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The Roles of The Board of Commissioner in Moderating Factors Affeting The Disclosure Of Enterprise Risk Management

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Abstrak

Tujuan penelitian ini adalah untuk menganalisis pengaruh kepemilikan institusional, kepemilikan manajemen, kepemilikan publik, ukuran perusahaan, dan leverage terhadap pengungkapan enterprise risk management dengan ukuran dewan komisaris sebagai variabel moderating. Populasi penelitian adalah 434 perusahaan non keuangan yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2013-2015. Pemilihan sampel menggunakan teknikpurposive samplingdiperoleh 58 perusahaan dengan 174 unit analisis. Teknik analisis menggunakan uji regresi moderasi dengan uji nilai selisih mutlak. Hasil penelitian ini menunjukkan bahwa kepemilikan institusional, kepemilikan manajemen, kepemilikan publik, ukuran perusahaan, dan leverage tidak berpengaruh signifikan terhadap pengungkapan enterprise risk management. Ukuran dewan komisaris mampu memoderasi secara signifikan pengaruh kepemilikan institusional dan ukuran perusahaan terhadap pengungkapan enterprise risk management, namun tidak mampu memoderasi pengaruh kepemilikan manajemen, kepemilikan publik dan leverage terhadap pengungkapan enterprise risk management. Hasil penelitian ini dapat disimpulkan bahwa ukuran dewan komisaris dapat memoderasi pengaruh kepemilikan institusional dan ukuran perusahaan terhadap pengungkapan enterprise risk management.

Abstract

The aims of this research to analyze the effect of institutional ownership, management ownership, public ownership, company size, and leverage on enterprise risk management disclosures with board of commissioner size as moderating variable. The population of research are 434 non-financial companies listed in Indonesia Stock Exchange (BEI) year 2013-2015. Data were selected by using purposive sampling technique obtained by 174 unit of analysis. Moderated regression analysis by difference absolute value test was used to analyze. Result of this research indicated that institutional ownership, management ownership, public ownership, company size, and leverage do not have significant impact on enterprise risk management disclosure. Board of commissioner size able to moderate significantly the effect of institutional ownership and company size on enterprise risk management disclosure, but unable to moderate significantly the effect of management ownership, public ownership, and leverage on enterprise risk management disclosure. The research result, it can be concluded that board of commisioner size able to moderate the effect of institutional ownership and company size on enterprise risk management disclosure.

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INTRODUCTION

Companies in Indonesia often experience up and down in business management. So far there are various companies located in Indonesia, ranging from small scale companies to large scale companies. Business management is one of the most important things in improving corporate performance. Companies that do not implement business management well, it will cause business problems that can affect the performance of the company. The larger the scale of a company, the greater the risk to be gotten. Risk management not only stops up to control, but disclosure is also required so that information on risk management can be recognized by interested parties. Enterprise risk management can avoid the occurrence of information gaps, so as to create a harmonious relationship between the company and the parties concerned. Risk management disclosure is the delivery of risk information in the form of risk management items in the implementation of risk management implemented by a company.

The importance of enterprise risk management has the benefit for the parties concerned, one of which is the investor. Through enterprise risk management, investors can know what risks they will get on the results that will be obtained from investments invested in a company. If enterprise risk management is implemented correctly, then the company will also get a variety of benefits, one of which is to prevent companies from failure. Enterprise risk management can provide the level of investor confidence in investing their shares in a company, so the company has a good relationship with external parties. It is found that companies in Indonesia that do the overall risk management disclosure are very few in number, there are only 77 companies from 387 non-financial companies (Kusumaningrum & Chariri, 2013). This shows that the disclosure of enterprise risk management in non-financial companies is still very low. In 2015, there is a case of failure of the risk management implementation done by PT Kalbe Farma. This case is known based on the results of a systematic inspection by the Food and Drug Administration (BPOM) related to two patients who died because the buvanest anesthetic spinal drug is confused with tranexamic acid at Siloam Lippo Village Hospital. Therefore, PT Kalbe Farma and BPOM re-examine 26 types of injection drugs that have not been distributed and that circulated in hospitals or pharmacies.

The result of systematic inspection of BPOM concludes that the risks potency in sixth line production facilities are in the packaging area. To handle the case, PT Kalbe Farma made improvements including quality management system, risk management, standard operational procedures, production facility layout and supervision of production process (Kompas.com, 2015). The case of PT Kalbe Farma shows the low level of risk management in production process. The result of previous research on the effects of institutional ownership, management ownership, public ownership, firm size, and leverage on the disclosures of enterprise risk management show inconsistent results. Yazid *et al*. (2012), Kusumaningrum & Chariri (2013) concludes that institutional ownership has a positive effect, whereas Ramadhani, Sari, & Darlis (2015) and Sanusi *et al*. (2017) sum up the results that has no effect. Saputro & Suryono year (2014) concludes the ownership of management has a negative effect, while Prayoga & Almilia (2013), Roberto & Tarigan (2013), Kristiono et al. (2014), and Sulistyaningsih & Gunawan (2016) showing results that have no effect.

The influence of public ownership on the disclosure of enterprise risk management shows negative result Ardiansyah &Adnan (2014), while significant results are showed by Prayoga & Almilia (2013), Sulistyaningsih & Gunawan (2016), but Roberto & Tarigan (2013) sum up the results that have no effect. The size of the firm influences the disclosure of enterprise risk management stated by Yazid *et al*.(2012), Sari (2013), Syifa' (2013), Handayani & Yanto (2013), Kristiono et al. (2014), Ardiansyah & Adnan (2014), Marhaeni & Yanto (2015), Zhao & Singhaputtangkul (2016), while Prayoga & Almilia (2013), Kumalasari et al (2014), Sulistyaningsih

& Gunawan (2016) showing results that have no effect. Yazid *et al*. (2012), Roberto & Tarigan (2013), Kumalasari et al. (2014), and Nahar *et al*. (2016) show the result that leverage has a positive effect, while research conducted by Saputro & Suryono (2014), shows a negative effect, different results are also explained, Syifa' (2013), Marhaeni & Yanto (2015), Sulistyaningsih & Gunawan (2016) which shows that leverage has no effect.

The results of research show inconsistent results, so the authors are interested in re-examining the influence of institutional ownership, management ownership, public ownership, firm size, and leverage to the disclosure of enterprise risk management by presenting moderating variable namely the size of the board of commissioners. Board of Commissioners is the highest supervisor in the supervision of the enterprise risk management implementation (KNKG, 2012) The purpose of this study is to analyze the effect of institutional ownership, management ownership, public ownership, firm size, and leverage to the disclosure of enterprise risk management with the size of the board of commissioners as a moderating variable. The theories used in this research are agency theory and signalling theory. Agency theory explains the relationship between agent and principal in business interests. The Principal submits some decision-making authority to the agent. The agent has more corporate information than the principal, so this raises the information asymmetry that causes agency conflict. This agency conflict gives an increase in the cost of agent, one of which is the cost of monitoring. The cost of monitoring is the cost of oversight of an agent behavior, these costs are used to measure, examine, and control agent behavior (Jensen & Meckling, 1976).

Signalling theory explains that firms and creditors have information asymmetries related to the corporate investment expectations. The owner of the company then attempts to convey to the creditor the best hope of future performance they have. This is conveyed through various signals, which can be through increased leverage and wealth collection. The creditor assumes the correctness of this signal and the issue of lending. If high leverage can work as a financial signal for a company, then the corporate finances must have a higher level of leverage connected with an equivalent investment (Zhao *et al*., 2004). The institutional ownership which is in a company puts pressure on the company to disclose information more broadly, especially information on enterprise risk management disclosure. Institutional shareholders have the authority to oversee enterprise risk management done by the company. The ownership of a group to the stock of a business occurs because of an agreement between agent and shareholder, this is in accordance with the agency theory. The higher the institutional ownership in a company, the higher the disclosure of enterprise risk management undertaken by the company. Yazid *et al*. (2012), Kusumaningrum & Chariri (2013) shows that institutional shareholding positively affects enterprise risk management disclosure.

H_1: Institutional ownership positively affects on the disclosure of enterprise risk management

Stock ownership by management gives pressure to management on the disclosure of enterprise risk management in order to improve good corporate governance, as management is required to manage the company effectively and well and requires detailed risk management in order not to negatively impact the company. Agency theory explains that agency problem arises between agents and shareholders because of the difference in the capacity of information owned by them. Under this condition, management has multiple roles as agents and shareholders, so that the risks that occur will be fully borne by the management as either an agent or shareholder. Therefore, the higher the number of stock ownership of management, the higher the disclosure of enterprise risk management conducted by the company. Adam *et al*. (2016) proves that management ownership positively affects on the disclosure of enterprise risk management.

H_2 : Management ownership has a positive effect on the disclosure of enterprise risk management

Public shareholdings result in public oversight on corporate management, particularly in the disclosure of enterprise risk management. Therefore, the public has the right to know the extent of the disclosure of enterprise risk management. The agency problem arises from the asymmetry of information that occurs between agents and principals, this is in accordance with agency theory. Agent is the manager while the principal is a shareholder that is the owner of public shares. The more the number of shares owned by the public, the higher the practice of enterprise risk management disclosure in order to increase the transparency of information to shareholders. Saputro & Suryono (2014), Sulistyaningsih & Gunawan (2016) shows the result that public ownership positively affects on the disclosure of enterprise risk management.

H_3 : Public ownership positively affects on the disclosure of enterprise risk management

The size of large companies will force companies to implement the disclosure of enterprise risk management to external parties. Signal theory explains that firm size will give a positive signal for shareholders. The size of a large company will improve the company's reputation, because the company has high total asset to manage its business. Thus, the larger the size of a company, the higher the level of enterprise risk management disclosures are made. Yazid *et al*. (2012), Sari (2013), Syifa'(2013), Ardiansyah & Adnan (2014), Handayani & Yanto (2013), Marhaeni & Yanto (2015), Zhao & Singhaputtangkul (2016), Lechner & Gatzert (2016), Nahar *et al*. (2016), Sanusi *et al*. (2017) shows the result that firm size has a positive effect on the disclosure of enterprise risk management.

H_4: Firm size has a positive effect on the disclosure of enterprise risk management

Leverage used by a company can bring bankruptcy if it is not managed properly. Corporate leverage will encourage companies to disclose enterprise risk management. High leverage means that companies will face a high chance of suffering due to financial distress, causing the company to get worse. Signal theory explains that the presentation of corporate performance expectations in the future delivered through a variety of signals, which can be through increased leverage and collection of wealth. If the leverage owned by the company is high, then risk disclosure will also be higher. Yazid et al. (2012), Kumalasari et al. (2014), Nahar et al. (2016) shows the result that leverage has a positive effect on the disclosure of enterprise risk management.

H_5: Leverage positively affects on the disclosure of enterprise risk management

Board of commissioners is the highest supervisor in the implementation of supervision of enterprise risk management implementation at the company. Supervision is carried out to control the ownership of institutional shares held by shareholders and management of the company carried out by the management, so that both can operate well. The number of boards of commissioners will determine the level of supervision made. Agency theory states that if the shareholder has a relationship with the agent it will lead to agency conflict. The board of commissioners becomes the bridge between institutional shareholders and agents. The size of the board of commissioners can reduce or increase agency conflicts between shareholders and agents, so the size of the board of commissioners can moderate or strengthen and weaken the influence of institutional ownership on the disclosure of enterprise risk management.

H_6: The size of the board of commissioners moderates the influence of institutional ownership on the disclosure of enterprise risk management

. Management owns corporate shares, meaning management also oversees the business processes undertaken by the company. If the company has a high risk, then the management who has the role of agents and investors will also bear the risk. The size of the board of commissioners will strengthen the influence of management ownership on the disclosure of enterprise risk management, since the supervision of the board of commissioners is directed at management acting as manager and shareholder. Agent conflicts can be controlled through agency costs, this is explained in agency theory. Management owns corporate shares, meaning management also oversees the business processes undertaken by the company. The large number of boards of commissioners will result in control over the management shareholdings more controlled. Therefore, the size of the board of commissioners may strengthen the effect of management ownership on the disclosure of enterprise risk management.

H_7: The size of the board of commissioners moderates the effect of management ownership on the disclosure of enterprise risk management

Public shareholdings will lead to information asymmetries that occur between management and shareholders, as management has broader corporate information than the public. Agency theory explains that the cost of monitoring is one of the agency costs that can reduce the conflict of interest that occurs between agents and principals. While public ownership may increase the disclosure of enterprise risk management, third-party roles can reinforce the effect of public ownership. Third party in this research is board of commissioner which proxy in the size of board of commissioner. The size of the board of commissioners has a role to suppress management. Therefore, the existence of the size of the board of commissioners can strengthen the influence of public ownership in increasing the disclosure of enterprise risk management.

H_8: The size of the board of commissioners moderates the influence of public ownership on the disclosure of enterprise risk management

The size of the company expressed by the amount of assets used to manage the business. Signal theory explains that a large firm size will give a positive signal for shareholders, because the size of the company shows the company's wealth. If a company has a large amount of assets, it means that the company has a large size. The larger the size of the company, the more complex the business activities managed by the company. Business activities done by a company may pose a risk that may threaten the company. The size of large companies will lead to business complexity. In accordance with agency theory, on this condition will arise asymmetry information, so that presented the party that can reduce the agency problem that is board of commissioners. Large company size does not prevent companies from maintaining good risk management. This happens because of the role of the board of commissioners responsible for overseeing the implementation of enterprise risk management, so that despite the size of large companies but risk management remains well implemented. The size of the board of commissioners can strengthen the oversight of risk management undertaken by the company.

H_9: The size of the board of commissioners moderates the effect of firm size on the disclosure of enterprise risk management

The risk of leverage has a wide impact for both agents and principals. Leverage can bring business risks if the management is not done well. The high level of leverage owned by a company means that the company has a big responsibility to be able to fulfil its obligations in accordance with the agreements that have been made with the creditor. The use of optimal leverage can bring the problems of agency between agency and principal, thus presented the role of board of commissioners to strengthen, this matters is in accordance with agency theory. Murhadi (2013) states that the higher the level of leverage the higher the risk will be obtained. The use of leverage raises strict supervision by the board of commissioners, so the size of the board of commissioners can strengthen the leverage effect on the disclosure of enterprise risk management.

H_{10}: The size of the board of commissioners moderates the leverage effect on the disclosure of enterprise risk management

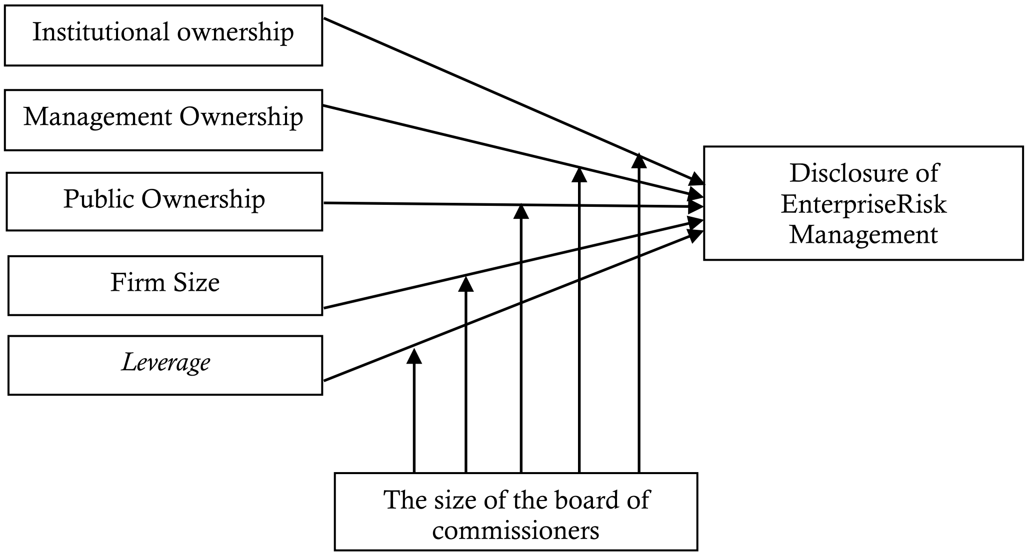

Figure 1. Research Model

METHODS

This research used quantitative approach with research design in the form of hypothesis test study. Hypothesis testing was done to measure the influence of independent variable to dependent variable. The research data used was secondary data in the form of annual report and financial report of non-financial sector companies listed in Indonesia Stock Exchange year 2013-205. The population in this study was 434 non-financial companies listed on the Indonesia Stock Exchange. Duration of research observation that was from 2013-2015 period. The sampling technique used was the technique of purposive sampling namely the selection of samples with criteria that have been determined by the researchers. The sampling procedure was presented in the following table:

Table 1. Procedure of Sampling Research

Criteria	Beyond Criteria	Amount
Total non-financial companies listed on the IDX during the period 2013-2015		434
The Company published annual reports continuously from 2013-2015	60	374
The company disclosed enterprise risk management in its annual report	24	350
The Company used rupiah as a currency unit	67	283
The Company described the structure of stock ownership in detail.	223	60
Number of companies being sampled		60
The number of research data during the year 2013-2015		180
Data *outlier* during research year		6
Total unit of analysis		174

Source: Secondary data processed, 2017

This study used seven research variables consisting of one dependent variable, five independent variables, and one moderating variable. The operational definition of research variables was presented in the following table:

Table 2. Operational Definition of Research Variables

Name of Variables	Operational Definition	Measurement	Scale
Disclosure of Enterprise risk management. (ERMD)	Disclosure of risks which the company has managed or disclosure of how the company in controlling risks in relation to the future. Risk management disclosure potentially had benefits for analysts, investors, and stakeholders. (Saputro and Suryono, 2014)	Number of items disclosed /108x100% (Handayani and Yanto, 2015)	Ratio
Institutional ownership (KI)	Institutional ownership was the proportion of shareholders owned by institutional owners such as insurance companies, banks, investment companies and other holdings except subsidiaries and other institutions. (Pujiati and Widanar, 2009)	Total number of shares owned by the institutional / total number of shares outstanding x100%. (Lawal *et al.* 2014)	Ratio
Management Ownership (KM)	Management ownership is the proportion of shareholders of management who actively participated in corporate decision-making (directors and commissioners). (Pujiati and Widanar, 2009).	Number of shares owned by the management / total number of shares outstanding x100%. (Kristono. Et al. 2014)	Ratio
Public Ownership (KP)	Public ownership was the shareholdings of public companies by the general public (Haryani and Wiratmaja, 2014).	Number of shares owned by public/ total number of shares outstanding x 100%. (Prayoga and Almilia, 2013	Ratio
Firm Size (UP)	Firm size described the size of a company through various measurements, ie the number of employees, total assets, total sales, or index rating (Khafid and Mulyaningsih, 2012).	Ln total asset (Syifa', 2013)	Ratio
Leverage (LEV)	Leverage is one of the debt management ratios that described the proportion of debt to assets and equity (Murhadi, 2013)	Total debt/total asset x100%. (Murhadi, 2013)	Ratio
The size of the Board of Commissioners (UDK)	The size of the board of commissioners was the number of members of the board of commissioners presented in a company. (Husaini *et al.* 2013)	the number of members of the board of commissioners. (Al Daoud *et al.* 2014)	Ratio

Source: Writer's summary, 2017

Technique of data collection was done by using the documentary technique by collecting secondary data in the form of annual reports and financial statements of non-financial companies obtained from the IDX office of Semarang city and copied via hard drive and flash. The data was also searched through website www.idx.go.id as well as company's website. Data analysis techniques used in this study were descriptive statistical analysis and inferential statistics using software SPSS 21. The testing was done through several stages namely classical assumption test, hypothesis test, and coefficient of determination test. Hypothesis testing was done by moderation regression analysis in the form of value test of absolute difference. Value test of the absolute difference was done by creating a regression model containing the value of the difference between the standardized or Zscore value of independent variables with standardized or Zscore values of moderating variables that were then being absolute.

RESULTS AND DISCUSSIONS

Descriptive statistics gave an illustration or description of a data used in research. Descriptive statistics used in this study included the analysis of mean value (mean), standard deviation, maximum and minimum value (Ghozali, 2011).

Table 3. The results of descriptive statistical analysis

	N	Minimum	Maximum	Mean	Std. Deviation
ERMD	174	0.31	0.62	0.4314	0.06441
KI	174	0.09	0.96	0.6673	0.16851
KM	174	0.00	0.42	0.0452	0.06694
KP	174	0.01	0.69	0.2674	0.14700
UP	174	15.07	30.90	26.0853	3.74599
LEV	174	0.02	0.93	0.4807	0.20970
UDK	174	2.00	8.00	3.6897	1.22413
Valid N (listwise)	174				

Source: Secondary data processed, 2017

Table1 showed that the average value for ERM disclosure variable of 0.4314, management ownership of 0.0452, public ownership of 0.2674, and leverage of 0.4807 indicated that the value of ERM disclosure, management ownership, public ownership, and leverage on non-financial companies were still quite low. Variable of institutional ownership had an average value of 0.6673 or 66.73% indicating that generally institutional ownership in 174 non-financial companies was quite high. The average value for firm size variable was 26.0853. This showed that the average non-financial company had large total assets. The average value for the size of the board of commissioners was 3.6897. This showed that 174 units of average analysis had a board of commissioners of 3.6897. The standard deviation value for the ERM, KI, KP, UP, LEV, and UDK variables was smaller than the mean value. It indicated that the data deviation from the average was low so that the data in the study was homogeneous. The standard deviation value for the KM variable was greater than the average value, it indicated that the data deviation from the average was high so that the data in the study had high variability.

The result of the classical assumption test showed that Asymp Value. Sig. (2-tailed) in the normality test showed a value of 0.115> 0.05. The VIF value of each variable in the multicollinearity test showed a value less than 10. The significance probability value of the lag res in the autocorrelation test was 0.132> 0.05. The significance probability value of each variable on heteroscedasticity test was greater than 0.05 so that the research data was free from problem of classical assumption. The value of coefficient of determination on column of adjusted R^2 showed result equal to 0.187. This showed that the ability of independent variables in explaining ERM disclosure was 18.7% and the rest was explained by other variables outside the research model. The results of hypothesis testing could be seen in table 4.

Table 4. The Result of Hypothesis Test

Hypothesis		B	Sig	α	Result
H_1	Institutional ownership had a significant positive effect on Enterprise Risk Management Disclosure.	-0.008	0.230	0.05	Rejected
H_2	Management ownership had a significant positive effect on Enterprise Risk Management Disclosure.	-0.013	0.188	0.05	Rejected
H_3	Public ownership had a significant positive effect on Enterprise Risk Management Disclosure.	-0.003	0.665	0.05	Rejected
H_4	Firm size had a significant positive effect on Enterprise Risk Management Disclosure.	0.012	0.081	0.05	Rejected
H_5	Leverage had a significant positive effect on Enterprise Risk Management Disclosure.	-0.002	0.621	0.05	Rejected
H_6	The size of the board of commissioners moderated significantly the positive influence of institutional ownership on the disclosure of enterprise risk management.	-0.029	0.000	0.05	Accepted
H_7	The size of the board of commissioners moderated significantly the positive influence of management ownership on the disclosure of enterprise risk management.	0.021	0.066	0.05	Rejected
H_8	The size of the board of commissioners moderated significantly the positive influence of public ownership on the disclosure of enterprise risk management.	0.002	0.818	0.05	Rejected
H_9	The size of the board of commissioners moderated significantly the positive influence of firm size on the disclosure of enterprise risk management.	0.040	0.000	0.05	Accepted
H_{10}	The size of the board of commissioners moderated significantly the positive influence of leverage on the disclosure of enterprise risk management.	0.007	0.418	0.05	Rejected

Source : Secondary data processed, 2017

Institutional ownership had no effect on the disclosure of enterprise risk management. It rejected the agency theory that has been described in the development of the hypothesis. This was due to the high institutional shareholdings which had an average of 66.73%, thus raising the amount of dividends earned by institutional investors. The large amount of dividends earned by institutional investors reduced institutional investor pressure on corporate management in implementing the disclosure of enterprise risk management, as large dividends represented a form of good return on investment for them. The results of this hypothesis testing were relevant to the research of Ramadhani et al. (2015) which stated that in reality institutional shareholders were more entrusted to the management of the company to manage and increase the value of the company, so that institutional ownership could not guarantee the implementation of enterprise risk management was going well. The results of this study was also in line with the study of Sanusi *et al*. (2017) which stated that institutional ownership had no effect on the disclosure of enterprise risk management.

Management ownership had no effect on the disclosure of enterprise risk management. It rejected the agency theory that has been described in the development of the hypothesis. Management that also acted as a company manager has known clearly what risks could aggravate the condition of the company and its investment, they also knew the amount of expenses that would be incurred in the disclosure of enterprise risk management so that management assumed that disclosure of enterprise risk management was not required. The result of this study was in accordance with Prayoga & Almilia (2013) which stated that management ownership had no effect. It was due to the management had a dual role as management and as a shareholder, so that management has been aware of the risks faced by the company even though it was not disclosed in the financial statements and has taken into account the costs to disclose enterprise risk management. Hence, management assumed that enterprise risk management did not need to be disclosed. This result was also relevant to the study of Roberto & Tarigan (2013) and Kristiono et al. (2014) which stated that the ownership of management had no effect on the disclosure of enterprise risk management.

Public ownership had no effect on the disclosure of enterprise risk management. It rejected the agency theory that has been described in the development of the hypothesis. The small proportion of public ownership in companies with an average of 26.74% reduced the role of external parties in influencing corporate decisions. The role of a low public party gave management flexibility in managing the company. Low public shareholding could not pressure management to manage the company optimally, including in disclosing useful information to shareholders. Therefore, public shareholdings with low proportion could not increase the disclosure of enterprise risk management. The result of this study was in line with the study of Roberto & Tarigan (2013) which stated that the majority of shareholdings in the company was owned by an internal party so that the average proportion of shareholdings by the public in a small study. The result of this study was also relevant to the study of Ardiansyah & Adnan (2014) which stated that public ownership did not affect on the disclosure of enterprise risk management.

Firm size had no effect on the disclosure of enterprise risk management. It rejected the signalling theory that has been described in the frame of mind. The size of a large company showed the high number of assets owned. The large number of assets owned by the company caused the company to be very complex in managing the company's operations. Complex operational activities would lead to high profits that could increase revenue. Thus, large companies would take into account the costs used to disclose information. This happened at PT. Intiland Development Tbk. in 2013 to pay the burden of Rp 804,094,534,164 with revenue amounting to Rp 1,510,005,415,515, - derived from the use of assets amounting to Rp 7,526,470,401,005, or Ln assets of 29.65, but only disclosing the disclosure of ERM with index 37%. Thus, large firms preferred their income to be used for the repayment of operational expenses and to manage their assets effectively rather than in the payment of expenses to disclose enterprise risk management. The results of this study were in line with the study of Saputro & Suryono (2014) which stated that firm size did not affect on the disclosure of enterprise risk management. It was due to in providing corporate information to outsiders, management would take into account how much the cost would be needed and how much benefit they would get from the cost they have to spend. The results of this study were also relevant to the study of Prayoga & Almilia (2013) and Kumalasari et al. (2014) which stated that firm size had no effect on the disclosure of *enterprise risk management.*

Leverage had no effect on the disclosure of enterprise risk management. It rejected the signalling theory that has been described in the frame of mind. The logical reason why leverage did not affect to enterprise risk management disclosure that was because leverage was not used effectively, so it only increased risk without giving a positive value to the company. This had the meaning that the high leverage did not give a positive signal for the company to the investor. This caused not many investors were interested to invest in the company. Thus, companies did not really put the disclosure of enterprise risk management because the risks arising from the use of leverage did not involve many investors. This happened at PT. Solusi Tunas Pratama Tbk. in 2014 that investors only had 794,363,481 shares of companies with leverage level of 86% and only disclosing enterprise risk management with index of 38%. The result of this study was in line with the study of Wijananti (2015) which stated that no leverage influence on the disclosure of enterprise risk management could be caused by the sample companies in the study had a low level of leverage that was less than 1. The results of this study also supported research of Syifa'(2013) and Sulistyaningsih & Gunawan (2016) which stated that leverage had no effect on the disclosure of enterprise risk management.

Agency theory used as a reference was able to explain the effect of institutional ownership on the disclosure of enterprise risk management moderated by the size of the board of commissioners. This could be interpeted that the size of the board of commissioners was able to moderate significantly the influence of institutional ownership on the disclosure of enterprise risk management. High institutional shareholdings raised the amount of dividends that must be distributed to institutional shareholders. Company's compliance to distribute dividends to shareholders was one form of supervision from the board of commissioners towards the use of funds from institutional investors. The large amount of dividends earned by institutional investors degraded the quality of their monitoring to the company, because large dividends represented a form of good return on investment for them. Thus, management was not pressured by shareholders to disclose enterprise risk management.

The test results proved that the size of the board of commissioners could not moderate the effect of management ownership on the disclosure of enterprise risk management. The results of this study were not in accordance with the agency theory that became the references in this study. This was because the management that also acted as the manager of the company has clearly known what risks could worsen the condition of the company and its investment. They also knew the amount of costs that would be incurred in the disclosure of enterprise risk management so that management assumed that the disclosure of enterprise risk management was not required. Although they were also shareholders, but they were more concerned with the benefits they would receive from investment returns. Board of commissioners was one of the management elements of the company, so the board of commissioners could also become one of the shareholders of the company from the management. This indicated that supervision by the board of commissioners against agents was not done independently.

The results of this study explained that public ownership moderated by the size of the board of commissioners was not able to influence the disclosure of enterprise risk management. Agency theory used as a reference could not explain the size of the board of commissioners in moderating the influence of public ownership on the disclosure of enterprise risk management. This was possible because of the small proportion of public ownership with an average of 26.745, so it could not pressure management to disclose enterprise risk management. The small size of the board of commissioners also led to a lack of supervision carried out on management in the disclosure of enterprise risk management. The low funding of public investors with the lack of oversight from the board of commissioners did not give a change to the disclosure of enterprise risk management.

The size of the board of commissioners moderated the effect of firm size on the disclosure of enterprise risk management. Signalling theory and agency theory used as a reference could explain the effect of firm size on the disclosure of enterprise risk management moderated by the size of the board of commissioners. The size of large companies gave a positive signal for investors interested in investing. In accordance with agency theory, the use of corporate assets required supervision by the board of commissioners to reduce information asymmetry between management and shareholders. The assets used for the operational activity of the company may be derived from the shareholder's investment returns to the company. The use of large amounts of assets showed that companies were large in size. This would pose a risk to the company whose impact also to shareholders. The size of the board of commissioners determined the extent of supervision by the commissioner of the company.

The results of the hypothesis test showed that the size of the board of commissioners could not moderate the leverage effect on the disclosure of enterprise risk management. The results of this study were not in accordance with the signalling theory and agency theory that became the references. The reason was that leverage was used ineffectively, so it only created a risk without creating an output that added a positive value to the company. Ineffective use of leverage occurred at PT. Solusi Tunas Pratama Tbk which had a high leverage rate of 86% but the investor only had 794,363,481 shares. This created a negative signal to shareholders, consequently they were not interested in investing in the company. Therefore, the number of investors who invested only few. The least number of investors led to reluctant management to disclose enterprise risk management. The small size of the board of commissioners led to low supervision on the management in conducting the operational activities of the company, especially related to the implementation of enterprise risk management. In this condition, the company had an opportunity not to increase even disclose enterprise risk management due to lax oversight of the board of commissioners.

CONCLUSIONS

The conclusion of this study was that from ten hypotheses, only two accepted hypotheses namely the size of the board of commissioners that moderates the influence of institutional ownership on the disclosure of enterprise risk management, and the size of the board of commissioners that moderated the effect of firm size on the disclosure of enterprise risk management. Suggestions for further research are to add other independent variables such as risk management committees, independent commissioners, foreign ownership, and business complexity to improve $R^{2.}$

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