performance specifically within the scope of the report preparation related to audit activities of the company. The effectiveness of the board of commissioners, board of directors and the audit committee can be measured through the aspects of the activity and independence that positively impact the company's performance through the implementation of Good Corporate Governance (GCG), including in terms of increasing the disclosure of the given information (Fang et al., 2009).

The company's annual report as a means of disclosure could have implications for investor decision making. Disclosure of annual report is governed by the disclosure guidelines issued by Badan Pengawas Pasar Modal dan Lembaga Keuangan (Bapepam-LK) through regulation No. X.K.6 about Submission of Annual Report of

Public Company. The annual report may contain other information beyond that are required, referred as voluntary disclosure items. Henry & Palepu (2001) states that voluntary disclosure is the disclosure of more information based on the initiative of the management. One of the points in the annual report which is required to be disclosed as well as the most widely used are the audited financial statements. The financial statement audit process shall be conducted by independent parties such as Public Accounting Firms.

For each audit services, the public accounting firm will receive audit fees following the provisions such as the experiences of the auditor and also the required time and complexity of the audit. After the standardized audit procedure is performed, the public accounting firm will issue an audit report containing an independent opinion on the financial statements. An audit opinion other than the unqualified can be a sign of the company's performance (Gao & Kling, 2012). The audit cost depends on the selection of auditors. The Big Four accounting firms that have better reputation tend to charge higher audit cost. This study assesses the broader impact of external audit activity against the disclosure of the company's annual report since both the financial statements and the annual report are clear evidence of the transparency of information provided by the company. Also, the annual report also reveals the audit cost and audited financial reports of the companies.

In contrast with the study by Gao & Kling (2012) in China, this study assesses the effectiveness of the board of commissioners, directors and audit committee as a supporting committee of the board of commissioners by using an effectiveness assessment checklist developed by Hermawan (2009). The assessment result can be categorized as poor, fair, or good according to the applicable assessment criteria. The poor, fair, or good rating reflects the effectiveness of the board of commissioner, directors and audit committees of public companies. This effectiveness checklist provides an advantage for this research by combining several categories of the effectiveness assessment of the board, such as the size of the board, and activities that tend to be examined separately in previous studies.

Based on the explanation above, the problem formulation of this research are as follows:

1. What is the extent of mandatory and voluntary disclosure level in public companies?
2. What is the extent of effectiveness of the board of commissioner, directors and audit committees level in public companies?
3. Does the effectiveness of the board of commissioners, directors, audit committees and external audit have a positive effect on the level of mandatory disclosure of the annual report?
4. Does the effectiveness of the board of commissioners, directors, audit committees and external audit have a positive effect on the level of voluntary disclosure of the annual report?

2. Theoretical Framework and Hypothesis Development

Studies conducted by Shen et al. (2010), Zhang and Huang (2010) and Fang et al. (2009) as cited in Sun et al. (2012), shows that BOC or more specifically the independent commissioners, positively influence voluntary disclosure in some aspects such as corporate social responsibility and internal controls. In Indonesia, the disclosure of corporate social responsibility and internal controls have become mandatory. Fama (1980) and Fama & Jansen (1983) as cited by Eng and Mak (2003) states that the more independent directors in a company, the better monitoring quality towards the directors. This will also limit the opportunities for management to gain benefits. Independent commissioner will also tend to encourage companies to disclose better information to investors.

H1a. The *effectiveness of the Board of Commissioners positively influence the mandatory disclosure of the company's annual report*

H1b. The *effectiveness of the Board of Commissioners positively influences voluntary disclosure of the company's annual reports.*

Directors have the responsibility to prepare and understand the overall components of the annual report including the decision to disclose and not to disclose certain points. Disclosures can also be viewed as a way to signal the expected performance to be achieved. The more transparent the disclosures either through mandatory or voluntary disclosure items will give the stakeholders a clearer understanding of the management's action and performance (Franco et al., 2013). Disclosure as a way of assessing the performance of directors was also examined by Hermalin (1993) in Franco et al. (2013) who found that the more transparent information disclosure will imply that the directors have an effective role and good performance. Therefore, directors are likely to reveal information in a more transparent way, both mandatory and voluntary disclosure items, so that their performance can be known. This research uses an effectiveness checklist developed from the BOC effectiveness checklist by Herman (2009), which contains activity, number of members and competency aspects as proxies for the effectiveness of the board of directors.

H2a. *The effectiveness of the Board of Directors positively influence the mandatory disclosure of the company's annual report*

H2b. *The effectiveness of the Board of Directors positively influences voluntary disclosure of a company's annual reports.*

Dechow et al. (1996) and McMullen (1996) examined the positive influence of the audit committee on the quality of financial statements disclosure which is one of the mandatory disclosure items in annual reports. Companies with fraudulent financial statements are likely not to have a reliable audit committee. Li, Mangena, and Pike (2012) examined the effect of audit committee effectiveness that is measured from the meeting's activity and the number of audit committee members, on the disclosure of the intellectual capital that can be measured using multiple categories, such as the human capital, relational capital and structural capital. The measurement items of human capital include the age distribution of employees, employee training and race distribution of employees. Relational capital is measured by the level of customer satisfaction, customer appreciation, market penetration, and marketing.

Meanwhile, structural capital is measured by distribution network, technology, and research and development. The capitalization of research and development costs, the age of employees and marketing are the mandatory disclosure items in the annual report. Meanwhile, the distribution network, market penetration and customer satisfaction are the voluntary disclosure items of annual reports used in this study. The results showed a significant positive influence of the meeting's activity and the number of audit committee members on the disclosure of the intellectual capital.

H3a. *Audit Committee Effectiveness positively influence mandatory disclosure of the company's annual report*

H3b. *Audit Committee Effectiveness positively influence voluntary disclosure of the company's annual reports.*

The increasing size of companies generally causes high audit cost, thus increasing the extensiveness of disclosure level that also increases the audit complexity (Simunic, 1980; Beattie et al., 2001). In other words, the high audit cost occurs because the large companies disclose more information, both mandatory of voluntary information which makes the auditing process more complicated. Simunic (1980) and Watts and Zimmerman (1983) found that audit cost would increase along with the increase of auditor's effort in auditing information. Ball et al. (2012) states that audit costs are directly related to the quantity and price of audit activity that is related to the independent verification of financial statements. In practice, audit cost covered by the companies only relate to financial statements audit. Nonetheless, the numbers in the financial statements also compile some mandatory information contained in the annual report. Thus the audit of financial statements will indirectly affect the disclosure of other information in the annual report.

On the other hand, the annual report also contains private information that tends to be more expensive and risky when audited. Nonetheless, the audit of financial statements can increase management's credibility and transparency in disclosing private information (Ball et al., 2012). Thus, we can conclude that an external audit activity has a positive influence on the mandatory disclosure of the annual report that contains the financial statements and on the voluntary disclosure of which contains private information. Similarly, the cost of the audit positively influences the company's annual report disclosure of both mandatory and voluntary disclosure.

H4a. The *cost of external audit positively influence mandatory disclosure of the company's annual report*

H4b. *The cost of external audit positively influences voluntary disclosure of the company's annual reports.*

Wang, Wong & Xiac (2008) states that companies tend to engage a large accounting firm to conduct an audit because they are considered to be more competent and experienced so that it can provide better quality. Economic benefits obtained through the external audit activity which relates to independency as studied by DeAngelo (1981) is the auditor's ability to find errors or irregularities in the accounting system and not influence by the client's pressure to limit the disclosure of errors or irregularities. Moreover, DeAngelo (1981) states that the larger firm which is measured by the number of clients will tend not to act opportunistically and have a better audit quality. Thus, the Big Four accounting firm can increase the mandatory disclosure of the annual report. This is also supported by Wang and Chen (2004) which states that Chinese companies which are audited by a Big Five accounting firm (at that time still the Big Five), tend to have better transparency of accounting information disclosure than those which are not audited by the Big Five. Chau & Grey (2010) states that companies audited by the Big Four accounting firm tend to have a better level of disclosure because the accounting firms are likely to encourage the clients' companies to disclose more information. Ball et al. (2012) also found the notion that a company whose financial statement is audited by the Big Four accounting firm, signify that the management has made more effort to disclose information more often which includes the voluntary estimation and signals better voluntarily disclosure.

H5a. *Companies whose financial statements are audited by a Big Four accounting firm have a higher level of annual report mandatory disclosure than those whose financial statements are audited by non-Big Four accounting firm.*

H5B. *Companies whose financial statements are audited by a Big Four accounting firm have a higher level of annual report voluntary disclosure than those whose financial statements are audited by non-Big Four accounting firm.*

When auditor decides to give other than unqualified opinion, it indicates negligence in the delivery of accounting information and indicates asymmetry information between the company and stakeholders (Lin, Jiang, and Xi; 2012). Ball et al. (2012) describe the information of financial statements considered as credible but less informative because it is mandatory, whereas information on the voluntary forecast is considered less credible, but very informative. Information on the voluntary forecast which includes information such as projected sales and market share in the future become one of the voluntary disclosure points examined in this study. Investors tend to assume what the audit opinions, can reflect the quality of voluntary disclosure. Thus, it can be concluded that unqualified opinion positively influences the level of voluntary disclosure of the annual report. Gao Research & Kling (2012) found that audit opinion other than unqualified opinion positively influence the lower level of disclosure, so in other words, the unqualified audit opinion would increase the disclosure of the annual report. Nevertheless, the study by Lin, Jiang, and Xi (2011) towards companies with an opinion other than unqualified opinion indicate audit opinion does not always have a negative effect on the firm's value.

H6a. *Companies that obtain an unqualified audit opinion have a higher level of annual report mandatory disclosure than the company that obtains other than unqualified audit opinion.*

H6b. *Companies that obtain an unqualified audit opinion have a higher level of annual report voluntary disclosure of the company that obtains other than an unqualified audit opinion.*

3. Research Methods

The sample that is used in this study are the companies that are listed in Indonesia Stock Exchange from the year 2011-2012, except companies that are in the financial industry, due to the nature as a highly-regulated industry. This study used a sample of companies that publish the full annual report and the data in it such as financial reports, audit fees, audit opinion and the firm conducting the audit.

This research uses data from two different years, data from the year 2012 for the dependent variable and 2011 for the independent variable, based on the premise that the disclosure practices of companies does not change instantly in one term, but instead rely on the previous corporate governance and external audits practices which impact the disclosures in the current year. The tendency not to assess the impact of the current disclosure practice which is based on the condition of the company and related practices in the previous period can make the research result bias (Gao & Kling, 2012).

Research Model 1:

$$MDISC_{it} = \alpha_0 + \alpha_1\ BSUPS_{it-1} + \alpha_2\ BDIRSC_{it-1} + \alpha_3\ ACOMM_{it-1} + \alpha_4\ AFEE_{it-1} + \alpha_5\ AFIRM_{it-1} + \alpha_6\ AOPIN_{it-1} + \alpha_7\ SIZE_{it-1} + \alpha_8\ LEV_{it-1} + \alpha_9\ EVEBIT_{it-1} + \alpha_{10}\ ROA_{it-1} + \sum_{it}$$

Reaearch Model 2:

$$VDISC_{it} = \alpha_0 + \alpha_1\ BSUPS_{it-1} + \alpha_2\ BDIRSC_{it-1} + \alpha_3\ ACOMM_{it-1} + \alpha_4\ AFEE_{it-1} + \alpha_5\ AFIRM_{it-1} + \alpha_6\ AOPIN_{it-1} + \alpha_7\ SIZE_{it-1} + \alpha_8\ LEV_{it-1} + \alpha_9\ EVEBIT_{it-1} + \alpha_{10}\ ROA_{it-1} + \sum_{it}$$

Information:

Dependent Variables:

MDISC = the level of mandatory disclosure of an annual report

VDISC = the level of voluntary disclosure of an annual report

Independent Variables:
BSUPS = the level of the effectiveness of the board of commissioners
BDIRSC = the level of the effectiveness of the board of directors
ACOMM = the level of effectiveness of the audit committee
AFEE = audit fees issuers logarithm
Afirm = accounting firm dummy variable; 1 = Big Four, 0 = non Big Four
AOPIN = audit opinion on the financial statements dummy variable; 1 for unqualified opinion, 0 to opinions other than unqualified

Control variables:
SIZE = the natural logarithm of total assets
LEV = leverage (total debt divided by total equity)
EVEBIT = the enterprise value divided by Earnings Before Interest and Tax (EBIT)
ROA = net profit before exceptional items divided by total assets

4. Results

Table 1 illustrates the descriptive statistics of the research. The MDISC variable that describes the level of the mandatory disclosure has a quite high mean of 79.67%. The VDISC variable that describes the level of voluntary disclosure has an average that is quite low at 32.8%. The effectiveness of the board of commissioners is at the level of 71%, or the good criteria tend to be fair as well as the effectiveness of the audit committee at the level of 73%. The effectiveness of directors is at the level of 80% or in good criteria. Among the companies in the sample, 61% has been audited by non-Big Four accounting firm, and only 1% has not received an unqualified opinion. The companies surveyed evenly have a debt level of 50% of the equity and profitable business characterized by average positive ROA.

Table 1.
Descriptive Statistics Result

Variable	Number of observations	Mean	Standar Deviation	Minimum Value	Maximum Value
MDISC	142	0.7968	0.1137	0.5082	0.9931
VDISC	142	0.3288	0.1276	0.0847	0.678
BSUPS	142	0.7178	0.0812	0.474	0.8824
BDIRSC	142	0.8031	0.1277	0.5	1
ACOMM	142	0.7371	0.1252	0.3636	0.9697
AFEE (in Rp million)	142	27,591.62	76,249.99	112	470,732.93
AFIRM	142	0.3944	0.4904	0	1
AOPIN	142	0.9859	0.1183	0	1
SIZE (in Rp million)	142	7,530,364.28	16,516,938.67	60506.88	154,319,000
LEV	142	0.5053	0.9586	-6.8875	4.5712
EVEBIT	142	43.1046	171.9445	-0.9578	1282.73
ROA	142	0.074	0.0767	-0.1387	0.3267

Based on table 2, the average value of the level of mandatory disclosure of the issuer's annual report is 79.68% or 128 items from a total 161 points which must be disclosed. This indicates the level of mandatory disclosure of annual reports in Indonesia is at a good rate though it is still not high enough. The category that has the highest level of the disclosure generally summarise the annual report and audited financial statements that have been assessed and results in an average value that is close to the total item's score that can be disclosed. This indicates that almost all the company disclose a general overview of the annual report and audited financial statements in its annual report. Based on Table 3, the average value of voluntary disclosure in the 2012 annual report is quite low with an average value of 19.39 or when translated in the disclosure index will generate a rate of 33%. A lack of disclosure incentives can cause this so that companies tend not to disclose more or tend only to disclose the required points.

Table 2.
Descriptive Statistics of The Mandatory Disclosure Level

Category	Number of Questions	Mean	Max	Min	Standard Deviation	Disclosure Average (%)
General Description	12	11.8944	12	11	0.3085	99%
Financial Data Overview	27	19.1268	24	10	2.2843	71%
The Board of Commissioner Report	3	2.1620	3	1	0.4710	72%
The Board of Directors Report	4	2.8662	4	1	0.7647	72%
Company Profile	26	20.1268	27	11	2.8079	77%
Management Discussion and Analysis	27	15.7746	25	5	4.7660	58%
Corporate Governance	52	25.7746	52	5	11.0572	50%
Corporate Social Responsibility	5	3.7394	5	0	1.7369	75%
Audited Financial Statements	1	0.9718	1	0	0.1660	97%
Signature of Commissioners and Directors	4	1.9789	2	0	0.1871	49%
Total Score	161	128.284	155	44	24.5496	79. %

Table 4 shows that the average value of BoC effectiveness is at fair levels which are shown by the total value of 35.64 or 2.10 (divided by the total question). This implies that there is inequality because there is a company which has a total value of 45 indicates that the BoC had been effective and a company whose total value is 21 indicates the BOC of the company had not been effective.

Table 3.
Descriptive Statistics of The Voluntary Disclosure Level

Category	Number of Questions	Mean	Max	Min	Standard Deviation	Disclosure Average (%)
Background Information	14	5.3803	13	0	2.3269	38%
Summary of Historical Result	3	1.7958	3	0	1.0622	60%
Non-Key Statistics Financial	20	3.9296	10	0	2.4017	20%
Projection Information	8	3.6972	8	0	1.8218	46%
Management Discussion and Analysis	5	2.3521	4	0	0.9007	47%
Human Resource	6	1.7887	6	0	1.9272	30%
Marketing	3	0.4507	3	0	0.7493	15%
Total Score	59	19.3944	40	5	7.5267	33%

Table 4.
Descriptive Statistics of The Board of Commissioner (BOC) Effectiveness

Category	Number of Questions	Mean	Max	Min	Standard Deviation
The independency of the BOC	6	10.5986	17	7	2.1637
The activity of BOC	6	14.2887	18	6	2.2865
Number of BOC	1	2	3	1	0.9766
The Competence of BOC	4	8.9155	12	5	1.4562
Total Score	17	35.6479	45	21	4.2346

Table 5.
Descriptive Statistics of The Board of Directors (BOD) Effectiveness

Category	Number of Questions	Mean	Max	Min	Standard Deviation
The Activities of BOD	5	12.3169	15	7	2.3531
Number of BOD	1	2.0986	3	1	0.9987
The Competence of BOD	2	4.8591	6	2	0.88
Total Score	8	19.2746	24	12	3.0647

The average value of the effectiveness of the BOD is 19.27 which indicates the effectiveness is on the level of between fair to good. This assessment is obtained by dividing the total value of 19.27 with eight questions which results in the value of 2.40.

Table 6.
Descriptive Statistics of The Audit Committee Effectiveness

Category	Number of Questions	Mean	Max	Min	Standard Deviation
Activities of the Audit Committee	8	16.9296	23	8	3.5683
Number of Audit Committee	1	2.0775	3	1	0.3384
Competence of the Audit Committee	2	3.9577	6	2	1.3625
Total Score	11	22.9648	30	12	3.999

Table 6 shows that the average effectiveness of the audit committee is 2.09 obtained by dividing 22.97 with 11 questions. The value of 2.09 indicates that the average of companies surveyed already has an audit committee that is effective (fair). The big difference between the maximum and minimum value shows that there are companies that have an effective audit committee effective (good), but there are also companies that have an audit committee that is less effective (poor).

According to table 7, the independent variables of BSUPS have a positive and significant effect on the dependent variable of MDISC (significance of 0.095), so hypothesis H1a is accepted. This indicates that the effectiveness of the Board of Commissioners positively influences the level of mandatory disclosure in annual reports. This can be confirmed since one of the Board of Commissioners task is to supervise the and assess make the Board of Directors who creates the annual report. Moreover, one of the components in the annual report is an approval report and signature of the Board of Commissioners to show and assure that the annual report is accountable and has been disclosed according to the regulations. This is also consistent with the research by Gao & Kling (2012) that the effectiveness of the Board of Commissioners which is proxied by the board size in China also produce a positive and significant impact.

Table 7.
Regression Result of Research Model 1

Variables	Expected Sign	Coefficient	Significance
BSUPS	+	0.1553	0.095 ***
BDIRSC	+	0.2744	0.0000 *
ACOMM	+	0.0255	0.355
AFEE	+	0.0115	0.257
AFIRM	+	-0.0253	0.045 **
AOPIN	+	-0.0053	0.4735
SIZE	+	0.0192	0.0015*
LEV	-	-0.007	0.4725
EVEBIT	-	-0.001	0.1185
ROA	+	0.2656	0.007 *
Cons		-0.2133	0.092

The independent variable of BDIRSC has a positive and significant effect on the dependent variable MDISC (significance 0.0000), so the hypothesis H2a is accepted. This indicates that the effectiveness of the Board of Directors positively influences the level of mandatory disclosure in annual reports. This also confirms that the Board of Directors is responsible for making the annual report and responsible for its contents.

Effective directors will also pay attention to the importance of the information completeness to be useful for users of the annual report. Moreover, they will also consider the level of regulation conformity regarding corporate governance, including the disclosure of the annual report.

The independent variable AFIRM has a significant negative effect on the dependent variable MDISC (significance 0.045), so the hypothesis H5a is rejected. This is in line with the research conducted by Asthana et al. (2009) and Sun et al. (2012) which states that the Big Four auditor does not always ensure better disclosure. This significant negative influence can be associated with the limited time of the audit engagement. Thus auditors focus only on the information that has been compiled by the client. This condition does not encourage a better level of disclosure. The Big Four accounting firm may also have a more concise audit method than non-Big Four accounting firm, in which they focus more on the accordance of disclosure with the regulation. On the other hand, it also can be inferred that Indonesia's non-Big Four accounting firm has been able to encourage clients to make better disclosure following the regulation. Moreover, it can also be a tradeoff when a company decides to engage non-Big Four auditors, so the company tends to improve their disclosure.

From the four control variables used, SIZE and ROA have a positive and significant effect on the MDISC (significance of 0.0015 and 0.007). This is in line with research conducted by Gao & Kling (2012) which states that companies with greater size tend to have a greater level of disclosure in its annual report. Meanwhile, profitability that has a positive and significant impact on the level of mandatory disclosure in the annual report can be an incentive signaling. This infers that companies with high profitability will likely to better disclose information to the user with the intention of providing information that the company is profitable (Sun et al., 2012).

Based on Table 8, the independent variable BDIRSC positively influence VDISC (significance 0.002), so hypothesis H2b is accepted. It can be inferred that the voluntary disclosure of the company is initiated by the management initiatives as expressed by Healy & Palepu (2001). This initiative can occur in line with the company's intention to provide information that adds value to the user's. Effective directors would see this as an effort that needs to be done because it will bring a positive impact for the company so that an effective Board of Directors will give a positive and significant impact on the level of mandatory disclosure in annual reports.

Table 8.
Regression Result of Research Model 2

Variable	Expected Sign	Coefficient	Significance
BSUPS	+	-0.1553	0.1385
BDIRSC	+	0.2422	0.002 *
ACOMM	+	0.2315	0.0035 *
AFEE	+	-0.0038	0.4295
AFIRM	+	0.0218	0.129
AOPIN	+	0.0097	0.4395
SIZE	+	0.0257	0.0085 *
LEV	-	-0.0104	0.185
EVEBIT	-	0	0.137
ROA	+	0.1824	0.109
Cons		-0.6453	0.0005

The independent variable ACOMM has a positive and significant effect at the 1% level on the dependent variable VDISC (0.0035 significance). Thus, hypothesis H3b is accepted. Dechow et al. (1996) and McMullen (1996) found a positive effect of the Audit Committee effectiveness on the financial statements. This study is also consistent with Li, Mangena, and Pike (2012) who found a significant positive correlation between the audit committee and voluntary disclosure of intellectual capital. Another study emphasizes the influence of the Audit Committee effectiveness on the disclosure on corporate social responsibility and internal controls which are not included in the voluntary disclosure points used as a checklist in this study. Moreover, both of these points are included in the mandatory disclosure of the annual report based on regulations set by Bapepam-LK in 2012. Nonetheless, the Audit Committee can assist the BOC to supervise at several aspects including voluntary disclosures such as risk, business marketing and internal controls that leads to an efficiency of operation.

5. Conclusions, Implication, and Limitation

This study aims to see the impact of the board of commissioners', the board of directors', audit committee's and external audit's effectiveness to the level of mandatory and voluntary disclosure of the annual report. Based on the research, analysis, and discussion, it can be concluded as follows:

1. The average level of mandatory disclosure of public companies in Indonesia is 79%, measured by 161 disclosure items required which indicates a fairly good level of disclosure. Meanwhile, the level of voluntary disclosure of public companies in Indonesia is still low with an average disclosure of 33% measured by 59 voluntary disclosure items.
2. The average public company in Indonesia has 0.71 scores of commissioners' effectiveness which are categorized as good to fair. The board of directors' effectiveness of public companies in Indonesia has a value of 0.80 which is in the good category, and the average value of audit committee effectiveness is 0.73 which is categorized as good to a fair category.
3. This research proves that the effectiveness of the board of commissioners and directors has a significant positive effect on the level of mandatory disclosure in annual reports. It is argued that the duties and responsibilities of directors are compiling and disclosing information through annual reports. Board of commissioners is assigned to oversee the directors in the preparation of the annual report and also responsible for the annual report. The effectiveness of directors with the supervisory of the board of commissioners would enhance the mandatory disclosure of the annual report. The effectiveness of audit committees does not affect the level of mandatory disclosure of annual reports, as well as audit fees and audit opinion. The accounting firm size which conducts the audit process has a significant negative effect on the level of mandatory disclosure in annual reports. These study results prove that the audit cost gives insignificant influence on the level of both annual reports mandatory and voluntary disclosure.

4. The results of this study prove that the board of commissioners and external audit effectiveness does not affect the level of annual report voluntary disclosure. The board of directors and audit committee effectiveness has a significant positive effect on the level of annual report voluntary disclosure. This occurs because the audit committee supervises more towards the voluntary information that should be disclosed. Meanwhile, the board of commissioners supervises the board of directors in determining the voluntary information that should be disclosed.
5. There are several limitations to the study:
    a. The sample of this research only uses one-year observation, so there is only a small sample of companies in this research. Also, the results can not be generalized to all industries because the companies in the financial industry were excluded. Future research is expected to examine the level of disclosure of companies in the financial industry.
    b. This research did not divide 142 sample data into the different industry so that the sample can not compare the level of disclosure by industry. Future research is expected to research with the consideration of the inter-industry disclosure comparison.
    c. This study used the questionnaire developed by Herman (2009) to assess the effectiveness of the Board of Commissioners and the Audit Committee. The questionnaire contains an assessment guide based on certain criteria which adopted the checklist developed by IICD. Nevertheless, the assessment process is sometimes subjective. In the future, hopefully, there will be an objective and consistent measurement.

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