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Sustainable sharia company ecosystem: Independent commissioner and audit committee on Islamic social reporting

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Abstract

Purpose – Disclosure of information is crucial for company values and minimizing conflicts resulting from knowledge asymmetry, especially in social aspects. Stakeholders require information reporting that is transparent, accountable, responsible, and exhaustive. In this study, the independent variables are independent commissioners and audit committees, and the dependent variable is Islamic social reporting. The size of the company served as the control variable for this study.

Methodology – The population in this study used sharia companies registered in the Jakarta Islamic Index (JII) for the period 2016-2022. This study used the purposive sampling method and selected 13 companies from a total of 30 companies with data collection twice a year. The analysis technique used is multiple linear regression with SPSSv22 software.

Findings – The results of this study show that independent commissioners and audit committees do not affect Islamic social reporting.

Implications – This study aims to determine the influence of independent commissioners and audit committees on Islamic social reporting.

Originality – This study has originality in the form of Islamic Social Reporting (ISR) proxy variables, which combines the ISR disclosure index designed by Haniffa and Cooke (2002) and Othman and Thani (2010). There are 48 ISR disclosure items divided into six themes. In addition, in this study, there is a control variable, namely the size of the company used to improve the accuracy of the research.

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Introduction

The G20 plays a crucial role in ensuring future economic growth and prosperity on a global scale. The government must acknowledge the interconnectedness of economic expansion, environmental sustainability, and social advancement. The Green Economy is another name for this connection. A systematic approach to legislation, planning, investing, and action plans for promoting economic growth, social inclusion, and environmental sustainability is necessary to address one of the issues with industrial growth and development (Sulaeman et al., 2022). Corporate governance, which makes sure that a company is sustainable, responsible, and

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accountable to society, results from the expansion and development of the industry. (Indrawaty & Wardayati, 2016). These trends raise crucial issues about how the sector views sustainability and social responsibility (Singh et al., 2018). Businesses must pay attention to values, events, and investor needs to maximize corporate value so that social responsibility disclosure can be a strategy for the company because sustainability is closely related to corporate social and environmental responsibility (TJSL) initiatives (Setiawan et al., 2019).

The performance of a business is represented by the share price, which is determined by supply and demand on the capital market and represents how the public perceives the firm's success (Anjasari & Andriati, 2016). One of the metrics to determine the worth of a firm is the market capitalization value of the Jakarta Islamic Index (JII) for the years 2015 to 2022.

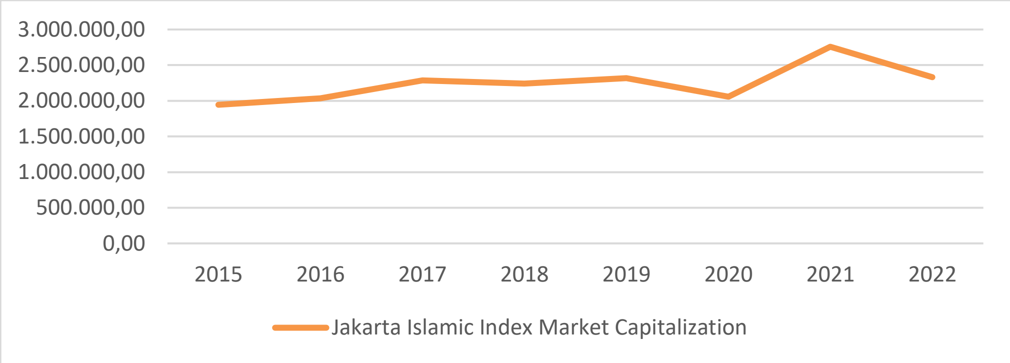

Figure 1. Jakarta Islamic Index Market Capitalization

Figure 1 shows that the capitalization value of JII, a sharia stock index created by the IDX and composed of 30 issuers, is rising. While the market capitalization value of JII fell between 2018 and 2022, the aggregate value of this market capitalization demonstrates that Islamic enterprises are doing well in JII. Microelements, also known as basic factors, are one of the numerous variables that may impact a company's value (Khoiriyah, 2020). This firm's basic component is a variable the company influences over. The corporation's annual reports, including company financial statements, social responsibility reports, and corporate governance reports, are analysis tools for essential elements. Islamic Social Reports should be included in one of these reports. This occurs as a result of the possibility that investors consideration of ISR while making investment choices (Othman & Thani, 2010). So, the worth of the firm is a result of the ISR disclosure that sharia corporations should provide.

According to Legislation number 40 of 2007, the corporation must include a social responsibility report known as TJSL or CSR in its annual report. In recent years, corporate social responsibility (CSR) has primarily served as a means of avoiding reporting duties and is no longer a corporate duty to the environment, society, or society (Ibrahim & Muthohar, 2019). For instance, the Indonesian government mandates that businesses put aside no more than 2% of net earnings for charitable causes. Businesses might claim that they have fulfilled their CSR duties, but they cannot deal with stakeholder problems (Hussain et al., 2021).

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Offering transparency in sharing important and pertinent information about the business' operational operations in line with Islamic principles is one approach to cater to investors' demands. In order to fulfill its duties as khalifatullah fil ardh to Allah and Muslims in general, corporate social responsibility reporting based on sharia principles is known as Islamic Social

Reporting (ISR) (Setyani et al., 2022). Muslim investors want ISR disclosure to know if their investment activities in a firm are compliant with Islamic standards.

This demonstrates the need for ISR to be articulated extensively. The function of independent commissioners and audit committees is one of the elements that might enhance the transparency of corporate information. Its management is overseen by independent commissioners, who ensure that the business complies with all relevant regulations, including those requiring the disclosure of social responsibility (Indrawaty & Wardayati, 2016). As a result, this role may promote adherence to accountability and openness.

Additionally, independent commissioners are members of the board of commissioners from outside the business and are free from any relationships that might compromise their independence to advance stakeholder interests. These relationships could be with the board of directors, other commissioners, controlling shareholders, or any other party (Sari & Helmayunita, 2019). Protecting stakeholders' interests via independent commissioners who are not beholden to management interests is extremely successful (Rahma & Bukair, 2015). Because of this, having an independent commissioner may encourage businesses to share information with stakeholders about their economic, social, and environmental performance, including Islamic Social Reports for Muslim investors and Muslims in general.

Many researchers in Indonesia have investigated independent ISR commissioners. Among them, Darayseh and Alsharari (2022) and Nurhikmah et al. (2018) demonstrated that independent commissioners had a favorable impact on ISR disclosures. According to a study by Sari and Helmayunita (2019), independent commissioners have a detrimental effect on ISR. Other investigations, such as those conducted by Hasanah et al. (2018), and Hussain et al. (2021), have shown that independent commissioners did not impact ISR in the interim.

The audit committee is the other corporate body entrusted with supporting independent commissioners in their oversight of the corporation. The audit committee is a corporate body that reports to the board of commissioners and is responsible for offering guidance to improve commissioner performance. The depth of disclosure of corporate information is one metric used to assess commissioner effectiveness. Therefore the audit committee will also have an impact on how the firm discloses ISR.

Research by Alanezi et al. (2012) and Hasanah et al. (2018), which discovered that audit committees favorably impact ISR disclosures, lends weight to this assertion. Nevertheless, Alanezi et al. (2012) produced different findings, concluding that the audit committee had no impact on ISR. In contrast, Sari & Helmayunita (2019) demonstrate the audit committee's detrimental impact on ISR. The followings are the updates to or differences between this study and earlier studies:

1. The 48 Islamic Social Reporting disclosure items are split into six categories by the proxy variable's ISR disclosure index, created by Haniffa and Cooke (2002) and Othman and Thani (2010).
2. To improve the accuracy of the research, a control variable, namely the size of the firm, is included in this study.

Literature Review

Principals (shareholders) need accurate information on the state of the business as a whole. However, shareholders need access to this data, even though it is considered when making financial choices (Sari & Helmayunita, 2019). Information asymmetry refers to the discrepancy between the agent and the principal in information ownership and knowledge. Businesses must disclose such information through thorough, accurate, and reliable reporting to reduce information asymmetry (Sunyoto & Hidayanti, 2009).

Agency theory also holds that disclosing information that is transparent, accountable, responsible, and complete may mitigate information asymmetry to fraudulent actions carried out by agents that influence declining firm value (Anjasari & Andriati, 2016). Social Reporting is one of the improvements to corporate information disclosure that may reduce conflicts. The more positively the corporation is viewed by the general public and investors, the better its accountability reporting to stakeholders (Agtriyanti & Setiawati, 2018).

According to Alanezi et al. (2012), an independent commissioner is a party who does not represent any party in the company and is appointed only based on background knowledge, experience, and professional expertise to carry out duties and obligations for the benefit of the company. Meanwhile, the definition of another independent commissioner was stated by Nurhikmah et al. (2018) that the independent commissioner is not part of the management, shareholders, or leadership either directly or indirectly related to the majority shareholder of the company which oversees overseeing the management of the company and as a representative of independent shareholders also represents other interests such as investors. From the above understanding, an independent commissioner is a commissioner who comes from outside the company and has credibility and independence in carrying out his duties to supervise and control management in an effort to guarantee various interests.

The function of independent commissioners is to oversee and advise the board of directors (Law No. 40 of 2007). Independent commissioners also monitor how CG is being implemented and adjust as needed. Thus, it is anticipated that the existence of independent commissioners would establish a balance between the interests of numerous parties, including large shareholders, directors, commissioners, management, as well as public shareholders, and other stakeholders.

Following OJK Regulation No. 33 of 2014, businesses are obliged to have independent commissioners that make up at least 30% of their current board of commissioners. As a result, there might be an increasing number of independent supervisory commissioners and assurance that the corporation is acting in accordance with the law. It may provide a mechanism for completing information disclosure obligations to stakeholders, including ISR, and its responsibility in offering recommendations to the board of directors.

The audit committee is an extra body required to apply the CG principle in addition to the independent board of commissioners. The board of Commissioners created the audit committee to support the board of Commissioners in carrying out its obligations. According to Financial Services Authority regulation Number 55/POJK.04/2015, regarding the creation and procedures for carrying out the audit committee's work, the audit committee comprises at least three (three) independent commissioners and parties from outside the issuer or public company.

An audit committee is a team of people chosen to carry out specific duties or several independent commissioners charged with maintaining their independence from management (Rahma & Bukair, 2015). According to Hasanah et al. (2018), the audit committee is one of the CG committees constituted and answerable to the board of commissioners. Its major duty is to ensure that CG principles have been followed consistently. An audit committee is a group of people who provide their opinion on matters pertaining to accounting, financial statements, and internal control mechanisms. According to the understanding, an audit committee is a group assembled by an independent commissioner to support the performance of their responsibilities under the CG principles.

The audit committee is normally responsible for three things: 1) making sure that the management's reports accurately reflect the company's financial situation, operational outcomes, long-term commitments, and goals. 2) monitoring the company, including matters that have the potential to contain risks and internal control systems, and overseeing the supervisory process carried out by internal auditors; 3) ensuring that the company has been operated in accordance with applicable laws and regulations as well as current business ethics, and carrying out effective supervision of conflicts of interest and fraud committed by management.

Corporate social reporting is referred to as Islamic Social Reporting from an Islamic viewpoint (ISR). The connection of the person and the organization to God is the definition of accountability, according to Othman and Than (2010). Since traditional social reporting no longer applies to Islamic businesses, ISR has become the norm for reporting the social performance of sharia-based enterprises (Kusuma & Rosadi, 2018).

It is vital to develop a conceptual framework for social reporting, namely ISR, which is based on sharia rules since conventional social reporting has limits (Haniffa & Cooke, 2005), (Haniffa & Cooke, 2002). ISR is an endeavor to provide "mualamah" devotion to Allah SWT an account. ISR is a way for a servant to show his sincerity in developing his faith vertically and horizontally. It is also a way for stakeholders to have assurance when using the precautionary principle to determine whether Islamic values are compatible with business endeavors that will impact their ability to make economic and religious decisions. The ISR disclosure index created by Haniffa and Cooke (2002) will be utilized in this research, adding the subject of corporate governance to the ISR disclosure index created by Othman and Thani (2010). As a result, there are 48 elements of Islamic Social Reports disclosure that are broken down into six categories: 1) Financial and investment themes, 2) Goods and services, 3) Workers, 4) Society, 5) Environment, and 6) Corporate Governance.

A company's primary objective is maximizing shareholder value (Nohong et al., 2019). Investors must have access to pertinent information and data regarding the company's worth to understand the amount of welfare they will get (Noorsyam & Prasetyo, 2020). Management and shareholders' interests must be aligned to maximize organizational value. This is in line with the agency theory's emphasis on finding the management and shareholder agreements that are the most effective (Ibrahim & Muthohar, 2019). Information asymmetry and agency conflicts constantly thwart efforts to raise a company's worth. As a result, managers may use financial statements that are full, pertinent, and necessary for shareholders to account for their performance and provide signals to shareholders about how well the firm is doing (Wahyuni et al., 2019).

Hypotheses

Independent commissioners are those appointed by a company's board of directors who are not associated with its management, majority shareholders, or those shareholders in any way. Since the commissioner is responsible for assessing the company's capacity to endure, grow, and engage in commercial operations, their tasks are sometimes referred to as business supervision. Moreover, independent commissioners are required to strengthen the board of commissioners' independence from shareholder interests and genuinely prioritize the interests of the firm above those of other parties. Othman and Thani (2010) also assert that the makeup of independent commissioners significantly impacts how management makes choices. As a result, independent commissioners would establish a balance between the interests of diverse parties, including large shareholders, directors, commissioners, management, public shareholders, and other stakeholders.

All policies adopted by the board of directors are assumed to be unaffected by the establishment of an Independent Commissioner. Due to their independence from management, independent commissioners often push businesses to provide stakeholders with more information. Due to their higher capacity to make judgments that safeguard all stakeholders, independent commissioners can advocate a wider disclosure of social and environmental information because of their bigger percentage.

Additional research by Darayseh and Alsharari (2022), Nurhikmah et al. (2018), and Sari and Helmayunita (2019), also demonstrates a favorable relationship between the number of independent commissioners and ISR disclosures (Darayseh & Alsharari, 2022). Research shows a strong positive correlation between ISR disclosures and the number of independent commissioners. The study's hypotheses are as follows, considering the afore mentioned:
H_1: The ISR disclosure is favorably impacted by the size of the independent commissioner.

An audit committee is a group of people who provide their opinion on matters pertaining to accounting, financial statements, and internal supervisory systems (Utama, 2004). The audit committee is an impartial party connecting businesses with external auditors and the supervisory role of commissioners with internal auditors. The board of commissioners has charged the audit committee with supporting them in monitoring the management team in charge of financial reporting, corporate governance, and business oversight. As a result, the audit committee becomes a valuable instrument for implementing supervisory procedures. It may save agency expenses while raising the quality of business disclosures by satisfying the primary information requirements.

According to Bapepam Decision No. 29 Kep-29/PM/2004, addressing the formation and standards for the execution of audit committee activity, a business going public must have at least three audit committees made up of independent commissioners and outside the firm. Thus, establishing an audit committee is crucial for assisting independent commissioners in working effectively in complicated company situations (Utama, 2004). In keeping with the agency theory tenet that principals seek out information to ensure that agents are accountable to stakeholders, it is expected that the audit committee, which is in charge of financial statements, corporate governance, and corporate supervision, will be able to satisfy the principals' information needs (Alanezi et al., 2012).

Lestari (2013)) found that the scope of corporate social responsibility disclosure increased with the size of the audit committee. The audit committee's function in monitoring and regulating management will be more effective as its size increases, resulting in a more comprehensive disclosure of information. This is supported by study findings by Darayseh and Alsharari, (2022), and Nurhikmah et al. (2018), which found that the presence of an audit committee significantly influences the scope of ISR disclosures made by the firm. As a result, it is envisaged that the audit committee's increased size would improve the quality of the oversight and enable the corporation to disclose more social information. The following theories are put forward in this research and are based on the previous description:

H_2: The audit committee's size has a beneficial impact on how the ISR is disclosed.

Research Methods

Associative research is the methodology used in this study. Companies that went public and were registered in JII from 2016 to 2022 make up the population of this research. Thirty issuers are registered with JII as companies. The 30 issuers are sharia stocks with the largest trading volume on the Indonesia Stock Exchange (IDX) obtained based on the sharia online trading system (SOTS) with a market capitalization value above 2 million starting in 2016. This capitalization value is one indicator in looking at the company's value. Companies were chosen as samples for this research using a purposive selection strategy. The sample criteria used by the researcher are listed in Table 1.

Table 1. Sample Criteria

No.	Sample Criteria	Number of Firms
1	Companies registered in JII for the period 2016-2022	30
2	Companies that passed the review by the IDX in May and November during the period 2016-2022	(15)
3	Companies whose annual reports are available during the period 2016-2022	(2)
4	Companies that present financial statements in rupiah	13

The study's secondary data came from corporate annual reports that matched the requirements. A complete examination (content analysis) of each annual report of a sharia firm registered in JII, collected from www.idx.co.id and the websites of each company, will be done to get the necessary ISR data. Only 30 of the most liquid Islamic equities listed on the IDX make up JII's components. According to the Financial Services Authority's timetable for reviewing the sharia securities list, the 30 sharia equities are examined twice a year. The companies registered with JII between 2016 and 2022 made up the purposive sampling sample for this research. 13 firms were selected as samples based on the criteria. When, observations on the firms were made over a period of five years in a row, resulting in 91 observations. The firms picked for this research are as seen in Table 2.

One of the study's independent variables is the audit committee. According to OJK rule number 55/PJOK.04/2015, the audit committee must consist of at least three individuals. As a result, each firm is required to establish at least three audit committees that work with the board of commissioners to put the CG principles into practice. The following are the audit committee measures (Sari & Helmayunita, 2019):

In this research, the ISR was both a dependent and an independent Othman and Thani (2010) created an index to quantify these characteristics. The index of ISR disclosure items, which consists of the 48 disclosure items stated in Table 3, is used in this research to measure the amount of ISR disclosure.

Table 2. Lists the companies that meet the sample requirements for the 2016-2022 period and are listed on the Jakarta Islamic Index (JII).

No	Stock Code	Issuer Name
1	AKRA	PT AKR Corporindo Tbk.
2	ASII	PT Astra International Tbk.
3	BSDE	PT Bumi Serpong Damai Tbk.
4	ICBP	PT Indofood CBP Sukses Makmur Tbk.
5	INDF	PT Indofood Sukses Makmur Tbk.
6	KLBF	PT Kalbe Farma Tbk.
7	LPPF	PT Matahari Department Store Tbk.
8	PTPP	PT PP (PERSERO) Tbk.
9	SMGR	PT Semen Indonesia (Persero) Tbk.
10	TLKM	PT Telkom Indonesia (Persero) Tbk.
11	UNTR	PT United Tractors Tbk.
12	UNVR	PT Unilever Indonesia Tbk.
13	WIKA	PT Wijaya Karya (Persero) Tbk.

Table 3. Index of ISR disclosure items

Funding and Investment Theme	Product and Service Themes	Employee Theme
1. Activities containing usury (for example: Interest Expense and Interest Income) 2. Activities that contain vagueness (gharar) 3. Zakat (the amount and recipient of zakat) 4. Policy on delayed payments and write-off of uncollectible receivables 5. Investment activities (in general) 6. Project financing (in general)	7. Sharia supervisory board approval for a product 8. Glossary/definition of each product 9. Service for customer complaints	10. Composition of employees 11. Employee working hours 12. Employee benefits ratio 13. Employee remuneration 14. Employee education and training 15. Equality of opportunities for all employees/employee engagement 16. Appreciation for outstanding employees 17. Occupational health and safety 18. Work environment 19. Time of worship/religious activities 20. Adequate place of worship for employees
Community Theme	**Environmental Themes**	**Corporate Governance Theme**
21. Donation (almsgiving) 22. Waqf 23. Loans for good (Qard hasan) 24. Zakat, donations, or volunteers from among employees and customers 25. Educational programs (scholarships, school construction, etc.) 26. Work empowerment of school/college graduates 27. Development of the younger generation 28. Improving the quality of life of the community (economic empowerment) 29. Concern for children (orphans) 30. Support community social activities/health/sports	31. Konservasi Environmental conservation 32. Activities to reduce the effects of global warming (pollution, water treatment, etc.) 33. Education about the environment 34. Environmental awards/ certifications 35. Environmental management system	36. Status of compliance with sharia 37. Details of the profile name of the board of commissioners 38. Performance of commissioners (implementation of responsibilities and number of meetings) 39. Remuneration of the board of commissioners 40. Details of directors' names and profiles 41. Performance of the board of directors (implementation of responsibilities and number of meetings) 42. Remuneration of the board of directors 43. Details of the name and profile of the sharia supervisory board 44. DPS performance (implementation of responsibilities and number of meetings) 45. DPS remuneration 46. Shareholding structure 47. Anti-corruption policy 48. Anti-money laundering policy and other deviant practices

A checklist technique is used to determine the ISR index, and if the corporation reveals the item, the item receives a score of 1; otherwise, the item receives a score of 0.

The content analysis approach determines what belongs in the ISR index. The following formula (Othman & Thani, 2010) will be used to determine the ISR disclosure rate:

$$\text{ISRD} = \frac{Number\ of\ disclosed\ items}{Total\ of\ all\ index\ items} \text{ X } 100\%$$

A control variable in this research was business size. Many features of a firm are often explained using its size (Jihadi et al., 2021). For large businesses, controlling and supervising agents requires much money to get the necessary information. As a result, the amount of disclosure that the firm makes depends on its size (Hidayat, 2019). To prove empirically that ISR impacts firm value without being influenced by unresearched external variables, this study uses company size. This research used the total asset value to calculate the following as a measure of firm size (Jihadi et al., 2021).

$$\text{FS} = \text{Natural logarithm of total assets}$$

Before, it was stated that the purpose of the operational definition of a variable is to measure the relevant variable in this context. Table 4, it is shown how the study's operational definition was used.

Table 4. Operational Variables

No	Variable	Operational Definition	Indicator	Scala
1.	*Islamic Social Reporting* (Y)	The expansion of social reporting is not only a great desire of the whole community towards the role of the company in the economy but is related to a spiritual perspective (Haniffa: 2002)	$\text{ISRD} = \frac{\text{Number of items disclosed}}{\text{Sum of all index items}} \text{ X } 100\%$ (Othman & Thani, 2010)	Ratio
2.	Independent Commissioner (X1)	Members of the board of commissioners who come from outside the company who have no relationship.	Size of the board of commissioners = $\frac{Number\ of\ independent\ commissioners}{Number\ of\ all\ commissioners}\ x\ 100$ (Sari dan Helmayunita, 2019)	Ratio
3.	Audit Committee (X2)	A committee established by the board of commissioners and responsible to the board of commissioners. The audit committee assists and carries out the duties and functions of the board of commissioners (OJK Regulation 55/2015)	Size of audit committee = $Number\ of\ audit\ committee\ members$ (Sari dan Helmayunita, 2019)	Ratio

Classical assumption testing and descriptive statistics were employed as the data analysis techniques in this investigation. Without attempting to provide widely accepted conclusions, descriptive statistics also give an overview and description of the data based on the average value, standard deviation, variance, maximum, minimum, total, range, kurtosis, and skewness (distribution steam). Three tests will be run as part of the classic assumption test in this study: the autocorrelation test, the heteroskedastic test, the normality test, and the goodness of fit test of a model.

When evaluating the statistical validity of a model, it is important to compare the actual value to the frequency of predictions made based on the hypothesized distribution to determine the sample regression function's accuracy. The statistical values of f, t, and the coefficient of determination may all be used to calculate the results of this test.

To ascertain if there is a link between independent and dependent variables, linear regression analysis is utilized. This test also reveals the direction of the link between the dependent and independent variables and quantifies the strength of the association between two or more variables. The regression analysis used in this research is as follows:

$$ISR = \alpha + \beta IC + \beta FS + \varepsilon \tag{1}$$
$$ISR = \alpha + \beta AC + \beta FS + \varepsilon \tag{2}$$

Noted:
ISR : Islamic Social Reporting
IC : Independent Commissioner
AC : Audit Committee
FS : Firm Size
α : Constant
β : Parameters to be estimated
ε : Error

Results and Discussion

The firms included in the Jakarta Islamic Index were the subject of this study. The data analysis for this research, which included content analysis and secondary data from independent and dependent variables processed using SPSS software version 22. Based on the average value, standard deviation, variance, maximum, minimum, total, and range of each variable, the descriptive statistical analysis gives an overview or explains the description of a data set. Independent commissioners (IC), audit committees (AC), Islamic social reporting (ISR), and firm size were the factors utilized in this research (FS). The following are the findings of the descriptive analysis of the study's variables:

Table 5. Descriptive Statistical Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
IC	91	28,73	83,35	42,21	13,63
AC	91	3,07	6,05	3,61	0,97
ISR	91	58,21	85,32	73,75	6,18
FS	91	29,12	33,39	31,71	1,32

Source: (Processed Secondary Data, 2023)

An overview of the description of the variables employed in this research is given in Table 5 above. Maximum is the smallest value of the series of observations for a data group, while minimum is the lowest value for that series. The standard deviation is the root of the sum of squares of the difference in the value of the data by the mean divided by the number of existing data, while the mean is the result of summing the value of the whole data group divided by the sum of the entire data group.

According to Table 5, the ISR Variable has a minimum value of 58.21 in 2020, which is held by PT Bumi Serpong Damai Tbk, and a maximum value of 85.32 in 2017, which is owned by PT Unilever Indonesia. ISR variable data is excellent since it shows that the standard error that the ISR variable has is minor, as shown by the standard deviation of the ISR being 6.18 and the average value being 73.75, which is more than the standard deviation number. The research also discovered that during the observation year, investment and finance were the least mentioned in Islamic enterprises registered with JII. However, only usury items that appear in the company's reporting as interest revenue and interest expenses are consistently stated by businesses. Also, zakat goods that the corporation never declared during the year of observation.

Another conclusion showed that socioeconomic and environmental themes were the most prevalent throughout the observation year. This demonstrates that business is conscious of its social duty. Moreover, the corporation does not reveal whether Muslim workers have access to facilities and rights to engage in prayer and other Islamic activities, making the employee theme a topic that is only marginally disclosed after the theme of money and investment. The sharia supervisory board, its performance, and its compensation are among the corporate governance-related topics that sharia corporations have never publicly acknowledged. This occurs as a result of the lack of a sharia supervisory board for sharia enterprises in JII to oversee their operational operations in line with Islamic standards.

PT Semen Indonesia Tbk owns the independent commissioner variable's minimum value in 2016, 2018, 2019, and 2020, which is 28.73. In contrast, PT Unilever Indonesia Tbk will possess the commissioner variable at its maximum value of 83.35 in 2020. The average value is 42.21, and the independent commissioner's standard deviation is 13.63. Because the standard deviation is lower than the average value, the independent commissioner variable's data is quite good because it shows that the independent commissioner variable's standard error is not very large.

With the exception of PT AKR Corporindo Tbk in 2020, PT Astra International Tbk, PT Indofood CBP Sukses Makmur Tbk in 2020, PT PP Tbk in 2019, PT Semen Indonesia Tbk, PT Telkom Indonesia Tbk, PT Unilever Indonesia Tbk in 2016 and PT Wijaya Karya Tbk, almost all research samples on the audit committee variable, which has a minimum value The audit committee variable's highest value in 2017–2018 is 6,05, which belongs to PT Telekom Indonesia Tbk. The audit committee variable's standard deviation was 0.97, while the average value was 3.61; this difference in standard deviation values from average values suggests that the audit committee variable data in this study is quite good because it suggests that the audit committee variable's standard error is modest.

In this research, company size served as a control variable. The 2019 values of the firm size variable are 29,12, owned by PT Matahari Department Store Tbk, and 33, 39, owned by PT Bumi Serpong Damai Tbk. The average value is more than the standard deviation value, and the standard deviation is 1.32 for the business size variable. This implies that the company size variable data in this research is fairly solid since it suggests that the standard error is modest.

The classical assumption test seeks to confirm the regression equation's estimate accuracy, objectivity, and consistency (Best linear unbiased estimator). The following are the test results for the traditional assumption test:

a. Normality. Shows a meaningful probability of 0.2. As a result, all variables are known to be normally distributed since they both have Asymp.sig (2-tailed) values larger than 0.05 or 5%.
b. Multicholinearity test. Proved that the study's variables were not multilinear. As each variable has a tolerance value larger than 0.10, the independent commissioner variable has a tolerance value of 0.912, the audit committee tolerance value of 0.766, and the firm size tolerance value of 0.739. The VIF value for the audit committee is 1.305, the independent commissioner variable has a value of 1.096, and the size is shown in the table above.
c. Heteroskedastisitias – Glejser. The audit committee has a significance value of 0.130, the firm size is 0.904, and the independent commissioner variable has a value of 0.271. Heteroskedasticity is not present since the significance values of the two variables are both over 0.05.

d. Autocorrelation. The dw value is 1.852, where the dw value is 1.965 where the dw value is less than 2.304 (4-du) value and larger than table dU value of 1.6960. Hence, it can be said that neither the positive nor negative autocorrelations included in this study's regression data are present.

Table 6. t Test Results Regression Model
Constanta variable T sig

Variable	Constanta	T	sig
IC	0,121	2,049	0,49
AC	0,385	0,353	0,745
FS	1,089	1,387	0,185

Table 6 shows the regression formula for the independent commissioners, audit committees, and firm size (control variables) factors affecting Islamic social reporting. The independent commissioners' impact on ISRs is minimal, as seen by the fact that they have a larger than 0.05 (0.49 > 0.05) score in the table above. So, the independent commissioner has no impact on the ISR, and this theory is disproved. On the other hand, the audit committee has a computed t value of 0.342 with a signification value of 0.734, where the value of t count is less than the t table of 1.67022 (0.353 > 1.67022), indicating that the audit committee has no impact on the ISR. This is also corroborated by the audit committee's signification value, which is higher than 0.05 (0.745 > 0.05).

Table 7. Test Results F

Model	F	Sig
Model	1,746	0,175

If the factors in the regression model collectively impacted the y variable, it was determined using the F test. Table 7 details the regression model's computed F value, 1.746 > F table 3.14, with a significance rate of 0.1746 < 0.05. Hence, it may be inferred from these findings that the independent commissioner, audit committee, and factors regulating the corporation's size individually have no impact on the ISR.

Table 8. Model feasibility test results

Model	R	R Square	Adjusted R Square
Model	0,395	0,147	0,083

Source: (Processed Secondary Data, 2023)

The corrected R-square value in the model was achieved by 0.083 or 8.3%, according to Table 8. This indicates that the independent commissioner and audit committee variables in the model impact the ISR by 1.7%, with other factors influencing the remaining variables.

In this research, hypothesis 1 contends that independent commissioners have a favorable impact on ISR. A t-test, which was described in the prior session, was used to test this variable. According to Table 5, the independent commissioner has no impact on the ISR, as shown by the value of the one coefficient of 2.049 with a signification of 0.45. So, it may be said that this study's H_1 was disproved.

These findings show that the company's independent commissioners have not been able to effectively oversee and regulate management to implement the principles of accountability and openness. This is supposedly due to the tiny percentage of independent Muslim commissioners in sharia businesses that are included in the Jakarta Islamic Index, which prevents independent commissioners from having a thorough knowledge of sharia norms and principles. The make-up of independent Muslim and non-Muslim commissioners in sharia-compliant businesses listed on the Jakarta Islamic Index is as follows.

According to the chart above, the average percentage of independent Muslim commissioners in Islamic corporations during the observation years of 2016 and 2022 is very low, and non-Muslims make up most of these independent commissioners. When, the independent commissioner lacks the knowledge and experience necessary to oversee the company's activities in accordance with sharia values and principles. As a result, it was claimed that the presence of an independent commissioner had no impact on how the ISR was disclosed.

When independent commissioners providing supervision are familiar with and knowledgeable about sharia principles and the majority of commissioner makeup are Muslims, more ISR disclosures may be made by management (Haniffa & Cooke, 2005). According to earlier research, the attributes of independent commissioners religion and educational background had a favorable impact on Islamic values (Albassam & Ntim, 2015). Moreover, Othman and Thani (2010) study, which claims that the composition of Muslim commissioners has a favorable impact on the disclosure of ISR, supports this claim.

Additionally, the independent commissioners' obligation under Law No. 40 of 2007 to advise the board of directors and recommend changes as needed is not always possible because the independent commissioners' recommendations and input will first be jointly considered by the management, in this case, the board of directors and the entire board of commissioners.

However, having independent commissioners in sharia businesses registered with JII is only one way to comply with OJK rule No. 33 of 2014, which stipulates that each business must have independent commissioners that make up at least 30% of the board of commissioners. This is shown by the statistics, which show that 33.3% of corporations in JII have independent commissioners as their majority. So, having an independent commissioner to safeguard stakeholders' interests is not ideal.

The completion of information disclosure to stakeholders, one of which is ISR, is the job of an independent commissioner that could be better in this situation to safeguard the interests of stakeholders. This is due to its roles and obligations to the corporation. Where the tasks and responsibilities of the independent commissioner in the corporation are described in the annual report. Also, it is well known that independent commissioners are not required to disclose information in corporate reports, particularly social responsibility reports (Lestari, 2013). The findings of this study are consistent with other research, including those of Hasanah et al. (2018), Hussain et al. (2021), and Ibrahim and Muthohar (2019), which found no impact of independent commissioners on ISR.

In theory 2, the researcher surmises that the audit committee influences the ISR favorably. The value of the two coefficients was determined to be 0.353, with a significant value of 0.745 based on the t-test findings in Table 6. The findings show that the audit committee has no impact on the ISR based on the t count, t table, and its significance. H2 in this study was thus disproved.

These findings demonstrate that the size of the audit committee inside the firm has no impact on the depth of information disclosed about the company, particularly social information. However, the presence of an audit committee cannot encourage the increase in ISR disclosures. This is due to the fact that the audit committee's responsibility only pertains to the company's financial statements, internal control system, and corporate governance, not to the company's social responsibility reports and social information.

According to the study's findings, many of the organization's audit committees only had three members. Where, this sum alludes to Financial Services Authority Regulation Number 55/POJK.04/2015, which mandates that businesses organize audit committees with a minimum of three members. The audit committee was only formed to the degree necessary to comply with requirements, as shown by the makeup of the committee, which in the corporation consisted of only three members (Sari & Helmayunita, 2019). Since transparency and accountability can be achieved if the audit committee supervises managers, the study's findings cannot be used to support the agency theory's underlying premise that to reduce the occurrence of information asymmetry, credible, pertinent, and complete reporting is required. The findings of this study support research by Kurniawati and Yaya, (2017), which demonstrates that the audit committee has no impact on

ISR. As a result, the effectiveness of ISR disclosures cannot be guaranteed by the makeup of the company's audit committee.

Table 6 demonstrates that the company's size has a coefficient value of 1.387 and a significant value of 0.185. As a result, the number supports the finding that the ISR is unaffected by the company's size. Based on these findings, a company's size or size cannot be used as a benchmark to determine whether it can provide investors with a wide range of information. This is because large sharia-based companies registered with JII are reflected in the absence of information disclosed by the company in the form of a narrative or statement stating that the company operates according to sharia principles in the company's annual report and does not disclose ISR widely. The findings of this study are consistent with other research, including those of Hasanah et al. (2018), Hussain et al. (2021), and Ibrahim and Muthohar (2019), which found no relationship between firm size and ISR.

Conclusion

This research aims to identify the independent commissions and audit committees of Islamic social reporting (ISR) done on businesses listed on the Jakarta Islamic Index. The 91 company year reports from 13 firms, with an observation of five periods from 2016 to 2022, served as the sample for this research. It is known that the independent commissioner of the ISR demonstrated no influence based on the findings of data testing. The diversity of disclosure of the ISR is unaffected by the makeup of the company's independent commissioners. Thus, research hypothesis 1 (H1) is disproved. Furthermore, it is known that the audit committee has no impact on the ISR based on the findings of testing the data acquired. H2 in this investigation was thus disregarded. As a result, the company's audit committee count cannot affect ISR disclosures. This situation arises because the corporation formed the Audit Committee only to adhere to the rules already in place, which makes the Audit Committee's function, duties, and obligations in overseeing the company's management less than ideal and effective. The varying impact of the firm's size on ISR demonstrates that there is no relationship between the two.

The following recommendations, which may be used as a guide for future research, can still be utilized to advance this study. They are as follows. 1) For sharia firms to fully function in line with sharia principles, authorities should propose sharia supervisory boards, such as in the Islamic finance and banking sectors, as parties that oversee company operations and control policies for sharia companies in Indonesia. 2) The idea for more study is to utilize more research samples, such as all the firms on the sharia Securities List, rather than only those included in the Jakarta Islamic Index. Since each industry in Indonesia only has two to three businesses representing it, sharia companies registered with JII cannot be utilized to represent the whole sharia industrial sector in Indonesia. It is, therefore possible to broaden the research sample and develop ISR disclosure items thoroughly and pertinently by taking into account the characteristics of sharia companies in Indonesia or to avoid subjective interpretation of ISR items to learn more about the state of sharia companies in Indonesia as a whole.

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