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Risk Management Disclosures: An Investigation Using Risk Management Committee as a Moderating Variable

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Abstract

Purpose: The objective of this study is to investigate the effect of firm size, board of commissioners, independent commissioners, and auditor reputation on risk management disclosure by using risk management committee as a moderating variable.

Method: The population of this research was manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. The sample selection was carried out using the purposive sampling method and obtained 189 units of analysis. Hypothesis testing was carried out using descriptive statistical analysis methods and moderated regression analysis (MRA) with interaction testing.

Findings: The results of this study indicated that firm size and board of commissioners have a significant positive effect on risk management disclosure, while independent commissioners and auditor reputation do not affect risk management disclosure. The risk management committee weakens the effect between the board of commissioners, the independent commissioner, and auditor reputation on risk management disclosures, while the risk management committee is unable to moderate the effect of firm size on risk management disclosures.

Novelty: This is the first study that include a risk management committee as a moderating variable in the research model. The existence of RMC is expected to strengthen the company's risk mitigation including its disclosure.

Keywords:
Firm Size, Board of Commissioners, Independent Board of Commissioners, Auditor Reputation, Risk Management Committee, Risk Management Disclosure

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INTRODUCTION

Companies in Indonesia, especially those that have gone public, are required to submit information about corporate activities in the form of annual reports following the Financial Services Authority Regulation Number 29/POJK.04/2016 concerning the Annual Report of Issuers or Public Companies. The annual report consists of financial and non-financial components. The non-financial component provides additional information for stakeholders, including company risk (Financial Services Authority Circular Letter Number 30/SEOJK.04/2016. Company risk is the possibility of events that can harm the company. With this risk, the company needs to

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disclose the possible risks to occur in order to prevent events that could harm the company and its stakeholders.

Risk management is a process to identify, measure risk, and form strategies to prevent risk from occurring in the company (Gunawan & Zakiyah, 2017). Companies need to implement risk management disclosures, where risk management disclosure is a company effort to inform annual report users (companies and stakeholders) regarding what can harm the companies. Information regarding risk management disclosures can be used by stakeholders as a consideration factor in making investment decisions. Meanwhile, risk management disclosure can help the companies to control management activities, which can minimize the occurrence of fraudulent practices in financial statements.

The stakeholder interest for the information need is not supported by the risk management disclosures disclosed by the companies. It is stated from several research results that management disclosure is still low, especially in the manufacturing companies, which ranges from 16-47%. The low value of risk management disclosure cannot be separated from management policies in managing the companies or called good corporate governance. Studies on the effect of good corporate governance with the proxies of the board of commissioners and independent commissioners have been carried out by several researchers such as (Syaifurakhman & Laksito, 2016), who show that the board of commissioners has a positive effect on risk management disclosure. However, it is different from the research conducted by (Gunawan & Zakiyah, 2017), which shows that the board of commissioners has no significant effect on risk management disclosure. Research conducted by (Kencana & Lastanti, 2018) indicates that there is a positive effect between the independent board of commissioners on risk management disclosure, while the research conducted by (Desender, 2010) and (Widyiawati & Halmawati, 2018) show that the independent board of commissioners does not affect risk management disclosure.

Apart from being affected by good corporate governance, (Amran et al., 2009) and (Nurcahyani, 2018) also stated that risk management disclosures are influenced by firm size and auditor reputation. Research conducted by (Amran et al., 2009) shows an effect between firm size on risk management disclosure. These results are inversely related to the research conducted by (Sulistyaningsih & Gunawan, 2016), which shows that firm size does not affect risk management disclosure. Research conducted by (Nurcahyani, 2018) finds the effect of auditor reputation on risk management disclosure. This research is in contrast to (Sulistyaningsih & Gunawan, 2016), who showed that auditor reputation does not affect the risk management disclosure.

Based on the previous studies, there are still inconsistent results from firm size, board of commissioners, independent commissioners, and auditor reputation. Therefore, this study adds the risk management committee variable as a moderating variable, which is expected to strengthen the relationship of the independent variables to the dependent variable. The establishment of a risk management committee has the objective to assist the board of directors in managing risk and establishing risk policies that are appropriate to the circumstances faced by the company. A risk management committee separated from the audit committee will devote more time and effort to aggregating various risks faced by the companies at large and evaluating the related controls as a whole (Subramaniam, et al., 2009).

The objective of this study is to determine the effect of firm size, board of commissioners, independent board of commissioners, and auditor reputation on risk management disclosure with risk management committee as a moderating variable. The originality of this study is by adding a moderating variable, namely risk management committee. The risk management committee is expected to strengthen the effect of the independent variables on the extent of risk management disclosure. In addition, this study uses the objects of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2016-2018.

The Effect of Firm Size on Risk Management Disclosure

Firm size is a value that shows the small or large of a company. Based on agency theory, the

larger the size of the company or industry, the more investors will invest in the company. Large firms enable more agency problems. Thus, to deal with agency problems that may occur and increase stakeholder confidence, companies must conduct better risk management disclosures (Gunawan & Zakiyah, 2017). In addition, large companies tend to adopt better corporate governance practices than small companies since the larger the firm size, the higher the level of risk faced. It causes risk management disclosures to be more extensive and the information provided will also be more accurate and complete (Syifa', 2013). Studies conducted by (Gunawan & Zakiyah, 2017) and (Kencana & Lastanti, 2018) show a significant positive relationship between firm size and risk management disclosure.

H_1: Firm size has a positive effect on risk management disclosure

The Effect of the Meeting Frequency of Committee on Risk Management Disclosure

A board of commissioners is a corporate organ that has to carry out general supervision and/or in accordance with the articles of association as well as provide advice to the board of directors (Limited Liability Company Law Number 40 of 2007 paragraph 6). The corporate performance will increase along with the increasing frequency of meetings held by the board of commissioners. This performance improvement will encourage companies to make broader disclosures, including risk management disclosures. Based on agency theory, the effectiveness of the corporate governance mechanism is determined by the number of board meetings. The more often the board of commissioners holds meetings, the more effective the board will be in supervising management so that no information is hidden in risk management disclosures. Studies conducted by (Sulistyaningsih & Gunawan, 2016) and (Syaifurakhman & Laksito, 2016) show a positive effect between the board of commissioners and risk management disclosure.

H_2: The meeting frequency of the board of commissioners has a positive effect on Risk Management Disclosure

The Effect of Independent Commissioners on Risk Management Disclosure

An independent board of commissioners is a member of the board of commissioners who are not affiliated with the board of directors, other members of the board of commissioners, and the controlling shareholder, and free from business relationships and other relationships that may affect their ability to act independently or act solely in the interests of the company (Komite Nasional Kebijakan Governance, 2004). The presence of independent commissioners can improve the quality of supervision because independent commissioners do not come from affiliated parties, which is parties who do not have business and familial relationships with controlling shareholders, members of the board of directors, and boards of other commissioners as well as with the company itself (Setiawan, 2016). Agency theory explains that an independent board of commissioners can affect the level of risk management disclosure. In this theory, the relationship between shareholders and management is highly possible to cause a conflict of interest, where the management knows more information about the corporate than the shareholders thus causing information asymmetry. The presence of an independent board of commissioners whose duties are to maintain and promote the interests of the shareholders will supervise the management to share information regarding the corporate risks more broadly so that it will reduce the information asymmetry that occurs. Therefore, the greater the proportion of independent commissioners, the wider the information regarding risk management disclosures (Widyiawati & Halmawati, 2018). Research conducted by (Kencana & Lastanti, 2018) and (Beasley et al., 2005) show an effect between the independent board of commissioners and risk management disclosure.

H_3: The existence of an Independent Board of Commissioners is suspected to increase the extent of risk management disclosure

The Effect of Auditor Reputation on Risk Management Disclosure

Big four auditors are considered to have a good reputation and expertise to identify possible company risks. Agency theory shows that companies that are audited by high-quality auditors such as big four auditors will disclose more information related to risk management (Nurcahyani, 2016). Big four auditors can guide good corporate governance practices that are appropriate to be implemented and assist internal auditors in evaluating and improving the effectiveness of risk management. Thus, it improves the quality of corporate risk assessment and monitoring (Chen et al., 2009). Hence, the risk disclosed will also be wider and can reduce the asymmetry of information that occurs between management and shareholders. Studies conducted by (Gunawan & Zakiyah, 2017) and (Kencana & Lastanti, 2018) indicate a positive effect between auditor reputation on risk management disclosure.

H_4: Auditor reputation has a positive effect on risk management disclosure

The Effect of Firm Size on Risk Management Disclosures Moderated by Risk Management Committee

According to (Komite Nasional Kebijakan Governance, 2011), a risk management committee is an organ of the board of commissioners that assists in supervising and monitoring the implementation of risk management. Agency theory is assumed to predict the relationship between firm size and risk management disclosure moderated by the risk management committee. Large companies become the spotlight for the public and the government so that the implementation of risk management committees is important to increase risk management disclosure. On the other hand, large companies have huge assets as well so that they tend to organize risk management committees to protect these assets with better risk management.

H_5: Risk Management Committee strengthens the effect of firm size on Risk Management Disclosure

The Effect of the Board of Commissioners on Risk Management Disclosure moderated by the Risk Management Committee

According to (Komite Nasional Kebijakan Governance, 2011), a risk management committee is an organ of the board of commissioners that assists in supervising and monitoring the implementation of risk management. The existence of a risk management committee that is separate from the audit committee will provide strong controls regarding the analysis of risks that occur in the companies, so the companies will disclose the risks that occur appropriately. The function of the committee in mapping and controlling corporate risk will assist the board of commissioners in carrying out its function of supervising management to share broader corporate risk information so that it will reduce information asymmetry that occurs. Thus, the existence of this committee can encourage more intensive supervision of performance and plays a strong role in the effect of the board of commissioners on risk management disclosure.

H_6: Risk Management Committee strengthens the effect of the Board of Commissioners on Risk Management Disclosure

The Effect of the Independent Board of Commissioners on Risk Management Disclosures Moderated by Management Committee

According to (Komite Nasional Kebijakan Governance, 2011), a risk management committee is an organ of the board of commissioners that assists in supervising and monitoring the implementation of risk management. The independent commissioner considers the establishment of a risk management committee as an important matter and can help the supervisory duties in monitoring the corporate risk management. A large proportion of independent commissioners is a company resource to minimize agency costs arising from the conflict. Thus, the existence of a risk management committee will provide strong controls regarding the analysis of risks that occur in the company so that the company will disclose the risks that occur appropriately. Thus,

the company can maintain its image in the eyes of potential investors.

H_7: Risk Management Committee strengthens the effect of the Independent Board of Commissioners on Risk Management Disclosure

Risk Management Committee strengthens the effect of the Independent Board of Commissioners on Risk Management Disclosure

According to (Komite Nasional Kebijakan Governance, 2011), a risk management committee is an organ of the board of commissioners that assists in supervising and monitoring the implementation of risk management. External auditors consider that the existence of a risk management committee will help them maintain their reputation because the risk monitoring system in the company will further reduce the risk of audit errors. The existence of a risk management committee will provide strong controls regarding the analysis of possible risks that occur in the company so that the company will disclose the risks that occur appropriately.

H_8: Risk Management Committee strengthens the effect of Auditor Reputation on Risk Management Disclosures

METHODS

This research was a quantitative study using a deductive approach. The type of data used was secondary data obtained from the annual reports accessed on the official website of the Indonesia Stock Exchange (www.idx.co.id). The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2016-2018. The period 2016 was chosen as the beginning of the research period following the Circular of Financial Services Authority No.30 issued in 2016. The sample selection used the purposive sampling technique and obtained 189 units of analysis, but 27 outlier data were removed. Thus, 162 units of analysis were obtained, which were then processed using SPSS 25 software. A summary of the sampling criteria is shown in table 1.

This study used the independent variables of firm size, board of commissioners, independent board of commissioners and auditor reputation, risk management committee as the moderating variable, and risk management disclosure as the dependent variable. The operational definition

Table 1. Sampling Criteria

No	Sample Criteria		Total
1	The manufacturing companies listed on the IDX in 2016-2018		162
	Diminished		
2	The manufacturing companies that **did not** publish complete annual reports and/ or financial statements during 2016 - 2018.	47	
3	The manufacturing companies whose annual financial reports **did not** use the rupiah (Rp) currency	29	
4	The manufacturing companies that **did not** conduct risk management disclosures and corporate governance disclosures	18	
5	The companies that **did not** have complete data during the observation period in the annual reports.	5	
6	The manufacturing companies selected as samples		63
7	Observation Years	3	
8	Number of research analysis units during 2016 - 2018		189
9	The eliminated outlier data from the sample	27	
	The final number of research analysis units during 2016 - 2018		162

Table 2. Operational Definition of Variables

No	Variables	Definition	Measurement
1	Risk Management Disclosures	The company efforts to inform users of the annual report on what the company's threats are (Dewi, 2017)	Content analysis with a score of 1 is given if the company discloses the risk items and score 0 if the company does not disclose the risk items (Linsey and Shrives, 2006, Amran et al., 2009 and (Falendro & Ghozali, 2018))
2	Firm Size	A value that indicates the size of a company (Beasley et al., 2005)	Ln (Total Asset) (Gunawan & Zakiyah, 2017) and (Kencana & Lastanti, 2018)
3	Board of Commissioners Meeting Frequency	Organ of the company which is in charge of general supervision and/or in accordance with the articles of association as well as providing advice to the board of directors (Limited Liability Company Law Number 40 of 2007 paragraph 6)	The meeting frequency of the board of commissioners (Utomo & Chariri, 2014)
4	Independent Board of Commissioners	Members of the board of commissioners, who are not affiliated with the board of directors, other members of the board of commissioners, and controlling shareholders, and are free from business relationships and other relationships that may affect their ability to act independently or act solely for the company interests (KNKG, 2004)	(Total Independent Commissioners / Total Company Commissioners) x 100% (Kencana & Lastanti, 2018)
5	Auditor Reputation	Auditor reputation is a view of the big names the auditor has on the performance and public trust held by the auditor and the KAP where the auditor works.	*Big four*=1 Non-*Big four= 0*
6	Risk Management Committee	An organ of the board of commissioners that helps supervise and monitor the implementation of risk management (Komite Nasional Kebijakan Governance, 2011)	Dummy variable Having a Risk Management Committee = 1 Not = 0

and measurement of each variable are described in table 2.

The data analysis technique used in this research was descriptive statistical analysis and moderated regression analysis (MRA) using the interaction test. The regression equation used is as follows (equation 1).

$$ERM = a + ß_1 FIRM\ SIZE + ß_2 CB + ß_3 ICB + ß_4 AR + ß_5 RMC + ß_6 X_1{*}Z + ß_7 X_2{*}Z + ß_8 X_3{*}Z + ß_9 X_4{*}Z + e \quad \text{.....(1)}$$

Explanation :
ERM : Enterprise Risk Management Disclosure
FIRM SIZE : Firm Size

Table 3. Descriptive Statistical Analysis Test

	N	Maximum	Minimum	Mean	Median	Std. Deviation
ERM	162	1.000	0.676	0.831	0.838	0.087
Firms Size	162	31.867	25.216	28.342	28.142	1.540
BC	162	18.000	1.000	8.506	9.000	3.725
IBC	162	0.833	0.250	0.430	0.400	0.112
Valid N (listwise)	162					

CB : Board of Commissioners Meeting Frequency
ICB : The proportion of Board of Independent Commissioners
AR : Auditor Reputation
RMC : Risk Management Committee

RESULTS AND DISCUSSION

Descriptive statistical analysis in this study aims to find an overview of the data and a brief description of each variable, such as the maximum value, minimum value, mean value, standard deviation, and median. Based on the calculations in table 3, it can be seen that:

a. The number of samples (N) is 162 manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018, consisting of risk management disclosures, firm size, board of commissioners, and independent commissioners.
b. The maximum value of risk management disclosure is 1.000 while the minimum value is 0.676, which is owned by the Beton Jaya Manunggal Tbk company in 2016 and 2017, the Lionmesh Prima Tbk company in 2016, 2017, and 2018, the Asiaplast Industries Tbk company in 2016, 2017, and 2018, then the Kedaung Indah Can Tbk company three years consecutively from 2016 to 2018 with a mean of 0.831, a median of 0.838, and a standard deviation of 0.087.
c. The maximum value of the firm size, which is proxied by Ln total assets of 31.867, is owned by the Gudang Garam Tbk company. Meanwhile, the minimum value of 25,216 is owned by the Primarindo Asia Infrastructure Tbk company. The mean is 28,342, the median is 28,142, and the standard deviation is 1,540.
d. The maximum value of the board of commissioners meeting is 18 times and the minimum value is 1 meeting. The maximum value is owned by Arwana Citra Mulia Tbk, Surya Toto Indonesia Tbk, Asiaplast Industries Tbk, and Selamat Sempurna Tbk. Meanwhile, the minimum value is owned by Tri Banyan Tirta and Darya Varia Laboratoria companies. The mean is 8.506, the median is 9, and the standard deviation is 3.725.
e. The proportion of independent commissioners has a maximum value of 0.833 and a minimum value of 0.250. The maximum value of 0.833 is owned by the Unilever Indonesia Tbk company. Meanwhile, the minimum value of 0.250 is owned by the Hanjaya Mandala Sampoerna Tbk company. The mean (mean) is 0.430, the median value is 4.000, and the standard deviation is 0.112.

Based on table 4, the score of 1 is for companies that use Big four KAP services, which is 69, and the value of 0 is for companies that use non-Big four companies owned by 93 companies. Based on table 5, the value of 1 is for the companies that have risk management committees, namely 28, and 0 is for the companies that use non-Big Four KAP owned by 134 companies.

Before testing the hypothesis with the MRA, first, it is conducted the regression prerequisite testing to meet the BLUE (Best Linear Unisex Estimation) model, which consists of a normality test with Kolmogorov-Smirnov, a multicollinearity test with a tolerance value of more than

Table 4. Auditor Reputation Frequency Distribution

		Frequency	Percent	Valid Percent
Valid	.000	93	57.4	57.4
	1.000	69	42.6	42.6
	Total	162	100.0	100.0

0.10 and a VIF value less than 10, an autocorrelation test with Durbin-Watson (DW), and a heteroscedasticity test using the Glesjer test.

Table 6 shows resut of partial test and can be concluded in the equation 2. Table 7 shows the results of the value determination coefficient of the Adjusted R-Squared is 0.224. It shows that the independent variables of firm size, board of commissioners, independent board of commissioners, and auditor reputation affect the dependent variable of risk management disclosure by 22.4%. Meanwhile, the remaining 77.6% is explained by other variables outside of this study.

$$ERM = -0.005 + 0.029\ FIRM\ SIZE + 0.006\ DK - 0.043\ DKI - 0.044\ RA + 0.133\ KMR - 0.008\ X_1{*}Z + 0.012\ X_2{*}Z + 0.279\ X_3{*}Z + 0.112\ X_4{*}Z \quad \ldots\ldots (2)$$

The Effect of Firm Size on Risk Management Disclosure

Firm size is a value that shows the small or large of a company. Based on agency theory, the larger the size of the company or industry, the more investors will invest in the company. Large firms enable more agency problems. Thus, to deal with agency problems that may occur and increase stakeholder confidence, companies must conduct better risk management disclosures (Gunawan & Zakiyah, 2017). In addition, large companies tend to adopt better corporate governance practices than small companies because the larger the size of the company, the higher the level of risk faced. It causes risk management disclosures to be more extensive and the information provided will also be more accurate and complete (Syifa', 2013). Studies conducted by (Gunawan & Zakiyah, 2017) and (Kencana & Lastanti, 2018) show a significant positive relationship between firm size and risk management disclosure.

The Effect of Meeting Frequency of Board of Commissioners on Risk Management Disclosure

A board of commissioners is an organ of the company in charge of conducting general supervision and/or in accordance with the articles of association and providing advice to the board of directors (Limited Company Law Number 40 of 2007 paragraph 6). The corporate performance will increase in line with the increasing frequency of meetings held by the board of commissioners. This performance improvement will encourage companies to make wider disclosures, including risk management disclosure. Based on agency theory, the effectiveness of corporate governance mechanisms is determined by the number of board of commissioners meetings. The more often the board of commissioners holds meetings, the more effective the board will be in supervising management so that no information is hidden in risk management disclosures. Studies conducted by (Sulistyaningsih & Gunawan, 2016) and (Syaifurakhman & Laksito, 2016) show a positive effect between the board of commissioners and risk management disclosure.

Table 5. KMR Frequency Distribution

		Frequency	Percent	Valid Percent
Valid	.000	134	82.7	82.7
	1.000	28	17.3	17.3
	Total	162	100.0	100.0

Source: Secondary data processed in 2020

Table 6. Partial Test (t-Test)

No.	Hypothesis	α	β	Sig.	Result
1.	Firm size has a positive effect on risk management disclosure.	0.05	0.029	0.000	Accepted
2.	The board of commissioners has a positive effect on risk management disclosure.	0.05	0.006	0.003	Accepted
3.	Independent board of commissioner has a positive effect on risk management disclosure.	0.05	-0.043	0.514	Rejected
4.	Auditor reputation has a positive effect on risk management disclosure.	0.05	-0.044	0.110	Rejected
5.	The risk management committee strengthens the effect of firm size on risk management disclosures.	0.05	-0.008	0.604	Rejected
6.	The risk management committee strengthens the effect of the board of commissioners on risk management disclosures.	0.05	0.012	0.022	Rejected
7.	The risk management committee strengthens the effect of the independent board of commissioners on risk management disclosures.	0.05	0.279	0.033	Rejected
8.	The risk management committee strengthens the effect of auditor reputation on risk management disclosures.	0.05	0.112	0.003	Rejected

The Effect of Independent Board of Commissioners on Risk Management Disclosure

The independent board of commissioners does not affect the extent of risk management disclosure. It may be due to the quality of the supervisory and monitoring function is not determined from the proportion of independent commissioners, but rather from the quality and educational background of the independent board of commissioners (Meizaroh & Lucyanda, 2011). The existence of an independent commissioner in the company is to fulfill regulations from the government, where a company is required to have a minimum of 30% or at least 1 (one) independent commissioner on the board so that the existence of the independent commissioner is not to carry out a good supervisory function and does not use his independence to supervise directors policy (Pangestuti & Susilowati, 2017). The result of this study is in line with those carried out by (Nurcahyani, 2018) and (Desender, 2010), which show that the independent board of commissioners has no significant effect on the risk management disclosure. On the other hand, this study is inversely proportional to that research conducted by (Kencana & Lastanti, 2018) and (Achmad et al., 2017), where the studies show that the independent board of commissioners has a positive effect on risk management disclosure.

Table 7. Adjusted R-Squared

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.517[a]	.268	.224	.077405

The Effect of Auditor Reputation on Risk Management Disclosure

Auditor reputation does not affect the extent of risk management disclosure. The use of Big Four or Non-Big Four KAP auditors does not affect the risk management disclosure. The result indicates that no guarantee that the firms audited by the Big Four KAP will disclose more risk management disclosures. Auditor quality can be assessed from the level of professionalism, independence, and integrity possessed (Ulfa, 2018). The results of this study are in line with (Sulistyaningsih & Gunawan, 2016) and (Ulfa, 2018) who show that auditor reputation has no significant effect on risk management disclosure. On the other hand, this study is inversely proportional to (Kencana & Lastanti, 2018) and (Gunawan & Zakiyah, 2017), who show that auditor reputation has a positive effect on risk management disclosure.

The Effect of Firm Size on Risk Management Disclosures Moderated by the Risk Management Committee

In general, large companies will implement better corporate governance practices than small companies so that large companies will carry out a better supervisory function than small companies in dealing with the risks faced by the company. It makes large companies feel that they are capable of handling the risks that will be faced by the company and do not need to form a committee, especially a risk management committee that is separate from the audit committee. It is due to large companies assume that internal audit is good enough in handling risk management disclosures. Thus, it can be concluded that the risk management committee cannot moderate the relationship between firm size and risk management disclosure.

The Effect of the Board of Commissioners on Risk Management Disclosure Moderated by the Risk Management Committee

The risk management committee weakens the effect of the board of commissioners on risk management disclosures. The existence of a risk management committee that is separate from the audit committee will provide strong controls related to the analysis of the risks that occur in the company. Therefore, the company will disclose the risks that occur appropriately so that the existence of this committee should be able to encourage more intensive monitoring on performance and plays a strong role in the effect of the board of commissioners on the risk management disclosure. However, this study shows the opposite result where the existence of the committee is not able to play a strong role but has been shown to contribute weakly to the function of the board of commissioners in encouraging companies to disclose risk management.

The results of this study confirm that the committee functions more to assist the board of directors than the board of commissioners. Considering that the risk management committee although is responsible to the board of commissioners and assists them in all aspects of controlling the corporate risk management, but its existence is formed by the board of directors (Setiawan, 2016). In addition, the committee is also formed by the board of directors to assist the board of directors in managing risk and establishing risk policies that are in accordance with the circumstances faced by the company. Thus, the existence of the committee does not play a role in the board of commissioners but rather the board of directors. This result is also based on the argument that the existence of the risk management committee is still voluntary so that its existence has not become an obligation for the company and has not become a priority in improving good corporate governance.

The Effect of the Independent Board of Commissioners on Risk Management Disclosure Moderated by Risk Management Committee

The risk management committee weakens the effect of the independent board of commissioners on risk management disclosures. Theoretically, the independent commissioner considers the establishment of the risk management committee as an important thing and can assist the supervisory task in monitoring the corporate risk management. A large proportion of independent commissioners is a company resource to minimize agency costs that occur and minimize costs arising from the agency conflict so that the existence of a risk management

committee should increase the role of the independent board of commissioners in encouraging management to disclose risk management. However, the results of this study indicate that the committee gives a weak role to the independent board of commissioners in encouraging the management to disclose the corporate risk management.

The argument that can be presented in this study is that the membership of the risk management committee, which mostly comes from the chairman and commissioners, is not explained. Thus, it is not known whether the independent board of commissioners is a member of the committee because the risk management committee is measured using dummy variable. The company has a risk management committee that is independent and separate from the audit committee will be given a value of 1 then a value of 0 if the company does not have a risk management committee. The measurement uses a dummy variable because the formation of a risk management committee is still voluntary in manufacturing companies. The logic is that if an independent commissioner becomes a member of the committee, his presence will strengthen the duties and functions of the committee in helping the board of commissioners to supervise the company's risk. However, this result proves that the existence of an independent board of commissioners is not strengthened by the committee so that it does not strengthen its effect on risk management disclosure.

The Effect of Auditor Reputation on Risk Management Disclosures Moderated .by Risk Management Committee

The risk management committee weakens the effect of auditor reputation on risk management disclosure. A risk management committee is a committee that assists the board of commissioners in supervising and managing the implementation of corporate risk management. One of the duties of the risk management committee is to improve or perfect the risk management implementation based on the evaluation results of the risk management implementation. Big Four auditors are seen to have a good reputation and expertise to identify possible corporate risks. Big four auditors can guide appropriate good corporate governance practices and assist internal auditors in evaluating and improving the effectiveness of risk management so as to improve the quality of assessment and supervision of corporate risk (Chen et al., 2009). Thus, the presence of an increasingly qualified auditor should increase the roles of the internal auditor in providing quality information regarding risk management to the risk management committee, which will be useful for analyzing the corporate risks in the future, so logically the existence of the committee will be increasingly strengthening the effect of the Big Four Auditors in encouraging management to disclose risk management. However, the study results show the opposite, where the existence of the committee plays a weak role.

The research argument is based on the fact that according to the Financial Services Authority Regulation Number P18/POJK.03/2016 article 17 paragraph 2, the authorities and responsibility of the risk management committee is to provide recommendations to the president director at least including (1) Formulation of policies, strategies, and guidelines for the implementation of risk management, (2) improvement or refinement of risk management implementation based on the evaluation results of the risk management implementation, and (3) determination of matters related to business decisions that deviate from normal procedures. Thus, from this argument, it is proven that the existence of a management committee does not have a direct relationship with the quality of the auditors appointed by management. It is due to they cannot provide recommendations to the board of directors to determine external auditors so that the contribution to the existence and duties of the big four auditors is assumed not so strong.

CONCLUSION

The conclusions of this study indicate that firm size and the board of commissioners have a significant positive effect on risk management disclosure, while independent commissioners and auditor reputation do not affect risk management disclosure. The risk management committee

weakens the effect of the board of commissioners, independent commissioners, and auditor reputation on risk management disclosures, while the risk management committee cannot moderate the effect of firm size on risk management disclosures. Further research can use other factors outside of this research and expand the research sample, for example, all companies listed on the Indonesian Stock Exchange. Considering that this study only uses the manufacturing sector so that it has not been able to reflect risk management disclosure practices in Indonesia.

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