



Factors that Influence Management Company Risk

Herlina Lusmeida^{1*}, Ratu Alifa Agita Maharani²
Universitas Pelita Harapan

Corresponding Author: Herlina Lusmeida herlina77lusmeida@gmail.com

ARTICLE INFO

Keywords: Audit Committee, Board of Directors, Auditor Reputation, Profitability, Enterprise Risk Management

Received : 29, December

Revised : 30, January

Accepted: 26, February

©2026 Lusmeida, Maharani: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

This study aims to examine the effect of the audit committee, board of directors, auditor reputation, and profitability on enterprise risk management (ERM). The data used in this study are secondary data from 47 banking sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2023. This research adopts a quantitative approach using secondary data collected from annual reports and S&P Capital IQ. The sample was selected using purposive sampling, and multiple linear regression analysis was employed as the method of analysis. The findings indicate that both the audit committee and the board of directors have a significant positive effect on ERM, while auditor reputation and profitability have a negative effect on ERM. Future studies are recommended to utilize specialized software or platforms to calculate ERM disclosure scores more accurately and to expand the sample size to obtain deeper and more comprehensive results. This study is expected to contribute to the existing literature and provide insights for theorists, academics, and practitioners regarding the roles of the audit committee, board of directors, auditor reputation, and profitability in ERM disclosure.

INTRODUCTION

The growth of the business world in the era of digitalization and globalization, businesses must navigate a highly complex and uncertain business environment. Rapid regulatory changes, global market pressures, technological disruption, and macroeconomic dynamics require companies to adapt and manage risk effectively. In such situations, risk management becomes a crucial part of a strategic approach, helping companies avoid losses and increase their value in the eyes of investors and stakeholders. One widely implemented approach is Enterprise Risk Management (ERM), a comprehensive and proactive integrated risk management system that identifies and controls various business risks.

A recent accounting phenomenon concerning risk management is the failure of Silicon Valley Bank (SVB), which shook the global banking industry. Although operating with a different business model than Washington Mutual, a major US bank that also experienced a previous failure, both institutions shared weak risk management, primarily due to their over-focus on a single sector. SVB experienced a \$42 billion withdrawal in a single day, equivalent to a quarter of its total deposits, triggering an acute liquidity crisis. This indicated a failure to anticipate systemic liquidity risk (Rossi, 2023).

Furthermore, SVB invested \$120 billion in government securities at the end of 2022. While generally safe from credit risk, these instruments are highly sensitive to rising interest rates. When interest rates rose sharply that same year, the value of SVB's portfolio declined significantly, unbalanced by an adequate hedging strategy. The lack of oversight from the board of directors and the eight-month vacancy of the chief risk officer exacerbated the situation. The lack of risk expertise within the board structure hampered strategic risk identification and the development of appropriate mitigation strategies. This case highlights that weak risk management, even in the post-tight regulatory era following the 2008 crisis, can still lead to major failures in financial institutions (Haris Firmansyah, 2023).

Failure to implement effective risk management can lead to serious problems, even bankruptcy, for companies of all sizes. A comprehensive approach known as Enterprise Risk Management (ERM) offers a solution for better managing corporate risk. ERM is a method that helps companies navigate uncertainty, mitigate potential threats, and increase their chances of success. Implementing ERM can improve company performance, allowing financial reports to reflect the true state of affairs. After processing financial information, financial reports are produced as output, providing a snapshot of the company's financial condition. This information is useful not only for evaluating past financial performance but also for projecting future performance. ERM disclosure demonstrates a company's ability to manage risk uncertainty broadly, increasing its preparedness to face various worst-case scenarios.

There are also factors that influence ERM. Previous studies have shown that one factor influencing ERM is the audit committee. However, findings regarding the influence of audit committees on ERM remain inconsistent. Studies by Oktavia & Isbanah (2019) and Utami, Oktris, et al. (2021) show that audit

committees have a positive impact on ERM. The more audit committees there are in a company and the more frequently they meet, the more extensive risk disclosures will be. However, this finding contradicts a study by Yubiharto & Rudianti (2021), which found that audit committees significantly negative influence on ERM disclosures.

Failure to implement effective risk management can lead to serious problems, even bankruptcy, for companies of all sizes. A comprehensive approach known as Enterprise Risk Management (ERM) offers a solution for better managing corporate risk. ERM is a method that helps companies navigate uncertainty, mitigate potential threats, and increase their chances of success. Implementing ERM can improve company performance, allowing financial reports to reflect the true state of affairs. After processing financial information, financial reports are produced as output, providing a snapshot of the company's financial condition. This information is useful not only for evaluating past financial performance but also for projecting future performance. ERM disclosure demonstrates a company's ability to manage risk uncertainty broadly, increasing its preparedness to face various worst-case scenarios.

There are also factors that influence ERM. Previous studies have shown that one factor influencing ERM is the audit committee. However, findings regarding the influence of audit committees on ERM remain inconsistent. Studies by Oktavia & Isbanah (2019) and Utami, Oktris, et al. (2021) show that audit committees have a positive impact on ERM. The more audit committees a company has and the more frequently they meet, the more extensive risk disclosures will be. However, this finding contradicts a study by Yubiharto & Rudianti (2021), which found that audit committees significantly negative influence on ERM disclosures.

The board of directors plays a crucial role in the implementation of Enterprise Risk Management (ERM) as it is responsible for setting strategic direction, overseeing management policies, and ensuring regulatory compliance. Board effectiveness, measured by the number of members and meeting frequency, is often used as an indicator to assess its contribution to ERM disclosure. Previous studies have yielded mixed results. Maghfiroh & Muslih (2023) and Giarti & Sutrisno (2019) found that an active board of directors positively contributes to risk disclosure, while Qulyubi et al. (2023) and Kusumaningrum et al. (2023) emphasized the importance of board structure and activities in supporting comprehensive ERM implementation. However, Zulaikha (2023) contrasted this with the fact that the board of directors did not have a significant impact on ERM. These discrepancies indicate inconsistencies that open up opportunities for further research, particularly in the Indonesian banking sector, to gain a deeper understanding of the board's influence on ERM.

Then, an external factor that has the potential to influence the level of Enterprise Risk Management (ERM) disclosure is the auditor's reputation. auditor reflect perception public to quality, competence, and the integrity of the auditor in providing an opinion on the company's financial statements. The Office Accountant Public, Wrong One from four big, known have high professional standards, strong independence, and more reliable audit resources.

Therefore, there is confidence that auditors with a good reputation can push company apply order manage Where more transparency, including risk management disclosure. Previous studies have investigated the correlation between auditor reputation and ERM disclosure, but the results have been inconsistent. Janitra & Moin (2023) found that auditor reputation had an insignificant relationship with ERM disclosure, indicating that the presence of a reputable auditor does not necessarily encourage companies to provide better risk disclosure. On the other hand, Fayola & Nurbaiti (2020) and Qulyubi et al. (2023) found that auditor reputation had a positive and significant impact on ERM disclosure.

Various other studies discussing enterprise risk management have revealed that profitability influences ERM. However, the influence of profitability on enterprise risk management remains inconsistent. Several studies, such as those by Febriandhani et al. (2023) and Kusumaningrum et al. (2023), concluded that profitability has a significant positive impact on ERM. Different studies, however, done Rujin & Sukirman (2020) state profitability has a negative impact on ERM. Meanwhile, research by Nurbaiti & Pratiwi (2023) concluded that No there is influence committee audit to enterprise risk management.

The main problem raised in this study is that the implementation is not yet optimal. Enterprise Risk Management (ERM) in Indonesia Because many cases failure business consequence weakness management risk. Topics This important to be studied because it is directly related to the quality of corporate governance and business resilience in the face of risk. Although regulations exist that encourage risk disclosure, their implementation remains inconsistent. environment business Which complicated And develop, implementation ERM Which effective to be need strategic so that company capable manage uncertainty and maintain business sustainability.

Besides That, study previously show that the result different between one study and another study on the factors that influence enterprise risk management. Analysis from research gap in on show that there is four factors that influence enterprise risk management, namely the audit committee, board of directors, reputation auditor, And profitability. Researchers decide For research and retesting these variables due to persistent inconsistencies in their influence. The difference between this study and previous studies is that the observations used were from banking sector companies during the 2019-2023 period. This attempt is to update previous findings that used different subjects.

Therefore, examining the influence of these factors on ERM not only contributes to the development of academic literature, but also beneficial in a way practical for management company, auditor, regulator, and other stakeholders in improving the quality of risk governance in the company.

LITERATURE REVIEW

Agency Theory

Correlation between principal as well as agent is fundamental underlying concepts theory agency (Jensen & Meckling, 1976). For finish service specific and delegate authority in taking decision , contract or arrangement between holder

share company and administration business used . In the context of Enterprise Risk Management (ERM), theory agency explain that disclosure risk in a way transparent is one of the mechanism control that can reduce problem agency , such as moral hazard and adverse selection.

Signalling Theory

Spence (1978) stated that idea signaling theory , which states that sender (owner) information) provides signal or signals to recipient (investor) in the form of representative information condition something business. Signal theory is strategy Which used by management business For communicating with investors about the future company , claims Brigham (2019). In the context of management risk, theory This used For explain How disclosure transparent about management risk can become important signals for stakeholders interests . Disclosure Enterprise Risk Management (ERM) in report annual considered as signal positive (good news) which shows commitment company towards good governance , transparency and control effective risk.

Enterprise Risk Management

According to COSO (2017), ERM is a management-driven process applied to all aspects of a company's strategy, intended to provide reasonable assurance in achieving organizational objectives. COSO also explains that ERM involves the active participation of the board of directors, management, and all staff in identifying events that could impact the organization and managing risks within established risk tolerances.

Based on agency theory, the audit committee plays a vital role in addressing issues between management (agent) and company owners (principals) by ensuring that financial reporting and risk disclosure are carried out transparently and accountably. The audit committee is tasked with overseeing the financial reporting process, evaluating internal auditors, and ensuring that risk management is implemented in accordance with regulatory compliance. In the context of Enterprise Risk Management (ERM), the audit committee's role is highly strategic because it oversees the integration of risk management into the company's strategy and operations. Previous research by Oktavia & Isbanah (2019), Rosiani & Honesty (2023), and Lokaputra et al. (2022) shows that the total number of meeting members and the number of audit committee members have a significant and positive influence on risk management, supporting the assumption that audit committees can encourage better ERM implementation.

An effective audit committee typically includes individuals with professional backgrounds in auditing, finance, or law, providing the knowledge base and independence necessary to objectively oversee ERM implementation. With this experience and expertise, the audit committee is able to provide recommendations and strategic direction in building an effective and sustainable ERM framework. Findings by Cahyono (2023) and Utami, Oktris, et al. (2021) also confirm that the existence of an active and well-performing audit committee positively impacts the quality of an institution's risk disclosure. Therefore, deductively, the following hypothesis can be formulated:

H1: The audit committee has a positive influence on Enterprise Risk Management.

The board of directors plays a strategic role in determining the direction and oversight of an organization's risk management regulations. Based on agency theory, the board of directors serves as an oversight mechanism to ensure that management's interests align with those of shareholders. The more active the board of directors is in carrying out its functions, whether through increasing the number of meetings or the number of members, the greater its ability to oversee the implementation of risk management practices and encourage comprehensive disclosure of risk information. The greater the activity and size of the board of directors reflects the intensity of oversight of management, which can increase transparency and accountability in risk reporting.

Several studies support this argument. Studies by Lokaputra et al. (2022), Rosiani & Honesty (2023), and Cahyono (2023) show that the number of meetings and the size of the board of directors have a positive impact on the level of ERM disclosure. This is due to the increased capacity and frequency of oversight of risk management policies when the board of directors is active in meetings and decision-making activities. Furthermore, a board of directors consisting of members with diverse expertise and backgrounds also contributes to enriching the company's risk management perspective. Therefore, based on the theoretical framework and empirical findings, the following hypotheses can be formulated:

H2: The board of directors has a positive influence on Enterprise Risk Management.

Auditor reputation is a vital aspect of organizational governance mechanisms, influencing the level of information disclosure, including Enterprise Risk Management (ERM) disclosure. Highly reputable auditors, such as the Big Four Public Accounting Firms (KAP), have a vested interest in maintaining their credibility and integrity, thus encouraging clients to provide more transparent and comprehensive information, including on risk management aspects. Based on signaling theory, the presence of a highly reputable auditor sends a positive signal to the market that the company's financial records have been audited to high-quality standards and that the information presented is reliable. In this context, auditor reputation is a crucial instrument for reducing misinformation between the company and its external stakeholders.

Previous research supports a positive relationship between auditor reputation and ERM disclosure. Research by Kusumaningrum et al. (2023) and Unisma et al. (2022) suggests that organizations audited by Big Four auditors are more likely to disclose more extensive risk management information. This is because reputable auditors have stricter professional standards and higher oversight expectations regarding corporate risk governance. Furthermore, the presence of high-quality auditors can also encourage companies to comply with risk reporting practices in accordance with international standards, such as the COSO ERM framework. Therefore, deductively, based on theoretical support and empirical evidence, the following hypothesis can be proposed:

H3: Auditor reputation has a positive effect on Enterprise Risk Management.

Profitability is a key indicator in assessing a company's financial performance because it demonstrates its ability to generate profits. According to agency theory, organizations with high profits relatively disclose more detailed risk information to build investor confidence and reduce the information gap between management and owners (Rujiiin & Sukirman, 2020). Furthermore, signaling theory explains that high profitability can be a positive signal regarding a company's ability to manage risk, attract investors, and enhance the institution's reputation. With substantial financial resources, institutions can allocate funds to develop a more comprehensive and integrated risk management system through an Enterprise Risk Management (ERM) approach. Profitability is also closely related to a company's ability to invest in technology, human resource training, and risk control infrastructure, thus supporting the effectiveness of ERM implementation.

Several empirical studies support a positive relationship between profitability and ERM disclosure. Febriandhani et al. (2023) found that profitability significantly influences ERM disclosure in non-banking state-owned enterprises listed on the Indonesia Stock Exchange. Similar findings were also found in studies by Kusumaningrum et al. (2023), Ramdhani & Khairunnisa (2021), Anggraini & Terzaghi (2022), and Noviana & Mappadang (2022), which suggest that organizations with high profitability tend to have better risk management quality. This suggests that profitable organizations have not only the incentive but also the practical ability to systematically improve risk disclosure. Based on these theoretical arguments and empirical findings, the following hypothesis can be formulated :

H4: Profitability has a positive effect on Enterprise Risk Management.

Figure 1 below presents the conceptual framework for this study that explain the empirical equation in methodology from hypothesis development have been addressed.

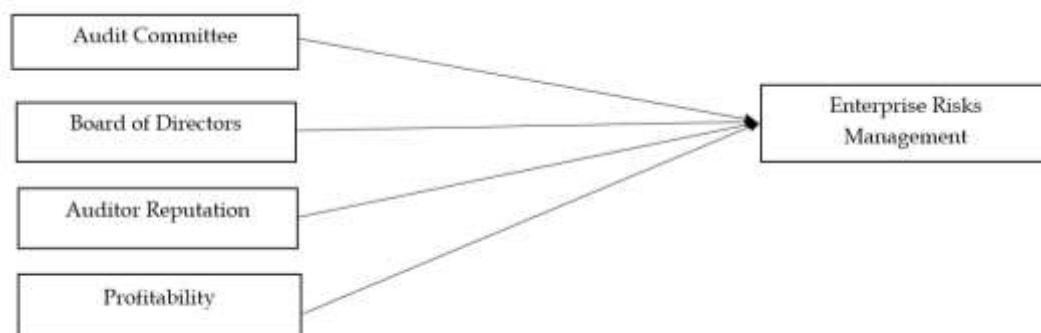


Figure 1. Conceptual Framework

METHODOLOGY

This study is a quantitative study, with the purposive sampling method . Secondary data sources used in studies This obtained through report finances obtained from S&P Capital IQ , report annual income earned from the official

website company , as well as company data sector banking based on the official website of the Indonesian Stock Exchange from companies in the sector industry for 2019-2023 period .

Purposive sampling is used to select research samples, meaning that eligible businesses are selected for the study. Among the factors used in sample selection are:

1. From 2019 to 2023, banking institutions are registered with the IDX.
2. In 2019 to 2023, business actors in the banking sector published annual reports and comprehensive capital market data.
3. Rupiah is the currency used by banking sector companies that submit annual reports.
4. The financial reports for 2019 to 2023 contain detailed information on each variable item that is the subject of the study.

Secondary data was obtained from annual reports and capital market data of banking sector companies through the company's official website, BEI, and S&P Capital.

Data analysis model where determined as method studies by the author namely analysis multiple linear regression .

Analysis regression Multiple linear regression is a tool to test the relationship between the audit committee, board of directors, auditor reputation, and profitability with enterprise risk management .

Following is equality regression linear multiple in research:

$$ERM_{it} = \alpha + \beta_1 KA_{it} + \beta_2 DD_{it} + \beta_3 RA_{it} + \beta_4 ROA_{it} + \beta_5 CR_{it} + \beta_6 SIZE_{it} + \beta_7 GROWTH_{it} + \beta_8 AGE_{it} + e \dots \dots \dots (1)$$

Information:

ERM : Enterprise Risk Management

α : Constant

KA : Committee Audit

DD : Board of Directors

RA : Reputation Auditor

ROA : Profitability

CR : Current Ratio

SIZE : Company Size

GROWTH : Growth Company

AGE : Company Age

i : Company i

t : period t

e : Error

RESEARCH RESULT

Table 1. Statistics Descriptive

Variable	N	Mean	Std. Dev.	Min	Max
ERM	235	0.8745	0.1029	0	1
KA	235	11.2043	7.0759	0	41
DD	235	29.4128	19,9571	0	131
RA	235	0.4766	0.5005	0	1
ROA	235	0.0046	0.0276	- 0.18	0.11
CR	235	0.5057	0.7836	0.08	8.51
SIZE	235	17,4512	1.7415	13.48	21.5
GROWTH	235	0.4668	2.1354	- 3.69	23.27
AGE	235	4	1.4172	2	6

Source: Processed Data by Stata 17, 2025

Based on Table 1, the Enterprise Risk Management (ERM) variable has an average value of 0.8745 with a standard deviation of 0.1029, a minimum value of 0, and a maximum of 1. This indicates that most companies in the sample have made ERM disclosures quite well based on the 20 COSO disclosure items in the annual report.

The variable number of Audit Committee (AC) meetings has an average of 11.20 times per year with a standard deviation of 7.08. The minimum ACA value is 0, meaning there are companies that do not report any audit committee meetings in one year, while the maximum reaches 41 meetings in one year. The variable number of Board of Directors (DD) meetings shows an average of 29.41 times with a standard deviation of 19.96. The minimum number of meetings is 0, while the maximum number reaches 131 times, reflecting the presence of companies with a very high intensity of board of directors' meetings.

For the Auditor Reputation (RA) variable, with an average of 0.4766 indicating that approximately 47.66% of the companies in the sample were audited by a Public Accounting Firm (KAP) included in the Big Four category. The profitability (ROA) variable shows an average value of 0.0046 with a standard deviation of 0.0276. The minimum ROA value is -0.18, indicating a company experiencing losses, while the maximum value of 0.11 indicates the highest level of profitability in the sample.

Then there are four control variables, namely liquidity ratio (CR), company size (SIZE), company growth (GROWTH), and company age (AGE). For the Current Ratio (CR) variable, it has an average of 0.5057 with a standard deviation of 0.7836. The minimum CR value is 0.08 and the maximum value is 8.51, which illustrates a fairly high variation in liquidity between companies. Company size (SIZE) has an average value of 17.45, with a standard deviation of 1.74, a minimum of 13.48, and a maximum of 21.5. SIZE is measured using the natural logarithm of total assets.

The company growth variable (GROWTH) has an average of 0.4668 with a standard deviation of 2.1354. The minimum GROWTH value of -3.69 indicates a company with a decrease in net assets, while the maximum of 23.27 indicates a company with a very high growth rate. Finally, the company age (AGE) has an

average of 4 years with a standard deviation of 1.4172, with a minimum value of 2 years and a maximum of 6 years, which indicates that the age range of the companies in this study is quite homogeneous.

Table 2. Heteroscedasticity Test

Description	Chi2	df	Prob
Heteroscedasticity	56.23	43	0.085

Source : Processed Data by Stata 17, 2025

Heteroscedasticity testing is performed to detect whether the regression model exhibits unequal variances of the residuals (error terms) across all independent variable value levels. A good regression model requires homoscedasticity, which means the residual variance must be constant across all observations. If the residual variance fluctuates (is not constant), heteroscedasticity occurs. A good heteroscedasticity test value should be above 10% (Prob>0.1). This study used the White Test method.

The White test results in table 2 show that Prob > 0.05, indicating that the study data does not contain heteroscedasticity issues. Therefore, the researcher passes the heteroscedasticity test.

Table 3. T-Test

Variable	Coefficient t	t	P> t (Two tailed)	P> t (One tail)
KA	0.002929***	3.95	0.000	0.000
DD	0.000623***	3	0.003	0.0015
BIG4	- 0.015598**	- 1.96	0.051	0.025
ROA	- 0.204891**	- 1.75	0.082	0.041
CR	0.001731***	2.6	0.010	0.005
SIZE	0.003172	1.16	0.248	0.124
GROWTH	0.002598	3.24	0.001	0.0005
AGE	0.001964***	0.75	0.447	0.223

Source: Processed Data by Stata 17, 2025

Table 3 outlines the researcher's proposed hypotheses. The first hypothesis is that the audit committee has a positive impact on Enterprise Risk Management (ERM). The audit committee (AC) shows a probability of 0.000, indicating significance at a significance level of 0.01 (1%). The coefficient value is 0.002929. This indicates a positive relationship between AC implementation and ERM, thus accepting Hypothesis 1.

The second hypothesis is that the board of directors (DD) has a positive impact on Enterprise Risk Management (ERM). Based on the data processing findings, the board of directors' variable shows a probability value of 0.003, which indicates significance with a significance level of 0.01 (1%). The coefficient value is 0.000623. This means there is a positive relationship between DD and ERM implementation, so the second hypothesis is accepted.

The third hypothesis is that auditor reputation (RA) has a positive impact on Enterprise Risk Management (ERM). RA shows a probability value of 0.051,

which is then divided by two because it is a one-tailed test, resulting in 0.025, indicating significance at a significance level of 0.05 (5%). The coefficient value is -0.015598. This indicates a negative relationship between RA implementation and ERM, thus rejecting the third hypothesis.

Hypothesis fourth that is profitability (ROA) impact positive on Enterprise Risk Management (ERM). ROA show mark probability of 0.082 Which Then shared two Because is hypothesis One direction (one tailed-test) becomes 0.041, indicating significance at a significance level of 0.05 (5%). The coefficient value is -0.204891. This means there is a negative relationship between ROA and ERM implementation, so the fourth hypothesis is rejected.

DISCUSSION

The audit committee, measured by the number of audit committee meetings per year, has a positive influence on enterprise risk management. This aligns with the hypothesis proposed by the researchers. The findings of this study align with studies conducted by Oktavia & Isbanah (2019), Cahyono (2023), Rosiani & Honesty (2023), Lokaputra et al. (2022), and Utami, Azizah, et al. (2021), which found that the frequency of audit committee meetings has a significant and positive impact on the quality of enterprise risk management disclosures. Therefore, the greater the number of audit committee meetings, the higher the level of risk management disclosure. The audit committee is responsible for establishing, overseeing, and evaluating internal audit policies, including ensuring transparency and accountability that the company has disclosed enterprise risk management appropriately and appropriately.

The number of audit committee meetings significantly impacts enterprise risk management (ERM) disclosures because the more frequent the audit committee meets, the greater the intensity of oversight of the company's risk management system. Through regular meetings, the audit committee can actively review and evaluate internal audit policies and the effectiveness of implemented risk controls. These meetings serve as an important forum for discussing strategic and operational risks, helping to strengthen risk identification and ensure the adequacy of existing control mechanisms. Furthermore, ongoing discussions at meetings also foster increased management awareness of the importance of structured risk management.

The audit committee plays a role in ensuring that risk information is communicated transparently and timely to internal and external stakeholders. The more frequent meetings, the greater the likelihood that risk issues are identified and addressed before they escalate into larger problems. Therefore, the frequency of audit committee meetings is an indicator of a commitment to proactive and in-depth risk management, ultimately improving the quality of a company's ERM disclosures.

The board of directors, as the primary entity in corporate governance, plays a crucial role in managing corporate risk. They serve as a control mechanism that oversees the implementation of risk policies, assesses the risks faced by the company, and ensures that management manages risks in accordance with established policies. The board of directors consists of a group of executives responsible for overseeing the activities of the company's president

and top managers. To ensure its effectiveness, the board of directors should consist predominantly of individuals who are not company employees, thus maintaining their independence from the CEO, who wields significant power. To enhance their decision-making capabilities, the board of directors should consist of members with diverse backgrounds and strong managerial experience. The board's duties and responsibilities include formulating policies, plans, and a risk management framework, including establishing comprehensive risk limits, considering the level of consequences to be taken, the tolerance for risk to be implemented, and calculating the impact of risks on capital adequacy (Janitra & Moin, 2023). Therefore, companies that hold regular board meetings tend to be more compliant with these guidelines, which is ultimately reflected in increased ERM disclosure.

Auditor reputation has a negative impact on enterprise risk management, which is contrary to the hypothesis put forward by researchers. However, according to a study (Qulyubi et al., 2023), auditor reputation has a negative impact on enterprise risk management. In this context, theory disclosure, company will disclose information when benefit from disclosure exceed the cost. However, the presence of qualified auditors high (for example, from the Office Big Four Public Accountants) can make manager be careful Again And conservative on disclosure, including disclosure risk. Qualified auditor tall tend own standard stricter professionalism and skepticism, so that they Possible No support disclosures that are considered nature speculative or unmeasured in a way adequate. This is potential make management reluctant disclose ERM aspects in general wide Because worry No can proven or accounted for by audit.

Profitability has a negative impact on enterprise risk management, which contradicts the hypothesis put forward by researchers. However, according to a study by Rujjin & Sukirman (2020), profitability has a negative impact on enterprise risk management. Previously, companies were required to provide comprehensive risk information, regardless of whether they were making a loss or experiencing low profitability. Declining profitability actually reflects the high level of risk faced, which can lead companies to tend to reduce transparency in risk disclosure (Muslih & Mulyaningtyas, 2019). Furthermore, sales figures in the income statement do not always reflect the company's overall performance. Larger companies tend to be more able to disclose comprehensive information, including risk management information, because they have sufficient resources and access to internal information readily available to external parties.

Company size, as measured by total assets, sales, and market capitalization, indicates the extent of the company's responsibilities, interests, and risks. Therefore, the larger the company, the higher the risk. also level disclosure risk Which done For help mitigating and taking advantage of these risks (Adnyana & Adwishanti, 2020). Therefore, the rejection of the fourth hypothesis can be supported by the fact that height sale not yet of course signify condition finance a healthy company. Therefore, risk management cannot necessarily be considered good.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to test and obtain empirical evidence on the impact of audit committees, boards of directors, auditor reputation, and profitability on enterprise risk management. The study sample includes all banking companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, with a total of 235 firm-year observations from 47 companies. Data used to measure operational variables were obtained from sources such as S&P Capital IQ, the official IDX website, and each company's *website*. Data testing was performed using multiple linear regression with the assistance of Stata software version 17.

This study found empirical evidence, namely:

- 1) The audit committee, as measured by the number of audit committee meetings, has a significant positive influence on *enterprise risk management disclosure*. This positive influence indicates that the more meetings the audit committee holds, the more effective *enterprise risk management disclosures* are in the company's annual report. This is because the audit committee participates in developing, overseeing, and evaluating the impacts the company faces.
- 2) The board of directors, as measured by the number of board of directors meetings, has a significant positive influence on disclosure. *Enterprise risk management*. The positive effect indicates that the more meetings the board of directors holds, the more effective *enterprise risk management disclosures* are in the company's annual report. This is because the board of directors participates in developing, overseeing, and evaluating the impacts the company faces.
- 3) Auditor reputation, measured using a dummy variable of 1 for *big-four* companies and 0 for non-*big-four* companies, has a significant negative effect on *enterprise risk management disclosure*. These results indicate that the presence of high-quality auditors can actually make management more cautious in conveying risk information, especially if the information is speculative, not objectively measurable, or has the potential to lead to negative interpretations. Auditors with high reputations tend to demand stricter levels of accuracy and validity of information, so companies choose to limit ERM disclosure to avoid further audit risk or information discrepancies.
- 4) Profitability, as measured by *return on assets* (ROA), has a significant negative impact on *enterprise risk management disclosure*. This finding indicates that companies are not always motivated to disclose risk management. When profitability is low, companies may face significant internal and external pressures, including concerns about the perceptions of investors and other stakeholders. Therefore, management tends to avoid extensive risk disclosure to maintain its image and minimize negative market interpretations of the company's performance.

This study identified a number of things that can be used to provide implications, namely:

- 1) For companies, the research results indicate that effective governance, such as the existence of an audit committee and the frequency of board meetings, can encourage increased ERM disclosure. Therefore, companies are advised to further optimize internal oversight functions and inter-organ communication so that risk disclosure is not merely a formality, but reflects the company's readiness and ability to manage risk strategically. Disclosed risk information should be supplemented with strategy mitigation And control Which adequate, thus creating a positive perception (good news) in the eyes of stakeholders.
- 2) For Investors, disclosure ERM can become one of important indicators in evaluate transparency and management risk company. Findings the negative correlation between profitability and auditor reputation on ERM disclosure indicates that not all companies with good financial performance disclose risks extensively. Therefore, investors should conduct a more comprehensive analysis of the quality of non-financial information, such as risk management reports, before making investment decisions.
- 3) For academics, this study contributes to enriching the literature related to factors that influence ERM disclosure, specifically in market country develop. Findings that variables such as the board of directors has a positive influence, while auditor reputation and profitability show a negative influence, opening up new discussion space regarding the dynamics of risk disclosure that are not always in line with the measurement of Enterprise Risk Management (ERM) disclosure in this study was conducted using a content analysis approach to the company's annual report based on 20 disclosure items referring to the COSO ERM framework (2017).

ADVANCED RESEARCH

The measurement of some variables ini this study used content analysis, for although this technique has been frequently used in previous studies, there are several limitations that need to be addressed.

First, the content analysis process requires the researcher to directly assess and interpret each item in the annual report. Because it is subjective and judgment- based , the possibility of errors or bias in identifying and classifying disclosures cannot be completely avoided. Differences in interpretation of the wording or format of information presentation in the annual report can affect the ERM score measurement results.

Second, risk management disclosures vary widely from company to company. Not all companies use the same terminology or headings to convey risk management information, making it difficult for researchers to identify explicit disclosure items. Some companies may distribute risk information scattered across various sections of the report, such as the governance section, MD&A, or notes to the financial statements, requiring high precision and risking inconsistencies in assessments.

Based on the research results, empirical findings, and limitations that have been explained previously, the author provides a number of suggestions, namely:

1. Companies are advised to improve the quality of Enterprise Risk Management (ERM) disclosures by developing more structured and informative risk reports. Disclosures should include not only the types of risks faced but also the company's systematic mitigation strategies. Companies are also expected to align their risk disclosure practices with the COSO ERM framework to enhance the credibility and accountability of information conveyed to stakeholders.
2. Regulators and capital market authorities, such as the Financial Services Authority (OJK) and the Indonesian Stock Exchange (BEI), are advised to consider developing more detailed and standardized risk reporting guidelines to create minimum standards that all issuers can follow. This is crucial for increasing the consistency and comparability of ERM disclosure information across companies, as well as supporting transparency and investor protection in the Indonesian capital market.
3. For future researchers, it is recommended to use more varied data analysis methods, such as a panel data approach with fixed or random effects models, and consider additional control variables such as company size, leverage, ownership structure, and operational complexity. Furthermore, the use of inter-coder validation in content analysis or the assistance of text analysis software would be very helpful in minimizing subjectivity and increasing the reliability of ERM disclosure measurements.
4. Academics are advised to continue exploring the dynamics of corporate governance factors that influence ERM disclosure, particularly in the context of developing countries like Indonesia. Further research could also consider qualitative approaches or case studies to gain more insight into actual practices and challenges in risk management disclosure at the corporate level.

ACKNOWLEDGMENT

Thank you very much to faculty of economics of Universitas Pelita Harapan that has supported the funding for the article processing charge of this study. And the authors also give thank to the UBM especially for CONDOVISION Committees who has facilitated this publication by International Conference has been conducted.

REFERENCES

- Adnyana, M. I., & Adwishanti, P. R. (2020). Good Corporate Governance, Board of Commissioners Size, Net Profit Margin and Company Size Effect on Risk Disclosure. *Journal of Social and Humanities*, 5 (2).
- Anggraini, S., & Terzaghi, M. T. (2022). Factors Which Influence Risk Management Disclosure in Basic Industry and Chemical Companies Listed on the Indonesian Stock Exchange (BEI) in 2019-2021. 1.

- Brigham, EF (2019). EBOOK: Fundamentals of Financial Management, 15th edition (15th ed.). Cengage Learning.
- Cahyono, KE (2023). The Influence of Good Corporate Governance on Enterprise Risk Management Disclosure in Telecommunication Companies. *Executive Journal*, 20 (1).
- Fayola, DNWB, & Nurbaiti, A. (2020). The Influence of Company Size, Concentration Ownership, Reputation Auditor and Risk Management Committee on Enterprise Risk Management Disclosure. 5 (1).
- Febriandhani, F., Muslih, M., & Tresna, G. (2023). The Influence of Profitability, Liquidity, Financial Leverage, and Size Company, and Risk Management Committee on Enterprise Risk Management Disclosure. *E-Proceeding of Management*, 10 (2).
- Giarti, P. I., & Sutrisno. (2019). Influence Corporate Governance towards ERM.
- Haris Firmansyah, S., & IRMAPA Secretariat. (2023). Silicon Valley Bank's Risk Management Failure. Indonesia Risk Management Professional Association.
- Janitra, MM, & Moin, A. (2023). The Influence of Corporate Governance on Enterprise Risk Management Disclosure (Empirical Study on Family Companies Listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 Period). *Indonesian Journal of Economics*, 01 (05), 29-48.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. In *Journal of Financial Economics* (Vol. 3). Q North-Holland Publishing Company.
- Khairunnisa Masri, H., & Muslih, M. (2022). The Influence of the Board of Directors, Risk Management Committee, and Ownership Concentration on Enterprise Risk Management (Studies on Company Family Sector Manufacturing Listed on the Indonesia Stock Exchange (IDX) Period (2016-2020) (Vol. 06, Issue 01).
- Kusumaningrum, D., Revelation Setiyowati, S., Ratna Sari, A., Poor, K., & East, J. (2023). The Influence of The Board of Directors, Risk Management Committee, Ownership Concentration and Profitability on Enterprise Risk Management. 13 (2), 315-327.
- Lokaputra, M., Anugerah, R., & Kurnia, P. (2022). The Influence of Corporate Governance on Risk Management Disclosure. 17 (1).
- Maghfiroh, OI, & Muslih, M. (2023). The Influence of Good Corporate Governance on Corporate Risk Management Disclosure. *MEA Scientific Journal (Management, Economics, and Accounting)*, 7 (2).
- Muslih, M., & Mulyaningtyas, CT (2019). The Influence of Corporate Governance, Competition, and Company Characteristics on Corporate Risk

- Disclosure. *ASET Journal (Accounting Research)*, 11 (1), 179-188.
<https://doi.org/10.17509/jaset.v11i1.17303>
- Noviana, D., & Mappadang, D. A. (2022). Journal Innovation Education Economy the Effect of Good Corporate Governance and Financial Ratios on Enterprise Disclosure Risk Management. *Journal Innovation Education Economy*, 12 (1), 71- 84. <https://doi.org/10.24036/01116680>
- Nurbaiti, A., & Pratiwi, Y. R. (2023). Influence Size Committee Audit, Public Ownership, Board of Commissioners Size, and Risk Management Committee on Risk Management Disclosure. *Scientific Journal of Computerized Accounting*, 16 (1), 234-243.
- Octavia, R. A., & Isbanah, Y. (2019). Disclosure Enterprise Risk Management in Conventional Banks on the Indonesian Stock Exchange. *Journal of Management Science*, 7 (4).
- Authority Service Finance. (2016). Regulation Authority Service Finance Number 18 /POJK.03/2016 about Management Implementation Risks for General Bank.
- Qulyubi, A., Suprayitno, E., & Asnawi, N. (2023). Effect of company size ownership concentration auditor reputation board of commissioners and risk management committee on disclosure of enterprise risk management. *Enrichment: Journal of Management*, 13 (3).
- Ramadan, A., & Khairunnisa. (2021). Influence Good Corporate Governance and Profitability Against Enterprise Risk Management Disclosure. 8 (5).
- Rosiani, R., & Honesty, F. F. (2023). Influence Liquidity, Leverage, Profitability and Good Corporate Governance on Risk Management Disclosure. *Exploration Journal Accounting*, 5 (4), 1364-1381.
<https://doi.org/10.24036/jea.v5i4.1055>
- Rossi, C. (2023, March 14). Silicon Valley Bank: A Failure in Risk Management. <https://www.garp.org/risk-intelligence/market/silicon-valley-bank-031423>.
- Rujiin, C., & Sukirman, S. (2020). The Effect of Firm Size, Leverage, Profitability, Ownership Structure, and Firm Age on Enterprise Risk Management Disclosures. *Accounting Analysis Journal*, 9 (2), 81-87.
<https://doi.org/10.15294/aaaj.v9i2.33025>
- Spence, M. (1978). Job Market Signaling. 281-306. <https://doi.org/10.1016/B978-0-12-214850-7.50025-5>
- Unisma, FE, Rohman, OA, Arief, W., Mansur, M., Afi, Slamet, R., & Manajemen, P. (2022). Determinants of Enterprise Risk Management Disclosure in Banking Companies in Indonesia. *E-Journal of Management Research*.
www.fe.unisma.ac.id

- Utami, A., Azizah, SN, Fitriati, A., & Pratama, BC (2021). The Effect of Managerial Ownership, Institutional Ownership, Public Ownership, Board of Commissioners, and Audit Committee on Earnings Management. *Journal of Accounting*, 2 (2), 59-79.
<https://doi.org/https://doi.org/10.30651/stb.v2i1.13452>
- Utami, Oktris, L., Rini, R., & Yulianti, NW (2021). Corporate Governance Practices and
- Yubiharto, Y., & Rudianti, W. (2021). The Effectiveness of Commissioners Board Size and Audit Committee Size on Risk Disclosure. *J-MAS (Jurnal Manajemen Dan Sains)*, 6 (1), 168. <https://doi.org/10.33087/jmas.v6i1.218>
- Zulaikha, I. (2023). The Influence of Good Corporate Governance and Financial Performance on Enterprise Risk Management. *Wahana Pendidikan Scientific Journal*, May 2023 (9), 545-557.
<https://doi.org/10.5281/zenodo.7969341>