

# THE INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS AND INTELLECTUAL CAPITAL PERFORMANCE ON INTELLECTUAL CAPITAL DISCLOSURE

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## *ABSTRACT*

*This study aims to analyze the audit committee characteristics and intellectual capital performance on the disclosure of intellectual capital. Characteristics of the audit committee that is used in this research are size of the audit committee, financial expertise of audit committee, number of audit committee meetings, and independence of audit committee. The population in this study is financial services company listed in Indonesia Stock Exchange on 2017-2018. The sample of 88 companies with sampling technique using purposive sampling. Analysis method used in this research is multiple regression. The test results of this study show that size of the audit committee, financial expertise of audit committee, independence of audit committee, and intellectual capital performance have no effect on intellectual capital disclosure (ICD). While the number of audit committee meetings has a positive effect on intellectual capital disclosure.*

*Keywords: Audit Committee Characteristics, Intellectual Capital Performance, Intellectual Capital Disclosure (ICD).*

## Preminery

The era of economic globalization is now increasing innovation and knowledge in the industrial world has modified the value creation process in companies. Industry players are beginning to realize that the ability to compete lies not only in tangible assets but intangible assets (intangible assets) are also starting to be noticed by industry players. One of the intangible assets that are used to maintain a company's position in the market, namely knowledge capital or what is also known as intellectual capital, knowledge assets are very important in increasing company value.

The increasing value of intellectual capital as a company asset has created its own challenges for accountants to be able to identify, measure, and disclose it in the company's financial statements. This is related to the accuracy in decision making for stakeholders, especially when comparing several similar companies that have relatively the same financial performance but have different market values.

Intellectual capital is an asset that can be used as a tool to achieve business success, when the company uses it optimally in carrying out the company's strategy, the company can run effectively and efficiently (Prameswari & Sudarno, 2014). The information disclosed in the annual report is divided into mandatory disclosure and voluntary disclosure (Dwipayani).

## Theoretical of Basis

### Stakeholder Theory

Signaling theory is the information signals needed by investors to consider and determine whether investors will to invest or not the company concerned (Suwardjono, 2012). Signaling theory is rooted in pragmatic accounting theory which observes the effect of information on changes in user behavior who pay attention to the effect of information on changes in the behavior of users of information (Suwardjono, 2012).

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### **Signaling Theory**

Signal theory states that internal company parties who have better information about their company will be encouraged to disclose this information to potential investors where the company can increase the value of the company through its annual report (Scott, 2015). In addition, signal theory is a behavior of company management in providing guidance to investors regarding management's views on the company's prospects for the future Brigham and Hosuton (2014: 184).

### **Intellectual Capital Theory**

Intellectual capital is an intangible asset and is difficult to directly research or measure. In the study of intellectual capital, many definitions have been proposed by researchers. In PSAK No. 19 (Revised 2009) Intellectual Capital in Indonesia can be implicitly reflected in intangible assets. Although it is not clearly stated regarding intellectual capital, intellectual capital is

indirectly believed to be part of intangible assets. Science and technology, system design and implementation, license, intellectual property rights,

## RESULTS AND DISCUSSION

### Data Analysis and Hypotheses

#### F test

**F test** Model fit test is used to assess the feasibility of the regression model that has been formed.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	0,247	5	0,049	3.444	.007
Residual	1,174	82	0,014		
Total	1,421	87			

The significance value in the table above shows a number of 0.007 or less than 0.05. then the regression equation obtained in this study is feasible

#### t test

The t test is used to determine whether variable X individually or partially affects variable Y. Based on the significance value of the table above, the number of audit committee meetings has an effect on intellectual capital disclosure. Meanwhile, the variable of audit committee size, audit committee financial expertise, audit committee independence, and intellectual capital performance did not have a significant effect on intellectual capital disclosure.

variabel	t.test	sigmificant
<i>-Audit Committee -</i>	1,62	0,01
<i>Characteristics, Intellectual</i>	1,99	0,27
<i>Capital Performance, Intellectual</i>	2,52	0,01
<i>Capital Disclosure (ICD</i>	1,36	0,06

Based on the significance value of the table above, the number of audit committee meetings has an effect on intellectual capital disclosure. Meanwhile, the variable of audit committee size, audit committee financial expertise, audit committee independence, and intellectual capital performance did not have a significant effect on intellectual capital disclosure.

## Discussion

The hypothesis which states that the size of the audit committee has an effect on intellectual capital disclosure (H1), the results of the study show a significant value of the audit committee size variable.

(X1) is 0.108 and the regression coefficient value is 0.027, which means that the first hypothesis (H1) is rejected. That is, the size of the audit committee does not have a significant effect on the Intellectual Capital Disclosure. This is because the function of the audit committee in supervising the ICD (intellectual capital disclosure) disclosure process has not been effective because the increasing number of members will have an impact on different opinions, so that the decision making will not run effective.

The hypothesis which states that the audit committee's financial expertise has an effect on intellectual capital disclosure (H2), the research results show a significant value

the audit committee financial expertise variable (X2) is 0.275 and the regression coefficient value is 0.065, which means that the second hypothesis (H2) is rejected. That is,

The audit committee's financial expertise did not have a significant effect on intellectual capital disclosure. This is because financial expertise is more relevant for issues related to finance than matters of intellectual capital reporting, for that is disclosure intellectual capital disclosures require more specific knowledge in relation to disclosures of intellectual capital disclosures.

The hypothesis which states that the number of audit committee meetings has an effect on intellectual capital disclosure (H3), the results show that the significant value of the variable number of audit committee meetings (X3) is 0.014 and the regression coefficient value is 0.007, which means that the third hypothesis (H3) is accepted. That is, the number of meetings the audit committee has

significant influence on

Intellectual capital disclosure. This is because the higher the frequency of meetings held by the audit committee, the higher the disclosure of intellectual capital. The audit committee with a variety of expertise in its meetings will often discuss strategy and evaluation of the implementation of tasks such as monitoring financial reporting, overseeing corporate governance. Audit committees that meet frequently can make the process of monitoring company reporting more efficient and evaluate the information that needs to be conveyed to report users, such as information

companies regarding intellectual capital disclosures.

The hypothesis which states that the independence of the audit committee has an effect on intellectual capital disclosure (H4), the results show that the significant value of the independence of the audit committee (X4) is 0.066 and the regression coefficient value is -0.253, which means that the fourth hypothesis (H4) is rejected. That is, the independence of the audit committee does not have

significant influence on Intellectual capital disclosure. This is because the audit committee is one of the mechanisms in CG, where In increasing company compliance with the implementation of CG it has the impact of the increasingly homogeneous proportion of the audit committee which results in no difference between the proportion of independent audit committees, both homogeneous and heterogeneous. Another thing that is causing independence to have no effect on the ICD, namely the underperformance of the members of the independent audit committee in carrying out their duties.

The hypothesis which states that intellectual capital performance affects intellectual capital disclosure (H5), the results show that the significant value of the audit committee financial expertise variable (X5) is 0.656 and the regression coefficient value is 0.005, which means that the fifth hypothesis (H5) is rejected. That is, the intellectual capital performance does not have significant influence on

Intellectual capital disclosure. This is because financial services companies are more careful in safeguarding their assets, this has an impact on companies that will cover their assets so that cannot be imitated by due to the absence of competitor regulations governing voluntary disclosure resulted intellectual capital disclosure has not received the full attention of the company.

## CONCLUSION

Based on the results of testing and discussion in the previous chapter, several conclusions can be drawn as follows:

1. The size of the audit committee is not has a significant effect on intellectual capital disclosure.
2. Financial expertise is not has that effect significant to the disclosure of intellectual capital disclosures.
3. Number of audit committee meetings has a significant effect on intellectual capital disclosure

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