

Improving Integrated Reporting Quality Through Islamic Corporate Governance

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Abstract

Innovative and adaptive to face new business challenges by making the process of creating added value for the company. Integrated Reporting is a reflection of the efficiency and effectiveness of various types of corporate capital. The main focus of the implementation of integrated reporting is on transparency and optimizing stakeholder interests, namely in the field of corporate governance. This study aims to examine the effect of the implementation of the Islamic corporate governance mechanism on integrated reporting. The sampling in this study was purposive sampling with the results of 12 Islamic banks. Hypothesis testing using multiple regression analysis. The result of hypothesis testing is the characteristics of independent commissioners consisting of the number and frequency of audit committee meetings have a positive and significant effect on improving the quality of integrated reporting. characteristics of the audit committee consisting of the number of audit committees, audit committee education, and the frequency of audit committee meetings have a significant effect on increasing integrated reporting quality. sharia supervisory board consisting of the number, education and frequency of sharia supervisory board meetings have an effect on increasing integrated reporting quality, except for the variable number of sharia supervisory boards.

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INTRODUCTION

The Integrated International Reporting Council (IIRC) has developed innovative reporting as a comprehensive tool with coverage of both financial and non-financial information. This reporting is known as Integrated Reporting (IR). Integrated reporting is an integrated thinking. Reporting by providing an integrated thinking picture regarding the active relationship between value, benefits, functionality and capital that is functioned in the company (IIRC, 2013). The evolution of companies by implementing integrated reporting is to overcome the boundaries of traditional financial reporting, which has benefits as an adaptive and innovative means (Vitolla et al, 2019 a). Innovative and adaptive to face new business challenges by making the process of creating added value for the company. Integrated Reporting is a reflection of the efficiency and effectiveness of various types of corporate capital such as environmental, intellectual, social, governance, manufacturing, and financial (Vitolla, F., & Raimo, N, 2018). Apart from being a reflection of efficiency and effectiveness, IR functions for stakeholders as an analysis in long-term decision making and determining the company's life cycle,

especially in the effective allocation of scarce resources. The goal of thinking in integrated reporting is in the realm of integrated decision-making and beneficial actions that result in the realization of added value for the company in the short and long term (Adams, 2015). So that the analytical perspective in decision making, more specifically adding financial and non-financial criteria in companies such as environmental, social, corporate governance in an integrated manner (Vitolla et al, 2019 b).

Integrated Reporting is the latest reporting format with the advantage of transparency in reporting the company's performance. The presentation of non-financial information in Integrated Reporting is a creation of added value for companies such as corporate governance and intangible environmental and social issues (Azam et al, 2011). The main focus of the implementation of integrated reporting is on transparency and optimizing stakeholder interests, namely in the field of corporate governance. Companies by implementing corporate governance provide a sense of confidence to stakeholders that the information contained in company reports prepared by management is information that can be accounted for. In the concept of corporate governance, it contains a mechanism which gives confidence to the principal about the performance of the agent. The implementation of corporate governance can improve integrated reporting in terms of transparency and accountability (Yulyan et al, 2021).

For example, there are several types of companies in Indonesia that implement integrated reporting, especially in companies in the manufacturing sector, for example, Tambang Timah Tbk, PT. Aneka Tambang Tbk, From the logical consequence, it appears that integrated reporting is easy to implement with all its economic benefits (Chariri, Anis dan Indira Januarti, 2017). However, there have been no studies related to improving integrated reporting in Indonesia, and one of the influencing factors is corporate governance at Islamic commercial banks in Indonesia. The novelty in this study is to measure the effect of the implementation of corporate governance applied in Islamic commercial banks, namely Islamic corporate governance on integrated reporting.

This study aims to examine the effect of the implementation of the Islamic corporate governance mechanism on integrated reporting. The Islamic corporate governance mechanisms used in this research are the Board of Commissioners, the Sharia Supervisory Board, and the Audit Committee in carrying out their duties towards Sharia banks. The three boards that are the mechanism for Islamic corporate governance are part of the supervisory function of Islamic banks (Rahman, Azhar Abdul & Bukhair Abdullah A, 2013). The Islamic corporate governance mechanism used in this study is the proportion of the board of commissioners, the number of board of commissioners meetings, the size of the audit committee, the number of audit committee meetings, the background of the audit committee, the background of the sharia supervisory board, the size of the sharia supervisory board, and the number of meetings of the sharia supervisory board. From the framework of thinking above, there are hypothesis

1. The proportion of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ)
2. The number of meetings of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ)

3. The size of the audit committee of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ) total
4. Board of Commissioners audit committee meeting has a positive effect on improving integrated reporting quality (IRQ)
5. The background of the audit committee of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ)
6. The background of the sharia supervisory board of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ)
7. The size of the sharia supervisory board of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ)
8. The number of meetings of the sharia supervisory board of the board of commissioners has a positive effect on improving integrated reporting quality (IRQ)

In line with the relevance of this study, which is related to the mechanism of Islamic Corporate Governance to improve the quality of integrated reporting, agency theory represents the theoretical framework of this research (Filippo Vitolla, Nicola Raimo, Michele Rubino, 2019) (Frias-Aceituno, J. V., Rodriguez-Ariza, L., & Garcia-Sanchez, I. M, 2013). Agency theory is a theory used to describe the reasons why the supervisory function of the mechanism significantly affects the scope of integrated reporting. In the concept of agency theory, there is a contractual relationship transaction (nexus of contract) between two parties where the first party becomes the agent and the second party acts as the principal (Jensen, M. C., & Meckling, W. H, 1976) In this contractual transaction activity, the principal (owner) submits full decision making to the manager (agent). In the process of the supervisory function of the agent, it requires other parties, namely the board of commissioners, audit committee and sharia supervisory board to control the financial reporting information carried out by the agent.

Previous research that tried to examine the role of corporate governance through institutional ownership components, audit committees, and independent commissioners only gave an 11.7% effect toward preparation integrated reporting (Nengzih, 2019). Referring to the independence characteristics of the board supports the reconciliation of shareholder and stakeholder expectations and encourages more transparent and quality disclosure. It can also represent an element of competitive advantage for the company (Filippo Vitolla, Nicola Raimo, Michele Rubino, 2019). What attracts the attention of research (Renzburg , R & Botha, E, 2014) is that there are few stakeholders who only use integrated reporting as the main source of financial and investment information, and integrated reporting is only used as complementary information. The worst hope is that most companies have a narrow understanding of the added value resulting from implementing integrated reporting (Perego, P., Kennedy, S., & Whiteman, G, 2016).

The supervisory function is one of the important activities in implementing good corporate governance. Agency theory proves that a good quality supervisory system can prevent opportunistic behavior of managers or agents, in order to fight for the interests of the principal. Therefore, this study

tries to answer the following questions: First, how are the characteristics of the board of commissioners in improving the quality of integrated reported Islamic commercial banks, Second, how are the characteristics of the audit committee in improving the quality of integrated reported Islamic commercial banks, third, how are the characteristics of the Islamic supervisory board in improving the quality of integrated reported banks? general sharia. This research is deemed necessary because it provides two main contributions. First, this research is the first to explore and improve the quality of integrated reporting in Islamic commercial banks, so the results are expected to be used as a regulator in designing an integrated reporting model that is suitable for Islamic commercial banks in Indonesia. Second, this study seeks to reveal how the characteristics of independent commissioners, audit committees, sharia supervisory boards in improving integrated reporting are used as material for evaluating the supervisory function.

The inconsistency of various research results on the application of Integrated Reporting, (Buallay, Anima., Ammar Abdulla., Allan Hamdan, 2020) Islamic banks shows that IR has a negative effect on market performance, with no visible effect on both financial and operational performance. However, this does not apply to conventional banks which show positive results on market performance. Integrated reporting becomes a tool that represents competence to create value in the future, through the influence of the characteristics of the board of directors on the quality of integrated reporting according to the agency theory approach with integrated reporting quality (Filippo Vitolla, Nicola Raimo, Michele Rubino, 2019). Regarding integrated reporting quality further showed that there was a positive effect of institutional ownership and a negative effect of concentration of ownership, managerial ownership and state ownership on the quality of integrated reporting. This result is also consistent with the level of alignment of integrated reports

The implications of this research contribute to the expansion of the literature in the field of financial statement integration. Furthermore, agency theory can identify the originators of internal factors that can improve the quality of integrated reporting. This is the first study to analyze the impact of board characteristics as determinants of integrated reporting quality.

METHOD

Population and Research Sample

This research was conducted on Islamic banks in Indonesia registered with the Otoritas Jasa Keuangan (OJK), which amounted to 14 Islamic banks. The sampling technique in this study used a purposive sampling method. The consideration of the criteria used in the purposive sampling method is limited to Islamic banks that provide the annual report data needed in this research. So the sample used in this study amounted to 12 Islamic commercial banks with a research period of 2018–2020. The reason for choosing this period was that during that period, most of the Islamic commercial banks disclosed an annual report. So the number of samples in this study was 36 Islamic commercial banks. The data taken

in this study is secondary data with the nature of cross-sectional analysis that can be traced through the annual reports published by Islamic banks.

Variable Measurement

The measurement of Integrated Reporting quality which is the dependent variable is by using the scoreboard measurement (Pistoni, A., Songini, L., & Bavagnoli, F, 2018). The choice of variable measurement using this scoreboard is due to the quality evaluation process that is not only based on content (Bavagnoli et al, 2018). The measurement of integrating reporting quality using the scoreboard can be seen from the table below

Table I
Scoreboard Integrated Reporting Quality

Analisis Areas	Indikator	Scoring
Background (7)	Topic of objectives, Reasonn for using the integrated reporting, the address of the document, the report title, the compliance og the integrated reporting, general standar of disclosure, level comitmen by CEO	1 = presence 0 = absence
Content (8 + 2 main concept)	risks and opportunities, governance, organizational overview and external environment, performance, outlook, basis of presentation, business model and strategy, and resource allocation; two main concept includes the value creation process and capitals	0 = corresponds to the absence of the element 1=connected to a poor description of the element and to a limited reference to the guiding principles established by the IIRC 2 = corresponds to a description based mainly on some quantitative information and a few guiding principles of the IIRC 3= connected to a balanced description that provides an average amount of information related to the guiding principles of the IIRC 4 = corresponds to a detailed and good presentation of the contents, which foresees the respect of many guiding principles of the IIRC 5= connected to an excellent description of the contents and maximum respect for the guiding principles
Assurance and Reliability (3)	Auditor internal, auditor eksternal, the organization received prizes for its own report	1 = presence 0 = absence
Form (15)	Number of page, accessibility, readability, and clarity	Scoring Form resource examining pages number 1 = > 200 pages 2 = 150 – 200 pages

- 3 = 101 – 150 pages
- 4 = 51 – 100 pages
- 5 = 0 – 50 pages
- Accessibility
- 1 = only hard copy document
- 2 = e report is available on the website as a pdf file
- 3 = assigned if, in addition to the pdf file, the report content can also be accessed directly from the company website
- 4 =The presence of a highly interactiveplatform guarantees
- 5 = a high accessibility, favored by access via social networks, is evaluated

Source : Score Board (Filippo Vitolla, Nicola Raimo, Michele Rubino, 2019)

The independent variables in this study consist of the characteristics of the board of commissioners, consisting of the proportion of independent commissioners, the number of board of commissioners meetings, the characteristics of the audit committee, consisting of the number of audit committees, the educational background of the audit committee, and the number of audit committee meetings. For the third characteristic, the characteristic of tenure, Islamic corporate governance is the presence of a sharia supervisory board, consisting of the number of sharia supervisory boards, the number of sharia supervisory board meetings, and the educational background of the sharia supervisory board. The variable proportion of the board of commissioners is measured using the number of boards of commissioners proportionally, and the variable number of meetings of the board of commissioners is based on the frequency of meetings held by the board of commissioners. For the variable, the number of audit committees is measured using the number of audit committees in the Islamic commercial bank. For the educational background variable, it is measured using the ratio of the number of audit committees with educational background, accounting or financial expertise compared to the total number of audit committees. The frequency of the audit committee's meetings at the Sharia commercial bank is measured using the frequency of the audit committee's meetings at the Sharia commercial bank. In the variable, the number of sharia supervisory boards is measured using the total number of sharia supervisory boards. For the variable, the number of meetings of the sharia supervisory board is measured using the frequency of the sharia supervisory board. Meanwhile, the educational background of the sharia supervisory board is measured using the measurement of the number of sharia supervisory boards that have an educational background or expertise in accordance with the duties of the sharia supervisory board.

Data Analysis Technique

The relationship between integrated reporting quality and Islamic corporate governance in this study will be tested using multiple regression models. Because this study aims to examine the effect of the independent variable on the dependent variable. The research model is as follows

$$IRQ = a_0 + b_1PKI + b_2FRDK + b_3JKA + b_4FRKA + b_5PKA + b_6JDPS + b_7FRDPS + b_8PDPS + e$$

- IRQ : Integrated Reporting Quality
- PKI : Proportion Independent Commissioners
- FRDK : Board of commissioner meeting frequency
- JKA : Number of Committee Audit

FRKA	: Frequency of Audit Committee Meetings
PKA	: Background of Audit Committe
JDPS	: Number of Sharia Supervisory Board
FRDPS	: Frequency of Sharia Supervisory Board
PDPS	: Background Sharia Supervisory Board

Hypothesis testing is carried out in this study through the t value to be able to see the significance between the influence of the independent variable on the dependent variable. If there is a significance value of t that is smaller than the degree of confidence, which is 5%, so that the effect of the independent variable on the dependent variable becomes significant. A good model in hypothesis testing can be seen based on the level of the adjusted R squared value, t value and F value (Ghozali, 2011). Before testing the hypothesis, the classical assumption is first tested. Classical assumption test consists of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The series of tests was carried out before the data analysis test was carried out (Ghozali, 2011). The classical assumption test is carried out to meet the BLUE (Best Linear Unbiased Estimation) and the conclusion from the regression analysis results is unbiased.

RESULTS AND DISCUSSION

The analysis in this study consists of a sequence of descriptive analysis, classical assumption testing, and analysis of the results of hypothesis testing

Descriptve Analysis

The table below is the result of statistical analysis of a sample of 12 Islamic banks with a research period of 2018–2020, so the total sample size is 36. The dependent variable presented by integrated reporting quality (IRQ) occupies an average value of around 58.92. The results of this value are consistent with the research conducted (Filippo Vitolla, Nicola Raimo, Michele Rubino, 2019) showing that the quality is quite high for the components displayed in integrated reporting.

Table 2
Descriptive Statistic

Variable	Mean	Max	Mean	Standar Deviation
PKI	0.170	1.000	0.633	0.197
FRDK	7.000	56.000	18.936	9.876
JKA	2.00	6.000	3.454	0.983
FRKA	2.00	28.000	10.354	8.732
PKA	0.333	1	0.669	0.199
JDPS	2.000	5.000	3.000	0.427
FRDPS	6	36	15.342	8.233
PDPS	0	2	0.336	1.870
IRQ	55	64	58.916	11.885

Source : data analysis 2021

Based on Table 2 above regarding the results of descriptive statistics, it can be seen that the average proportion of independent commissioners in Islamic banks in Indonesia is 63%. This is in line with the regulations that apply in Indonesia, especially regarding corporate governance, which regulates Islamic banks, namely PBI (Bank Indonesia Regulation) Number 8/4/2006, article 5. In this article it

states that the Board of Commissioners consists of Commissioners and Independent Commissioners with a few members of the board of commissioners. independents amounting to (minimum) 50% of the total members of the Board of Commissioners. This shows that the proportion of independent commissioners in Islamic banks in Indonesia is in accordance with applicable regulations.

The frequency of meetings for the Board of Commissioners at Indonesian Islamic banks from table 2 can be seen to show an average of 18.19 (rounded 19). According to the regulation issued by PBI in 2006, the Board of Commissioners meeting must be held periodically by Islamic banks at least four (4) times a year. The rules for attendance at the meeting, as referred to in paragraph (1), require all members of the Board of Commissioners to be physically present at least two (2) times a year. If, in this case, a member of the Board of Commissioners cannot attend the meeting physically, he/she can attend the meeting via virtual meeting. Based on Bank Indonesia regulations, the Board of Commissioners of Islamic banking in Indonesia must actively conduct meetings to support the implementation of its function, namely monitoring.

The number of the Audit Committee in the descriptive statistical table above shows 3.45. This shows that the level of conformity of Islamic banks with the regulations of Bank Indonesia in 2006 is very high. This means that Islamic banks meet the number of members of the Audit Committee of at least three people. PBI Number: 11/33/PBI/2009, which regulates the membership of the Audit Committee, says that the minimum number of audit committees is 3 (three) members, consisting of one member who is an Independent Commissioner of a Sharia bank who also serves as the chairman of the Committee. audits. The other two members of the audit committee are external or external parties who are certainly independent, and one of them is required to have expertise in banking, finance, or accounting. Referring to Bank Indonesia Regulation Number: 11/33/PBI/2013, which states that the membership of the Audit Committee is at least 3 people, From the results of the descriptive statistical analysis from table 2 above, it can be concluded that there are still Islamic banks that have not complied with Bank Indonesia's compliance because there are still members of the Audit Committee of Islamic banks, totaling two members based on the minimum column in the table above.

The frequency of audit committee meetings at Islamic banks in Indonesia shows an average of 10.54. The Bank Indonesia regulations governing Audit Committee meetings are not yet detailed, but according to the Blue Ribbon Committee (1999), the number of Audit Committee meetings is at least four (4) times a year. Based on the table of descriptive analysis above, it can be concluded that there are still Islamic banks that hold audit committee meetings under the applicable regulations, which are two.

The educational background of the audit committee is in accordance with Bank Indonesia Regulation Number 11/33/PBI/2009, which regulates the composition of audit committee members, indicating that at least 2 members of the audit committee must have qualifications in accounting and banking education background or business law. Referring to table 2 above, it shows the average value of 60% of the audit committee members who are in accordance with the regulations. This shows that

more than 50% of the audit committee members already have an educational background in accordance with applicable regulations.

The number of Sharia Supervisory Boards at Islamic banks in Indonesia shows an average of 3. This means that the number of sharia supervisory boards is in accordance with Bank Indonesia regulations in 2004, which regulate the number of members of the Sharia Supervisory Board at at least two people and at most five people. Based on the table of descriptive statistics above, it can be concluded that the minimum number of members of the Indonesian Sharia Supervisory Board is two, and a maximum of four Sharia Supervisory Board.

The frequency of meetings of the Sharia Supervisory Board at Islamic banks in Indonesia shows an average of 15. In accordance with Bank Indonesia Circular Letter No. 8/19/DPbS dated August 24, 2006, which stipulates the number of meetings that must be held by the sharia supervisory board is a minimum of 12 times a year. If the results of descriptive statistical analysis show an average of 15, it can be concluded that Islamic banks in Indonesia have complied with the applicable laws and regulations.

The Sharia Supervisory Board of Islamic banks in Indonesia has an average educational background of 30%. According to the 2004 Bank Indonesia rule, the Sharia Supervisory Board's educational background includes sharia muamalah, banking, or finance in general. In general, the Sharia Supervisory Board of Islamic banks in Indonesia has a muamalah educational background. The Sharia Supervisory Board's knowledge in banking and finance in general is still insufficient. These findings contrast from those of (Rosiana et al, 2015), who investigated the educational background of the Sharia Supervisory Board at Islamic Banks in Indonesia. According to (Grais & Pellegrini, 2006), the internal mechanism of Islamic banking governance is poor, with respondents in Islamic banks in 16 countries believing that the Sharia Supervisory Board's competency is insufficient. Meanwhile, the external mechanism connected to Islamic bank governance is still poor in terms of implementation of current standards.

Multivariate Analysis

Table 3
Testing the Effect of Islamic Corporate Governance Mechanisms on Integrated Reporting Quality

Variables	Konstanta	PKI	FRKI	JKA	FRKA	PKA	JDPS	FRDPS	PDPS
Coefficient	1.367	0.417	0.039	0.013	0.012	0.012	0.114	0.008	0.0117
Prob	0.246	0.037**)	0.067*)	0.005***)	0.013**)	0.006**)	0.211	0.024**)	0.025**)

***) : signifikan pada $\alpha = 1\%$ **) : signifikan pada $\alpha = 5\%$ *) : signifikan pada $\alpha = 10\%$

Based on the hypothesis table 3, it can be seen that the variable proportion of independent commissioners has a positive coefficient value of 0.417 and a significance value of 0.037, where the significance value is less than 0.05. This means that the proportion of independent commissioners of Indonesian Islamic banks has a positive and significant effect on increasing integrated reporting quality.

The frequency of meetings of independent commissioners shows a coefficient value of 0.039 (positive) and a significance of 0.067 with a significance value less than 0.10 so it is significant. This means that the frequency of meetings by the sharia supervisory board has a significant positive effect on increasing the integrated reporting quality of Islamic banks.

The number of audit committees in the table above shows a coefficient of 0.013 (positive) with a significance number of 0.005 with a significance level of less than 0.05. This means that the number of audit committees has a positive and significant effect on the improvement of integrated reporting quality.

The frequency of audit committee meetings in the hypothesis test table above has a coefficient value of 0.012 (positive) with a significance value of 0.013 with a significance level value of less than 0.05, so that the audit committee frequency variable has a positive and significant effect on increasing integrated reporting quality.

The educational background of the audit committee where in the table above is shown at a positive value of 0.012 with a significance value of 0.006 with a significant level value less than 0.05 so it is significant. This means that the educational background of the audit committee has a significant positive effect on improving the quality of integrated reporting quality.

The number of Sharia Supervisory Boards in the table above is shown at the coefficient value of 0.114 with a significance value of 0.211. The significance value is greater than 0.05 so it is not significant. This indicates that the number of sharia supervisory boards does not have a positive effect on increasing integrated quality reporting.

The frequency of sharia supervisory board meetings in the table above shows a positive coefficient of 0.008 with a significance value of 0.024 with a significance value less than 0.005. This means that the variable frequency of sharia supervisory board meetings has a positive and significant effect on increasing integrated reporting quality.

The educational background of the sharia supervisory board in the table above shows a positive number of 0.0117 with a coefficient value of 0.0025. This shows that the educational background of the sharia supervisory board has a positive and significant effect on increasing integrated reporting quality.

Tabel 4
Anova Test

Variable	Coefficient	Probability
Adjusted R- squared	0,784	
F - statistic	11, 234	0,006***)

Beginning the anova test table above, the adjusted R-square value is 78.4%. This means that 78.4% of the variation in the quality of integrated reporting can be explained by the independent variables, namely the proportion of independent commissioners, the frequency of independent commissioner meetings, the number of audit committees, and the frequency of committee meetings.

number of sharia supervisory boards, frequency of sharia supervisory board meetings, and education of sharia supervisory boards. the remaining 21.6% is influenced by variations outside the model. In the table above, it can be seen that the ANOVA test value, or F test, in the table produces a calculated F value of 11.234 with a known significance probability level of 0.007. The probability of significance is smaller than 0.05. Therefore, the above model can be used to determine the indicators of integrated reporting quality. Or in other words, the variables of the proportion of independent commissioners, the frequency of independent commissioner meetings, the number of audit committees, the frequency of audit committee meetings, audit committee education, the number of sharia supervisory boards, the frequency of sharia supervisory board meetings, sharia supervisory board education can predict integrated reporting quality. while the remaining 21.6% is influenced by variations outside the model.

In the table 4, it can be seen that the anova test value, or F test, in the table produces a calculated F value of 11.234 with a known significance probability level of 0.007. The probability of significance is smaller than 0.05. Therefore, the above model can be used to determine the indicators of integrated reporting quality. Or in other words, the variables of the proportion of independent commissioners, the frequency of independent commissioner meetings, the number of audit committees, the frequency of audit committee meetings, audit committee education, the number of sharia supervisory boards, the frequency of sharia supervisory board meetings, and sharia supervisory board education can predict integrated reporting quality.

Discussion

The more proportional the number of Independent Commissioners, the better the information that can be disclosed. So it affects the improvement of reporting quality integration. proportionally the number of independent commissioners in Islamic banks will have a positive impact on the supervisory function. Thus minimizing agency costs that arise for problems that arise due to agency theory. Another thing that can be minimized is the information asymmetry between the parties and the board of commissioners contained in agency theory (Al-Shammari, B., & Al-Sultan, W, 2010)

This study follows up on the positive results of the activeness of independent commissioners as evidenced by the presence of independent commissioners' meetings to improve integrated reporting quality. The frequency of meetings of independent commissioners becomes an effective medium as a supervisory function in the task of monitoring the agent or in this case as the recipient of the delegation of tasks from the principal. The impact is to minimize information asymmetry that is useful for stakeholder decision making. Independent commissioners carry out their functions in improving more detailed information, thus encouraging managers to improve the quality of integrated reporting (Frias-Aceituno, J. V., Rodríguez-Ariza, L., & Garcia-Sánchez, I. M, 2013). This includes an increased level of monitoring function from independent commissioners. Thus the director is possible only on the quality of information provided by integrated reporting, not through detailed information.

The number of audit committees as a supervisory function runs linearly, the more the number of audit committees proportionally the better the supervision system and compliance with the quality of integrated reporting. In this case, Islamic banks act to minimize agency fees that arise. Financial statements do not contain information asymmetry, so they are still the basis for decision making by stakeholders

The frequency of meetings held by the audit committee is believed to affect the improvement of integrated reporting quality. The more active the audit committee can be seen from the holding of meetings, the more it can reveal the components contained in integrated reporting so that there is an increase in integrated reporting quality. The active involvement of audit committee members in holding regularly scheduled meetings and periods tends to be able to understand and discuss solutions to integrated reporting issues related to Islamic banks. The activeness of the audit committee in meetings, as a meeting in running the audit committee to monitor more effectively the accounting records and the quality of internal control (Lisic et al., 2015; Goodwin-Stewart & Kent, 2006; Hoque et al., 2013). In addition, the frequency of attendance at audit committee meetings is believed to improve the quality of accounting information and audit quality (Louis Braiotta, 2003; Song & Windram, 2004).

The relationship of the variables tested between audit committee education and integrated reporting shows that audit committees with accounting/finance expertise positively affect the increase in integrated reporting quality. This means that the more members of the audit committee with an educational background in accounting/finance expertise, the more integrated reporting components are presented, thereby increasing the integrated reporting

In terms of the number of sharia supervisory boards in this study, it is not directly proportional to the increase in integrated reporting quality. this is because the sharia supervisory board only tests or supervises the compliance of sharia banks with sharia compliance. so that there are things about components that need to be disclosed in the financial statements to be out of control. Although in reality the sharia supervisory board acts as an independent party that should not be interfered with in management affairs. However, in this case, internal problems such as the educational background of the sharia supervisory board are needed in matters relating to the control of financial statements.

Sharia Supervisory Board background with reputation possession of appropriate knowledge and experience will improve monitoring function enhancement. the suitability of the educational background of the sharia supervisory board can improve sharia bank compliance and compliance with integrated reporting which can be used as a basis for decision making.

Supervisory Board Sharia plays an important role in internal control Islamic bank with its function of evaluation in conducting supervision of the operational activities of Islamic banks in order to comply with sharia principles. The activity of the sharia supervisory board through meeting attendance is a follow-up to the duties carried out by the sharia supervisory board. The activity of the sharia supervisory board is directly proportional to the improvement of the quality of integrated reporting.

CONCLUSION

This study examines the characteristics of independent commissioners, the characteristics of the audit committee and the characteristics of Islamic banks to improve the quality of integrated reporting. This study uses agency theory studies that minimize information asymmetry. This study examines the effect of the number of boards of commissioners, frequency of board of commissioners meetings, number of audit committees, frequency of audit committee meetings, audit committee education, number of sharia supervisory boards, frequency of sharia supervisory board meetings, sharia supervisory board education as a determinant of integrated reporting quality. The analysis was carried out on 36 samples of Islamic banks. The results show that the characteristics of independent commissioners and audit characteristics fully increase the transparency of information for stakeholders. This study contributes, in various ways, to the literature. Besides being part of the academic freedom of discussion about reporting, this study covers the scope of the application of agency theory, the relevance of phenomena related to integrated reporting is still very minimal. In terms of the characteristics of the sharia supervisory board regarding the number, it does not show any effect of increasing the sharia supervisory board on improving the quality of integrated reporting.

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