Determinant Variables Of Enterprise Risk Management (ERM), Audit Opinions And Company Value On Insurance Emitents Listed In Indonesia Stock Exchange

Ajeng Luthfiyatul Farida, Ahmad Roziq, Siti Maria Wardayati

Abstract: Risk is inherent uncertainty and must be faced in working life both individually and in an organization. Risks in the form of uncertainty occur due to lack or unavailability of sufficient information about what will happen in the company in the future. This study aims to test and obtain empirical results about determinants of Enterprise Risk Management (ERM) disclosure, audit opinion, and company value by using independent commissioner variables, company size, Leverage, and Risk Management Committee (RMC). The population in this study were all insurance issuers listed on the Indonesia Stock Exchange in 2013-2017 the amount of 15 companies. The sampling technique was carried out using the Purposive Sampling method which produced 12 samples during from 2013-2017. The data used is secondary data with documentation techniques consisting of annual reports of insurance issuers in 2013-2017. The tool used to test hypotheses using path analysis with SPSS Version 22. The results show that company size, leverage, and RMC have a significant effect on ERM disclosure. However, independent commissioners have no significant effect on ERM. For further researchers can use objects such as mining companies that have a higher potential risk.

Keywords: Independent Commissioner; Company Size; Leverage; Risk Management Committee (RMC); Enterprise Risk Management (ERM); Audit Opinion; Firm Value.

1 INTRODUCTION

Case about bankruptcy in manage risk company, then impact on collapse investor confidence. Example as case bankruptcy Baring Bank, this happens because Baring Bank failed in apply management risk so that put one person with authority double. Nick Lesson is a trader who owns the bank two functions in the company that is in the role recording and trading so that Lesson can free do manipulation later impact on bankruptcy Baring Bank (Agista & Mimba, 2017). At indicate existence weakness in the management process risk that causes failure in application corporate governance. things so, push government for propose enhancement corporate governance with emphasis to system risk management. Risk is something the inherent uncertainty and should face with in life work well individually and organization. Risk in the form of uncertainty that is happen because less or not availability sufficient information about what will happening in Companies in the future comes in. The issue about risk management develops rapidly together with increase total company that started revealed the existence Risk Management Committee (RMC) as one form real existence Enterprise Risk Management (ERM). But on the other place, there are much companies that hasn't known the importance risk management company. One of the approaches that can used acompany to manage risk is Risk Management with the use the ERM Framework of COSO (2004), which will help a company to manage results more financial good. Risk Management is a strategy popular that seeks in a manner holistic evaluate and manage all risks faced by the company. ERM disclosure can be influenced by many factors, one factor is commissioner independent. Fatmawati (2012); Raymond and Meiranto (2016); Kinasih (2016) explained that factor commissioner independent is a position best for doing monitoring function to be created company that is Good Corporate Governance with so can support existence ERM disclosure by the company. Results from research to show that commissioner independent take to effect positive to ERM. Monerza (2015); Sari (2013); Syifa (2013); Ardiyansyah and Adnan (2014); Handayani and Yanto (2013) obtained evidence in a manner empirical influence size company, leverage, concentration ownership, the reputation of the auditor and chief risk officer against ERM disclosure. Size company, concentration ownership, reputation of the auditor, influential chief risk officer positive to ERM disclosure. Beasley, et al. (2006); Desender, et al. (2007); Razali et al. (2012); Marhaeni (2015) research obtaining evidence in a manner empirical about determinant disclosure ERM. The results to show that there is influence significant RMC and influential leverage significant against ERM, whereas Wijananti (2014) shows results that are not significant between Leverage with ERM disclosure. Safitri and Meiranto (2013); Handayani and Yanto (2013); Sari (2013); Miftakhurrahman (2015); Kirana (2016) does research with the aim for knowing influence commissioner independent, auditor reputation, RMC, concentration ownership, and size company to disclosure ERM. Test results showing RMC take to effect positive to disclosure ERM. Management risk by the company is one how that is done to improve value company. For measure value company in research, this proxied with Price Book Value (PBV). PBV measures value given the financial market to management and organization company as

- *Ajeng Luthfiyatul Farida, Master of Accounting, Faculty of Economics and Business University of Jember, ajengluthfiyatul@gmail.com*
- *Ahmad Roziq, University of Jember, ahmadroziq.feb@unej.ac.id*
- *Siti Maria Wardayati, University of Jember, maria.wardayati@gmail.com*

something company that continues to grow up. Ratio this describes how much big market appreciate value book stock something company. Research this using object research that is company insurance for five periods (2013-2017). this aiming for results researches more representative. Is available difference from results research beforehand make reason and motivation in election object research, so researcher wants backtest and analyze existence some variables that can influence ERM disclosure, audit opinion, and value company. As for the formulation problem from research this is as the following : (1) Do Commissioner Independent take effect to disclosure ERM for issuers insurance listed in Indonesia Stock Exchange?; (2) Do Influential company size to disclosure ERM for issuers insurance listed in Indonesia Stock Exchange?; (3) Is influential leverage to disclosure ERM for issuers insurance listed in Indonesia Stock Exchange?; (4) Is the RMC influential to disclosure ERM for issuers insurance listed in Indonesia Stock Exchange?; (5) Do ERM take effect to Audit Opinion on issuers insurance listed in Indonesia Stock Exchange ?; (6) Do ERM take effect to Company Value for issuers insurance listed in Indonesia Stock Exchange ?; (7) Do Audit Opinion take effect to Company Value for issuers insurance listed in Indonesia Stock Exchange?

LITERATURE REVIEW

Stakeholders Theory

Theory stakeholders is a theory that explains the company's activities is not only concerned with achieving goals but must pay attention to the interests and benefits of stakeholders. Which is included in company stakeholders is holder stocks, creditors, suppliers, consumers, government, clients, the public, and parties others who participated and give away Support with various form in achievement aim company. So that prosperity companies depend on support from stakeholders. According to Clarkson (1994), there are two group stakeholders, there are voluntary stakeholders and non-voluntary stakeholders. Voluntary stakeholders are something group or individuals who bear something type of risk because a group or individual that is has been doing investment in something company. While non- voluntary stakeholders are something group or individuals who experience risk consequence activities company that is. So that could conclud that stakeholders are influential parties or influenced by activity companies. The theory this focus on some big the effect on the company, those who are influential in a manner directly or not directly. Stakeholder groups that can influence disclosure more and more big to The ERM practices.

Signaling Theory

Signaling theory is a something strategy how should the company give away signal to users report finance. The signal that the company gives it that is could in the form of information about actions already carried out by management to realizing it desire the owner (Brigham, 2005). The company uses signaling theory for revealed the implementation good corporate governance to be able to create a good reputation so that it could improve the value company (Andarini & Januarti, 2010). Asymmetry information happens if one party has more info on many of the party others. With existence a given signal company, investors are expected to distinguish quality company good and quality bad (separating equilibrium).

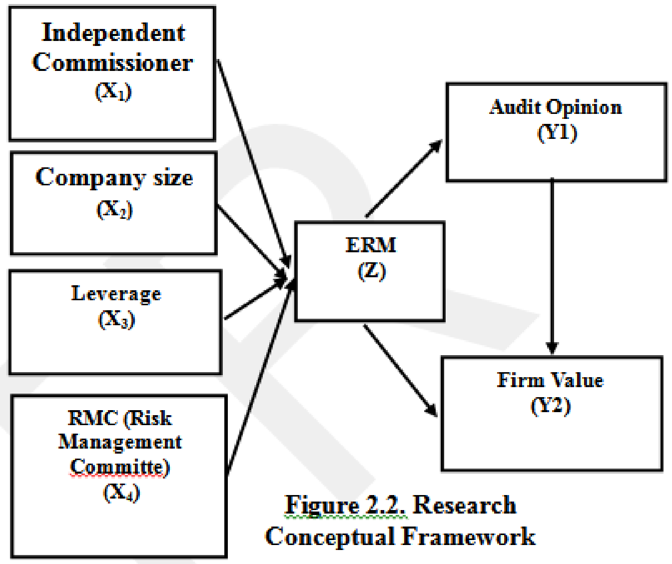

Figure 2.2. Research Conceptual Framework

Research Hypothesis

H1: Independent commissioner take effect to enterprise risk management (ERM)
H2: Company size is influential to enterprise risk management (ERM)
H3: Leverage take effect on enterprise risk management (ERM)
H4: Risk management committee (RMC) take effect to enterprise risk management (ERM)
H5: Enterprise risk management (ERM) take effect on audit opinion
H6: Enterprise risk management (ERM) take effect on firm value
H7: Audit opinion take affect to firm value

RESEARCH METHODS

Research this is explanatory research with an approach that is quantitative, the data used is the annual financial report (annual report) and listed on the Indonesia Stock Exchange (BEI) period 2013-2017. The population in this study was 15 issuer insurance listed on the Indonesia Stock Exchange for the period 2013-2017. The sample selection technique is based on purposive sampling to get a representative sample according to the specified criteria. The criteria used to select the sample in this study are insurance companies which are listed on the Indonesia Stock Exchange which publishes an annual report and is presented on the IDX website in a row, the sample companies have financial statements that end on December 31 and use the rupiah currency (Rp) in reporting, the company has the required data complete and clear during the observation period. The sample that was included in the criteria produced as many as 12 insurance companies. For a five-year observation of 2013-2017 to obtain a total sample of 60 annual reports. The tool used to test hypotheses using path analysis with SPSS Version 22.

Independent Variable

Independent Commissioner
Commissioners who come from parties that are not affiliation with parties that have business and family relations between the controlling shareholders, directors and commissioners as well as the company itself (KNKG, 2011).

Company Size
Sudarmadji and Sularto (2007) explain a magnitude size company could state in total assets, sales, and market capitalization. More and more large total assets then more and more a lot of capital is invested, the more many sales than more and more many rotation incomes and big hence market capitalization more and more big range marketing. From the third measurement, value assets relatively more stable compared with the value market capitalized and sales in measure size company.

Leverage
How much far company assets financed in debt be measured with divide total debt with total assets company (Razali et al., 2011).

$$\text{Leverage} \quad \frac{\text{Debt}}{\text{Ln Total Asset}}$$

Risk Management Committee (RMC)
Organ of commissioners who assist do supervision and monitoring implementation application management risk to the company (KNKG, 2011). Measurements with a dummy variable, namely if the company has an RMC incorporated with an audit committee or separated from the audit committee given a value of 1 and vice versa is given a value of 0.

Dependent Variable

Audit Opinion
The opinion issued by the auditor regarding the fairness of the company's financial statements, in all material matters, is based on the suitability of the preparation of the financial statements with applicable accounting principles general (PSAK, 2015). Measurement Audit opinion uses a dummy variable, Unqualified Opinion is given a value of 1, whereas for opinions other than an Unqualified opinion it is given a value of 0.

Firm Value
Firm value is a certain condition that has been achieved by a company as a picture of public trust in the company after a process of activities for several years (Efendi, 2016: 2).

$$\text{PBV} = \frac{\text{The market price on share}}{\text{Book value for share}}$$

Mediation Variable
Enterprise Risk Management (ERM)
A process that is influenced by management, the board of directors , and other personalities of an organization, applied in strategy settings, and covers the organization as a whole, is designed to identify potential events that affect an organization, manage risks in an organization's tolerance, to provide guarantees that quite appropriate with regard to achieving goals (COSO, 2004). As for disclosure from ERM as the following:

$$\text{IPERM} = \frac{\text{Total items disclosed}}{108}$$

RESULTS AND DISCUSSION

Table 1
Statistical Results

	N	Min.	Max.	Mean	Std. Deviation
Independent Commissioner	60	.20	.75	.4885	.15071
Firm Size	60	5.96	17.09	13.250	2.91832
Leverage	60	.21	5.96	1.7907	1.34563
RMC	60	.00	1.00	.6667	.47538
Audit Opinion	60	.00	1.00	.6667	.47538
Firm Value	60	.11	18.52	2.0942	1.8112
ERM	60	.37	.56	.4290	.04273
Valid N (listwise)	60				

Source: *Secondary data were processed, 2019*

Based on the results of the descriptive statistical test in table 1, the ERM disclosure variable shows that the unit of analysis in research (N) in 2013-2017 was 60. ERM disclosures from companies that were sampled have value minimum index of 0.37, which is owned by PT Asuransi Multi Artha Tbk and value index maximum 0,56 owned by PT Asuransi Mitra Maparya Tbk. The average value for variable ERM disclosure is as big as 0.429 with a standard deviation of 0.042 the meaning value standard deviation more low compared with the average value. this to show data distribution for variable ERM disclosures tend to be average so could conclud that the company that made sample do ERM disclosure is not far different. Variable commissioner independent shows an average value of 0.488. Size variable the company shows an average value of 13.25. The Leverage variable shows an average of 1.790. Variable the risk management committee shows an average value of 0, 66. Audit opinion variables show an average value of 0.66 and a value company shows an average of 2.09. Based on the results of the classic assumption test that has been done shows that Enterprise

Risk Management (ERM) variables are normally distributed, there is no autocorrelation, heteroscedasticity, and multicollinearity.

Hypothesis Test Results

The analysis technique used for test influence variable independent that is, proportion commissioner independent, concentration ownership, committee management risk, and firm size to variable dependent that is, disclosure enterprise risk management is analysis regression multiple. Analysis regression multiple do for test influence two or more variable independent to one variable dependent (Ghozali, 2011).

Simultaneous Significance Test (F Test Value)

Based on Table 6. obtained a significance value (0,000) <alpha (0.05) which means that there is a joint effect of the independent variables. The independent variable in this study is the commissioner independent, size company, leverage, RMC on the dependent variable, Enterprise Risk Management.

Individual Parameter Significance Test (Value Test t)

Based on results testing with use tool analysis multiple linear regression obtained results as shown in Table 3.

$$ERM = \alpha + \beta1KI + \beta2UP + \beta3LEV + \beta4RMC + \varepsilon$$

$$= 0.423 + 0.012KI + 0.00UP + 0.00LEV + -0.005RMC + \varepsilon$$

Description:
ERM: Enterprise Risk Management
α: Constants
β1KI: Commissioner Independent
β2UP: Company Size
β3LEV: Leverage
β4RMC: Risk Management Committee
The results of testing the research hypotheses are as follows:

Effect of Independent Commissioner toward Enterprise Risk Management

Variable board size has value coefficient regression amounting to 0.012 with significance amounting to 0.771> alpha (0.05) so that independent commissioner no take effect significant against ERM. With this hypothesis first rejected. More and bigger proportion total member commissioner independent, not yet certain can ensure will improve monitoring and giving capacity information so that could improve the quality of risk management disclosures, because of a large number of Independent Commissioners allows the company not to be dominated by management in carrying out its role more effectively. The results of this study are not consistent with Fatmawati's research (2012); Raymond and Meiranto (2016); Kinasih (2016); and Rasid (2012).

Effect of Company Size toward Enterprise Risk Management

Based on Table 3. showing the variable size company has value coefficient regression amounting to 0.000 with significance equal to 0, 002 < alpha (0.05) so that size company takes effect significant ERM. With thus hypothesis second received. Sudarmadji and Sularto (2007) explain the size of the company can be expressed in total assets, sales, and market capitalization. The greater the total assets, the more capital invested, the more sales, the more income turnover and the greater the market capitalization, the greater the marketing reach. The bigger the company, the more interests and risks faced. In addition, the broader disclosure made by the company will have an impact on the amount of information that must be published and the costs that will be incurred by the company. So, some companies that have large total assets only make voluntary disclosures. The results of this study are consistent with the research conducted by Sudarmadji and Sularto (2007); Monerza (2015); Sari (2013); Syifa (2013); Ardiyansyah and Adnan (2014); and Yanto (2013).

Effect of Leverage Enterprise toward Risk Management

Variable leverage has value coefficient regression amounting to 0,000 with significance amounting to 0.002 <alpha (0.05) so that leverage takes effect significant to ERM. With thus hypothesis third received. The higher the level of leverage a company will cause the wider the level of ERM disclosure, because of the higher the level of debt of a company the greater the transparency of information requests from creditors. This causes the relationship between the level of leverage and disclosure of risk has a positive effect. The results of this study are consistent with the research conducted by Beasley, et al. (2006); Desender, et al. (2007); Razali et al. (2012); and Marhaeni (2015).

Effect of RMC toward Enterprise Risk Management

Variable RMC has value coefficient regression as big as -0,005 with significance amounting to 0.003 <alpha (0.05) so that RMC takes effect significant to ERM. With this hypothesis fourth received. This indicates that the presence of RMC is able to increase ERM disclosure. The duties and functions of RMC are formed to carry out the supervisory and monitoring functions and establish strategic policies to assist the board of commissioners in reviewing the risk management system prepared by directors and assessing the risk tolerance of a company, meaning that this study shows that the RMC has carried out its responsibilities accordingly determination. Research results this consistent with Handayani and Yanto (2013); Sari (2013); Miftakhurrahman (2015); Kirana (2016); Marhaeni (2015); and Utami (2015).

Effect of Enterprise Risk Management toward Audit Opinions

Variable ERM has value coefficient regression as big as 43.949 with signifikansi amounting to 0.000 <alpha (0.05) so that ERM takes effect significant to audit opinion. With this hypothesis fifth accepted. Sotadjo and Sugianto (2018) found several ERM Integrated Framework element in 2016 public exposure which is integration between five components of internal control with ERM, so if components internal controls are integrated with ERM and implemented in organization will give away guarantee for management that aim organization will achieve in a manner effective and efficient including preventing occurrence fraud risk. When prevention the risk already do results to show that audit opinion will show the expected results of management.

Effect of ERM toward Firm Values

Variable ERM has value coefficient regression as big as 26,201 with significance equal to 0,000 <alpha (0,05) so that ERM takes effect significant to firm value. With this hypothesis sixth received. ERM disclosure is information on risk management carried out by the company and reveals its impact on the company's future. ERM in a company has an important role to maintain the stability of the company. High ERM illustrates the existence of good corporate risk governance, including also ensuring that the company's internal control is maintained. High-quality ERM disclosure in a company has a positive impact on the perceptions of market participants (Baxter 2012). Research results this consistent with Hoyt et al. (2008); Jafari, M., Chadegani, AA, and Biglari, V (2011); Iswanjuni, Soetedjo, and Manasikana (2018); Devi (2017); and Handayani (2017).

Effect of Audit Opinion toward Firm Values

Variable audit opinion has value coefficient regression as big as 1,126 with significance amounting to 0.002 <alpha (0.05) so that audit opinion takes effect significant to firm value. With this hypothesis seventh received. With existence opinion audited report then it will give away a good impact on the indigo company. This certainly will reduce investor demand for company shares, and vice versa if the company is in a healthy condition and receives a going concern audit opinion, investor demand will increase which will affect the value of the company. this consistent with research Purbawati (2016); Sanulika (2018); and Chandra and Arisman (2013).

Determination Test (Adjusted R2)

Table 6. Results of determination
Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.328[a]	.298	.126	.04412

a. Predictors: (Constant), X4, X3, X2, X1

Table 6. Results of determination
Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.328[a]	.298	.126	.04412

b. Dependent Variable: Z

Based on Table 6. known that magnitude coefficient determination (Adjusted R2) is a 0.298 at 29%, this to show that ability variable independent in a manner together have influence to variable dependent that is Enterprise Risk Management amounting to 29%, whereas the rest for 71% (100% - 29%) explained by other variables that are not entered in the model.

CONCLUSION

Conclusion in research this based on results research and discussion who has been doing to show that variable Commissioner Independent does not take effect significant to ERM disclosure. Size company take effect significant to ERM, the bigger the company, the more interests and risks faced. In addition, the broader disclosure made by the company will have an impact on the amount of information that must be published and the costs that will be incurred by the company. So, some companies that have large total assets only make voluntary disclosures; leverage take effect significant to ERM, the higher the level of leverage a company will cause the wider the level of ERM disclosure, because of the higher the level of debt of a company the greater the transparency of information requests from creditors; and RMC has an effect positive to disclosure ERM. ERM variables so that ERM takes effect significant to firm value and audit take effect significant to firm values. Research this only uses one type of industry that is insurance in BEI Year 2013-2017 so that the result not could generalized for type industry others. For further researchers can use objects other companies like company mining or banking remembering that company that is also potency risk high and yet have that regulation clear about ERM practice.

REFERENCES

[1]. Agista, GG, & Mimba, NP (2017). Effect of Corporate Governance Structure and Concentration of Ownership on Enterprise Risk Management Disclosures. Accounting E-Journal of Udayana University Vol.20, No.1 ISSN: 2302-8556, 438-466.

[2]. Andarini, P., & Januarti, I. (2010). Relationship between the characteristics of the Board of Commissioners and the Company towards the Risk Management Disclosure Committee (RMC) for Go Public Indonesia Companies. National Symposium on Accounting XIII Purwokerto. October 14-16, 2010.

[3]. Ardiansyah, LO, & Adnan, MA (2014). Factors Affecting the Area of Enterprise Risk Management Disclosure. Journal of Economics, Management, and Accounting I Vol. 23 No. 2, 89-105.

[4]. Ardianto, D., & Rivandi, M. (2018). Effect of Enterprise Risk Management Disclosure, Intellectual Capital Disclosure and Management Structure on Corporate Values. Profita: Scientific Accounting and Taxation Communication Vol. 11 No. 2 | August 2018, 285-305.

[5]. Brigham, EE (2005). Financial and Theory Practice. Eleventh Edition, South Western Cengage Learning, Ohio.

[6]. Clarkson, M. (1994). A Risk Based of Stakeholder Theory: Toronto". Proceedings of the Second Toronto Coference on Stakeholder Theory, Center for Corporate Social Performance and Ethi. Toronto: University of Toronto.

[7]. COSO. (2004). Enterprise Risk Management - Integrated Framework.

[8]. Devi. (2016). Effect of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on Corporate Value. Denpasar: Economic Thesis, Udayana University.

[9]. Desender, K. (2007). On the Determinants of Enterprise Risk Management Implementation. IRMA International Conference, 115-119.

[10]. Handayani, BD, & Yanto, H. (2013). Determinants of Enterprise Risk Management Disclosures. Journal of Finance and Banking, Vol. 17, No.3 September 2013, p., 333–342.

[11]. Kinasih, AP (2016). Effect of the Independent Commissioner Proportion, Concentration of Ownership, Existence of CRO and RMC and Company Size on Erm Disclosure on Manufacturing Companies Listed on the Indonesia Stock Exchange. University of Indonesia Journal, 1-11.

[12]. Kirana, AP (2016). Effect of Independent Commissioners, Reputation of Auditors, Risk Management Committee and Concentration of Ownership of Enterprise Risk Management Disclosures. University of Lampung E-Journal Vol.01 (2), 1-19.

[13]. Marhaeni, T., & Yanto, H. (2015). Determinants of Enterprise Risk Management (ERM) Disclosures in Manufacturing Companies. Accounting Analysis Journal AAJ 4 (4) ISSN 2252-6765, 1-12.

[14]. Miftakhurahman, R. (2015). Effect of Independent Commissioners, Audit Committee, Risk Management Committee and Reputation of Auditors on Enterprise Risk Management in BUMN Companies in Indonesia. UNESA Accounting and Business Journal Vol. 03 No. 01, 1-20.

[15]. Monerza, D. (2015). Analysis of Factors Affecting the Existence of Risk Management Committee (Empirical Study on Environmentally Prone Companies Listed on the Indonesia and Proper Stock Exchanges in 2009-2013). e-Proceeding of Management: Vol.2, No.2 August 2015 | Page 1760, 1760-1769.

[16]. Raymond, HA, & Meiranto, W. (2016). Analysis of the Effect of Good Corporate Governance and Concentration of Ownership on Enterprise Risk Management Disclosures (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange in the Year 2012-2015). E-Journal of UNDIP Vol. 02 No.01, 1-11.

[17]. Razali, AR, & Yazid, USA (2011). The Determinants of Enterprise Risk Management (ERM) Practices in Malaysian Public Listed Companies. Journal of Social and Development Science. Vol. 1, No. 5, 202-207.

[18]. Safitri, AK, & Meiranto, W. (2013). Analysis of Factors Affecting the Establishment of Risk Management Committee (Empirical Study of Non-Financial Companies Listed on the Indonesia Stock Exchange in 2008-2011). Diponegoro Journal of Accounting Volume 2, Number 4, 1-12.

[19]. Sari, FJ (2013). Implementation of Enterprise Risk Management in Manufacturing Companies in Indonesia LAG. Accounting Analysis Journal AAJ 2 (2), ISSN 2252-6765, 163-170.

[20]. Syifa, L. (2013). Determinants of Enterprise Risk Management Disclosures in Manufacturing Companies in Indonesia. Accounting Analysis Journal AAJ 2 (3) ISSN 2252-6765, 286-294.

[21]. Wijananti, SP (2014). Effect of Corporate Governance and Company Characteristics on Enterprise Risk Management Disclosures in Non-Financial Companies PeriodE 2011-2013. Student Journal Unesa Vol.01 (2), 1-17.

[22]. Zhao, XH (2013). Enterprise Risk Management in International Construction Operations. Springer Singapore.