The role of moderation activities the influence of the audit committee and the board of directors on the planning of the sustainability report

by Ignatia Martha Hendrati

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ABSTRACT

In order to show the consistency of agency theory as a theory to explain the influence of the Audit Committee and the Board of Directors on Sustainability, this study will explore the role of moderating actions of the Audit Committee and the Board of Directors on Sustainability. The firms that make up the demographic and research sample for this study, which uses a quantitative technique, are those that are included in the Jakarta Islamic Index for the years 2017 through 2021. the study's yearly financial report panel data. The data analysis methods employed in this study were robust, fixed effects, random effects, and ordinary least square regression. These methods are one of the regression solution approaches that may be used with a lot of flexibility in research that combines thoughts, ideas, and facts. The first study found that the audit committee had an effect on sustainability, whereas the second found that the board of directors has no effect. Due to the third and fourth conclusions of the role of activities, the audit committee and board of directors are less strong on sustainability.

Keywords : Activity; Board of Directors; Sustainability; Audit Committee; Stata

JEL Classification: G32, G02, M1, G34, Z1

1. Introduction

Knowing about sustainability is crucial The requirements for disclosure are different from the way financial statements are presented in that they cover all of the company's social activities. Sustainability is a company's performance that the general public, the government, investors, and creditors can all directly observe. Organizations and businesses must think about more than just the benefit of sustainability. All parties must start taking environmental sustainability demands into account. Organizations may disregard how social and environmental issues affect their business operations, despite the fact that their consumption habits might have an impact on environmental issues like deforestation, ecosystem threats, climate change, waste management, and pollution of the air and water (Asyik et al., 2022; Nawang Kalbuana et al., 2022; Tjaraka et al., 2022).

Some businesses simply consider their own interests and those of their stockholders, ignoring the interests of others in their immediate vicinity (Saputro et al., 2013), residents in the region of the business are concerned about the contribution of industry to environmental protection. It indicates that the government is required to adopt a number of legislation relating corporate social responsibility based on the paradigm that has been described (Safitri & Saifudin, 2019). Companies are beginning to believe that they recognize the need of not relying exclusively on financial conditions and are starting to share information about the social and environmental activities that take place within the firm. This is known as sustainability, and it goes hand in hand with the expansion of corporate social responsibility. Sustainability is anticipated to be a global business topic of importance (Ratnasari & Prastiwi, 2010).

The organization wants to increase the value of the business for its owners (Smith, 1776). The goal of the company should be to increase its worth in order to thrive and survive. As a result, the corporation constantly seeks to boost the worth of the organization through a variety of measures. Owners and management are separated in modern businesses to allow for a more professional approach to boosting the company's value (Jensen & Meckling, 1976). Good corporate governance is required because Indonesian businesses typically have three organs: the owner, the board of directors, and the board of commissioners. This is beneficial for maintaining communication amongst the three corporate departments.

The division of control agents with direct access to corporate data from shareholders gives rise to agency theory. Although the agent's goal should be to improve the company through increasing shareholder wealth, there are times when agents have opinions that differ from those of the shareholders (Mayangsari, 2001). Therefore, the agency theory's position in this research offers a critical resolution. The three types of agency expenses are monitoring costs, bonding costs, and residual costs (Jensen & Meckling, (1976). Three fundamental tenets of human nature namely, that people are typically self-centered, have a finite capacity for thinking about the future, and are invariably risk-averse are used to support agency theory (Eisenhardt, 1989).

Sustainability is a voluntary report that shows an organization's concern for local social and environmental issues (Sari, 2021). A report on sustainability provides data on a company's performance in terms of the economy, environment, and society. The performance of the business in terms of economic, environmental, and social factors can be seen by the public thanks to sustainability. Sustainability data is taken from the 1990-founded Global Reporting Initiative (GRI), which is separate from financial accounts. The Global Reporting Initiative (GRI) was founded as a result of the pressing need for industrial activity transparency (Fadhila, 2014). A company's dedication to its commitments to social and environmental activities can be seen in the form of a sustainability publication. The importance of sustainability disclosure in evaluating a firm is rising. Companies around the world are beginning to understand how crucial it is to issue a report that must be more complete and go beyond financial reports in order to improve business strategy (Nawang Kalbuana et al., 2022).

2. Literature Review And The Development Of Hypotheses

2.1 Agency Theory

The division of control agents with direct access to corporate data from shareholders gives rise to agency theory. The arrangement between shareholders and agents to provide agents management responsibility over the company (Jensen & Meckling, 1976). While it should be the goal of both agents and shareholders to improve the company through the success of their respective stakes, agents can have opinions that are at odds with those of shareholders (Mayangsari, 2001) Consequently, the agency theory's position in research offers a crucial resolution.

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2.2 Research Hypothesis

2.3.1. Impact of Audit Committee on Sustainability

The division of control agents with direct access to corporate data from shareholders gives rise to agency theory. The arrangement between shareholders and agents to provide agents management responsibility over the company (Jensen & Meckling, (1976) . While it should be the goal of both agents and shareholders to improve the company through the success of their respective stakes, agents can have opinions that are at odds with those of shareholders (Mayangsari, 2001).

The Audit Committee was established by the Board of Commissioners and is answerable to it for overseeing the corporation's operations and supporting the Board in fulfilling its responsibilities. According to POJK No. 55/ POJK.04/2015, which outlines the establishment and functioning procedures for the audit committee, at least three independent commissioners and parties from outside the corporation are required for the audit committee. Members of the Audit Committee must be proficient in financial statement analysis, business knowledge, audit procedures, risk management, and relevant legal and regulatory requirements. With the necessary knowledge, the Audit Committee may more effectively manage company policy and lend credibility to the business among all stakeholders (Number, 2015) ; (Abigail & Dharmastuti, 2022).

A body that keeps an eye on internal business processes is the audit committee. The goal is to minimize report inaccuracies that cost the business money (Widianingsih, 2018) ; (Nawang Kalbuana et al., 2022). The existence of an audit committee has a significant positive impact on businesses that disclose their social responsibility to prevent management and shareholder conflicts. The audit committee also seeks to improve the caliber of financial reporting. (Prastuti & Budiasih, 2015) ; (Nawang Kalbuana et al., 2022). The audit committee has a positive impact on sustainability (Safitri & Saifudin, 2019) The number of audit committee members determines the audit committee's size. Combining all of the previously discussed considerations, the following first hypothesis is put out in this study:

H_1 = The impact of the Audit Committee on Sustainability is favorable

2.3.2 Influence of the Board of Directors on Sustainability

Agency theory arises from the separation of control agents with direct access to business data from shareholders. The arrangement between shareholders and agents to provide agents management responsibility over the company (Jensen & Meckling, 1976). While it should be the goal of both agents and shareholders to improve the company through the success of their respective stakes, agents can have opinions that are at odds with those of shareholders (Mayangsari, 2001). The three types of agency expenses are monitoring costs, bonding costs, and residual costs (Jensen & Meckling, 1976). The three fundamental assumptions behind agency theory are that people are naturally self-centered, have limited capacity for future prediction, and are perpetually risk-averse (Eisenhardt, (1989).

In order to administer corporate governance, the board of directors serves as the company's manager and overseer. An issuer or public company's board of directors must consist of at least 30% independent members (Issuer or Public Company Board of Commissioners and Board of Directors, 2014) (Abigail & Dharmastuti, 2022). Independence is anticipated to ensure that the community and minority owners have a role in influencing business practices. The presence of independent board members who are not company owners does not always translate into better business success (Erickson et al., 2005) ; (Abigail & Dharmastuti, 2022). The Independent Commissioner is unable to reconcile the interests of the owner and management because of his partial independence. The Independent Commissioner's impact on the performance of the company is not sufficiently supported by the evidence (Abigail & Dharmastuti, 2022).

As an Organ of the Company, the Board of Directors has the duty and responsibility to efficiently administer the Company (Khafid & Mulyaningsih, 2017). The size of the board of directors and the size of the business are directly correlated. Larger companies typically have more resources. Idah, (2013) demonstrates through empirical research the beneficial impact of the board of directors on sustainability. The second hypothesis put out in this study can be formed by merging all the justifications mentioned previously as follows:

H_2 = Board of Directors influences sustainability in a favorable way.

2.3.3 Audit Committee and Board of Directors Moderating Activities to Sustainability

When the interests of the owner collide with those of the agent, when there is asymmetric knowledge, or when there is a principal-agent conflict, agency theory explains these situations (Jensen & Meckling, 1976). Type II agency theory followed, focusing on disagreements or issues between owners. (Martin et al., 2017) ; (Abigail & Dharmastuti, 2022). According to type II agency theory, an owner conflict arises when the majority owner uses the business to advance his own interests without taking into account the negative effects on the interests of the minority owner. As a result, asymmetric information causes issues like moral hazard and adverse selection. When a minority owner is unfairly chosen, they are oblivious to the fact that the company's policies are being carried out either on the basis of information acquired or on the direction of the majority owner. When a majority owner acts against a company without the minority owner's knowledge in order to further their own interests and jeopardizes the welfare of the minority owner, this is known as moral hazard (Hendratama & Barokah, 2020) ; (Abigail & Dharmastuti, 2022).

The activity ratio depicts the amount of money that is transferred around inside the business (Suryono & Prastiwi, 2011). The activity ratio demonstrates how effectively a corporation uses all of its resources to generate sales. The money invested in assets will grow much more if sales are weak. Total asset turnover is a proxy for the activity ratio. Total asset turnover measures how well a corporation uses all of its assets. (M. Panji et al., 2018). Investors and creditors will observe that the value of the company is higher the more assets are used overall. One strategy to draw attention to the business is to disclose social and sustainable endeavors.

The existence of the Audit Committee is crucial for the corporate governance system and the still-developing Indonesian market, and as a result, it has a significant and positive impact on the company's value. An independent Audit Committee is more valued by the market than the Board of Directors, according to prior studies (Samasta et al., 2018) ; (Abigail & Dharmastuti, 2022). Additionally, it has been discovered that concurrent presence on the board of directors and audit committee is positively and significantly correlated with the value of the company, particularly if those members have financial experience (Abigail & Dharmastuti, 2022). The Audit Committee ensures that the company's operations fulfill the expectations of management and owners as part of accepted corporate governance procedures, minimizing agency costs and information asymmetries (Abigail & Dharmastuti, 2022).

Regardless of the size of the public enterprise, the Audit Committee must have three or more members, as stated in POJK No. 55/POJK.04/2015 rules. It is debatable whether the required number of members is adequate to ensure the Audit Committee's effectiveness in reviewing massive organizations or if more are required given the complexity of the company and the scope of its job in doing so. According to these guidelines, it is predicted that the Activity Ratio will either increase or decrease the Board of Directors' and Audit Committee's impact on sustainability. The third and fourth hypotheses put out in this study are as follows by merging all the justifications mentioned above:

H_3 = Activity Reduces the Audit Committee's Influence on Sustainability

H_4 = Strengthening Board of Directors' Sustainability Influence Through Activity

2.3 Research Conceptual Framework

Using the conceptual framework, the relationship between the independent and dependent variables is clarified. Sustainability is viewed as a dependent variable, Activity is viewed as a moderating variable, and the Audit Committee and the Board of Directors are viewed as independent factors in the study. Profitability and company size are viewed as controls. The conceptual framework of the study might be summed up as follows in light of the aforementioned explanation:

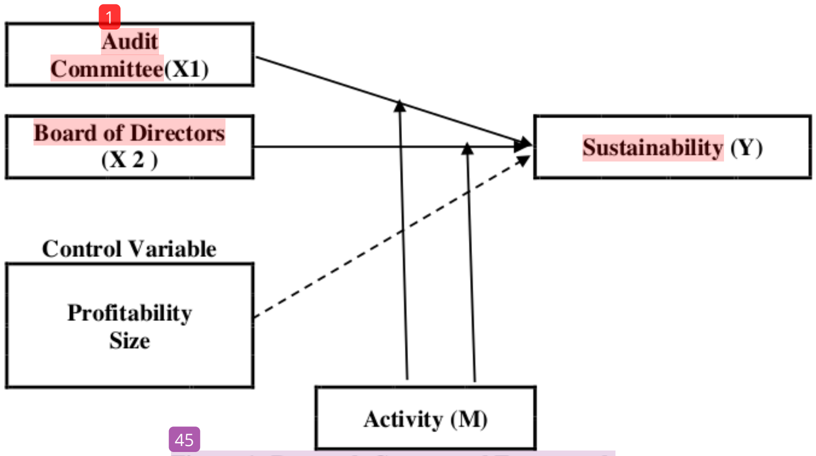

Figure 1: Research Conceptual Framework

3. Research Methods

3.1 Types and Approaches to Research

This study employs a quantitative methodology to offer proof for the appropriate interpretation of statistical data (Aliyyah, Siswomihardjo, et al., 2021; Prasetio et al., 2021).

This study aims to provide empirical evidence of the influence of the Board of Directors and Audit Committee on sustainability and to investigate potential mitigation strategies using activity ratio. The research strategy involves the use of explanatory research (Endarto, Taufiqurrahman, Kurniawan, et al., 2021; Indrawati et al., 2021) As the demographic and study sample, businesses that are a part of the Jakarta Islamic Index for the years 2017–2021 were used. The population and sample of the study consisted of 24 companies that were listed on the Jakarta Islamic Index. Annual financial reports of businesses included in the Jakarta Islamic Index (JII) were used as panel data for the 2017–2021 study period. The Indonesia Stock Exchange's official website was used to get the research data www.idx.co.id. The analysis methods employed in this study were Ordinary Least Square Regression, Fixed Effects, Random Effects, and Robust. The study of research variables can be carried out using Stata Software, which provides a regression solution technique with a high degree of flexibility in research that links theories, concepts, and facts.

3.2 Operational and Measurement Definition

Sustainability is a dependent variable, whereas the Audit Committee and Board of Directors are independent variables. Profitability and firm size are the governing variables, while activity is a moderating factor.

3.2.1 Independent variables

Independent variables are those that could have an impact on other variables (Abadi et al., 2021; Aliyyah, Prasetyo, et al., 2021) In this study, the variables of the Board of Directors and the Audit Committee are employed as independent variables:

a) Audit Committee

The audit committee is a group that monitors the internal controls procedures of the organization to reduce report mistakes that result in losses for the company (Nawang Kalbuana et al., 2022). Utilizing a formula, the Audit Committee is determined:

Audit Committee = Σ Audit committee

b) Board of Directors

As an Organ of the Company, the Board of Directors has the duty and responsibility to efficiently administer the Company (Khafid & Mulyaningsih, 2017) ; (Nawang Kalbuana et al., 2022). While this is happening, a large corporation has more resources thanks to the following formula:

Board of Directors = Σ Board of Directors

3.2.2 Dependent Variable

A variable is considered to be dependent if another variable cannot alter its value (Kalbuana, Prasetyo, et al., 2021; Kalbuana, Suryati, et al., 2021). Sustainability is used as the study's dependent variable. Compilation of corporate social responsibility reports that go beyond the yearly report and cover elements related to the economy, environment, and society. Giving a score of 1 for businesses who reveal sustainability information and a value of 0 for businesses that do not (Aniktia & Khafid, 2015) ; (Nawang Kalbuana et al., 2022).

3.2.3 Moderating Variables

The moderating variable is a type of variable that affects the nature or direction of the link between variables by strengthening or weakening the direct association involving the independent and dependent variables. The relationship between the dependent and independent variables could be either positive or negative in terms of its nature or direction.. As a result, the contingency variable is another name for the moderating variable. The activity ratio was the moderating variable in this study. The activity ratio demonstrates how effectively a corporation uses all of its resources to generate sales. Low sales activity will increase the amount of money invested in assets (Rusdiyanto, Agustia, et al., 2020; Rusdiyanto, Hidayat, et al., 2020; Susanto et al., 2021) . The computed Total Asset Turnover using the following formula serves as a proxy for the activity ratio:

$$\text{TATO} = \frac{sales}{Total\ Asset}$$

3.2.4 Variable Control

According to (Sugiyono 2017), the control variable is a variable that is fixed or kept constant in order to prevent the influence of unresearched external influences on the dependent variable's independent component. Firm size and profitability served as the study's control variables.

a. Profitability Ratio

The firm's profit over the course of an accounting period is measured by the profitability ratio. Investors may decide to invest in the company if its profit is substantial. (Wiguna & Yusuf, 2019) ; (Prasetyo, Aliyyah, Rusdiyanto, Nartasari, et al., 2021; Rusdiyanto et al., 2021b). The Return On Equity measure, which is determined using the following formula:

$$\text{ROE} = \frac{net\ profit}{total\ Equity}$$

b. Company size

Three metrics sales, total assets, and fair value of equity can be used to determine a company's size. Total assets in this study are used to calculate the company's size. There are numerous advantages to large organizations (Nawang Kalbuana et al., 2015). greater worth The demand for firms will surpass that of small businesses (Prasetia et al., 2014). The total value of the company's assets, as calculated using the formula below:

Size = Ln Total assets

3.3 Data Analysis Techniques

After the stage of choosing and gathering research data, the technique then includes testing the data. Data analysis essentially involves projecting or estimating future events as well as calculating or anticipating the impact of changes in one event on another (Sudaryanto et al., 2022; Utari, Sudaryanto, et al., 2021).

3.3.1. Descriptive statistics

Descriptive statistics are those that can describe the object being researched without requiring further investigation (Prasetyo, Aliyyah, Rusdiyanto, Utari, et al., 2021; Utari, Iswoyo, et al., 2021) The Variables Sustainability, Profitability, Activity, and Company Size are determined by information from the Variables Board of Directors.

3.3.2. Pearson Correlation Test

By assuming that the Pearson correlation data is regularly distributed, the Pearson correlation test is used to evaluate the relationship between the independent variable and the dependent variable (Prasetyo, Aliyyah, Rusdiyanto, Nartasari, et al., 2021; Rusdiyanto et al., 2021). The results of a correlation analysis might be positive (+) or negative (-). The link is unidirectional if the correlation value is positive. The dependent variable grows along with the independent variable when a variable only has one direction. If the correlation is negative, this means that the relationship is bidirectional and that the dependent variable's value is falling as the independent variable's rises. Coefficients of correlation ranged from 0 to 1 (Endarto, Taufiqurrahman, Suhartono, et al., 2021; Prasetyo, Aliyyah, Rusdiyanto, Kalbuana, et al., 2021). With the following Pearson correlation calculation:

$$r_{xy} = \frac{n\sum XY - (\sum X)(\sum Y)}{\sqrt{\{n\sum X^2 - (\sum X)^2\}\{n\sum Y^2 - (\sum Y)^2\}}}$$

Where:

r	=	Correlation value
X	=	Variable X
Y	=	Variable Y

3.3.3 Research Regression Model

Regression analysis is used to determine how closely two variables are related to one another. Regression analysis can predict or estimate the value of the independent variable when the dependent variable (X) is changed (Y) (Prasetyo, Aliyyah, Rusdiyanto, Nartasari, et al., 2021; Rusdiyanto et al., 2021). The method employed in this study includes panel data regression analysis. Micropanel, longitudinal, and data pool are further terms for panel data. The effects of the Audit Committee, the Board of Directors, and their roles in regulating their actions on sustainability were examined using panel data regression analysis. The specified independent and dependent variables serve as the basis for the equation model that will be used:

$$CSR_{i,t} = \beta_0 + \beta_1 AUDIT_{i,t} + \text{Control } \beta_2 ROE_{i,t}, + \beta_3 SIZE_{i,t}, + \varepsilon \ \ldots\ldots\ldots(1)$$

$$CSR_{i,t} = \beta_0 + \beta_1 DIR_{i,t}, + \text{Control } \beta_2 ROE_{i,t}, + \beta_3 SIZE_{i,t}, + \varepsilon \ \ldots\ldots\ldots\ldots(2)$$

$$CSR_{i,t} = \beta_0 + \beta_1 AUDIT_{i,t} + \beta_2 AUDIT_{i,t} * TATO_{i,t} + \text{Control } \beta_2 ROE_{i,t}, + \beta_3 SIZE_{i,t}, + \varepsilon \ \ldots(3)$$

$$CSR_{i,t} = \beta_0 + \beta_1 DIR_{i,t}, + \beta_2 DIR_{i,t}, * TATO_{i,t} + \text{Control } \beta_3 ROE_{i,t}, + \beta_4 SIZE_{i,t}, + \varepsilon \ \ldots\ldots\ldots\ldots(4)$$

The following can be used to illustrate the model of the effect of the audit committee, board of directors, as well as the function of moderating activities of the audit committee and board of directors on sustainability:

Table 1: Variable Description

Information		**Description**
i	=	Company cross-section data
t	=	Company time series data
ROE	=	Profitability
TATO	=	Activity
SIZE	=	Company Size
AUDIT	=	Audit Committee
DIR	=	Board of Directors

Information		Description
CSR	=	Sustainability
α	=	Constant
β1, β2, β3_	=	CSR variable regression coefficient, ROE, TATO, SIZE, AUDIT, DIR
ϵ	=	Error

4. Research Results and Discussion

4.1 Variable Descriptive Statistics

The minimum, maximum, mean, and standard deviation of the variables examined from the corporate sample may be offered in a presentation of the results of the descriptive statistics. A sample of the firms included on the Jakarta Islamic Index (JII) for the years 2017 through 2021 is shown in the table below.

Table 2: Descriptive Variable

Variables	Obs	mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
CSR	120	.235	.110	.033	.462	.033	.462	.465	2.314
AUDIT	120	3,492	.810	300	700	300	600	1,936	6.856
DIR	120	7.025	1,872	400	120	400	110	.604	2,549
TATO	120	.848	.697	.063	3.822	.077	3.38	1,891	6.98
ROE	120	.195	.259	-.180	1.451	-.002	1,400	3,742	17,224
SIZE	120	17,384	1.006	15.304	19,722	15,487	19,679	.361	2,760
AUDIT*TATO	120	2.805	2,093	.230	11,467	.364	10.139	1,711	6.366
DIR*TATO	120	5,983	5.526	.567	30,578	.613	23,658	2.185	7,812

Based on the output table above, there are 120 observations (N), with a minimum Sustainability (CSR) value of.033 and a maximum Sustainability (CSR) value of.462 for each of these 120 observations. The Audit Committee's (AUDIT) minimum and maximum values are 300 and 700, respectively. With a standard deviation of.110, the mean, or average value, of 120 observations is.235. The Board of Directors' (DIR) minimum value is.400, and its highest value is the mean of 120 observations, or the mean of 3,492 with a standard deviation of.810 (DIR is 120). The minimum and highest activity ratios (TATO) values are.063 and 3,822, respectively. 120 observations yielded an average value of 7,025 with a 1,872 standard deviation. The 120 observations' mean, or average, is.848; the minimum and maximum Profitability (ROE) values are -.180 and 1.451, respectively. The standard deviation is.697. The mean, or average, of the 120 observations is.195, with a standard deviation of.259, and the minimum and maximum firm sizes are 15.304 and 19.722, respectively. The minimum Audit Committee* Activity Ratio (AUDIT*TATO) score is 230, the maximum Audit Committee* Activity Ratio (AUDIT*TATO) score is 11,467, and the average score of 120 observations, or the mean, is 17,384 with a standard deviation of 1,006. The Board of Directors*Activity Ratio (DIR*TATO) has a minimum value of.567 and a maximum value of 30,578. This ratio is determined by taking the mean of 120 observations, which is 11,467, and multiplying it by a standard deviation of 2,093. The mean value was determined using 120 observations, and it was 5,983 with a 5,526 standard deviation.

4.2 Pearson Correlation Test

A Pearson correlation test was carried out to ascertain the strength or weakness of the connection between the Audit Committee, Board of Directors, Activities, Profitability, Company Size, and Sustainability. The Audit Committee, Board of Directors, Activities, Profitability, Company Size, and Sustainability are all substantially associated in this test if the Pearson correlation value (r) is above 0.05 (5%), and vice versa if the Pearson correlation value is below 0.05 (5%). As a result, it is asserted that the relationships among the Audit Committee, Board of Directors, Activities, Profitability, and Company Size and Sustainability are poor.

Table 3: Pearson Correlation Test

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) CSR	1,000							
(2) AUDIT	0.002	1,000						
	(0.983)							
(3) DIR	0.064	0.031	1,000					
	(0.485)	(0.740)						
(4) TATO	-0.091	-0.279	0.020	1,000				
	(0.325)	(0.002)	(0.831)					

(5) ROE	-0.256	-0.139	0.273	0.402	1,000			
	(0.005)	(0.130)	(0.003)	(0.000)				
(6) SIZE	0.257	0.477	0.483	-0.390	-0.189	1,000		
	(0.005)	(0.000)	(0.000)	(0.000)	(0.039)			
(7) AUDIT*TATO	-0.082	-0.096	0.026	0.976	0.376	-0.302	1,000	
	(0.374)	(0.298)	(0.777)	(0.000)	(0.000)	(0.001)		
(8) DIR*TATO	-0.082	-0.245	0.282	0.946	0.543	-0.242	0.924	1,000
	(0.372)	(0.007)	(0.002)	(0.000)	(0.000)	(0.008)	(0.000)	

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) CSR	1,000							
(2) AUDIT	0.002	1,000						
(3) DIR	0.064	0.031	1,000					
(4) TATO	-0.091	-0.279*	0.020	1,000				
(5) ROE	-0.256*	-0.139	0.273*	0.402*	1,000			
(6) SIZE	0.257*	0.477*	0.483*	-0.390*	-0.189	1,000		
(7) AUDIT*TATO	-0.082	-0.096	0.026	0.976*	0.376*	-0.302*	1,000	
(8) DIR*TATO	-0.082	-0.245*	0.282*	0.946*	0.543*	-0.242*	0.924*	1,000

*** *p<0.01, **p<0.05, *p<0.1*

The variable Sustainability, Audit Committee, Board of Directors, Activities, Profitability, and Company Size, according to the aforementioned table, has a value greater than 0.05 (5%). Therefore, it makes sense that all of these variables have been approved for use in model testing. The figure above 0.05 (5%), according to the reliability test of the test findings above, is explicable. This demonstrates that all of the examined variables are same and dependable.

4.3 Goodness of Fit Model Test

It is essential to test hypotheses while conducting research because the results may indicate if the effort is adequately scientific or not. Four tests were used to determine the model's scientific validity: Regression Ordinary Least Square, Fixed Effects, Random Effects, and Robust. The output results were as follows:

Table 4: Goodness of Fit Model

VARIABLES	(Model 1) OLS	(Model 2) Fixed Effects	(Model 3) Random Effects	(Model 4) Robust
AUDIT	-0.0354**	-0.0354**	-0.0354**	-0.0354**
	(0.0530)	(0.0542)	(0.0530)	(0.0453)
DIR	-0.00821	-0.00833	-0.00821	-0.00821

	(0.00980)	(0.0100)	(0.00980)	(0.00675)
TATO	-0.136	-0.136	-0.136	-0.136
	(0.153)	(0.158)	(0.153)	(0.162)
ROE	-0.128**	-0.129**	-0.128**	-0.128***
	(0.0530)	(0.0542)	(0.0530)	(0.0453)
SIZE	0.0354**	0.0354**	0.0354**	0.0354**
	(0.0144)	(0.0149)	(0.0144)	(0.0146)
AUDIT*TATO	-0.0354**	-0.0354**	-0.0354**	-0.0354**
	(0.0530)	(0.0542)	(0.0530)	(0.0453)
DIR*TATO	0.0101	0.0102	0.0101	0.0101
	(0.0112)	(0.0115)	(0.0112)	(0.0105)
Constant	-0.190	-0.190	-0.190	-0.190
	(0.243)	(0.252)	(0.243)	(0.259)
Observations	120	120	120	120
R-squared	0.148	0.146		0.148
Number of Year		5	5	
Country FE		YES		
Country RE			YES	

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

4.4 Discussion of Research Results

4.4.1 The Audit Committee has a Positive Effect on Sustainability

The audit committee determines that the initial hypothesis is not supported by the estimated negative coefficient. Fixed effects, random effects, and the OLS model, The t-test results show that the audit committee has a negative and significant influence on sustainability at the significance threshold of p-value $0.00 \leq 0.05$ (5%), whereas p-value is the significance threshold when employing the robust model $0.00 \leq 0.05$ (5%). According to empirical test results, the audit committee's influence on sustainability is inversely correlated with its size, meaning that the smaller the audit committee, the more significant the effect on sustainability. These empirical results contradict the hypothesized relationship between the Audit Committee and sustainability (p-value $0.00 \leq 0.05$ (5%) compatible with (Dewi & Pitriasari, 2019); (Roviqoh & Khafid, 2021); (Nawang Kalbuana et al., 2022). The initial hypothesis is supported by positive results from earlier research (Rivandi & Putri, 2019). The audit committee coefficients of companies listed on the Jakarta Islamic Index show outcomes that are in the opposite direction from those predicted by the first hypothesis for the period of 2017–2021, which accounts for the mismatch in the direction of the empirical findings. The audit committee's conclusions diverged from those of the audit committee at the previous corporation, as evidenced by the negative coefficient of determination results. The audit committee's ability to make long-term decisions will be impacted by the gap between these empirical findings.

The agency theory hypothesis, which explains the type of agreement between shareholders and agents in controlling the firm, supports these findings. A significant portion of responsibility for the company he runs rests with the agent (Jensen & Meckling, (1976) Describe the dynamics that arise when shareholders grant agents decision-making authority after employing them to perform services. Agents, who act as corporate managers, are actually more knowledgeable about internal information and potential business opportunities than investors. The agent is therefore required to inform shareholders of the company's condition (Nawang Kalbuana et al., 2022).

4.4.2 Board of Directors has a Positive Impact on Sustainability

The Board of Directors demonstrates that the projected negative coefficient does not support the initial hypothesis. The t-test findings demonstrate that, at the p-value significant level 0.06 ≥ 0.05 (5%), the Board of Directors has no unfavorable or inconsequential impact on sustainability. According to empirical test results, a board of directors' size does not affect whether sustainability increases or decreases. The opposite is also true: a board's size does not affect if sustainability increases. The hypothesis that the board of directors has a positive impact on sustainability is not supported by these empirical findings, and as a result, the hypothesis cannot be accepted p-value 0.06 ≥ 0.05 (5%) is compatible with (Idah, 2013). previous research that leads to positive (Aziz, 2014). Because the empirical results are in the opposite direction from the initial assumption, they differ from the coefficients of the Board of Directors of firms listed on the Jakarta Islamic Index for the period of 2017–2021. The negative coefficient of determination results show that the board of directors' actions were different from those of the board of directors of the prior corporation. The Board of Directors' decision-making about sustainability will be impacted by the gap between these empirical findings.

These findings are reinforced by the agency theory, which examines the arrangement between shareholders and managers of the company. The manager of the company bears a considerable deal of responsibility for its success (Jensen & Meckling, 1976) illustrates how agency relationships come about when shareholders assign decision-making authority to agents after hiring them to provide services. In actuality, the agent, who serves as the company's manager, is more knowledgeable than the shareholders regarding both internal information and the company's future prospects. Three fundamental tenets of human nature—namely, that people are typically self-centered, have little capacity for thinking about the future, and are risk-averse are used to support agency theory (Eisenhardt, 1989) ; (Jensen & Meckling, 1976) Describe the contractual arrangements that shareholders make when they hire agents to perform services and then give them decision-making authority. Agents, who serve as company managers usually have a greater understanding of internal facts and future business prospects than shareholders. The agent has a duty to inform shareholders of the firm's status and give information about it (Nawang Kalbuana et al., 2022).

4.4.3 Audit Committee's Moderating Activities to Sustainability

The results showed that the activity ratio moderated the audit committee's impact on the quality of the sustainability report. Companies who are not environmentally conscious are beginning to see the benefits of a high-quality sustainability report in order to boost their stock value. This motivates the firm to gain stakeholders' attention by implementing the

Triple Bottom Line (TBL) idea, which highlights that in running a business, the corporation pays attention to profit as well as society's (humans') needs and actively contributes to environmental protection (planet). However, the audit committee is more concerned with raising the caliber of financial reports than it is with raising the caliber of the sustainability report.

According to agency theory, which maintains that the nature of the agreement between shareholders and agents in managing the organization should be fundamentally explored, the agent is largely accountable for the success of the business he runs. The empirical results support this theory. The three types of agency expenses are monitoring costs, bonding costs, and residual costs. (Jensen & Meckling, 1976). Three fundamental tenets of human nature—namely, that people are typically self-centered, have a finite capacity for thinking about the future, and are invariably risk-averse are used to support agency theory (Eisenhardt, (1989); (Jensen & Meckling, 1976) Describe the dynamics that emerge when shareholders grant agents decision-making authority after employing them to provide services. Agents, who serve as corporate managers, are actually more knowledgeable about internal information and potential business opportunities than stockholders. Consequently, the agent is required to advise the shareholder of the company's state.

4.4.4 Board of Directors' Moderating Activities to Sustainability

The findings indicated that the Activity Ratio-mediated Audit Committee variable did not significantly lower the quality of the sustainability report. In Indonesia, boards of directors frequently see social responsibility and sustainability reporting as negative for the business and a revenue drain. This indicates that the Board of Directors frequently assumes that social responsibility will burden the company more and decrease revenue. Additionally, because corporate social responsibility is not effectively socialized, the board of directors feels excluded from the practice.

Considering the type of agreement that shareholders and managers of the firm may have, according to agency theory, is crucial, supports empirical findings by explaining that the agent has a significant responsibility for the performance of the company he runs. The three types of agency expenses are monitoring costs, bonding costs, and residual costs (Jensen & Meckling, 1976). Three fundamental tenets of human nature namely, that people are typically self-centered, have a finite capacity for thinking about the future, and are invariably risk-averse are used to support agency theory (Eisenhardt, (1989); (Jensen & Meckling, 1976) Describe how agency relationships arise when shareholders give agents decision-making power after hiring them to provide services. Agents, who act as corporate managers, are actually more knowledgeable about internal information and potential business opportunities than investors. As a result, the agent is expected to update shareholders on the company's status (Nawang Kalbuana et al., 2022).

5. Conclusions

The influence on sustainability decreases as the audit committee's size rises, and vice versa as its size rises. Contrarily, the number of directors on the board has no affect on how sustainable an organization is. An organization's board of directors does not determine how sustainable it is. The audit committee's influence on sustainability is tempered by the activity ratio, which indicates that the influence of the audit committee is lessened. In other words, the activity ratio's contribution strengthens the board's influence on sustainability. The activity ratio's role is to moderate the board's influence on sustainability.

5.1 Implications of Research Results

These findings offer empirical support for the Audit Committee and Board of Directors' decision-making in the realm of accounting, as well as the role of the activity ratio in reducing the influence of the Audit Committee on Sustainability and in connection to agency theory, the Board of Directors' impact on sustainability. The creation of sustainability policies for the Board of Directors and Audit Committee is explained by agency theory. The empirical results, in the interim, have ramifications for the management of the company as well as the sustainability strategy decisions made by the Audit Committee and the Board of Directors. Through evaluation of the Audit Committee and the Board of Directors on Sustainability, these empirical data offer proof in the field of accounting. Additionally, it enhances empirical accounting research and serves as a guide for future research.

5.2 Research Limitations

The limits of this inquiry are unavoidable. Limitations are stated in order to make this research understandable with a non-misleading interpretation. The goal of the limits disclosure is to allow future research to fill up the gaps left by the constraints of this study: For the 2017–2021 period, up to 24 companies were included in the population and study sample that were listed on the Jakarta Islamic Index, This study makes a new contribution by including the Activity variable as a moderating variable, reducing the number of prior studies that can be cited as examples.

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