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Exploration Study of Sharia Corporate Governance Disclosure on Bank Annual Report of Sharia Business Unit

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ABSTRACT

The aim of this study is to identify and investigate the disclosure of sharia corporate governance structures included in the corporate governance disclosure index (CGDI). In 2019, the sample consisted of 19 Sharia Business Unit (SBU) banks. The sharia supervisory board, board of commissioners, board of directors, auxiliary committee of the board of commissioners, internal control and external audit, risk management, and reporting on the application of corporate governance are the seven metrics included in this analysis. This research employs the content analysis process, which entails reading each sample's annual report and then calculating the index score for each bank using a dichotomy approach. BANK CIMB Niaga received a maximum rating of 1.00 in 2019, suggesting that the bank perfectly reported 72 disclosure items from the seven indicators. The bank sample disclosure was found to be high on many dimensions, including the board of commissioners, board of directors, and auxiliary committee of the board of commissioners. On the other hand, among other things, the disclosure of sharia supervisory boards in US banks is generally lacking. The findings of this study show that the average disclosure rate among the bank sample is adequate, with an 89 percent percentage yield.

INTRODUCTION

The disclosure of information in the annual report publicly becomes very meaningful for the company. Because the information in the annual report is made as a form of corporate accountability and as a benchmark of the company in the future. It is also related to the investors and who will invest their shares in the company in question. If the information in the annual report is disclosed very clearly and openly, then the company itself also gets a good reputation for its openness in delivering its annual report information. It is also intended as a form of openness and accountability of the company's management to stakeholders. Disclosure of transparent company information can be used as one of the considerations of decision making for stakeholders, (Almilia & Retrinasari, 2007).

The term good corporate governance or often abbreviated as GCG is now increasingly popular over the last ten years among companies. GCG is highly positioned, i.e. 1) to win global business competition among today, the company must have GCG which is the key to success for the growth and profit of long-term companies, 2) the failure factor of GCG implementation at the company is also believed to be the cause of the economic crisis in Asia and Latin America (Daniri in Kaihatu, 2006).

Several studies related to corporate governance mechanisms have been found, but research aimed at exploring disclosure practices about corporate governance disclosure index (CGDI) to determine the level of bank disclosure by ranking bank disclosures in its annual report is still rare, especially in Indonesia. This result led to a study by Darmadi (2013) which showed that the level of disclosure made in the sample covering 7 Sharia Commercial Banks in Indonesia, namely the dimensions of board member disclosure and risk management were expressed more strongly among the bank samples. But the dimensions of internal control and board committees tend to be relatively low revealed in the bank's annual report.

When viewed from the point of view of corporate governance this research is very interesting because of the many issues in Indonesia as previously expressed. Meanwhile, Sharia banking as a data object shows some interesting aspects, because we know that Indonesia is experiencing very rapid growth in the Islamic banking industry

LITERATURE REVIEW

Agency and stakeholder theory

Corporate governance activities in the banking sector are distinct from those of other industries, where governance structures are "simply" intended to balance the interests of shareholders and managers (Jensen and Meckling, 1976), or, in the case of companies with a more centralized ownership structure, of the controlling shareholder and minority shareholders (Jensen and Meckling, 1976). (Shleifer and Vishny, 1997). The distinction stems from managers' responsibility to administer and safeguard funds provided by different parties, including depositors. Banks' economic activity can have an impact on economic results, particularly in countries where banks are a major source of external financing for businesses.

Stakeholder theory explains the relationship between the company and its stakeholders, so this theory as a theory is commonly used to reveal issues concerning corporate governance. Around the 1970s, stakeholder theory gradually began to develop. If the company grows up and makes its society too pervasive, so the company must exercise accountability in a number of sectors of society and not just to shareholders alone, this is the basis of stakeholder theory (Natalia, 2012:14).

The Importance of Sharia Corporate Governance in SBU Banks

The increasing number of products from sharia banks and the increasing segment of sharia banking services market today, indicates that sharia banking business in this country is growing faster. Therefore, it becomes an obligation that sharia banking institutions must implement good corporate governance in their industry. Sharia banking should even appear to be a leading pioneer in the implementation of good corporate governance (Sunarwan, 2015)

This research formed what is called CGDI. Based on previous studies (Chapra & Ahmed, 2002; R. Haniffa & Hudaib, 2007; Hassan & Harahap, 2010; Kusumawati, 2007; Safieddine, 2009), this study discusses a number of corporate governance mechanisms and tools that need to be disclosed by Bank in Indonesia. These mechanisms include sharia supervisory boards, commissioners and directors, and auxiliary committees of the board

of commissioners, internal controls and external audits, risk management, and reports on the implementation of corporate governance.

Corporate governance mechanisms in SBU

The current report, which is discussed in the literature research (Chapra and Ahmed, 2002; Haniffa and Hudaib, 2007; Safieddine, 2009), discusses a range of corporate governance processes and resources that Indonesian Islamic banks must disclose. The Sharia supervisory board (SSB), the board of commissioner, the board of director, board committees, internal control and external audit, risk management, and corporate governance implementation reporting are all examples of these processes.

Sharia Supervisory Board

Corporate governance needs to be given more importance in Islamic banking for at least three reasons. First and foremost, Islamic banks must adhere to shariah law as well as banking regulations (Archer et al., 1998). According to Chapra and Ahmed (2002), the majority of depositors and investors in Islamic banks are worried about their funds being handled according to shariah law. As a result, these banks are more vulnerable to non-compliance risks. According to Chapra and Ahmed's study, the majority of Islamic bank depositors are able to withdraw their funds if the banks fail to follow shariah law.

Islamic banks are required to have an SSB in Indonesia, as stipulated by the Islamic Banking Law, whose members are appointed by the shareholders' general meeting based on recommendations from the Indonesian Council of Ulama (Majelis Ulama Indonesia). Bank Indonesia expects Islamic banks' SSBs to meet at least once a month and to provide Bank Indonesia with periodic supervisory reports.

Boards of commissioners and directors. The Board of Directors is regarded as one of the most significant determinants of good corporate governance because it helps to resolve disputes between shareholders and managers (Klein, 1998). The board's characteristics, such as board size and independence, have been extensively researched in both theoretical and empirical studies. Despite ongoing discussions on whether companies should have a large or small board of directors, some research indicates that companies with more

complicated operations need a larger board of directors (Klein, 1998; Coles et al., 2008).

In terms of the firm's legal framework, Indonesia's Islamic Banking Legislation stipulates that an Islamic bank must be a company. As a result, Islamic banks must follow the Corporation Law[5]. Indonesia has taken on several elements of Dutch rule, such as the two-tier board structure. Indonesian companies must have two boards in their corporate structure, according to the Corporation Law: the BOC and the BOD. Shareholders nominate or select the members of these two boards at the annual meeting of shareholders. The BOC represents shareholders and provides advice and oversight to the company's management. As a result, the BOC's position is entirely non-executive, and its members are all non-executive.

Bank Indonesia conducts fit-and-property checks on all members of the BOC and BOD in Indonesia. These tests are designed to ensure that Islamic bank board members have the requisite standards of competence, reputation, and honesty, as well as the willingness to uphold GCG. Unlike conventional banks, Islamic banks are required by Bank Indonesia to have at least one independent commissioner on the BOC, with no limit on the number of BOC members that can be hired. The BOD is entirely responsible for managing the bank in accordance with shariah and prudential standards.

Board of Committee

The BOC may carry out its tasks on its own or delegate authority to the board's standing committees (Klein, 1998). In certain cases, such as for publicly traded companies or banks, the formation of a board committee may be required. According to Klein (1998), such committees are established to assist in the decision-making process due to the need for expert-provided information about the firm's activities. Furthermore, independent oversight of the company is required by board committees.

In Indonesia, the GCG Code, the most recent version of which was published in 2006, states that the BOC may form board committees to help it carry out its duties. Alternatively, Bank Indonesia has decided that both traditional and Islamic banks must establish at least three committees: an audit committee, a risk-monitoring committee, and a

remuneration and appointment committee, each of which is chaired by an independent commissioner. The remuneration and nomination committee is in charge of assessing the pay policy and making recommendations for candidates to serve on the BOC, BOD, and SSB.

Internal control and external audit

In ongoing efforts to ensure management oversight and establish a healthy culture within Islamic financial institutions, ensuring an efficient internal control structure is crucial (Chapra and Ahmed, 2002). Banking supervisory authorities must also ensure that all banks' internal control mechanisms are appropriate for the existence of their risks. The internal audit framework is an essential component of internal controls. Internal audit functions, according to Chapra and Ahmed (2002), should be strong and autonomous, reporting directly to the board of directors and senior management. Furthermore, financial audits performed by an independent auditor prove to be one of the most reliable sources of information.

Indonesian Islamic banks must have an efficient and independent internal audit function that is performed by qualified staff, according to Bank Indonesia regulations. In addition, Islamic banks must select a specific public accounting company that is registered with Bank Indonesia to conduct an independent audit of their financial statements.

Risk management. The banking industry, particularly Islamic banking, carries a variety of threats. Banks must exercise extreme caution when it comes to their risk exposure. Board members and senior management should be aware of the risks and establish sound risk management within the bank, according to Chapra and Ahmed (2002). Failure of banks to handle such risks will result in a loss of

depositor trust as well as systemic consequences for the economy. Banking supervisory authorities would need to encourage proactive risk management to help with this.

Bank Indonesia has released a regulation to assist banks in risk management. Market risks, credit risks, liquidity risks, and operational risks are among the risks that Islamic commercial banks must handle, according to the regulation. In addition, an Islamic bank with a higher level of business complexity must handle four additional risks: legal risks, enforcement risks, strategic risks, and credibility risks. The BOD would establish a risk management division that is separate from other departments.

RESEARCH METHODS

This is a quantitative descriptive analysis that aims to analyze and explain the disclosure of the sharia corporate governance framework incorporated into the corporate governance disclosure index (CGDI). Secondary data was used, namely annual Sharia Business Unit Bank reports that are released on each Sharia Business Unit Bank's official website.

The study's population is an Indonesian Sharia Business Unit Bank that is registered with Bank Indonesia in 2019. Purposive sampling was used in this analysis. The following parameters were used to pick samples:

- According to Bank Indonesia's sharia banking statistics as of December 2019, the organization is a Sharia Business Unit Bank.
- Post the annual report as well as the 2019 good corporate governance report on the company's website.
- All available details (data regarding the Corporate Governance of Islamic banking companies).

Table 4.1 Firm-level characteristics of the sample banks

	BDMN	BNLI	BNII	BNGA	NISP	BSIM	BBTN	BPD DKI	BPD DIY	BPD Jateng
Total assets ^a	193.533.970	161.451.259	169082.830	274.46.227	180.706.987	36.559.556	311.776.828	55.600.923	13.652.980	71.860.453
Total liabilities ^a	48.116.943	37.413.908	42.397.914	231.173.061	153.042.184	26.385.919	269.451.682	45.163.704	11.373.366	64.003.629
Third party funds ^a	09.791.910	123.184.575	110.601.006	195.600.300	126.121.499	24.652.197	206.905.692	36.167.006	10.065.409	49.303.075
ROA (%)	3.00	1.30	1.45	1.86	2.22	0.23	0.13	2.31	3.01	1.88
ROE (%)	10.30	7.20	7.73	9.03	11.56	0.14	1.00	10.68	14.06	17.67
Start operation	1956	1954	1959	1955	1941	1989	1950	1961	1961	1963
Public/Private	Public	Public	Public	Public	Public	Public	Publik	Private	Private	Private

	BDMN	BNLI	BNII	BNGA	NISP	BSIM	BBTN	BPD DKI	BPD DIY	BPD Jateng
Issuing stock in Capital market	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Issuingsukuk in capital market	Yes	No	Yes	Yes	No	No	No	No	No	No

Note: *Stated in million Indonesia Rupiahs (IDR)

Source: 2019 Annua Reports and financial statements of the sample Bank

Tabel 4.1

continued

	BJTM	BPD Sumut	BPD Jambi	BPD Sumbar	BPD Riau & Kepri	BPD Kalsel	BPD Kalbar	BPD Kaltim	BPD Sulsel & Sulbar
Total assets ^a	76.715.290	31.736.073	11.716.841	24.433.596	25.452.114	13.954.838	18.494.496	29.034.027	23.541.662
Total liabilities ^a	67.529.638	28.235.007	10.092.500	19.675.588	22.466.821	10.957.677	15.610.234	25.038.872	19.410.805
Third party funds ^a	60.545.872	25.171.669	7.708.677	17.982.800	19.937.052	9.971.386	14.887.943	21.695.444	14.999.178
ROA (%)	2.73	2.21	2.72	2.06	1.74	1.42	2.73	1.21	3.36
ROE (%)	18.00	17.25	19.84	14.06	10.72	9.29	14.75	6.64	20.72
Start operation	1961	1961	1959	1962	1966	1964	1964	1965	1961
Public/Private	Private	Private	Private	Private	Private	Private	Private	Private	Private
Issuing stock in Capital market	Yes	No	No	No	No	No	No	No	No
Issuingsukuk in capital market	No	No	No	Yes	No	No	No	No	Yes

Note: *Stated in million Indonesia Rupiahs (IDR)

Source: 2019 Annua Reports and financial statements of the sample Bank

In this analysis, I use a detailed checklist to build the so-called CGDI, which includes items related to the SSB, BOC, BOD, board committees, internal control and external audit, risk management, and corporate governance implementation reporting (see Appendix). Items are carefully built from a variety of studies and recommendations in order to improve validity. The index is scored for each bank using a content review, which involves reading the entire annual report before making any decisions (Cooke, 1996). In scoring items, similar to Haniffa and Cooke (2002), the method is basically dichotomous, with an item scoring 1 if revealed and 0 if not, with no penalty for each undisclosed item. Both of the products are measured in the same way. The formula for calculating the index is as follows:

$$CGDI = \frac{\sum_{i=1}^{n_j} X_{ij}}{n_j}$$

where n_j is the estimated number of items disclosed by the j th Islamic bank, and X_{ij} equals 1 if the item is disclosed and 0 if it is not. As a result, the CGDI would have a minimum of 0.00 and a maximum of 1.00.

After that, the sample banks are ranked according to their CGDI. The higher the index, the more open the bank is about its corporate governance processes in its annual report.

RESULTS AND DISCUSSION

The firm-level characteristics of the sample of banks are shown in Table 4.1. Complete assets, liabilities, third-party funds, return on assets (ROA), and return on equity (ROE) are among the financial statistics and indices used by the researchers (ROE). In terms of numbers and financial metrics such as total assets, liabilities, and third-party funds, Bank Tabungan Negara (Persero) and Bank CIMB Niaga outperformed the other 19 sample banks. Despite its superiority in this area, the State Savings Bank (Persero) has yet to issue sukuk in the capital market. East Java BPD is the only Regional Development Bank that has issued and exchanged its shares on the stock exchange. Just two Regional Development Banks, BPD West Sumatra and BPD South Sulawesi and West Sulawesi, have released sukuk in the capital market. Bank OCBC NISP,

which was established in 1941, is the oldest firm. Despite being the oldest, Bank OCBC NISP has never issued a sukuk in the capital market.

The controlling shareholder of each bank is listed in Table 4.2. The form of ownership of each bank, whether owned by a foreign institution, a family, the government, or other types of institutions, is also taken into account by the researchers. According to Darmadi (2013), the form of bank ownership can be determined by

locating the key controlling shareholder (the parent of the company). For example, Bank Sinarmas is the only bank in many other samples where the family owns 59.77 percent of the stock, according to PT. Sinar Mas Multiartha Tbk (a private domestic company). Since 12 of the 19 sample banks are Regional Development Banks (BPD) from each of Indonesia's provinces, it appears that government ownership/control is the most common form of ownership.

Table 4.2 Ownership structure of the sample banks

Bank	Ownership type	Shares ownership of the controlling shareholder	
1. BDMN	Foreign	94.10%	Mitsubishi UFJ Financial Group, Inc. (MUFG)
2. BNLI	Foreign	89.12%	PT Astra International Tbk sebesar 44.56% dan Standard Chartered Bank sebesar 44.56%
3. BNII	Foreign	45.02%	Sorak Financial Holding Pte, Ltd.
4. BNGA	Foreign	91.26%	CIMB GROUP SDN BHD (non perdagangan)
5. NISP	Foreign	85.08%	OCBC Overseas Investments Pte, Ltd.
6. BSIM	Family	59.77%	PT. Sinar Mas Multiartha Tbk (sebuah perusahaan domestik swasta)
7. BBTN	Government	60.00%	Republic of Indonesia Government
8. BPD DKI	Government	99.98%	Provincial Government of Daerah Khusus Ibukota Jakarta
9. BPD DIY	Government	51.01%	Provincial Government of Daerah Istimewa Yogyakarta .
10. BPD Jateng	Government	50.23%	Provincial Government of Central Java
11. BJTM	Government	51.17%	Provincial Government of East Java
12. BPD Sumut	Government	46.76%	Provincial Government of North Sumatera
13. BPD Jambi	Government	23.23%	Provincial Government of Jambi
14. BPD Sumbar	Government	32.07%	Provincial Government of West Sumatera
15. BPD Riau & Kepri	Government	38.71%	Provincial Government of Riau.
16. BPD Kalsel	Government	27.70%	Provincial Government of South Kalimantan
17. BPD Kalbar	Government	50.60%	Provincial Government of West Kalimantan
18. BPD Kaltim	Government	36.53%	Provincial Government of East Kalimantan
19. BPD Sulsel & Sulbar	Government	31.23%	Provincial Government of South Sulawesi

Source: 2019 Annual report and Financial statement of the sample bank

The corporate governance disclosure index (CGDI) for the sample of banks discussed in this study is shown in Table 4.3. Researchers have assigned scores based on the average CGDI scores from each bank study. It was revealed that CIMB Niaga Bank received a maximum score of 1.00, indicating that the bank disclosed 100% of the 72 disclosure items included in the checklist. BPD Jambi and BPD West Kalimantan, on the other hand, had the lowest CGDI scores, both at 0.75.

The mean for the overall index and the index for each dimension are also reported in the final column of Table 4.3. With an average of 0.99 and

0.98, the dimensions of the board of directors and the board of commissioners are the most complete and complete metrics disclosed by Bank UUS in its annual reports. The commissioners assistant committee, with an average result of 0.94, is another dimension with a relatively high index. With an average index of 0.81, the sharia supervisory board was found to be the measure with the least degree of transparency. There are 7 SBU Banks that have below average disclosure levels, namely BPD (DKI, DIY, East Java, Jambi, South Kalimantan, West Kalimantan, and East Kalimantan).

Tabel 4.3 *Corporate Governance Disclosure Index (CGDI) of the sample banks*

	SSB	BOC	BOD	SCC	ICEA	RIM	ROI	Indeks Total	Peringkat Total
1. BDMN	0,92	1,00	1,00	1,00	0,75	0,80	1,00	0,92	5
2. BNLI	1,00	1,00	1,00	1,00	0,88	0,70	1,00	0,94	3
3. BNII	0,92	1,00	1,00	1,00	1,00	0,80	0,80	0,93	4
4. BNGA	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1
5. NISP	0,92	1,00	1,00	0,93	0,88	0,80	1,00	0,93	4
6. BSIM	0,75	1,00	1,00	1,00	0,88	0,80	0,80	0,89	6
7. BBTN	1,00	1,00	1,00	0,87	1,00	0,80	1,00	0,95	2
8. BPD DKI	0,50	1,00	1,00	0,93	1,00	0,90	0,80	0,88	7
9. BPD DIY	1,00	1,00	1,00	0,93	0,50	0,80	0,80	0,86	8
10. BPD Jateng	0,92	1,00	1,00	0,93	1,00	0,90	0,80	0,94	3
11. BJTM	0,50	1,00	1,00	0,93	0,75	0,80	0,80	0,83	9
12. BPD Sumut	0,92	1,00	1,00	0,93	1,00	0,80	0,80	0,92	5
13. BPD Jambi	0,58	1,00	1,00	0,93	0,25	0,90	0,60	0,75	10
14. BPD Sumbar	0,83	1,00	1,00	0,93	0,88	1,00	0,80	0,92	5
15. BPD Riau & Kepri	0,92	1,00	1,00	0,93	0,88	0,90	1,00	0,95	2
16. BPD Kalsel	0,58	0,92	0,89	0,93	0,88	0,80	0,80	0,83	9
17. BPD Kalbar	0,58	0,77	0,89	0,87	0,75	0,60	0,80	0,75	10
18. BPD Kaltim	0,50	0,92	1,00	0,93	0,75	0,90	0,80	0,83	9
19. BPD Sulsel & Sulbar	1,00	1,00	1,00	0,93	1,00	0,80	0,80	0,93	4
Rata-Rata	0,81	0,98	0,99	0,94	0,84	0,83	0,85	0,89	

Source: Secondary data processed, 2019

Note: SSB = Sharia supervisory board

BOC = Board of commissioner

BOD = Board of director

SCC = Support committee for the BOC

ICEA = Internal control and external audit

RIM = Risk management

ROI = Reporting on the Implementation of Corporate Governance

Sharia supervisory board. SSB is one of the important elements that must be fully disclosed in the annual report of banks, especially sharia-based banks. Because SSB is in charge of supervising the bank whether it is running according to sharia principles or not. For this dimension with an average index of 0.81, there are 5 banks with a perfect disclosure of 1.00, namely Bank Permata, Bank CIMB Niaga, Bank Tabungan Negara (Persero), BPD DIY, and BPD South Sulawesi and West Sulawesi. And the lowest results with the same value of 0.50 were found in 3 banks, namely, BPD DKI, BPD East Java, and BPD East Kalimantan.

It was found that most of the sample of banks did not clearly disclose what SSB recommendations / opinions / opinions were to management. In addition, several banks disclosed DPS

recommendations to management, as is found in the following statements:

"In order to increase understanding of sharia products, it is necessary to conduct financing training based on the istishna contract" (BPD DIY 2019 Annual Report, p. 355).

Furthermore, supervisory inspection procedures are not disclosed much in the sample bank annual reports. The surveillance inspection procedure is usually followed by the results of the SSB surveillance. The supervisory inspection procedure can be seen in the following statement:

"SSB is responsible for supervising new products and / or services and / or developing

new products / services for the Bank and for supervising the Bank's activities. The results of the supervision must be submitted to the Financial Services Authority (OJK) every six months (on a semi-annual basis)" (Bank Permata 2019 Annual Report, p. 653).

Board of commissioner. For this dimension with an average index of 0.98, it shows that the average sample of banks has revealed 98% of the constructs developed in the checklist. As stated by Darmadi (2013), complete disclosure of the board of commissioners in the annual report is expected to provide information to stakeholders and provide assurance that the board of commissioners has effectively monitored and provided advice to the directors.

BPD West Kalimantan received the lowest score from a sample of other banks with a result of 0.77. Meanwhile, there were 16 banks that obtained a perfect score of 1.00 by disclosing all items on the board of commissioners checklist. Of course, in their annual reports, the 16 sample banks have communicated the recommendations given by the board of commissioners to management, as in the following statement:

"The number of recommendations submitted through written letters to the Board of Directors throughout 2019 is around 109 (one hundred and nine) items of Recommendation Letters, related to among others the following [...]" (BPD South Kalimantan Annual Report 2019, p. 333).

"The Board of Commissioners continues to supervise and provide input through the Audit Committee, Risk Monitoring Committee as well as the Nomination and Remuneration Committee as well as the Integrated Governance Committee which was discussed at the Board of Commissioners meeting. There are several important agendas for 2019, including [...]" (Bank Maybank Indonesia 2019 Annual Report, p. 389).

Furthermore, disclosure of members' share ownership obtained the lowest result along with the recommendation of the board of commissioners to management with a result of 0.89.

Board of Directors. The index dimension for the board of directors is highest among the 7 other

indicators included in the checklist with a result of 0.99. Almost all banks scored a perfect score of 1.00, but BPD South Kalimantan and BPD West Kalimantan did not score a perfect score with a result of 0.89. The description of board members is the item most commonly disclosed by each sample of banks. Meanwhile, BPD South Kalimantan and BPD West Kalimantan did not disclose the members' share ownership.

Darmadi (2013) states that the disclosure of board remuneration will allow stakeholders to assess whether the level of wages is appropriate and represents the performance of board members as a whole. The following is a remuneration statement for members:

"The remuneration package for members of the Board of Directors is paid regularly and the classification of the level of remuneration and the number of members of the Board of Directors who receive a remuneration package within 1 (one) year, is disclosed in the Remuneration Policy section of this report." (Bank Danamon Indonesia Annual Report 2019, p. 308).

"The structure of the remuneration of the Board of Commissioners and the Board of Directors based on the Decree of the Board of Directors number SK / 918 / DIR / 12-2017 dated December 31, 2017 is as follows [...]" (BPD West Sumatra Annual Report 2019, p. 774).

Supporting Committee for the Board of Commissioners. To support the function of the board of commissioners, the board of commissioners may form auxiliary committees for the board. Members of the board assistant committee are expected to have special expertise in supporting the effectiveness of the committee. Most of the items for this dimension are relatively the same as boards of commissioners and boards of directors.

The index for this dimension is quite high with an above average result of 0.94. There are 2 banks that get the lowest score on this dimension because they do not disclose the attendance of members at the meeting in their annual report, with a result of 0.87, namely Bank Tabungan Negara (Persero) and BPD West Kalimantan. The number of meetings held by each committee is

disclosed by all sample banks in the annual report. For example, the following is taken from the audit committee report:

"Audit Committee Meetings are held regularly at least 1 (one) time in 3 (three) months and are declared valid if attended by at least 51% of the total members and decision making can be made if attended by at least 51% of the members of the independent Audit Committee. During 2019 the Audit Committee held 6 (six) Audit Committee meetings with attendance [...]" (BPD DKI Annual Report 2019, p. 513).

In terms of performance / activity implementation reports, BPD Jambi includes memos from the results of the studies, monitoring and supervision carried out. As in the following statement:

"In carrying out its duties, the Risk Monitoring Committee is responsible to the Board of Commissioners. The activities of the Risk Monitoring Committee in 2019 consist of internal meetings and meetings with related work units. Memos of the results of studies, monitoring and supervision carried out include the following [...]" (BPD Jambi Annual Report 2019, p. 189).

In addition, there are only 5 samples of banks that have formed an integrated governance committee, namely Bank Danamon Indonesia, Bank Permata, Maybank Indonesia, Bank CIMB Niaga, and Bank Sinarmas. Although this committee is not required by Bank Indonesia, it is hoped that this committee can assist the board of commissioners to strengthen their oversight function in order to increase public confidence in integrated corporate management.

Internal Control and External Audit. Effective internal control and external audit are important because the internal audit system is a part that must be in the annual report. External auditors also play an important role in the bank. Thus, it is expected that UUS Bank will communicate their policy regarding the appointment of the external auditor Darmadi (2013).

SBU Bank disclosure practices in this dimension get a result of 0.84. On this indicator, BPD Jambi obtained very low results with a value of 0.25 because it only revealed 2 items, namely the policy of the external auditor appointed by the bank

and the performance of the internal audit division. The second lowest result with a value of 0.50 is also found in BPD DIY. It seems that the policy regarding the appointment of an external auditor is rarely disclosed by the sample of banks, because this item gets the lowest average of 0.68. The policy regarding the appointment of an external auditor can be seen in the following statement:

"To ensure the independence and quality of the examination results, the appointed External Auditor may not have a conflict of interest with the Company. In the use of an External Auditor, Bank SUMUT refers to the provisions of the Government Regulation of the Republic of Indonesia No. 20 of 2015 dated 3 April 2015 concerning the Practice of Public Accountants Article 11 which states that the general audit service provider of the financial statements of an entity is carried out by KAP for a maximum of 5 (five) consecutive financial years and by a Public Accountant. " (BPD North Sumatra Annual Report 2019, p.461).

In contrast to the external auditors appointed by the bank, the score was the second highest, namely 0.95. The external auditor appointed by the bank can be seen in the following statement:

"Based on the resolutions of the Annual General Meeting of Shareholders on June 28, 2018, Public Accountant Office Mirawati Sensi Idris has been appointed to conduct a General Audit of Bank Sinarmas' Financial Statements. Public Accountant Office Mirawati Sensi Idris in her assignment has fulfilled the following aspects [...]" (Bank Sinarmas Annual Report 2019, p. 397).

Risk management. For this dimension, obtaining the second lowest value after DPS is 0.83. This result is still below the overall average of 0.89. West Kalimantan BPD has the lowest yield on this indicator at 0.60, which indicates that banks do not yet have sufficient awareness to communicate their risk management. The duties and responsibilities of the risk management division should be generally disclosed, but have the lowest yield with a score of 0.21. There are two banks with a maximum value of 1.00 on this indicator, namely Bank CIMB Niaga and BPD West Sumatra, which indicates that these

two banks disclose in detail the risk management indicators.

Risk management certification gets the second lowest score after duties and responsibilities with a result of 0.37. There are 12 samples of banks that do not disclose risk management certification in their annual reports, although banks do not disclose risk management unit certification, it does not mean that the bank does not have a certified risk management unit. Risk management certification can be seen in the following statement:

"The Risk Analyst Team along with the Policy Analyst Team & Risk Reporting totaling 21 (twenty one) people have participated in Risk Management training and certification, detailed as follows [...]" (BPD Central Java Annual Report 2019, p. 535).

The risk profile scores quite high with 0.89. There were 2 banks that did not disclose risk assessments in their annual reports, namely Bank Permata and BPD Kalimantan Selatan. The risk profile can be seen in the following statement:

"The Company continues to assess its risk profile through an inherent risk rating and risk management implementation quality rating to determine the Company's risk rating [...] including risk governance, risk management framework, risk management process, human resource adequacy and management information system adequacy, as well as the adequacy of the risk control system." (State Savings Bank (Persero) 2019 Annual Report, p. 656).

Reporting on the Implementation of Corporate Governance. The level of disclosure on annual reports among sample banks does vary, this shows how much awareness the bank is in communicating important aspects in detail to stakeholders. Bank CIMB Niaga always excels in disclosing all indicators than the sample of other banks. Bank CIMB Niaga is also one of the well-established Conventional Banks in Indonesia. Bank CIMB Niaga discloses a code of conduct in its annual report, as stated in the following statement:

"The Bank always upholds integrity. To support this, in its implementation the Bank has and implements standard guidelines regarding code of conduct, namely the Code of Ethics

& Employment Behavior which regulates standards and business behavior as well as ethical personal behavior which is part of the Bank's culture in managing good corporate governance." (Bank CIMB Niaga 2019 Annual Report, p. 618).

Bank Indonesia has required UUS Bank to conduct self-assessment on their good corporate governance practices. And this has been disclosed by all sample banks in their annual reports. One of them is found in the following statement:

"Banks are required to apply eleven principles of Good Governance in every Bank business activity at all levels or levels of the organization. The implementation of Governance principles is assessed by the OJK every 6 months or semiannually, to be precise for the period June and December. The results of the self-assessment of governance for the position of December 2019 are presented as follows [...]" (BPD East Java Annual Report 2019, p. 225).

The item of good corporate governance appraisal disclosure by external parties gets the lowest value than other items of 0.32. GCG assessment by external parties can be seen in the following statement:

"The assessment by external parties is carried out, among others, by the Domestic Ranking Body of ASEAN Corporate Governance which is appointed by the Financial Services Authority (OJK). Based on the ASEAN Corporate Governance Scorecard (ACgS) criteria, the Bank is included as one of the 10 companies in Indonesia with the highest ACgs score." (Bank OCBC NISP 2019 Annual Report, p. 138).

On this indicator, it was found that the BPD Jambi obtained the lowest value of 0.60. And BPD Jambi is the only bank in the sample that does not disclose its code of ethics in its annual reports

CONCLUSION

In this study, it was revealed that for the 2019 report, Bank CIMB Niaga showed an overall perfect score of 1.00 and automatically obtained a result of 1.00 for each indicator. With these results, Bank CIMB Niaga can become a benchmark in terms of corporate governance disclosures. The

dimensions of the board of directors, the board of commissioners, and the auxiliary committee to the board of commissioners are most often disclosed by sample banks in their annual reports. This means that each sample of banks pays a lot of attention to displaying the profiles of their board members. The lowest index is in the dimension of the sharia supervisory board, this is very unfortunate for each UUS bank that does not pay much attention to communicating the complete SSB profile in its annual report.

It can be concluded that, the overall average CGDI of UUS Bank in Indonesia is relatively high at 0.89. But there are 4 out of 7 indicators that are still below the average. The lowest is the indicator of the sharia supervisory board at 0.81. In fact, DPS

plays an important role in Islamic banks to provide advice and suggestions to the board of directors so that banking activities are in accordance with sharia principles.

The study then called for increased SSB disclosure in the sample of banks in their annual reports. Improving SSB information in a comprehensive annual report can provide several benefits, including:

- a. Banks can gain wider acceptance in the Islamic banking industry.
- b. Can meet the information needs of stakeholders, so that Islamic banks can get a good reputation.
- c. Information given about the performance of DPS in the company can attract depositors and investors who want to invest in sharia.

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