KEY SUCCESS FACTOR RISK MANAGEMENT COMMITTEE & SEPARATE WITH ERM MODEL TO ACTUALIZE GOOD CORPORATE GOVERNANCE AND AUDIT COMMITTEE PERFORMANCE ON NON-FINANCIAL INDONESIA STOCK EXCHANGE COMPANIES

(Study CaseonNon-Financial IDX Companies)

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ABSTRACT

The purpose of this research is to analyze key success factor that influence Risk Management Committee and Separate Risk Management Committee. The factors that used include: independent commissioner, board size, meeting frequency of board commissioner, education background of prior board commissioner, auditor reputation, risk of financial report, profitability, company complexity, leverage and company size. This research uses 156 of non-financial companies listed in Indonesia Stock Exchange as sample in year 2012 to 2013. Purposive sampling is the sampling method. This research uses logistic regression in hypothesis testing. The result shows that education background of prior board commissioner and leverage significantly influence toward RMC as well as SRMC, then for board size, auditor reputation and risk of financial report influence toward RMC but not influence SRMC, meanwhile for independent commissioner, meeting frequency of board commissioner, profitability, company complexity and company size do not significantly influence toward RMC as well as SRMC.

Keywords: Independent Commissioner, Board Size, Meeting Frequency of Board Commissioner, Education Background, Auditor Reputation, Risk of Report, Profitability, Company Complexity, Leverage, Company Size, Risk Management Committee, Separate Risk Management Committee.

INTRODUCTION

In this globalization era, the development of business keep increasing. This is because the changes in the economic, political, and information technology. The development of technology leads businessman to take advantage of technology. On the other hand with the emergence of new innovations will lead new risks that will be faced by a company. A good risk management will make the company able to compete and keep on going concern. A good risk management is one matter of good corporate governance. Institute of Internal Auditors Research Foundation (IIARF) defines business risk as the threats and challenges faced by the company in achieving its goals (IIARF 2003 in Pratika 2011). Management of risk is called risk management.Therefore, there are committee which is called as Risk Management Committee or abbreviated as RMC.

In practical the company Risk Management Committee (RMC) is divided into two kinds, namely, the Risk Management Committee which integrate with the audit committee, and Risk Management Committeestand alone or known as Separate Risk Management Committee (SRMC). Analysts and researchers argue that RMC stand-alone or independent is more efficient and have internal quality control better than RMC which is integrated with the audit committee (Collier, 1993; Ruigrok et al, 2006; Turpin and DeZoort, 1998, in Ratnasari 2013). The developments RMC (Risk Management Committee) in Indonesia has begun to show an increase, especially after the issuance of Bank Indonesia Regulation No.8/4/PBI/2006, which contains the establishment of risk monitoring committee for commercial banks as one of the implementation of Good Corporate Governance. However, these regulations require financial companies to go public to establish RMC while the nature of non-financial go public companies is voluntary.

Research conducted by Subramaniam et al (2009) found that RMC tend to be at a company that has an independent CEO and features a large board format. Independent CEO and board size has a positive and significant effect on the existence of RMC (Risk Management Committee) and SRMC (Separate Risk Management Committee). But the company complexity negatively affect SRMC. Like other similar study conducted by Subramaniam et al (2009) that is Andraini and Januarti, (2010), but the results are different compare to Subramaniam et al (2009). The study found that the board size does not affect the establishment of RMC, but company size is positively and significantly affect on the formation of RMC. Yatim (2009) conducted a study on the relationship with the characteristics of the formation of the RMC Board. The study found that the more independent, expert and dedicate of board will tend to establish SRMC. Beside that, it found that there are positively and significantly correlation between the company size, the complexity of the activities of

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the organization and the use of public accounting firms which is get involve in the Big Four on the establishment of the RMC. The results of this study are inconsistent or in conflict with the results of Subramaniam et al (2009). Yatim (2009) also conducted another study in the scope of the RMC which examines the influence of the characteristics of audit committee toward the establishment of RMC. These study found that the independent audit committee which has a large size and has a high persistence is positively related to the establishment of the RMC.

Researchers haveconducted a study of 156 non-financial companiesabout the existence of RMC and SRMC, itshows that 76.92% of the companies have had RMC and 10.26% have had SRMC. From 156 companies as came from 51.28% of service companies, 32.05% is manufacture companies, 8.97% is agricultural companies and 7.69% is mining companies. From these researches, researchers interest in conducting research because researchers feel the need to reexamine the factors that influence the existence of RMC and SRMC oncompanies using variables as follow:Independent Commissioner, Board Size, Meeting Frequency of Board Commissioner, Education Background, Auditor Reputation, Risk of Report, Profitability, Company Complexity, Leverage, Company Size, Risk Management Committee, Separate Risk Management Committee toward RMC and SRMC on risk control in a company with conducting research as follow **"Key Success Factor Risk Management Committee & Separate With Erm Model To Actualize Good Corporate Governance And Audit Committee Performance On Non-Financial Indonesia Stock Exchange Companies"(Study Case on Non-Financial IDX Companies).**

Problem Formulation

With the development of technology and the need of good risk management in order to achieve good corporate governance then necessary to conduct research about factors that affecting establishment of risk monitoring committee with the formulation of the problem as follows:

Do Independent Independent Commissioner, Board Size, Meeting Frequency of Board Commissioner, Education Background, Auditor Reputation, Risk of Report, Profitability, Company Complexity, Leverage, Company Size, Risk Management Committee, Separate Risk Management Committeeaffect on the Separate Risk Management Committee and Risk Management Committee?

Research Objectiveness

In order to know the influence of the proportion of Independent Commissioner, Board Size, Frequency of meetings of committee of the board of commissioners, Background Education Commissioner, Reputation Auditor of Big Four, Risk Reporting, Profitability, Complexity Company, Leverage, Company Size of the existence of Separate Risk Management Committee and Risk Management Committee.

Benefits of Research

The benefits could be gained from this study is expected to provide usefulness and contribution as follows:

Empirical evidence from this study are expected to be a reference or input for the development of the economy and increasing the study of science in economics, especially accounting knowledge to know how to influence Proportion of Independent Commissioner, Board Size, Reputation Auditor, Complexity Company, Risk Reporting, Leverage, Frequency of Meetings Board of Commissioners, Profitability, Educational Background and Company Size is the reference to the establishment of risk monitoring committee (Separate risk Management Committee and risk Management Committee).

LITERATURE REVIEW

Agency Theory

Agency theory is a theory which states that there is conflict of interest between the owners of capital and investors (principal) and the manager (agent). This problem arises because the manager is working to manage the running of the company and make decisions on behalf of the owner of the company that have other interests than maximizing the value of the company. This differences of interest leads to the emergence of problems commonly known as information asymmetry. Asymmetry of information is a state where one of the parties receiving the information content that is different from the other parties or in other words there is an imbalance of distribution of information between principal and agent. The impact of the imbalance of informationleads raise two issues where the problem is caused by the difficulty of principal supervise and control the actions performed by the agent. Jensen and Meckling (1976).

Risk

Risk is anhazard, as a result or consequence that may result from a process that ongoing or future events. Risk can be defined as a state of uncertainty, in which case an undesirable situation can lead to a loss. The more decisions that may apply, the higher the risk. Risks also means that there is a possibility of deviation which is not unpleasant to the outcome of activity compare to what was expected (Elliott, C. M. and Vaughan, E. J, 1972).

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Risk Management

Business risk basically can not be eliminated completely. But with risk management, business risks can be minimized by managing these risks so that the company can survive in the business world which is difficult to predict them. Economic and political uncertainty in a country can increase the risks faced by the company. Therefore, we need a way to manage and control the risks that would be faced by the company. Proper risk management can prevent companies from things that are not desirable. Risk management is the process for companies to manage the risks arising from its business activities. Risk management helps the company to manage and identify risks to be faced. In fact, according Jorison (2001) in Wulandari (2012), the success of a company depends on how they manage business risks efficiently and effectively. Therefore, the main function of risk management is to identify and evaluate potential losses that will be faced by the company (Djojosoedarso 2003 in Wulandari 2012).

Risk Management Committee

Risk Management Committee (RMC) is one of the committees of the four committees established by the board of commissioners to ease the tasks and functions of the board of commissioners. The task of the RMC is to oversee the implementation of risk management. So far, the only financial company that is required to establish the RMC through Bank Indonesia regulation No.8/4/PBI/2006, which contains the establishment of risk monitoring committee for commercial banks as one of the Good Corporate Government.

In practical, there are two kinds of RMC, the RMC stand-alone or independent and RMC joining the audit committee or commonly referred to a joint committee. Analysts argue that the RMC stand-alone or independent is more efficient and have internal quality control better than RMC is integrated with the audit committee (Collier, 1993; Ruigrok et al, 2006; Turpin and DeZoort, 1998, in Ratnawati 2013).

The Proportion of Independent Board

In a two tier system, can be divided between supervisory role that is the board of commissioners and executive role that is the board of directors. The board of commissioners is a part in the structure of the organization that runs the monitoring function. Monitoring is useful to create a company that good corporate governance. In addition, the board also sometimes provide input and advice to the board of directors for the company to function properly. However, the board of directors in a company sometimes failed to perform monitoring functions of the board of directors as it should (Kusuma 2001, in Yuliandri 2010, in Setyarini 2011).

The existence of independent board of commissioners in a company has been set up by the Indonesian Stock Exchange IDX regulations in effect registration No. 1-A that contains that companies listed on the Stock Exchange must have an independent commissioner whose numbers proportionally with the number of shares owned by the minority shareholders (not controlling shareholders). Thus, every company listed on the Stock Exchange are required to have the number of independent board of at least 30% of the total members of the board of commissioners.

The Proportion of Commissioners Board

According to the guidelines of Good Corporate Governance in Indonesia, the number of commissioners should be adapted to the complexity of the company and consider to the effectiveness of decision-making. In a company, the number of boards of directors and commissioners is vary. A large number of boards that can provide gains or losses in the company (Indrayati, 2010). The number of board members at least should be greater than or at least equal to the number of board members, because if the number of board members is less than the number of board of directors, there will be the possibility of commissioners receive psychological pressure if there is a difference of opinion between the two parties (Indrayati, 2010). Board size will have an impact on the quality of decisions and policies that have been made in order to streamline the achievement of organizational goals (Syakhroza, 2004).

The Frequency Of Commissioners Board Meetings

Board meetings is a process which the commissioners in making a decision regarding company policy. Meetings held by the commissionersin order to supervising the policy that has been taken by the board of directors and its implementation (Waryanto, 2010).

The effectiveness of the board of commissioners may be influenced by factors such as the frequency of meetings commissioners and behaviors of commissioners around conducting meetings, attendance at meetings, preparation for meetings, and participation of members in meetings (Yatim, 2009)

The Education Background of Prior Commissioners

The differences in educational background will lead to differences in perception that will ultimately affect all policies and decisions taken in the company and will affect the proposal given to the board of directors. In fact, according Kusumastuti, et al (2007) in Suhardjanto, et al (2012) states that the board members who have the educational background of economic and business has the ability to better business decisions. So in the end the effectiveness of the performance of an RMC will be strongly influenced by the educational background of commissioners. In fact, according

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Utomo (2012), the educational background of commissioners is one of the factors that influence the effectiveness of the performance of RMC, both the RMC who joined the audit committee as well as whichseparate or stand alone.

Auditor Reputation

Auditor is an independent institution separate from the company. However, the auditor is one of the key external supervision of the company as an auditor is required to always be independent, whether it is in fact independent, or independent in appereance. Thus, the data generated by the accounting auditor is data that could actually be trusted. Moreover, accounting data generated by an auditor who has a good reputation is more trusted by investors of the outside auditor bigfour. Auditor which is included in bigfour usually tend to have a good relationship with the client, so that the auditor could affect the client to act in accordance with best practice (Carson, 2002 in Andraini, 2010). Big Four Auditor will also encourage their clients to improve the quality of internal control (Cohen et al, 2004, in Kusuma, 2012)

Risk of Financial Report

Companies with the proportion of assets in the form of receivables and inventories are likely to have a high risk of financial reporting (Subramaniam et al, 2009). In addition, the company will tend to tighten supervision of the risk if it has a proportion of assets receivables and inventories are high because it would increase uncertainty in the accounting data (Koroses and Horvat, 2005dalam Subramaniam et al, 2009) .Tingginya proportion of accounts receivable asset would increase the risk of receivables bad debts and high inventories will also increase the high risk of damaged goods and goods usam and prone to theft.

Profitability

Basically each company was established to generate profit. But over time, the profitability of the company is not just a destination. Profitability is also used as a tool to measure the success of the company and measure the efficiency and effectiveness of existing within the company. According Taures (2010) in Kusuma (2012) level of profitability is an indicator of how the company can make a profit by exploiting its resources. The greater a company's assets used to generate income, the greater the demands of the shareholders to the management to generate a reasonable profit to the amount of assets used. Therefore, companies that have high profitability are likely to face the risk of use and high asset utilization as well.

Company Complexcity

The complexity of the company is closely linked to the business segments. Even according to Subramaniam et al (2009) that the level of complexity in a company affected by the number of business segments that are owned by the company.

The complexity of the company will increase the business risk anyway (Setyarini, 2011). Therefore, companies with a high number of business segments likely to face high business risk as well.

Company Size

The size of a company is usually calculated from the amount of assets owned by the company (Subramaniam et al, 2009). In this study, the size of the company used was total assets. Total assets illustrates how the resources are owned by the company. The resource is used in operating activities for generating income. The greater the resources owned by the company, the greater the scale / size of company (Setyarini, 2011). Therefore, the company will also face high business risk as well as the consequences of the use of large assets.

Leverage

Companies with high leverage tend to have high agency costs, which can lead to high financial risks that must be faced. Companies with high leverage tend to have a high risk of going concern (Subramaniam, et al., 2009). In connection with the monitoring function, the creditor as the lenders tend to require companies to have a better internal control. Consequently, companies with high leverage will have a strong claim to form the RMC with the purpose of overseeing the going concern risk.

Research Hypothesis

The Proportion of Independent Commissioners toward The Existance of RMC and SRMC

The best position in order to carry out the monitoring function is independent commissioner position. Monitoring is useful to create a company that good corporate governance. In a board of directors, the proportion of independent directors is an indicator of the level of independence of the board. The higher the proportion of independent board within the board of commissioners will tend to provide greater monitoring on the activities of the company risk management (Yatim, 2009 in Kusuma 2012). The study of Chen et al (2009) states that independent commissioners positive and significant effect on the formation of an audit committee. Yatim (2010) also found the same thing that the more independent, expert and diligent commissioners will tend to establish RMC stand-alone (SRMC). While Andraini

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and Januarti (2010) found the opposite where the proportion of independent directors does not affect the formation of RMC. Based on the above explanation, the hypothesis that can be developed are:

H_1(a) : If The Proportion of Independent Commissioners Increasing, then The Existence of RMC, too.

H_2(b): If The Independent of Commissioners Increasing, then The Existence of SRMC, too.

The Proportion of Commissioners Board Toward The Existence of RMC

The proportion of board size has an impact on the company. The favorable effects of the large proportion of the board for the company is the company can rely on the board to manage the resources of the company better. Large proportion of the board can also provide a great resource for commissioners (Subramaniam, 2009). However, the adverse effects of the large size of the board are increasing problems in terms of coordination and communication.

The study of Chen et al (2009) found that the proportion of the board positively and significantly affect on the formation of an audit committee. The results of this study are supported by Subramaniam et al, (2009) who found the same thing. However, results of these studies are not consistent with the results of Andraini and Januarti (2010) and Ratnawati (2013) who found that there is no influence on the formation of RMC and SRMC board size.

Based on the above explanation, the hypothesis that can be developed are:

H_2(a) : If The Proportion of Commissioners Board Increase, then The Existence of RMC, too.

H_2(b) : If The Proportion of Commissioners Board Increase, then The Existence of SRMC, too.

The Meeting Frequency of Commissioners Board Toward The Existence of RMC and SRMC

The level of effectiveness of the commissioners strongly influenced by the frequency of meetings. If the frequency of board meetings per year is low, will reduce the monitoring and reporting on detailed risk. One way to improve the effectiveness of the board of commissioners is to increase the frequency of board meetings (Cotter et al, 1998, in Juwitasari, 2008).

Research from Setyarini (2011), found that the frequency of board meetings affect the structure of the independent RMC. Meanwhile, according to Grace et al, (2009) in Wulandari (2012) found different things that meeting frequency has no influence on Financial Distressed.

Based on the above explanation, the hypothesis that can be developed are:

H_3(a) : If The Meeting Frequency Increasing, then The Existence of RMC, too.

H_3(b) : If The Meeting Frequency Increasing, then The Existence of SRMC, too.

Education Background of Prior Commissioners Toward The Existence of RMC and SRMC

The differences in educational background will lead to differences in perception that will ultimately affect all policies and decisions taken in the company and will affect the feedback given to the board of directors. In fact, according Kusumastuti, et al (2007) in Suhardjanto, et al (2012) states that the board members who have the educational background of economic and business has the ability to better business decisions. Therefore, the commissioner who has a good educational background tend to have an awareness of the importance of risk management thus compelled to form a RMC. From research conducted by Suhardjanto (2012) found that the main commissioner educational background does not affect the risk disclosure. The results support the results of research conducted by Suhardjanto and Afni (2009) and Suhardjanto and Miranti (2009). While the research conducted by Sudiartana (2011) found that the educational background of the board members can contribute to the voluntary disclosure.

Based on the above explanation, the hypothesis that can be developed are:

H_4(a) : If The Background Education of Prior Commissioners Increase, then The Existence of RMC Increase.

H_4(b) : If The Background Education of Prior Commissioners Increase, then The Existence of SRMC, too.
SRMC Meningkat.

Auditor Reputation Toward The Existence of RMC and SMRC

Auditor is an independent agency that in outside of the company. Reputation auditor is a collection of accomplishment and confidence attached to the auditors obtained from a good performance. One of the key external monitoring of a firm is the auditor. Now, auditor increasingly serious in regard to risk management because it affects the sustainability of the company. Auditors play a role here as a third party to mediate the conflict of interest between principal and agent because the auditor is an independent agency that in outside of the company. Therefore, investors are more confident or trust accounting data generated by an auditor who has a good reputation (Praptitorini and Januarti 2007 in Pratika 2011). Public Accounting(KAP) were included in the group Bigfour will encourage their clients to improve quality internal control (Cohen et al, 2004). This is what distinguishes Big Four Public Auditor with others. By encouraging companies to improve the quality of internal controls by public Bigfour, the company will establish a new committee to provide the attention and supervision on the management of risk is called RMC. These demands can not be separated from the desire to maintain the quality of the audit and to protect the reputation of KAP Bigfour. This statement is supported by the results of research conducted by Orphan (2009) who found that companies whose financial statements are audited by the accounting firm RMC Bigfour tend to form an independent or stand-alone. Companies that have an external auditor belonging to the Bigfour will try to improve the quality of internal controls. From the description above, the hipotasis which can be formulated as follows:

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H_5(a) : If Reputation of Big Four Auditor Increase, Then will Influence Toward The Existence of RMC
H_5(b) : If Reputation of Big Four Auditor Increase, Then Will Give Influence Toward The Existence of SRMC

The Risk of Financial Report Toward The Existence of RMC and SRMC

In the agency theory, the financial statements is one means to mitigate conflicts of interest between principal and agent. Therefore, the financial statements should be reported routinely so that the principal can monitor agent performance whether in accordance with the employment contract or not. From research conducted by Ratnawati (2013) found that the financial reporting risk affects the existence of RMC. However, these results contradict to research conducted by Subramaniam (2009), Pratika (2011), Andraini & Januarti (2010), who found that the Financial Reporting Risk does not affect the existence RMC. Based on the above explanation, the hypothesis that can be developed are:

H_6(a) : If The Financial Report Risk Increase, then The Existence of RMC, too.
H_6(b) : If The Financial Report Risk Increase, then The Existence of SRMC, too.

The Profitability Toward The Existence of RMC and SRMC

Profitability is one of the elements to assess the success of a company in generating profits. Profitability can also be used to measure the level of effectiveness and efficiency in the company. In banking company there is profitability ratios used to measure the level of business efficiency and profit achieved by the company concerned. Companies that have a low level of profitability is likely to reveal more information (Taures, 2001 at Kusuma 2012). From the results of research conducted by Aljifri and Hussaney (2007) in Anisa (2012) in Siswanto (2013) found that the level of profitability has positive influence on risk disclosure. While the results of research conducted by Elzahar (2012) in Mubarok (2013) found that contrary where the level of profitability does not affect the risk disclosure.

Based on the above explanation, the hypothesis that can be developed are:

H_7(a) : If Profitability Increase, then The Existence of RMS, too.
H_7 (b) : If Profitability Increase, then The Existence of SRMC, too.

The Complexity of Company Toward The Existence of RMC and SRMC

The complexity of the company is closely linked to the business segments. Even according to Subramaniam et al (2009) that the level of complexity in a company affected by the number of business segments that are owned by the company tersebut.Kompleksitas companies that will increase the business risk anyway (Setyarini, 2011). Therefore, companies with a high complexity require good risk management. In a study conducted by Yatim (2009), proves that with its increasingly complex business segments of the company, the more need supervision and greater attention to be able to manage the risks that will arise and prepare appropriate strategies to deal with these risks.

Research conducted by Yatim (2009) found that there is positive and significant correlation between the complexity operations of the organization towards the establishment of RMC. But the results of this study are not supported by the results of Ratnawati (2013), Pratika (2011), Setyarini (2011), Andraini & Januarti (2010), and Subramaniam (2009) who found that the complexity of the company's business is not significant to the existence of RMC.

Based on the above explanation, the hypothesis that can be developed are:

H_8(a) : If The Complexity of Company Increase, then The Existence of RMC, too.
H_8 (b): If The Complexity of Company Increase, then The Existence of SRMC, too.

Leverage toward RMC and SRMC

Leverage is debt funding sources outside the company to finance its assets or equity sources of capital funds (Suwito and Herath, 2005). The contract agreement triggers debt management to improve the quality of financial disclosures of the company, with the aim of showing the positive performance on creditors, so as to obtain injection of funds or to obtain a rescheduling of debt payments. Companies that have a proportion of long-term liabilities are more likely to have greater financial risk (Goodwin and Kent, 2006). Companies that have a high leverage more likely to have risk going concern higher (Subramaniam, et al., 2009). Creditors as the lender is more likely to demand better internal controls and oversight mechanisms tight. So it can be concluded that there is a greater demand for companies to have RMC or SRMC to function more effectively in oversight of risk.

Leverage is debt that used by companies to finance its assets outside sources of capital or equity funds (Suwito and Herath, 2005). The debt contract triggers management to improve the quality of financial disclosures of the company, with the aim of showing the positive performance on creditors, to obtain injection of funds or to obtain a rescheduling of debt payments. Companies that have a proportion of greater long-term liabilities have greater financial risk (Goodwin and Kent, 2006). Companies that have a high leverage more likely to have risk going concern higher (Subramaniam, et al., 2009). Creditors as the lender is more likely to demand better internal controls and monitoring tight mechanisms. So it can be concluded that there is a greater demand for companies to have RMC or SRMC to function more effectively in oversight of risk.

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H_9 (a): If Leverage Increasing, then The Existence of RMC, too
H_9 (b): If Leverage Increasing, then The Existence of SRMS, too.

Company Size Toward RMC and SRMC

The size of the company is scale which can be classified as small or big of a company. Large (size) of the company can be expressed in total assets, sales and market capitalization. The greater the total assets, sales and market capitalization, the greater the size of the company. Besides the larger the company, the greater the risk that must be faced, includde the financial, operational, reputation, regulatory and risk information (KPMG, 2001). Companies with a large size would have a strong claim to form the RMC which aims to oversee a variety of risks. RMC is considered more effective in risk supervision.

H_{10} (a): If The Size of Company Increase, then The Existence of RMC, too.
H_{10} (b): If The Size of Company Increase, then The Existence of SRMC, too.

RESEARCH METHODOLOGY

Research Object

The population on this research is non-banking companies that listed on Indonesia Stock Exchange year 2012-2013.

The Type and Source of Data

The data used in this research is secondary data which available and gathered from other parties. The secondary data on this research is Annual Report of Non Financial Company between 2012-2013 which is listed on Indonesia Stock Exchange.

Sampling

Sample in this research is companies listed in Indonesia Stock Exchange which meet the criteria from researcher. The criteria can are as follow:

a. Non Financial Company listed in Indonesia Stock Exchange 2012-2013
b. Companies which publish financial report completely
c. Companies which has complete data from 2012 to 2013
d. Companies that the report of financial statements in rupiah unit
e. Companies which is audited by Big Four Auditor

Procedure of Sampling

No	Detail	2012	2013
1	Non Financial Company listed in Indonesia Stock Exchange 2012-2013	502	502
2	The annual report is not complete	12	14
3	Non Rupiah	28	25
4	Unavailable information of variable	9	10
5	Not audited by Big Four	375	375
6	The quantity of sample per year	78	78
The quantity of sample 2012 – 2013 (n)		156	

Data Collection Technique

Data collection technique used on this research are documentation and literature review.

Research Variable and Operational Defnition

Research Variable

Independent variable and dependent variable are used in this research.

a. Dependent Variable
This research uses dependent variable that are Risk Management Committee and Separate Risk Management Committee.
b. Independent Variable
This research uses 10 variables consist of:Independent Commissioner, Board Size, Meeting Frequency of Board Commissioner, Education Background, Auditor Reputation, Risk of Report, Profitability, Company Complexity, Leverage, Company Size, Risk Management Committee, Separate Risk Management Committee.

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Dependent Variables

a. The Existence of RMC and SRMC

In this research, the existence of RMC or SRMC are measured by Dummy Variable, where each of it given to company which has or reveal the existence of RMC or SRMC, meanwhile zero (0) is given to the company which has or reveal the existence of RMC or SRMC (Subramaniam et al, 2009)

Independent Variable

Independent variables consist of 10 variable:

a. The Proportion of Independent Commissioner (KI)

The proportion of independent commissioner is stated on percentage obtained from board of independent commissioners in company which is divided by the number of commissioner on board (Subramaniam et al, 2009)

$$KI = \frac{\text{The number of Independent Commissioner}}{\text{The number of Commissioner Board}}$$

b. Board Size (UD)

The Board Size in this research is measured by the number of entire board of commissioner (Subramaniam, 2009).

c. Meeting Frequency of Board Commissioner (FR)

Meeting frequency of Board of Comissioner in this research is measured by the entire of meeting held on a year (Yatim, 2009).

d. Education Background of Prior Commisioner (LBPK)

Education Background of Prior Commissioner is measured by dummy variable, where number one (1) is given to the company which prior commissioner has financial or business education background and zero (0) is given to the company which the prior commissioner has another education background.

e. Auditor Reputation (RA)

The indicator of Auditor Reputation is measured while the Public Accountant is get involved in Big Four as external auditor. The dummy variable is when Big Four Public Accountant is given 1 for Ernest & Young, and number 2 for Delloite Touche Tohmatsu, and number 3 for KPMG Peat Marwick and number 4 for Pricewaterhouse Cooper.

f. The Risk of Financial Statement (RPK)

Financial statementis the risks faced by a company currently has a number of large accounts receivable and inventory in its financial statements. Therefore, the proportion of receivables and inventory on balance sheet company will affect risk reporting. Therefore, financial statement risk variable in this study is measured in the following manner:

$$RPK = \frac{\text{Receivable + Inventory}}{\text{Assets}}$$

g. Profitability (P)

In this research, profitability is measured with net profit margin.

$$P = \frac{\text{Net Income}}{\text{Net Sale}}$$

h. Complexcity (K)

The complexity of the company is an instrument used to measure the amount of business segments owned by a company. In this study, the complexity of the variables measured by sum business segments / business owned by the company (Subramaniam, 2009).

i. Leverage

Leverage is the ratio that describes the relationship between the company's debts to equity and assets. Leverage is a measure of the amount of assets charged by debt (Sudarmadji and Sularto, 2007).

j. Company Size

Company size in this study derive from the large (size) of the company expressed in total assets, sales, and market capitalization (Sudarmadji and Sularto, 2007). In this company the size of the Anual Report can be calculated by the sum of all the existing assets.

Data Analysist Method

Descriptive Statistic Analyst

In this research, descriptive statistic analysist only uses mean, standard deviation, maximum and minimum.

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Data Quality Test

Data quality test of logistic regression:

a. Assess the Regression Model

The purpose of this test is to assess the model hypothesized that empirical data in accordance with a model that has created. The null hypothesis is rejected if the probability value on a test of Hosmer and Lemeshow's Goodness of Fit Test significant (equal to or less than 0.05). Meanwhile, if the value is greater than 0.05 or insignificant, the null hypothesis is accepted so that it can be concluded that the model is able to predict the observed values or models to be accepted because it fits the observed data (Ghozali, 2006).

H0 : Hypothesized Model fit to the data

HA : Hypothesized Model is not fit to the data

b. Asses Determination Coefficient (R^2)

Coefficient of Determination is a test conducted to determine how the ability of independent variables in explaining the variation modification of the dependent variable (Siswanto, 2013).

c. Multicolinierity Test

Multicolinierity test aims to test whether there is a correlation between the independent variables in the regression model. If there is a correlation coefficient greater than 0.90 then there multikolinieritas so that these variables should be excluded from the regression model so that results are not biased.

d. Classification Table

Classification table is used to calculate the estimate value right or wrong (Ghozali, 2006).

Hypothesis Test

This research used logistic regression analysis. This analysis method is used when the dependent variable is dhicotomous. In this study, the dependent variable is RMC and SRMC is dhicotomous that are appropriate when using logistic regression analysis (Subramaniam et al, 2009). In addition, logistic regression analysis method does not require any test of Classical Assumptions for its dependent variable (Ghozali, 2006). In this study, the dependent variable is the presence of RMC and SRMC. While the independent variables in this study there are 10 variables, proportion of Independent Commissioners, Board Size, Frequency Board Meeting, Reputation Auditors, Financial Reporting Risk, Profitability, Complexity Company Size, Levarage, and company size. Of these variables formed logistic regression equation as follows

$$\boldsymbol{LN}\frac{\boldsymbol{RMC}}{\boldsymbol{1-RMC}}=\alpha + \beta 1\ (KI) + \beta 2\ (UD) + \beta 3\ (FR) + \beta 4\ (LBPK) + \beta 5\ (RA) + \beta 6\ (RPK) + \beta 7\ (P) + \beta 8\ (K) + \beta 9\ (LV) + \beta 10\ (UP) + \varepsilon$$

$$\boldsymbol{LN}\frac{\boldsymbol{SRMC}}{\boldsymbol{1-SRMC}}=\alpha + \beta 1\ (KI) + \beta 2\ (UD) + \beta 3\ (FR) + \beta 4\ (LBPK) + \beta 5\ (RA) + \beta 6\ (RPK) + \beta 7\ (P) + \beta 8\ (K) + \beta 9\ (LV) + \beta 10\ (UP) + \varepsilon$$

Keterangan :

$\boldsymbol{LN}\frac{\boldsymbol{RMC}}{\boldsymbol{1-RMC}}$ = The Existence of RMC

$\boldsymbol{LN}\frac{\boldsymbol{SRMC}}{\boldsymbol{1-SRMC}}$ = The Existence ofSRMC

A = Constant

KI = The Proportion of Independent Commissioner

UD = Board Size

FR = Meeting Frequency of Board of Commissioner

LBPK = Education Background of Prior Commissioner

RA = Auditor Reputation

RPK = Financial Statement

P = Profitability

K = Complexity

LV = Leverage

UP = Company Size

E = Error

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Regression coefficient test is conducted to examine the extent of influence of all independent variables included in the model of the dependent variable. How to determine the regression coefficient is the probability value (Sig), then the probability value compared to the level of significance (α). Therefore, if the hypothesis is accepted criteria:

a) Sig value< α (0,05).
b) Regression coefficient in line with the hypothesis.

RESEARCH RESULTS AND DISCUSSION

General Description of Research Object

Objects in this study are all non-financial listedcompany on the Indonesia Stock Exchange (BEI) in 2012 to 2013, which has conducted using purposive sampling with variable Dependent: Risk Management Committee and Separate Risk Management Committee and the independent variables Proportion of Independent Commissioner, The size of the Board of Commissioners, Auditor Reputation, Corporate complexity, Risk Reporting, Leverage, Frequency Board Meeting, Profitability, Educational Background and Company size.

Descriptive Statistic

The table above shows the results of the descriptive statistics of variables of the study. Independent Commissioners variable with a mean value of 0.3989 indicates that the average proportion of board commissioner on non-financial companies in 2012-2013 amounted to 39.89% of the total members of the board commissioners. Variable size of the Board with a mean value of 4.78 indicates the average company that the sample has 5 person board of commissioners, the highest board of commissioners is 10 person and the lowest is 2 person. For Meeting Frequency variable with 5.19 ofmean value indicates that the sample company as an sample conducted internal meeting of the board of commissioners on average five times a year. As for the background variables commissioners with a mean value of 0.36 indicates that there are 36% of the company's chairman of the sample have a background in financial education and Auditor Reputation bisnis.Variabel mean of 1.9, which means the average Auditor used by companies the sample using the Auditor Ernest and Young and Delloite. For variable Financial Reporting Risk has a mean value of 0.2806 indicates that the company is the research samples, the average risk of financial reporting by 28.06%. For variable profitability has a mean value of 0.2786 indicates that the sample companies have an average profitability rate of 27.86% annually. For variable complexity shows that the average nonfinancial corporations 2012-2013 The sample has two business segments that are known from the mean value of 2.09. Additionally there is a company that only has one business segment and most have six business segments. For variable leverage discovered that the average non-financial companies had a debt level of 10.16%, which is known from the mean of 0.1016. Then to the variable size of the average company 21.9433 while the smallest is the highest is 11.6206 and 30.6324. For variable RMC known the results mean of 0.77, which means that there are 77% of companies that have the RMC of 156 non-financial companies into the sample. As for the result of SRMC mean is 0.10, which indicates that there are 10% of companies that already have SRMC of 156 non-financial companies are a sample of this research.

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Quality Data Test

Assessing Regression Model

The first step on assessing logistic regression is test to assess the feasibility of the regression model. The test is performed using the Hosmer and Lemeshow Test. The model is considered feasible if the Sig at Hosmer and Lemeshow Test is greater than alpha.

Based on test results Hosmer and Lemeshow Test for RMC found that Chi-square value of 3.557 with sig at 0.895. From the results could be obtained that the significant value is 0.895 > a (0.05) then dapatdisimpulkan feasible that the regression model is used to continue testing in this study. And for the test results Hosmer and Lemeshow Test for SRMC found that Chi-square value of 10.381 with a significance value of 0.239. From the results obtained that sig sebsar 0.239> a (0.05) it can be concluded that the regression model is used to continue testing feasible in this study.

Assessing the Overal Fit Model

In tables 4.5 and 4.6 of this testing to assess the model fit is done by comparing the value -2LL at the beginning (block number = 0) with -2LL value at the end (block number = 1). Impairment in the value of -2LL at the beginning (block number = 0) with -2LL value at the end (block number = 1) shows that the addition of independent variables into the model improve the model fit or in other words the hypothesized model fits the data.

From the test results indicate that the initial value of -2LL was 168,544 while the final value -2LL is 130,082. The impairment -2Log Likelihood (-2LL) shows a regression model that better or regression model fit to the data. As for the SRMC result of the test results indicate that the initial value of 103.172 -2LL while -2LL end has a value of 66.857. The impairment -2Log Likelihood (-2LL) this shows a regression model that better or regression model fit to the data.

Assessing The Coefficient of Determination (R^2)

This determination coefficient test is a test done to see how the ability of independent variables in explaining the variation change of the dependent variable (Siswanto, 2013). The coefficient of determination value is between zero and one. Results of testing the coefficient of determination can be viewed as follows:

Coefficient of Determination Test

Source : Output SPSS RMC

Coefficient of Determination Test

Source : Output SPSS SRMC

From the table shows that the value of Negelkerke's R^2 is 0.331 or 33.1%. This is indicate that RMC variable can be explained 33.1% by independent variables such as independent commissioner, size of commissioner board, education background of commissioner, meeting frequency, auditor frequency, financial statement risk, profitability, complexity, leverage and company size. Meanwhile, the rest 66.9% explained by other variables not examined. Meanwhile, for SRMC the value of Negelkerke's R^2 is 0.429 or 42.9%. This thing indicates that SRMC variable can be explained as 42.9% by independent variable that is independent commissioner, the size of board of commissioner, education background of commissioner, meeting frequency, auditor reputation, financial statement risk, profitability, complexity, leverage and company size and the rest is 57.1% explained by other variables not examined.

Multicolinearity Test (Correlation Matrix)

A good form of regression model is regression model that there is no correlation between the independent variable. To test we perform the multicolinearity test where the testing is done to determine whether there is a correlation between the independent variables. The test results both from RMC and SRMC indicates that there is no correlation between the independent variables because there is no value of the correlation coefficient greater than 0.90 it can be concluded that there was no indication of multicollinearity between independent variables in this study.

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Classification Table

The classification table shows the model's ability to predict the existence of RMC and SRMC company. The strength to predict the possibility the existencethe existence of RMC in the company is to 94.2%. This case shows that by using a regression model, there are 113 years of the company's books that were predicted by the RMC in the company of a total of 120 book company that owns RMC. While the strength of the model to predict the companies that do not have the RMC is to 36.1%, which means that the regression model is used, there were 13 observations predicted the company's books do not have the RMC in the company of a total of 36 observations of the company's books that do not have RMC. The strength of the model to predict possibility the existence of SRMC in the company is 37.5%. This case shows that by using regression models have 6 years of the company's books that were predicted SRMC in the company of a total of 16 books of companies that have SRMC. While the strength of the model to predict companies who do not have the SRMC is equal to 97.9%, which means that the regression model used books there are 137 companies that are predicted without SRMC in the company of a total of 140 books of companies that do not have SRMC.

Hypothesis Test

Tables 4.12and 4.13show the result of hypothesis test uses logistic regression.

RMC Hypothesis Tes

Based on table above then can be formulated regression equation as follow:

$\boldsymbol{LN\frac{RMC}{1-RMC}}$**= 0,504 + 3,945 (KI) -0,3 (UD) -0,036 (FR) -1,171 (LBPK) + 0,683 (RA) – 6,115 (RPK) – 0,188 (P) + 0,028 (K) + 7,448 (LV) -0,057 (UP) + ε**

Table 4.13

Based on table above then can be formulated regression equation as follow:

$\boldsymbol{LN\frac{SRMC}{1-SRMC}}$**= -8,395 - 5,418 (KI) + 0,485 (UD) +0,294 (FR) - 1,950(LBPK) + 0,387 (RA) – 10,007 (RPK) – 0,792 (P) + 0,322 (K) + 15,486 (LV) + 0,160 (UP) + ε**

DISCUSSION

The Proportion of Independent Commissioner Toward The Existence of RMC and SRMC

The test results for the variable proportion of independent commissioners H1 (a) and H1 (b) indicates that the variable proportion of independent commissioners does not significantly affect the existence or RMC SRMC. The results support the results of research conducted by Andraini and Januarti (2010) who found that the proportion of independent commissioners did not affect the formation of RMC. The results of this study also was supported by the results of Pratika (2011) who found the same thing that the independent directors were not statistically associated with the presence of RMC.

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The Size of Commissioner Board Toward The Existence of RMC and SRMC

The test results for the variable size of the board of commissioners toward RMC H_2 (a) indicates that the board size affects the existence of RMC. The results are consistent with the results of research conducted by Chen et al (2009) who found that the size of the board positive and significant impact on the establishment of a risk management committee. These results are also supported by Subramaniam et al (2009) who found the same thing. As for testing the board size variable to the SRMC H_2 (b) found results that board size does not significantly influence SRMC. the results of this study also supported by the results of research conducted by Ratnawati (2013), which also found that board size does not significant to SRMC.

The Meeting Frequency of Commissioner Board Toward The Existence of RMC and SRMC

The test results for the variable frequency of board meetings toward the RMC H_3 (a) shows that the frequency of board meetings does not affect the existence or whereabouts RMC or SRMC H_3 (b). Awareness of the company to form the RMC as a stand-alone committee based on the risks facing the company is not based on the high and low intensity of board meetings. It can be concluded that the level of intensity of board meetings not be the primary consideration of the board to form the RMC. The results are consistent with research conducted by Meiranto (2013) who found a statistically establishment of RMC does not influenced by the meeting of the Board of Commissioners.

Education Background of Prior Commissioner Toward The Existence of RMC and SRMC

The test results for the variable educational background of the commissioner toward RMC H_4 (a) and SRMC H_4 (b) indicates that the commissioner of education background affect the existence or RMC and SRMC. These results are consistent with research conducted by Sudiartana (2011) who found that the educational background of the board members positively influence on voluntary disclosure. Because if the commissioner's educational background is related to the business and financial world will be able to better understand the risks that will arise that affect the existence of RMC and SRMC.

Auditor Reputation Toward The Existence of RMC and SRMC

The test results for the variable Auditor Reputation on the existence of RMC H_5 (a) indicates that the auditor's reputation affects the existence of this is due to the firm RMC Bigfour encourage clients to improve the quality of their internal controls. The results of this study support previous research conducted by Yatim (2009) and Pratika (2011) who found that companies whose financial statements are audited by Bigfour Public Accounting tend to establish RMC. While the results for the SRMC Auditor Reputation H5 (b) rejected the results, these results are consistent with the results found by Ratnawati (2013) who found that the reputation of the auditor is unable to determine the existence or SRMC. This is because the Auditor Reputation of Bigfour may only be used in order to raise their reputation as audited by KAP Bigfour.

The Risk of Financial Statement Toward The Existence of RMC and SRMC

The test results of the Financial Reporting Risk variables H_6 (a) H_6 (b), shows that the financial reporting risk significant positive effect on the existence of RMC and does not affect the existence SRMC. These results indicate that the financial reporting risk can determine the presence of RMC, but can not determine where SRMC. This is because the company with high proportion of assets receivables and inventories will tend to tighten monitoring high risk because of risk of financial reporting is higher (Koroses and Horvat 2005 in Subramaniam et al, 2009). Nonetheless, this does not apply to SRMC for the supervision of financial reporting risks other than own their firm RMC committee also must have an audit committee that helps control, so it does not affect the formation of SRMC.

Profitability Toward The Existence of RMC and SRMC

The test results of the variable profitability toward the existence of RMC H_7 (a) and SRMC H_7 (b) showed no effect on the profitability toward RMC and SRMC. The results support the results of research conducted by Mubarok (2013) who found that the level of profitability does not affect the risk disclosure. In addition, research conducted by Siswanto (2013) also found the same thing where the level of profitability does not affect the risk management disclosure. This is because when the company already has a high profitability then they do not need to form this committee, because it can interfere with the success of their businesses. Therefore it is unlikely to form a committee on the risks undertaken by the company which has had a big profit.

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The Complexity of Company Toward The Existence of RMC and SRMC

Tests on the complexity of the company with the existence of variable RMC H_8 (a) and SRMC H_8 (b) shows the result of the complexity of the company there was no effect on the existence of RMC and SRMC. These results are consistent with research conducted by Ratnawati (2013), Pratika (2011), Setyarini (2011), Andraini & Januarti (2010), and Subramaniam (2009) who found that the complexity of the company's business is not significant to the existence of RMC. This is because not necessarily the number of diverse business segments does not guarantee the increasing complexity of business activities, so that the level of risk that arise are not so influential and does not require the presence of RMC and SRMC.

Leverage Toward The Existence of RMC and SRMC

The leverage test results toward the presence of RMC H_9 (a) and SRMC H_9 (b) indicates that there are significant leverage to the existence of RMC and SRMC. Companies that have a proportion of long-term liabilities greater risk greater financial (Goodwin and Kent, 2006). Reasons leverage effect on the existence or RMC SRMC because of the higher leverage that is the risk that appears to be greater so that the creditors as the lender is more likely to ask in order to better oversight.

Company Size Toward RMC and SRMC

The testing of variable company sizetoward the presence RMC H_{10} (a) and SRMC H_{10} (b) shows there is no influence complexity of company on monitoring toward the result of the complexity of the company there was no effect on the existence of RMC and SRMC. This is due to the company in control of risk can still be done by other committees without establishing a risk management committee. Because if the small companies formed this committee will only swell the burden for the company.

RESEARCH CONCLUSION, SUGGESTION AND LIMITATION

Conlcusion

This study aims to determine "Factors affecting Sparate Risk Management Committee and Risk Management Committee on non-financial companies BEI. Based on data analysis and discussion, we concluded that the educational background of the board of commissioner and leverage significant effect on RMC and SRMC, then to the size of the board, auditor reputation, and financial reporting risks affect the RMC but does not affect the SRMC, while for the independent commissioner, frequency of meetings commissioners, profitability, complexity, and the size of the company does not significantly influence the RMC and SRMC.

Suggestion

Based on the research that has done, there are some suggestions that can be given by researchers, to obtain better research further researcher should expand the period of research so it can provide better results. Future studies are expected to include other variables that may affect the Risk Management Committee and Separate Risk Management Committee. Further research in order to try to change the data collection method or the other to better get results that can support previous research.

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