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The Effect of the Board of Commissioners and Audit Committees Effectiveness on Internet Financial Reporting

Robert Jao[1], Mediaty[2], Djabir Hamzah[3], Kevin Winar[4], Abdul Rakhman Laba[5]

[1,4]Faculty of Economics and Business, Atma Jaya Makassar University, [1]E-mail: jao_robert@hotmail.com
[2,3,5]Faculty of Economics and Business, Hasanuddin University

Abstract

The aim of this study was to investigate the effect of the board of commissioners' effectiveness and audit committees effectiveness on internet financial reporting (IFR). This study used samples from the financial company listed in Indonesia Stock Exchange with a purposive sampling technique. The research data was collected from the company's annual report and website and in 2017. The method of data analysis was multiple linear regressions. The results of this study indicated that the board of commissioners' effectiveness had no significant effect on internet financial reporting whereas audit committee effectiveness had a positive and significant influence on internet financial reporting.

Key words Internet Financial Reporting, Board of Commissioners Effectiveness, Audit Committees Effectiveness

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1. Introduction

The company is required to improve the ability to disclose company information in the form of financial and non-financial information to meet the information needs of users. The company must communicate the information on time. When there is an undue delay in disclosure, the information will not be relevant (Institute of Indonesia Chartered Accountants, 2015). The company should disclose information faster so the users can use the information in decision-making (McGee and Yuan, 2008). Traditionally the company discloses information to stakeholders using a paper-based reporting system. However, in the last two decades, the company has been using internet media as a means of reporting (Puspitaningrum and Atmini, 2012).

The use of the internet makes the disclosure of financial and non-financial information easier, faster and more flexible that can be accessed by anyone, at any time and anywhere (Kelton and Yang, 2008). The number of internet users in the world is increasing to 4.2 billion users. This number represents 55.1% of the world's population. Specifically, internet users in Indonesia are around 143.26 million users of a population of 266,794,980, representing 53.7% of the Indonesian population (Internet World Stats, 2018). The number of internet users shows that information users will be able to access company information easily through the website. Information disclosed through the company's website will facilitate and expand access through the internet.

Disclosing information widely through internet media is known as internet financial reporting (IFR) (Lai *et al*., 2009; Abdillah 2016a; Bin-Ghanem and Ariff, 2016). The concept of IFR requires the company to create a personal website which is used not only as promotional media but also to disclose other information related to the company whether it is financial or non-financial. Wardhanie (2012) considers IFR as an effective communication tool for shareholders, customers, and other information users. Information disclosed in IFR should reflect the actual condition of the company completely and comprehensively so the information can be useful. This information disclosure will affect investor and other stakeholders' trust in the company because it is closely related to transparency and it reduces information asymmetry.

Corporate governance frameworks must ensure the information is disclosed accurately and on time to all interested parties (Sayidah *et al*., 2016), because corporate governance includes a series of mechanisms or processes to ensure management (agents) only works in the best interests of shareholders and stakeholders (Siagian *et al.,* 2013). Corporate governance mechanisms can improve transparency and accountability in the disclosure of company's information. Corporate governance mechanisms are designed to control the information asymmetry, overcome agency problems, and ensure management activities are aligned with the interests of shareholders (Puspitaningrum and Atmini, 2012). One way to reduce this information asymmetry is the disclosure of information through the website (Lai *et al*., 2009).

Effective commissioners as corporate governance mechanisms play a role as supervisors of management performance and internal control. Widyati (2013) stated that the board of commissioner functions in supervising the management since it proceeds to protect the interests of shareholders. The strict supervision of the board of commissioners reduces the possibility of management to hide certain information for personal gain. Moreover, the independent board of commissioner encourages management to disclose the information more clearly and transparently in order to improve the quality of corporate disclosure policies through the implementation of IFR.

An effective board of commissioners can establish a good corporate governance mechanism because the board of commissioners must ensure that the principles of good corporate governance are applied to the company so that the business continuity of the company is achieved. Bin-Ghanem and Ariff (2016) stated that the effectiveness of the board of commissioners can be measured by size, independence, the number of meetings, and it has three boards (Audit, Remuneration, and Nomination). The small size of the board of commissioners can improve performance in discussions and coordination and reduce the potential for 'free rider' that prevents the board to function effectively (Fadila and Rahadian, 2013). An independent board of commissioners also shows that supervision is not only for the benefit of shareholders but also for all stakeholders (Puspitaningrum and Atmini, 2012). The frequency of board meetings also shows that the board of commissioners has more intensity in preventing problems that might occur by discussing the problems faced by the company. When the four characteristics of the board of commissioners are fulfilled, it indicates that the board of commissioners is carrying out their duties effectively.

Research on the relationship between the effectiveness of the board of commissioners and IFR has not found consistent results. Puspitaningrum and Atmini (2012) found that independent commissioners could not increase IFR. Abdillah (2016b) found the size of the board of directors had a significant positive effect on IFR, while the independence and activity of the board of commissioners did not have a significant effect on IFR. Puri (2013) found the activity and independence of the board of commissioners had a positive but insignificant effect on IFR, but the size of the board of commissioners had no effect on IFR.

Other corporate governance mechanism is audit committees (Al-Matari *et al*., 2012). Wedari (2016) stated that the audit committee is a committee formed by the board of commissioners of a company, which is responsible to financial reporting and auditing. The audit committee functions to "oversighting and monitoring" the company's financial statements. It also functions in the monitoring process which involves management (Prastiti and Meiranto, 2013). The audit committee supervises the company's financial reporting process so that the financial statements are managed with quality and objectivity. The effectiveness of the audit committee as a corporate governance mechanism is able to prevent information asymmetry and to show that the company's financial statements can be trusted and verified. The audit committee encourages management to disclose its financial statements more openly and broadly through the implementation of IFR so that information in the form of financial statements provided by management becomes clear to stakeholders, especially shareholders and other stakeholders.

The effectiveness of the audit committee is based on four characteristics, including size, independence, expertise in the financial field, and the number of meetings (Bin-Ghanem and Ariff, 2016).

Badolato *et al.* (2014) stated that the size of the audit committee is more likely to improve the quality of the company's internal controls so the audit committee becomes more effective in supervising. The independence and expertise of the audit committee will also improve the supervision of management and increase the quality of the financial reporting produced (Botti *et al*., 2014). Audit committees that often meet indicate there will be more discussion of the company's financial statements, hence the problems can be minimized (Kelton and Yang, 2008). When all four characteristics of the audit committee are met, it can indicate that the audit committee is carrying out its duties effectively.

Bin-Ghanem and Ariff (2016) found that the effectiveness of committees had a significant effect on IFR implementation. In line with this, Kelton and Yang (2008) showed that the number of meetings and financial expertise of the audit committee had an influence on IFR implementation. Abdillah (2016a) also found that the audit committee's financial expertise had a significant positive effect on IFR implementation but the number of audit committee meetings had no significant effect on IFR.

This study focuses on banking companies listed on the Indonesia Stock Exchange. The banking sector is a business that has characteristics in its management. Banking companies collect and distribute funds to the public so they emphasize the importance of trust, prudence, and openness. OJK Regulation Number 55/POJK.03/2016 also emphasizes that banks need to apply corporate governance principles which are realized in the transparency of financial and non-financial conditions. IFR is seen as one of the media for information disclosure of banking companies to reduce the occurrence of information asymmetry. This information disclosure is expected to be achieved through an internal corporate governance mechanism which consists of the board of commissioners and audit committees that run effectively.

2. Literature review

2.1. Agency Theory

Jensen and Meckling (1976) defined agency relations as a contract, in which one or more individuals namely principals (investors), hire individuals or other organizations, namely agents, to carry out a number of services and delegate the authority to make decisions on the agents. Agency theory states that if both parties try to maximize their respective utilities, then there is strong reason to believe that the agent will not always act in the interests of the principal.

In an effort to overcome or reduce agency problems, it raises the agency costs that will be guaranteed by both the principal and the agent. Jensen and Meckling (1976) divided agency costs into monitoring costs, bonding costs, and residual loss.

1. Monitoring cost is the cost borne by the principal to monitor agent behavior which are to measure, observe and control agent behavior.
2. Bonding cost is the cost borne by the agent to determine and conform with a mechanism that guarantees that the agent works in the interests of the principal.
3. Residual loss is a sacrifice in the form of reduced principal prosperity as a result of differences in agent decisions and principal decisions.

Eisenhardt (1989) argues that the unit of analysis of agency theory is a contract that regulates the relationship between principal and agent, so the focus of this theory is on determining the most efficient contracts governing principal and agent relations, which are based on 3 assumptions, namely:

1. Assumptions about human nature

Assumptions about human nature emphasize that humans have a tendency to be self-interested, have bounded rationality, and avoid risk (risk aversion).

2. Assumptions about organization

Organizational assumptions suggest conflicts between organizational members, efficiency as productivity criteria, and information asymmetry between principals and agents.

3. Assumptions about information

Assumptions about information suggest that information is considered as a commodity that can be traded.

2.2. Corporate governance

As stated by the Forum for Corporate Governance in Indonesia (FCGI), corporate governance is a set of rules governing the relationship between shareholders, managers of the company, creditors, government, employees and other internal and external stakeholders related to their rights and obligations or in other words, a system that regulates and controls the company. The implementation of corporate governance in a company is very important as it is one of the processes to maintain the sustainability of the company's business in the long run because it prioritizes the interests of the shareholders and stakeholders. With the importance of corporate governance, the company needs the implementation of Good Corporate Governance. According to the general guidelines of Indonesia's Good Corporate Governance issued by the National Committee on Governance Policy (KNKG) (2006), good corporate governance has five pillars, namely transparency, accountability, responsibility, independence and fairness.

a. *Transparency*

To support objectivity in running a business, companies must supply material and relevant information in ways that are easily accessible and understood by stakeholders. The company must take the initiative to communicate not only the problems required by the legislation, but also things that are fundamental for decision making by shareholders, creditors and other stakeholders.

b. *Accountability*

The company must be responsible for its performance transparently and fairly. Thus, the company must be managed and measured correctly and it should be in line with the attention of the company while still taking into account the interests of shareholders and other stakeholders. Accountability is a prerequisite that is needed to achieve sustainable performance.

c. *Responsibility*

Companies must obey the laws and carry out responsibilities to the community and the environment so they can keep business continuity in the long run and gain recognition as good corporate citizen.

d. *Independency*

Companies must be organized independently to acclerate the implementation of GCG principles, so each organ of the company does not dominate each other and cannot be interceded by other parties.

e. *Fairness*

In carrying out its activities, companies must always pay attention to the interests of shareholders and other stakeholders based on the principle of fairness and equality.

2.3. Board of Commissioners

The board of commissioners in the company's internal control system particularly has the responsibility to carry out the functions of the company as a mechanism to provide an early warning system so the company will resume operating properly before a crisis. With the existence of a board of commissioners in a company, the opportunistic behaviors of management can be limited (Prastiti and Meiranto, 2013). The board of commissioners as part of corporate governance is a board formed to improve the company's performance through supervision or monitoring of management performance to ensure management accountability on shareholders and stakeholders. Duties and responsibilities of the board of commissioners regulated by the OJK Number 33/ POJK.04/2014 as follows:

a. Supervise and be responsible for supervising management policies and advising the Directors.

b. The Board of Commissioners must hold an annual general meeting of shareholders

c. The Board of Commissioners must carry out their duties and responsibilities in good faith, full of responsibility and prudence.

d. To support the effectiveness of the implementation of its duties and responsibilities, the Board of Commissioners must establish an Audit Committee and it can form other committees.

e. The Board of Commissioners is required to evaluate the performance of the committee that assists the implementation of their duties and responsibilities at the end of the financial year.

The board of commissioners is seen as a solution between management and shareholders. The board size shows the number of councils in charge of monitoring the quality of information contained in financial statements (Nasution and Setiawan, 2007). Independence of the board of commissioners is a board that is not an entity management. Independent commissioners have a vital role in supervising the accounting process in improving the reliability of financial statements (Puspitaningrum and Atmini, 2012). This will reduce the possibility of cheating in presenting financial statements that may be carried out by management, because supervision carried out by members of the commissioner is better and free from various internal interests within the company.

The frequency of board meetings included the number of meetings conducted by the board of commissioners in evaluating management performance and assessing business prospects carried out by management in the future (Brick and Chidambaran, 2010). In carrying out its duties, the general structure of the board of commissioners is divided into three committees, namely nominating, audit, and compensation (Klein, 1998). The board of commissioners in the company is expected to be able to maximize their duties in supervising management hence it can be trusted by shareholders, stakeholders, and also potential investors.

2.4. Audit Committees

The audit committee is a committee formed by the board of commissioners of a company and charged on the matters of financial reporting and auditing (Wedari, 2016). The duties and responsibilities of the audit committee are regulated by the OJK Number 55/ POJK.04/2015 as follows:

a. Reviewing the financial information that will be issued by the Issuer or Public Company.

b. Reviewing compliance with laws and regulations relating to the activities of Issuers or Public Companies.

c. Providing independent opinions in the event of disagreements between management and accountants for the services they provide.

d. Providing recommendations to the Board of Commissioners regarding the appointment of an Accountant based on independence, scope of assignment, and compensation for services.

e. Reviewing the implementation of audits by internal auditors and overseeing the implementation of follow-up by the Board of Directors on the findings of internal auditors.

f. Reviewing the risk management activities carried out by the Board of Directors.

g. Reviewing complaints relating to the accounting and financial reporting processes of the Issuer or Public Company.

h. Reviewing and providing advice to the Board of Commissioners regarding the potential conflict of interest of Issuers or Public Companies.

i. Maintaining the confidentiality of documents, data and information of Issuers or Public Companies.

The audit committee carrying out its duties would lead to the better company's financial reporting because its main purpose is to improve the quality of financial reporting by detecting fraud (Wedari, 2016). the audit committee is also responsible for the internal control and the implementation of good corporate governance (Puspitaningrum and Atmini, 2012).

The more members of audit committees will show the existence of audit committee status and increase their role in supervising so the company's internal control is better (Zhang *et al*., 2007). In addition, the existence of an independent audit committee that does not have a particular interest in the company will be able to increase the quality of the company's financial reporting (Botti *et al*., 2014).

The frequency of audit committee meetings shows the persistence of the audit committee. This implies that audit committees that often meet are more diligent in carrying out their duties. With the higher the frequency of meetings, the problems that might occur can be prevented. Audit committee expertise must be owned by the audit committee to function effectively in ensuring financial reporting quality so it can reduce agency problems between management and shareholders (Abdillah, 2016a).

2.5. *Internet Financial Reporting* (IFR)

The internet is an important medium for information disclosure so it is expected to improve company communication with stakeholders and specifically investors. IFR is one of the voluntary disclosures made by the company to disseminate information through the website (Pernamasari, 2019). IFR is the inclusion of corporate financial information through the internet or website (Lai *et al*., 2009). This voluntary disclosure is beneficial since it reduces printing costs and posting of annual reports, it has wider access than traditional practices (Kelton and Yang, 2008).

Ashbaugh *et al.* (1999) stated that an important element of IFR is the degree or quantity of disclosure. The internet is an important medium for information disclosure because it has advantages such as pervasiveness, borderlessness, real-time, low cost, and high interaction.

The higher impact of disclosure on investor decisions will be if the company disclose more information, in quantity or transparency, The internet can be integrated with text, numbers, images, animation, videos and sound, so financial reporting becomes faster and easier, accessible to anyone, anytime and anywhere by the use of internet. The internet also makes the presentation of financial information more cost-effective because the company does not incur costs to print financial statements or costs for the distribution of financial statements that are not in one geographical area (Lai *et al.,* 2009).

The use of IFR in terms of conveying company information has been regulated through OJK regulation Number X.K.6 with an attachment to the Decree of the Chairman of Bapepam-LK Number KEP-431/BL/2012 concerning Submission of Annual Reports of Issuers or Public Companies. Therefore, the application of IFR has become mandatory to be carried out especially since the issuance of OJK Regulation Number 8/POJK.04/2015 concerning sites owned by public companies. The latest changes of POJK Number 32/POJK.03/2016 was relating to publication and transparency of bank reports.

Extensive internet adoption and broad information demands from stakeholders make companies use the internet in business and financial disclosures. Internet reporting will have benefits with low costs, wider reach, frequency and speed so it can disclose company information more broadly (Debreceny et al., 2002). By using IFR, a more complete form of presentation will help investors to understand the purpose and objectives of the company regarding the completeness of the information contained therein.

2.6. Prior Research

Puspitaningrum and Atmini (2012) examined the effect of corporate governance mechanisms on the level of information disclosure through IFR. The independent variable in this study was corporate governance, while the dependent variable was IFR. In this study, corporate governance was proxied to be an ownership structure, an independent commissioner, and the characteristics of the audit committee. The samples consist of 95 Indonesian companies listing on the Indonesia Stock Exchange (IDX) in 2010. The results of this study indicate that only the frequency of audit committee meetings affects IFR disclosure. While independent commissioners, audit committee members who have financial expertise, managerial ownership, and block holder ownership do not affect IFR disclosures.

Abdillah (2016a) examined the effect of the effectiveness of the audit committee and internet financial reporting using control variables, namely the size of the company. The independent variable in this study was the effectiveness of the audit committee which was proxied by the size, number of meetings, and the financial expertise of the audit committee while the dependent variable was IFR. The samples in this study were 102 manufacturing companies listed on the Stock Exchange in 2013. The results of this study indicate that the size of the audit committee and the financial expertise of the audit committee have a positive and significant effect on IFR. Conversely, the number of audit committee meetings did not have a significant effect on IFR. Meanwhile, company size has a positive and significant effect on IFR.

Abdillah (2016b) examined the characteristics of the board of commissioners and internet financial reporting. The independent variables in this study were the characteristics of the board of commissioners which were proxied to be the size, independence and activity of the board of commissioners while the dependent variable was IFR. The samples in this study were 102 manufacturing companies listed on the Stock Exchange in 2013. The results of this study show that the number of the board of directors has a significant positive effect on IFR. The independence and activities of board of commissioners have no significant effect on IFR.

Bin-Ghanem and Ariff (2016) conducted research on the effectiveness of the board of commissioners and the effectiveness of the audit committee on internet financial reporting. The effectiveness of the board of commissioners was proxied to be the size, independence, number of meetings, and board of commissioners, while the effectiveness of the audit committee was proxied to be the size, independence, expertise in the financial field, and number of meetings. The samples in this study were 152 companies registered in the GCC Country in period of 2012. The results of this study indicate that the effectiveness of the board of commissioners and the effectiveness of the audit committee have a significant effect on internet financial reporting.

Sayidah et al. (2016) conducted research on the effect of corporate governance on internet financial reporting. This study aimed to examine the influence of corporate governance and internet financial reporting on the Indonesian manufacturing sector with control variables of firm size and profitability. There were 24 companies with criterias; listed in the IICG survey with CGPI 2012 scores and had a website and published the 2011 financial report. The analysis technique used was multiple linear regression. The results of this study indicate that internet financial reporting is influenced by the quality of corporate governance, but is not influenced by company size and profitability.

2.7. Framework

Jensen and Meckling (1976) stated that in agency theory, if both parties try to maximize their respective utility, then there is a strong reason to believe that the agent will not act in principal interests. Differences in interests between agents and principals may lead to the possibility that agents take actions that harm the principal. The principals expect that management will act in accordance with their interests, therefore an effective supervision mechanism of the board of commissioners and audit committee can ensure that management carries out its duties for the interests of the principal. Effective commissioners and audit committees can encourage internet financial reporting to reduce information asymmetry. The information produced by the company must be clear not only for shareholders but also for stakeholders and potential investors. Through the application of internet financial reporting, all information can be easily accessed without limitation of time or place. The effectiveness of the board of commissioners and audit committee in maximizing the company's capabilities and reducing information asymmetry, through internet financial reporting will show the quality of the company.

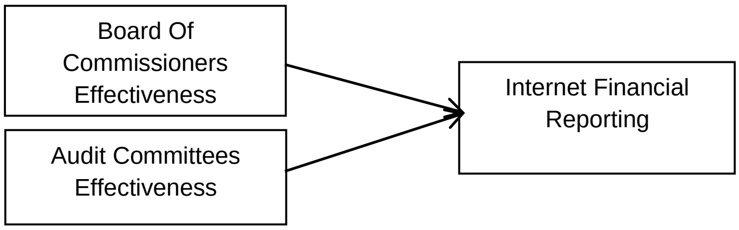

Figure 1. Theoretical Framework

The board of commissioners is responsible for supervising and advising management. The board of commissioners is appointed by the shareholders at the GMS. The effectiveness of the board of directors has an important role in minimizing the agency's conflict. The characteristics of the board of commissioners are related to the ability of the board of commissioners to supervise and advise management. The characteristics of the board of commissioners will show the level of effectiveness of the board of commissioners in encouraging the implementation of IFR by the company. The effectiveness of the board of commissioners as a corporate governance mechanism will prevent information asymmetry that can arise from management. One of the effectivenesses is the urge to make disclosure more clearly and transparently. The board of commissioners who supervises management effectively will encourage management to improve the quality of the company's disclosure policies through the application of IFR levels.

The results of the research conducted by Bin-Ghanem and Ariff (2016) show that the effectiveness of the board of commissioners consisting of board size, independence, activity and committee had a significant effect on the application of IFR. Abdillah (2016b) found that the size of the board of directors had a significant positive effect on IFR while the independence and activity of the board of commissioners did not significantly influence the implementation of IFR. Meanwhile, Puri's (2013) study that investigated the activity and independence of the board of commissioners showed a positive but not significant effect on IFR while the size of the board of directors had a negative effect on IFR.

H1: The effectiveness of the board of commissioners has a significant effect on internet financial reporting

The audit committee appears as a board that is in charge of representing and assisting the board of commissioners to supervise the accounting and financial reporting process, audit financial statements and internal controls, and audit functions. The effectiveness of the audit committee as a corporate governance mechanism also has the ability to prevent information asymmetry which plays a role in showing that the company's financial statements can be trusted and verified. The audit committee can encourage management to disclose its financial statements more openly and broadly through the application of IFR so information in the form of financial reports provided by management becomes clear to stakeholders, especially shareholders and potential investors.

Research conducted by Bin-Ghanem and Ariff (2016) shows that the effectiveness of the audit committee consisting of size, independence, financial expertise, and the number of audit committee meetings had a significant effect on the application of IFR. Research conducted by Kelton and Yang (2008) shows that the number of meetings and financial expertise possessed by the audit committee has an influence on the application of IFR. While Abdillah (2016a) found that the audit committee's financial expertise had a significant positive effect on IFR implementation, the number of audit committee meetings had no significant effect on IFR.

H2: The effectiveness of the audit committee has a significant effect on internet financial reporting

3. Methodology o research

This study aims to examine the effect of effectiveness of the board of commissioners and audit committee on Internet Financial Reporting. This study uses data from 40 banking companies listed on the Indonesia Stock Exchange in 2017. Data is obtained from annual reports and websites of each company.

Internet Financial Reporting (IFR) is a form of voluntary disclosure by utilizing a website. IFR is the disclosure of corporate financial information through the internet or website (Lai *et al*., 2009). The quality of IFR depends on the website technology used by the company and presents information in accordance with the IFR index (Pernamasari, 2019). IFR can be measured by observing the official website of each company. The model used in measuring the quality of information disclosure through the company's website refers to Cheng (2000) which was later modified by Almilia (2009). The item disclosure assessment is based on four dimensions including the contents of 25 items with a percentage of 40%, timeliness of 8 items with a percentage of 20%, technology of 9 items with a percentage of 20%, and support of user as many as 13 items with a percentage of 20%. If the assessed item is on the company's website, a score of 1 will be given and 0 is given if it is not on the website.

The board of commissioners is a party that receives delegations of authority from shareholders collectively to supervise management works. The board of commissioners has an obligation to maintain the long-term success of the corporation in the interests of shareholders and creditors. The elements of this obligation are divided into: (1) the obligation to make or delegate informal decisions, (2) the obligation to achieve corporate goals rather than personal interests, (3) the obligation to trust and be dedicated to corporate and shareholder interests, and (4) obligation to avoid damaging shareholder value. The measurement of the effectiveness of the board of directors refers to the research of Bin-Ghanem and Ariff (2016) as follows:

Table 1. Board of Commissioners Effectiveness

Board Size	Scored "1" if the average number of members on the board is less than the sample median and "0" otherwise.
Board independence	Scored "1" if the average proportion of outside directors on the board is equal to or higher than the sample median and "0" otherwise.
Board meetings	Scored "1" if the average of meeting numbers held by the board during the year is equal to or higher than the sample median and "0" otherwise.
Board committee	Scored "1" if the company has three committees – nominating, audit and compensation and "0" otherwise.
Board of commissioners' effectiveness	Board effectiveness is ranging from "0-1" with a higher score indicating a higher effectiveness of the board directors.

Source: Bin-Ghanem dan Ariff (2016)

The audit committee is a component of corporate governance that carries out supervision over the processes of corporate financial reporting, internal control, and independent auditors. The audit committee can improve the board's ability to focus intensively in the area of financial reporting, and guarantee that the company's financial disclosures are reasonable and accurate. The measurement of audit committee effectiveness refers to the research of Bin-Ghanem and Ariff (2016) as follows:

Table 2. Audit Committee Effectiveness

AC size	Scored "1" if the average number of members on the audit is equal to or higher than the sample median and "0" otherwise.
AC Independence	Scored "1" if the average proportion of outside members on the committee is equal to or higher than the sample median and "0" otherwise.
AC financial expertise	Scored "1" if the percentage of financial experts on the audit committee is equal to or higher than the sample median and "0" otherwise.
AC meetings	Scored "1" if the average of meeting numbers held by the members during the year is equal to or higher than the sample median and "0" otherwise.
Audit committee effectiveness	Audit committee effectiveness is ranging from "0-1" with a higher score indicating a higher effectiveness of the audit committee.

Source: Bin-Ghanem dan Ariff (2016)

The study uses multiple linear regression analysis methods. The regression equation is as follows:

$$IFR = \beta_0 + \beta_1 \, BCEFF + \beta_2 \, ACEFF + \boldsymbol{\varepsilon} \quad (1)$$

Where:
IFR = *Internet Financial Reporting*; BCEFF = Board of commissioners' effectiveness
ACEFF = Audit committee effectiveness; β_0 = Constant; β_1 - β_1 = Coefficients; $\boldsymbol{\varepsilon}$ = *Error.*

4. Findings and Discussions

Descriptive statistics provide an overview of the variables of the board of commissioners' effectiveness, audit committee effectiveness, and IFR that consist of the average (mean), minimum, maximum, and standard deviation values.

Table 3. Descriptive Statisctics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Board of commissioners' effectiveness	40	0,25	1,00	0,7000	0,1977
Audit committee effectiveness	40	0,25	1,00	0,7188	0,2277
Internet Financial Reporting	40	0,3210	0,6827	0,5200	0,0901

Source: Output SPSS (2018)

Scores for independent variables range from 0-1, where a high score indicates more effective broad of commissioners and audit committees. The effectiveness of the board of commissioners in the sample company has an average of 70% with a standard deviation of 0.1977. This shows that the effectiveness of the board of commissioners is quite high. The effectiveness of the audit committee in the sample company has an average of 71.88% with a standard deviation of 0.2277. This also shows that the audit committee's effectiveness is quite high. The sample index of corporate IFR disclosure consisting of content, timeliness, technology, and user support has an average of 0.5200 with a standard deviation of 0.0814.

Table 4. Multiple Linear Regression Result

Variable	Coefficient	Std. Error	t-statistic	Prob
Board of commissioners' effectiveness	0.037	0.072	0,515	0,609
Audit committee effectiveness	0.159	0.063	2,543	0,015

Source: Output SPSS (2018)

The effectiveness of the board of commissioners has an effect of 0.037 and a significance level of 0.609. These results indicate the effectiveness of the board of commissioners has a positive but not significant effect on IFR. Thus, H1 which states that the effectiveness of the board of directors has a significant effect on internet financial reporting is rejected. Disclosure of information through the company's website is only seen as voluntary disclosure of information so it has not become a top priority for the board of commissioners to encourage management in disclosing the information. The company will only publish important information that is considered to affect investor perceptions of the company.

The board of commissioners who have been effective in supervising and advising the directors will consider limiting information disclosure because it can cause harm to some parties (Siagian and Ghozali, 2012). Disclosure of information through IFR provides an opportunity for competitors to easily obtain and analyze company information. Competitor companies can find out weaknesses in terms of performance and financial condition of the company. The results of the study are in line with Puri's (2013) study which found that the board of commissioners had no significant effect on IFR. This result is also in line with Abdillah's research (2016b) which found that the independent board of commissioners and the activities of the board of commissioners did not have a significant influence on IFR.

The effectiveness of the audit committee has an effect of 0.159 and a significance level of 0.015. This result shows the effectiveness of the audit committee has a positive and significant effect on internet financial reporting. Thus, H2 which stated that the effectiveness of the audit committee has a significant effect on internet financial reporting is received. The audit committee plays a role in supervising the financial reporting process made by management (agents) so it increases the reliability of the company's financial statements. The audit committee in supervising the company's financial statements will produce financial statements that show the company's fundamental conditions (Choi *et al.,* 2014)

The effectiveness of the audit committee as a corporate governance mechanism can prevent information asymmetry that indicates that the financial statements can be trusted and verified. The audit committee can encourage management to more openly disclose its financial statements through the application of IFR. The effectiveness of the audit committee can control management both in terms of financial reporting quality and the company's internal control system, including realizing information disclosure. Disclosure of financial information will support the company in gaining trust from investors and the public towards the company's business.

This will affect the disclosure of financial information carried out by the company, causing IFR disclosure increases. The results of this study are consistent and in line with the research conducted by Kelton and Yang (2008) which found that the effectiveness of the audit committee will affect the company in conducting information disclosure policies through internet financial reporting, but this research is contradictory to the research conducted by Abdillah (2016a) who found that Audit committee effectiveness has a positive but not significant effect on IFR.

5. Conclusions

The effectiveness of the board of directors has a positive but not significant effect on internet financial reporting. The board of commissioners has worked effectively to assume IFR practices are still voluntary so it has not become a top priority for the board of commissioners to encourage management to disclose financial information through the website. The effectiveness of the audit committee has a positive and significant influence on internet financial reporting. The audit committee has a role in reviewing the financial information that will be issued by the company which increases the reliability of the company's financial information. The audit committee that works effectively can reduce information asymmetry and improve information disclosure by encouraging management to disclose its financial statements through IFR implementation.

The existence of transparent information disclosure can be one way to create efficient contracts between principals and agents and monitor agent performance. The company discloses financial information through the company's website as a broader form of disclosure in order to avoid information asymmetry. This makes it easier for investors and other users to obtain information more quickly and easily. Companies that have good governance will be more transparent in terms of information. The component of corporate governance that is directly related to monitoring the company's financial information is the audit committee. An effective audit committee will encourage companies to disclose the financial statements through IFR.

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