THE COMMITTEE OF AUDIT ROLE ON THE STATE-OWNED ENTERPRISES (BUMN) PERFORMANCE OF INDONESIA REGISTERED ON THE STOCK EXCHANGE OF INDONESIA

Mochamad Muslih*
STIE Tri Bhakti
Mochamadmuslih@stietribhakti.ac.id

Abstract
It has never been thoroughly investigated whether the existence of the Committee of Audit on the SOE commissioner board is truly as beneficial as expected. Based on research that has been done, there is still a diversity of opinions regarding the effect of the committee of audit characteristics on the performance of a company. The purpose of this study is to study whether the size of the audit committee and a number of the meetings of the audit committee affect the performance of a company, and add the size of the company as an independent variable. This study uses a quantitative method of research. The data analysis method uses multiple regression. The population is State-Owned Enterprises that are listed on the Stock Exchange of Indonesia. The sampling method is purposive sampling. The sample is 20 (twenty) SOEs registered on the Stock Exchange of Indonesia from 2013 to 2018. The results showed that the number of chairpersons and the audit committee members had a positive effect on the performance of a company, the number of meetings of audit committee had no significant effect on the performance of a company, and the company size had a significant negative effect on company performance.

Keywords: Company Performance, Corporate Governance, Size of Committee of Audit, Meetings of Committee of Audit, Size of Firm

JEL Classification: M41, M42

Received : 06/11/2019
Revised : 27/12/2019
Accepted : 02/02/2020
The Commissioners Board is an important company organ whose job is to provide
direction and monitoring on the implementation of the tasks of the company's management.
The Commissioners Board is formed to represent the interests of the firm's owners. However,
the performance of the Commissioners Board is often unsatisfactory in providing direction and
monitoring. The Committee of Audit is an important part of the organ of the Commissioners' 
Board. The Committee of Audit was formed to assist the Commissioner Board performing their 
duties. The Committee of Audit analyzes various aspects of a company. The success in 
performing the duties of the Committee of Audit is highly dependent on its qualifications. In 
the SOEs, the obligation to form a Committee of Audit was established in 2002 based on a 
Decree from the Ministry of SOEs. The establishment of the Audit Committee on SOEs is 
meant to improve the performance of the BUMN Commissioners Board. Obligations for SOEs 
and SOEs listed on the Stock Exchange of Indonesia have been set in various regulations, both 
by the Ministry of SOEs, Indonesian Bank, the Capital Market Implementing Agency, and by 
the Financial Services Authority. However, it has never been thoroughly evaluated whether the 
existence of the Committee of Audit on the SOE Commissioners Board is truly as beneficial 
as expected, especially on the Committee of Audit at SOEs listed on the Stock Exchange of 
Indonesia. Researchers are very eager and motivated to know the results of the implementation 
of these government policies in the area of the Committee of Audit. The researcher also added 
the variable size of the company intending to determine the effect of the size of the SOEs 
without an increase in corporate governance such as the Committee of Audit.

Based on research that has been done, there is still a diversity of opinions regarding the 
effect of a committee of audit characteristics on firm performance. Ardena and Basuki (2013) 
concluded from their research that the number of meetings conducted by the Committee of 
Audit and a large number of Committee of Audit members who have financial knowledge can 
prevent the possibility of the firm experiencing financial distress. Makhrus's research results 
(2013) showed that the existence of the Committee of Audit did not significantly influence firm 
performance. Othman et. al. (2014) concluded from their research that merely two 
characteristics (multiple directorships and tenure) are related to voluntary disclosure of ethics. 
Independence, expertise, meeting frequency, and size were inconsistent. Madi, Ishak, and 
Manaf (2014) concluded from the results of their research that the independence of the 
Committee of Audit, the size of the Committee of Audit, and the many positions of the 
Committee of Audit significantly influence the firm voluntary disclosure. Financial expertise 
and the number of Committee of Audit meetings did not significantly affect the firm voluntary 
disclosure. Tusek (2015) said that the efficiency of the operations of internal audit is increased 
through an active inclusion of the function of internal audit in the activities of the committee 
of an audit. Moreover, Bansal and Sharma (2016) revealed from his research that the committee 
of audit independence and its frequency of meeting didn't affect the financial performance of 
Indian firms. According to Akpey and Azembila (2016), the number of independent members 
on the committee of audit had no influence on firm performance. According to Ghafran and 
O’Sullivan's (2017) research results, the expertise of the Committee of Audit influences audit 
quality, but the experience of the Committee of Audit does not affect. Adiati and Adiwibowo 
(2017) concluded from their research that the Committee of Audit meetings has no significant 
effect on the performance of banking companies. Al Qatamin (2018) revealed from his research 
that the Committee of Audit size, the Committee of Audit Independence, and gender diversity 
had a positive and significant effect on performance. But experience and the number of 
meetings did not affect the performance. Zhou, Owusu-Ansah, and Maggina (2018) concluded 
from the results of their research that the relationship between the Committee of Audit and firm 
performance was not significant.
The results of previous studies regarding the effect of company size on firm performance also still have inconsistencies and the conclusion still varies. Alexander et. al (2005) revealed from his study results that there is a positive relationship between firm size and the structure of capital. Amato et al (2007) concluded from his research result that there is a positive relationship between firm size and profits of the company. Gaur (2007) states in the results of his research that company size influences inventory levels and sales growth. Dogan (2013) also concluded from his study that the relationship between indicators of size and firm profitability is positive. Chang et. al (2013) concluded from their research results that the relationship between firm size and performance of financial is positive. Babalola (2013) concluded that the relationship between firm size and profitability of manufacturing firms in Nigeria is positive. Kumasa et. al (2014) revealed that the relationship between firm size and job qualifications is positive. Amato and Burson (2007) revealed that there are greater profit opportunities for small firms and large firms, but not medium-sized companies. So large and small firms have the same opportunity to obtain greater profits.

Therefore this research was conducted to study the size of the Committee of Audit, the number of meetings of Committee of Audit, and firm size, with a sample of SOEs listed on the Stock Exchange of Indonesia in 2013-2018. The research questions are whether the size of the Committee of Audit influences company performance? Does the number of Committee of Audit meetings affect firm performance? And does the firm size affect firm performance?

The novelty of this research is to study as a whole the implementation of the Indonesian government policy regarding the Committee of Audit that was enacted in the SOE Regulation of State Minister No. PER-12 / MBU / 2012 dated August 24, 2012, concerning the Supporting Organs for the Commissioner Board of SOEs, the decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency No.KEP-643 / BL / 2012 dated December 7, 2012, concerning the Formation and Guidelines for the Work of the Committee of Audit, and Financial Services Authority Circular No. 55 / SE OJK.04 / 2017 dated December 6, 2017, concerning Reports on the Implementation of the practices of Good Corporate Governance Performing Business Activities as Underwriters and Brokers. So this is policy research. This research studies the effect of the Committee of Audit size and number of meetings of the Committee of Audit on SOEs listed on the Stock Exchange of Indonesia as a whole. These two parameters are the main contents of the SOE Minister's regulation regarding the Committee of Audit. Expertise is considered at the acquisition of a Committee of Audit. After the acquisition, the main concerns are the size of the Committee of Audit and the number of meetings. This research is useful for policymakers such as the Ministry of SOE, Indonesian Bank, and the Financial Services Authority, for the formulation of the Committee of Audit regulation. This study also uses company size as an independent variable to find out whether the bigger the SOE will be, the more efficient it will be without the role of the Committee of Audit.

LITERATURE REVIEW

Agency Theory

The grand theory of this research is the theory of agency. The theory of agency regulates owners' and managers’ relationships. The relationship between the owner and the manager must be arranged so that the manager will decide acting in the owner or shareholder’s interests of the company. Jensen and Meckling (1976) say that shareholders can ensure that managers as agents have decided optimally if managers are given proper incentives and proper monitoring is done to them. Jensen and Meckling (1976) concluded that the organization is a central and collection of agreements among the production factors. So there are many management contracts in the company between the owner and company management. The
larger the organization, the further the relationship between principals and managers as company agents. Scott (2015, p. 358) defines a theory of agency as a branch of the theory of game studying pattern of contract motivating rational managers acting on principals' behalf, if the manager's interests are different, they will conflict with principal interests. The owners of SOEs are all of the people of Indonesia. The Indonesian people are the shareholders of the unitary state of the Indonesian Republic and therefore also the owner of the SOEs. The people's ownership of SOEs is represented by the Government. The managers are BUMN Directors. In companies, the interests of the Indonesian people are represented by Commissioners appointed by the Government. The role of the Commissioner is to represent the government in providing direction and monitoring to the BUMN Directors. Improving the Commissioners Board Performance, a Committee of Audit was formed.

Firm performance is the business goal of all entities. The firm performance comes from management activities. Used parameters to assess firm performance are performed using an approach in which financial information is taken from financial statements or other statements. There are several definitions of performance. Messer (2017) states that comparing actual performance with planned activities is an important management control. The implication of Messer's statement is that performance is what has actually been done. Dincer, Hacioglu, and Yuksel (2017) state that performance measurement is a process that analyzes company output and the effectiveness of the resources obtained by this company. Kask and Linton (2016) divide performance into several levels, namely no performance, low performance, medium performance, and high performance. The criteria for these levels must be determined by the company. Appraisals of performance study the firm's operation effectiveness have been carried out. Non-financial measurement units such as customer satisfaction and employee satisfaction are used to measure nonfinancial performance. Instead financial units of measurement such as current earnings, return on assets, return on equity, and so on are used for financial performance. The proxy of firm performance in this study will be firm’s profit.

Governance of Corporate

Firm performance is the business goal of all entities. The firm performance comes from management activities. Used parameters to assess firm performance are performed using an approach in which financial information is taken from financial statements or other statements. There are several definitions of performance. Messer (2017) states that comparing actual performance with planned activities is an important management control. The implication of Messer's statement is that performance is what has been done. Dincer, Hacioglu, and Yuksel (2017) state that performance measurement is a process that analyzes company output and the effectiveness of the resources obtained by this company. Kask and Linton (2016) divide performance into several levels, namely no performance, low performance, medium performance, and high performance. The criteria for these levels must be determined by the company. Appraisals of performance study the firm's operational effectiveness has been carried out. Non-financial measurement units such as customer satisfaction and employee satisfaction are used to measure non-financial performance. Instead, financial units of measurement such as current earnings, return on assets, return on equity, and so on are used for financial performance. The proxy of firm performance in this study will be a firm’s profit.

Committee of Audit

The Committee of Audit is a supplementary organ of the Commissioners Board. In the OJK Circular No.16 / SEOJK.05 / 2014 states that the Committee of Audit is a committee formed and is responsible to the Commissioners Board to assist the Commissioners Board monitoring and ensuring the effectiveness of the system of internal control and the implementation of the duties of internal and independent/external auditors. Article 11
paragraph 1 of SOE Ministerial Regulation Number Per-12 / MBU / 2012 states that the Commissioners Board / Supervisory Board must establish a Committee of Audit consisting of members and chairman. Article 18 Minister of State of SOE Regulation No.PER-01 / MBU / 2011 states that the supporting organs of the Commissioners Board / Supervisory Board consist of the Secretariat of the Commissioners Board if necessary, the Committee of Audit, and other committees if necessary. In the Financial Services Authority Circular No. 55 / SE OJK.04 / 2017 Article 1 states that the Committee of Audit is a committee created by and responsible to the Commissioners Board in assisting the implementation of the duties and functions of the Commissioners Board. Because it is considered so important the position of the Committee of Audit, according to Fitzgerald and Giroux (2014) based on the results of a financial survey managers from cities in America that have a population of more than 100 thousand it turns out that about 58% of the governments of those cities have an Audit Committee. Survey results also show that the larger a city is and the greater its financial budget, it is more likely to have a committee of Audit. But based on the 2002 Sarbanes Oxley Actions, government agencies do not have to have a Committee of Audit.

Historically based on Al-Baidhani thought (2016) in 1939 for the first time the concept of the Committee of Audit was introduced by the New York Stock Exchange. When of global crisis occurred in 1970, the growing need for the Committee of Audit. The first time in 1972 the US Securities Exchange Commission recommended a public company to set up a Committee of Audit. All members of the Committee of Audit were required to become independent directors by the NYSE in 1977. On 1988 AICPA issued Statement on Auditing Standard No. 61 concerning "communication with audit committees" governing the linkages between the Committee of Audit, management, and external auditors. After Enron and World Com cases, the American Congress issued the Sarbanes Oxley in Action in 2002, which gives more power to the Committee of Audit, specifically on the field the whistleblowing and disclosure requirements on the Financial Statements. The Sarbanes Oxley Act of 2002 has increased the cognizance and authority of the Committee of Audit; increased membership cognizance and the composition of the committee of an audit should include more independent directors. Markhrus (2013) said that the urgency of the existence of the Committee of Audit was also be related to the less optimal role played by the Board of Commissioners in many companies in countries affected by the past crisis, including Indonesia. Furthermore, Al-Baidhani (2016) concluded his descriptive study that now people consider GCG as a basic condition to register and accept an entity in most of the Markets of Stock Exchange in the world, and now the committee of audit plays a major role in governance of corporation pertaining the entity’s direction, control, and accountability; and it is hoped that in the future the committee of audit will play a broader governance of corporation rule and that many people in the field of governance will do and will support the committee strongly.

Decree of the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number KEP-643 / BL / 2012 states that the basis for the consideration of the establishment of the Audit Committee is due to the increasingly complex tasks and functions of the Commissioners Board in conducting oversight of Issuers or Firm of Public so that an Audit Committee is needed to help bring along its assignments and the responsibility of the Commissioners Board. In the general provisions of the Decree of the Chairman of Bapepam, it is defined that the Committee of Audit is a committee created by and responsible to the Commissioners Board in helping bring along the assignment and functions of the Commissioners Board. It was further stated in the general provision that the Committee of Audit consists of least of all 3 (three) members who are independent commissioners and outside parties or public companies. The Committee of Audit is headed by an Independent Commissioner. Al-Baidhani (2016) states that Governance of a corporation is a system used to
Mochamad Musli

direct and supervise an organization. Further, Al Baidhani said that the Committee of Audit
assumed the role of a representative of the Commissioners Board. The Committee of Audit
provides the Commissioners Board with the necessary advice.

The committee of Audit members has to meet the required expertise set by the
regulations. Article 15 of the Regulation of the SOE State Minister Number Per-12 / MBU /
2012 stipulates that the Committee of Audit members must meet the requirements. Paramitha
and Rahardjo (2013) concluded that the performance of the Committee of Audit might also be
affected by the characteristics of the Commissioners Board.

Expertise is the core of every profession or position. Expertise is the main equipment
of every profession. Without expertise, there is no way a professional can achieve its goals.
Likewise, the profession of the Audit Committee. The Committee of Audit can only bring along
its duties if it has the expertise as expected. Thus expertise influences the achievement of
company performance.

Related with the expertise of the Committee of Audit, in general terms the Decision of
the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number
KEP-643 / BL / 2012 stipulates that Committee of Audit members must have high ability,
integrity, experience, knowledge following their line of work, and be able to communicate
well; must understand the Financial Statements, the company's business specifically related to
the services or business activities of the Issuer or Public Company, the audit process, risk
management, and legislation in the capital market and other related laws and regulations; must
comply with the Audit Committee's code of ethics established by Issuers or public companies;
will not increase competence continuously through education and training; must have at least
1 (one) member with educational background and expertise in accounting and/or finance.
Nuresa and Hadiprajitno (2013) said that the Audit Committee with members who know
accounting and finance are expected to be more effective.

In connection with the expertise of the Audit Committee, in general terms the Decision of
the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number
KEP-643 / BL / 2012 stipulates that Committee of Audit members must have high integrity,
ability, knowledge, experience following their line of work, and be able to communicate well;
must understand the Financial Reports, the firm's business specifically related to the services
or business activities of the Issuer or Public Firm, the audit process, legislation, and risk
management in the capital market and other related laws and regulations; must comply with
the Committee of audit’s code of ethics established by Issuers or public companies; willing to
increase competence continuously through education and training; must have at least 1 (one)
member with educational background and expertise in accounting and/or finance. Nuresa and
Hadiprajitno (2013) said that the Committee of Audit with members who know the fields of
accounting and finance are expected to be more effective.

In the work process, the Committee of Audit is also expected to work closely with the
Internal Audit Unit. AS 1301 (2012) requires the internal auditor to communicate with the firm
commitment of audit about certain matters related to the audit conduct and obtaining certain
information from the committee of audit relevant to the audit. This standard also requires the
auditor to establish an understanding of the terms of the engagement of audit with the
committee of audit and to record that understanding in a letter of engagement.

Rupley, Almer, and Philbrick (2011) conducted research using a survey method of 1000
members of the Committee of Audit randomly selected from the Audit Analytics database. The
questionnaire used consisted of structured and open-ended questions. The results of open-
ended questions about the effectiveness of the Audit Committee showed that the knowledge of
the Audit Committee members (25%), time availability (19%), Open Communication with top management (11%), and business acumen (10%). So the knowledge of the members of the Audit Committee is considered the most important to support the effectiveness of the Audit Committee. Ghafran and O'Sullivan (2017) conducted a study to study the effect of the Audit Committee's financial expertise on audit quality. The results show that the expertise of the Audit Committee has a positive effect on audit quality. According to Badolato, Donelson, and Ege (2014) survey results, the relative status and financial expertise of the Committee of Audit forestall incomes management.

HYPOTHESIS DEVELOPMENT

The Measure of the Committee of Audit

The Committee of Audit size is the number of personnel contained in the Committee of Audit. The greater the number of personnel of the committee of audit it is usually more likely to do a job and achieve its objectives. Regarding the size of the Committee of Audit in the Decision of the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number KEP-643 / BL / 2012, it is stipulated that the Committee of Audit shall consist of at least 3 (three) members from Independent Commissioners and parties from outside the Issuer or public company. The Financial Services Authority Circular No. 55 / SE OJK.04 / 2017 article 4 stipulates that the Committee of Audit consists of least of all 3 (three) members who are from Independent Commissioners and Parties from outside Issuers or Public Firms. This policy applies to all firms listed on the Indonesian Stock Exchange, including State-Owned Firms.

Nuresa and Hadi Prajitno (2013) said that the effectiveness of the Committee of Audit would increase if the measure of the committee increased because the committee had more resources. The greater the number of audit committees, the bigger the capacity of the committee of audit to conduct various evaluations and make directives of the board of commissioners in various fields such as evaluating the implementation of information technology, risk management information technology, procurement of goods and services, service quality, internal control systems, corporate governance, internal audit, external audit, and budget execution corporate governance. The Committee of Audit Charter and the Committee of Audit Code of Ethics of PT Bank Negara Indonesia (Persero) Tbk, among others, stipulate that members of the Committee of Audit use the cognition, expertise, and experience required in carrying out the duties, responsibilities, and authority given. If the number of committee of audit personnel is increased, the implementation of its responsibilities will be better. Al Qatamin (2018) be concluded from the outcome of his research that the committees of Audit measure, the independence of the Committee of Audit, and gender variety had a positive and significant effect on performance. Furthermore, Al Qatamin (2018) said that consistent with the resource dependence theory perspective, the effectiveness of a committee of audit increases as the measure of the committee increases, since it has more resources to analyze the issues faced by the firm. firms with a larger committee of audit measures were associated with better financial performance.

The following are the hypotheses based on the above discussion:

H1: The size of the Committee of Audit has a positive impact on firm performance.

Number of Committee of Audit encounters

Regarding the Committee of Audit encounters, Attachment item 7 of the provision of the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number KEP-643 / BL / 2012 about the Formation and Guidelines for the Work of the Committee of
Audit stipulates that the Committee of Audit meets periodically at least 1 (one) time in 3 (three) months; Audit Committee meetings can only be held if attended by more than half the number of members; the decision of the Audit Committee meeting is taken based on deliberation to reach consensus, and each Audit Committee meeting is outlined in the minutes of the meeting. Provision IX of SE OJK No.16 / SEOJK.05 / 2014 stipulates that the Committee of Audit and Committee of Risk Monitoring must put on a committee meeting at least 1 (one) time in 1 (one) month. Other committees hold committee encounters least of all 4 (four) times in 1 (one) year. The Financial Services Authority Circular No. 55 / SE OJK.04 / 2017 article 13 regulates that the Committee of Audit meets periodically least of all 1 (one) time on 3 (three) months.

Ardena and Basuki (2013) concluded from his research that the number of encounters done by the committee of audit and a large number of the committee of audit members who have financial knowledge can forestall the possibility of the firm experiencing financial distress. Avoiding financial distress is also one of the company's performance, which is more likely to avoid if the measure of the committee of the audit is getting bigger. Nuressa and Hadiprajitno (2013) said that the Committee of Audit which holds encounters more often provides more effective negligence and monitoring mechanisms for financial activities. Al Baidhani (2016) said that the Audit Committee meeting had a major influence on evaluating overall company performance and the company's internal control function. The important content of the Audit Committee meeting according to Al-Baidhani is the frequency of meetings, attendance of members, and the material or topic of the meeting. Sujatha, Muninrayanappa, and Sathyanarayana (2017) concluded from the results of their research that the number of Committee of Audit encounters improved the performance of several governance mechanisms. This might be caused by the early detection of embezzlement of the Financial Statements and the presentment of the actual financial place before the Commissioners Board. Badhabi and Ismail concluded from the results of their study that the commitment of Audit Committee of Audit members in attending Committee of Audit encounters was the most important characteristic of the Committee of Audit and was a major factor for achieving the effectiveness of the Committee of Audit and was highly valued by the stock market in Oman. Akpey and Azembila (2016) concluded from the results of their research that the frequency of Committee of Audit meetings was related to the decline in the level of aggressiveness in earnings management. The existence of management earnings is an unexpected condition in the company. This condition can be eliminated or reduced if there are more and more committee of audit meetings and the greater the opportunity for the committee of the audit to inquire about unfair accounting practices. There are 3 types of meetings that are usually attended by the committee of audit, namely the monthly meeting of the board of directors with the commissioner's board, the meeting of the committee of the audit with certain units, and general meetings of shareholders. In all three types of encounters, there is always an opportunity for the committee of the audit to question unusual company accounting practices.

The following are the hypotheses based on the above discussion:

H2: The number of the committee of audit meetings has a positive impact on firm performance.

**Firm Size**

The size of the firm is considered to influence the firm's performance. A larger firm is considered to have a greater capacity to create added value and profit for the firm. Larger companies have greater production capacity, broader relationships, and a wider market share to sell their products. Therefore the greater the size of the company will further drive the company's performance. Based on the results of the study the size of the company is the level or size of the company. Firm size indicators can be expressed in various types of measures such
as the value of assets, number of employees, value of sales, and amount of capital.

Various studies have proven a positive relationship between firm size and firm profits. Dogan (2013) done a study of 200 companies listed on the Istanbul Stock Exchange, with data between 2008 and 2011. The result was a positive linkage between indicators of the size and profitability of the firm. So if the size of the company increases, its performance will also advance. Chang et.al (2013) show from the results of empirical studies that there is a relationship between firm size and financial performance. Babalola (2013) done a study of the relationship between firm size and company performance listed on the Nigerian Stock Exchange, using panel data for 2000-2009. The result is a positive relationship between the size of the firm, in terms of the number of assets and sales, and the profitability of manufacturing companies in Nigeria.

Based on the description above, the hypothesis is as follows.

H3: Firm size has a positive impact on firm performance.

METHODS

Design of Research

The research method used in this study is a quantitative research methods. Data cultivation is finished using eviews 9 software.

The quantitative research model is formulated as follows:

\[ Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \mu \]

Where:

- \( Y \) = Company Performance;
- \( X_1 \) = Audit Committee Size;
- \( X_2 \) = Number of Audit Committee meetings;
- \( X_3 \) = Firm Size.

Samples, Population, and Data Collection Methods

The population is Firm-Owned Enterprises that are registered on the Indonesia Stock Exchange. The samples are State-owned enterprises registered on the Indonesia Stock Exchange from 2013 up to 2018. The sample selection is done purposively. The unit of analysis is the company. The data collected is secondary data, which is the company’s annual report available on the Indonesia Stock Exchange website.

Variable Measurement

This study consist of several variables including firm performance, the committee of audit size, number of the committee of audit meetings, and firm size. The measure of company performance is Return on Assets (ROA). The measurement is to use the net profit after tax data and the average assets listed in the Financial Statements. The size of the Committee of Audit is measured based on the number of Committee of Audit personnel. The number of committee of Audit meetings is measured based on the number of meetings conducted by the Committee of Audit during one period. The Company can consider the amount of assets presented in the Financial Statement.

The Analysis of Data

Basically, the data analysis will cover the classical assumption test to determine the normality of the data and the regression test. The whole test includes data normality test, multicollinearity test, heteroscedasticity test, goodness of fit test, F test (simultaneous test), and
Mochamad Muslih

individual t-test.

RESULTS

The samples in this study were 20 (twenty) SOEs listed on the Indonesia Stock Exchange, with 6 (six) years of observation from the year 2013 to 2018. Thus there are 120 (one hundred and twenty) observations. The data used are secondary data from those 20 (twenty) companies.

A classic assumption test consisting of heteroscedasticity test, normality test, multicollinearity test, and autocorrelation test has been carried out on the data collected. The outcomes of the regression test can be looked below:

The regression results are summarized in table 1.

| Table 1. Summary of Regression Result |
|-------------------------------|-----------------|----------------|---------|
| Variable | Coefficient | t-Statistic | Prob |
| C       | 0.36    | 3.02       | 0.0031  |
| X1      | 0.02    | 2.67       | 0.0086  |
| X2      | 0.00    | 0.31       | 0.7581  |
| X3      | -0.01   | -2.89      | 0.0046  |

Descriptive statistics of research data are as follows:

<table>
<thead>
<tr>
<th>Table 2. Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Median</td>
</tr>
<tr>
<td>Maximum</td>
</tr>
<tr>
<td>Minimum</td>
</tr>
<tr>
<td>Std. Dev.</td>
</tr>
<tr>
<td>Skewness</td>
</tr>
<tr>
<td>Kurtosis</td>
</tr>
<tr>
<td>Jarque-Bera</td>
</tr>
<tr>
<td>Probability</td>
</tr>
<tr>
<td>Sum</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

From the regression results summarized in table 1, it can be seen that the F (Prob F Statistic) test results are 0.01 (<0.05). Significant. This means that simultaneously the size of the Committee of Audit, the number of Committee of Audit meetings, and the size of the firm have an important impact on company performance. This means the research can be continued.

On table 1 it can be seen that the size of the committee of audit coefficient (X1) is positive, with a t-statistic probability of 0.0086 <0.05. It means significant. The number of the committee of audit meetings (X2) has a positive coefficient, with a t-statistic 0.7581 (> 0.05). The meaning is not significant. The size of the company (X3) has a negative coefficient, with
DISCUSSION

The regression result above states, the overall size of the committee of audit, the number of the committee of audit meetings, and the size of the firm affect the firm's performance. Thus this research can continue.

The measure of the committee of audit has a significant impact on firm performance. This means that the number of chairpersons and the committee of audit members as a whole influences the firm's performance. Following the provisions in Permen BUMN No.12 of 2012 concerning Supporting Organs for the Commissioners Board / Board of Trustees of State-Owned Enterprises. The chairman of the committee of the audit is an independent commissioner, that is, a commissioner who is not affiliated with the majority shareholders and minority shareholders. The committee of audit members come from professionals and academics. The aim is to improve the objectivity and quality of the work of the Committee of Audit. The greater the number of the committee of audit personnel, the more likely it is to divide the commission of audit's tasks among the committee of audit personnel and increase specialization in bringing out the commission of audit's tasks.

The results of this study support the research of Nuresa and Hadi Prajitno (2013) who concluded that the effectiveness of the committee of audit will go up if the size of the committee increases because the committee has more resources, and Al Qatamin (2018) concludes from the results of his research that the size of the committee of audit has a positive impact and important on performance. The results of these study also support the Decree of the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number KEP-643 / BL / 2012 which stipulates that the Committee of Audit consists of least of all 3 (three) members who are from Independent Commissioners and parties from outside the Issuer or public firm. The stipulation of the minimum number of the committee of audit personnel shows that the size of the committee of audit personnel is important and is the determining variable. Article 11 Minister of SOE Regulation No. 12 of 2012 only stipulates that the Commissioners Board / Supervisory Board must establish a Committee of Audit consisting of a minimum of chairs and members. So least of all 2 people. The chairman must come from an Independent Commissioner. Regulation of the Financial Services Authority (OJK) Number 55 /POJK.04/2015 regarding the establishment and guidelines for the work of the Committee of Audit, the number of The Committees of Audit is determined to be least of all3 (three) members from Independent Commissioners and parties from outside the issuer or public firm. It means that OJK considers that the number of the committee of audit members determines the success of the audit committee's duties. In carrying out the day-to-day tasks of the Committee of Audit in Indonesia, the number of The Committee of Audit personnel is indeed very important for the successful implementation of the duties of the Commissioners Board because of the many tasks of the Committee of Audit.

The results of the above study show that the Government of Indonesia, especially the Financial Institution Supervisory Agency (Bappepam) and Financial Services Authority (OJK) has made the right policy that the minimum amount of The Committees of Audit is 3 (three) people. These 3 (three) people can share better the tasks of analyzing the company operations and making the direction of the Board of Commissioners to the company's management. But in SOE Minister of State Regulation No. PER-12 / MBU / 2012 dated 24 August 2012 arranged that audit committee size consists of 1 (one) Chairman and 1 (one) member. This means the minimum is only 2 (two) people. This policy must be reviewed again for compliance with the regulation of the Financial Services Authority (OJK) Number 55 /POJK.04/2015 dan the decree

From table 1 it is shown that the amount of the committee of audit encounters did not have a significant effect on firm performance. This means that the number of audit committee meetings does not affect company performance. Article 13 of the Financial Services Authority (OJK) Regulation No. 55 /POJK.04/2015 concerning the establishment and guidelines for the Audit Committee's Work states that the audit committee should hold regular meetings at least once in 3 (three) months. The purpose of the committee of audit meetings is to evaluate and discuss the firm's performance, problems, opportunities, and issues. The output of the implementation of the committee of audit tasks is in the form of evaluation amount, studies, input, and the concept of directives from the commissioners to the firm's management. One example is the evaluation of the firm's internal control system. These meetings should have an effect on the firm's performance, and the more it should be carried out the more it should encourage the company's performance. However, based on the amounts of the research above, the number of meetings did not influence the firm's performance. The number of meetings did not have an impact on improving the quality of evaluations, studies, and direction from the commissioner's board. This may happen if the number of meetings is inadequate or the quality of the meeting is inadequate.

The inadequate amount of the committee of audit meetings can cause meetings held less strongly impact on firm performance. This condition stems from regulations stipulated that the amount of Committee of Audit meetings is at least once every 3 (three) months. The number of meetings or Committee of Audit meetings must be at least 3 (three) times in 1 (one) month. 3 (three) meetings in 1 (one) month are for routine monthly meetings of the Commissioners Board with the Directors Board, meetings with the Internal Audit Unit, and meetings with certain management units.

The lack of influence of the amount of the committee of audit encounters on firm performance can also be caused by a lack of quality audit committee meetings conducted. In each board of commissioner's meeting with management, the material discussed must be structured, starting from planning, budget achievement, current issues, opportunities and constraints, matters that need the consent of the commissioners board, risk management, information technology, service quality, internal control systems, procurement of goods and services, and so on. But sometimes the meeting material is less structured and meeting participants talk too much about things that are not important. Sometimes also some members of the commissioner's board lack expertise so that they cannot respond properly to the material presented at the meeting. It can also happen that it is precisely the audit committee that does not understand well the tasks of the commissioner's board.

The results of this study support the results of research from Al Qatamin (2018) which concludes from the results of his research that the amount of committee of audit meetings has no impact on firm performance. An influential characteristic according to Al Qatamin is the measure of the committee of the audit. Zhou, Owusu-Ansah, and Maggina (2018) even concluded from the outcome of their research that there was no relationship between the Committee of Audit and firm performance. Thus the amount of the committee of audit meetings also has no impact on firm performance.

Company size has a significant impact on firm performance, but the coefficient is negative. That is the greater the State-Owned Enterprise, the less capacity it has to improve performance. The larger a company should have the relationships, resources, and better management and greater capacity to improve its performance. However, based on empirical data that happened just the opposite. The bigger the size of BUMN registered on the Indonesia
Stock Exchange, the lower the firm's performance. This shows that with the increasing number of SOEs, it does not guarantee that their management will be better and able to drive company performance. The magnitude of the company turns out to create inefficiencies in management and its impact reduces the company's performance. The results of this study also show that the management of Firm-Owned Enterprises that are registered on the Indonesia Stock Exchange is not as efficient as desired. The bigger the firm should be the greater its capacity to make profits. But the opposite happened, the greater the assets of SOEs, the profit decreased. This means that the greater the firm's assets it is increasingly burdening SOEs.

The outcome of the study shows that the increase in the measure of State-Owned Enterprises must be accompanied by an increase in the application of firm governance. The addition of assets itself does not necessarily improve SOE's performance. Must be accompanied by improvements in governance, such as an increase in the number of audit committees. Muslih and Rahadi (2019) concluded from the outcome of their research that corporate governance has an important impact on the performance of non-public finance SOEs and suggests that non-public SOEs improve the implementation of corporate governance sustainably in the match with regulations established by the Ministry of SOEs. Furthermore, Muslih and Rahadi (2019) also recommended that the level of achievement of GCG implementation be carried out by a self-assessment by SOEs and an external assessment by a consultant who has the expertise to evaluate the application of corporate governance. Therefore, to advance SOEs, the important thing is to improve its governance first, not it's capital or assets. The outcome of this research is following Amato and Burson (2007) and Kumasa et al (2014). Amato and Burson (2007) concluded that there is a cubic relation between return on assets and company measure, displaying a negative, positive, and positive sign pattern indicating greater opportunity of profit for small and large firms as stock up to medium measured firms.

CONCLUSIONS

It has never been thoroughly investigated whether the existence of the Committee of Audit on the SOE commissioners board is truly as beneficial as expected. This research studies the implementation of the Government of Indonesia's policy regarding the Committee of Audit. Besides that, based on research that has been done, there is still a diversity of opinions regarding the effect of the committee of audit characteristics, especially the number of the committee of audit personnel and the amount of committee of audit meetings, on firm performance.

The purpose of this research is to study if the committee of audit size, amount of the committee of audit meetings, and firm size affect company performance. The amount of the committee of audit personnel and the amount of the committee of audit meetings constitute 2 (two) main characteristics of the audit committee in the government regulation regarding the audit committee. Firm size variables were added to determine their effect on SOE's performance without the role of firm governance instruments such as the committee of audits.

The population is Firm-Owned Enterprises that are registered on the Indonesian Stock Exchange. The purposive sampling ways were used in this research. The sample is 20 (twenty) SOEs registered on the Indonesia Stock Exchange from 2013 to 2018.

The outcome showed that the number of chairpersons and members of the committee of audit had a good impact on firm performance (hypothesis 1 is proven), the amount of the meetings of committee had no significant impacts on firm performance (hypothesis 2 is not proven), and the measure of the firm had an important negative impact on firm performance (hypothesis 3 is not proven).
Based on the conclusions above, it is recommended that:

1. The Financial Services Authority and the Capital Market Implementing Agency review the provisions of the Committee of Audit meeting at least 1 (one) time in 3 (three) months. It should be a minimum of 3 (three) times in 1 (one) month. The three meetings were the commissioners board with the director's board, the committee of audit meeting with internal audit, and the committee of audit encounter with one of the management units.

2. The SOE Ministry should make regulations and guidance regarding the commission of audit meetings. The guidelines for this meeting must contain the rules of the meeting, meeting materials, meeting decision-making procedures, and meeting documentation. These guidelines should be disseminated to all committees of audit in SOEs so they know it. These guidelines are expected to increase the effectiveness of the SOEs Committee of Audit.

3. To improve the performance of an SOE, the first thing to improve is its governance, not its assets. This means that if SOE wants to increase its assets or capital, SOE must first improve its governance for example by adding a committee of audit personnel and improving other aspects of governance.

Next researchers can then research the role of the committee of audit characteristics with professional ethics, analysis quality of the committee of audit, and Committee of Audit compensation variables. The study methodology should be mixed method with primary data sources.

**REFERENCE**


Badhabi, Saleh Husein Ahmad., & Ismail, Ku Nor Izah. (2017). Audit Committee
Characteristics And Firm Performers In Oman. Malaysia.


Johl, Shireenjit, Subramaniam, Nava, & Zain, Mazlina Mat.(2012). Audit Committee and CEO Ethnicity and Audit Fees.


Mochamad Muslih


Ministry of BUMN. (2012). Regulation of State Minister for SOEs No. PER-12 / MBU / 2012 dated 24 August 2012 concerning Supporting Organs for the Board of Commissioners / Board of Trustees of State-Owned Enterprises.


www.idx.co.id