



ABSTRACT & GUIDE BOOK

The 13th Malaysia-Indonesia International Conference on Economics,
Management and Accounting (MIICEMA) 2012

**"ASIA EMERGING ECONOMY TOWARD
GLOBAL ECONOMIC INTEGRATION"**

Organized by

Faculty of Economics
Sriwijaya University

Palembang, October 18-20, 2012

Co Organizer:



UKM



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UPI YAI



UNILA



STIE YAI

THURSDAY, 18th OCTOBER 2012

TIME: 13.00-14.30

Room 1				
Finance				
MIICEMA UnSri-1	TESTING THE VALIDITY OF CAPITAL ASSET PRICING MODEL (CAPM) AND ARBITRAGE PRICING THEORY (APT) IN PREDICTING THE RETURN OF STOCKS IN AN EMERGING MARKET: Evidence from Indonesia Stock Exchange (IDX) 2008-2010.	Shintabelle Restiyanita M. & Zainul Kisman	STEKPI	Indonesia
MIICEMA UnSri-72	DIVERSIFICATION, PERFORMANCE, AND FIRM VALUE	nikmah, fitrawati ilyas; mike ayuningtiyas	Bengkulu University	Indonesia
MIICEMA UnSri-16	THE ROLE OF CASH WAQF IN PROVIDING CAPITAL FOR SUSTAINABLE DEVELOPMENT	Magda Ismail Abdel Mohsin	INCEIF	Malaysia
MIICEMA UnSri-18	THE EFFECT OF CHANGES IN WORLD OIL PRICES, FOREIGN STOCK INDEX AND FACTORS OF MONETARY TOWARD MOVEMENT JCI, PERIOD 2005-2011	Darmawan Achmad, Ishak Remli	Tarumanagara University	Indonesia
MIICEMA UnSri-19	The Effect of Microfinance on Entrepreneurial Quality and Small Business Growth: A Conceptual Model	Syamsuriana Sidek, M. Mohd Rosli	Universiti Malaysia Kelantan	Malaysia

Room 2				
Accounting				
MIICEMA UnSri-134	ANALYSIS OF SOCIAL RESPONSIBILITY DISCLOSURE IN ISLAMIC BANKS: FULL ISLAMIC BANKING SYSTEM AND DUAL BANKING SYSTEM	Widya Gustifaurina, Inten Meutia; Emylia Yuniarti; Dewi Rina Komarawati	Sriwijaya University	Indonesia
MIICEMA UnSri-337	Role of Public Accounting Control in Public Sector Organizations in South Sumatera	Yulia Djahir, Sofendi	Sriwijaya University	Indonesia
MIICEMA UnSri-13	The Effect of Economic Value Added, Market Value Added and Corporate Social Responsibility Disclosure to the Stock Return in Companies Listed on Indonesia Stock Exchange	Kurnia Widya Oktarini, Mukhtaruddin, Aryanto	Universitas Sriwijaya	Indonesia
MIICEMA UnSri-339	BALANCED SCORECARD PERSPECTIVE PERFORMANCE ANALYSIS IN PUBLIC SERVICE ENTERPRISES OF GENERAL HOSPITALS IN PALEMBANG	Ika Sasti Ferina, Didik susteyo	Sriwijaya University	Indonesia

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MIICEMA UnSri-184	STOCK MARKET AND THE INSTABILITY OF ECONOMY	Hendri tanjung	Universitas Ibnu Khaldun Bogor	Indonesia
MIICEMA UnSri-189	Firm Performance in the Craft Industry: Mediating Role of Entrepreneur's Competencies	M. Mohd Rosli, Mohd Rafi Yaacob and Rosman Mahmood	Universiti Malaysia Kelantan, Universiti Teknologi Mara	Malaysia
MIICEMA UnSri-195	Valuing Banks	Dr Jagdish Joshiyura	Som Lalit Institute Of Management	India
MIICEMA UnSri-200	'Validity' Issues in Qualitative Research in Social Sciences: View from Two Angles, Have a Better Look	Ashfaq Ahmad Khan	University of New England	Australia
MIICEMA UnSri-301	The Effect of Iran Oil Sanction on The European Stock Market	Hanieh Sharif, Ruzita Abd Rahim	UKM, Malaysia	Malaysia

Room 4 Economics				
MIICEMA UnSri-6	THE SINGLE CURRENCY PROPOSAL FOR ASEAN-5 COUNTRIES	Dimas Bagus Wiranata Kusuma and Muhammad Iqbal Fauzi	International Islamic University Malaysia	Malaysia
MIICEMA UnSri-60	DOES THE LOCAL ECONOMIC GOVERNANCE IN INDONESIA PERFORM AN IMPROVEMENT?	Haryo Kuncoro	State University of Jakarta	Indonesia
MIICEMA UnSri-137	MONEY DEMAND IN MALAYSIA: PRE- AND POST-CRISIS ANALYSIS	Uma Devi Vadiveloo and Zarinah Yusof	University Malaya	Malaysia
MIICEMA UnSri-145	ECONOMIC STUDY ON THE PARTICIPANTS HOUSEHOLD OF NON REVITALISATION RUBBER DEVELOPMENT PROGRAM IN TAPIN REGENCY OF SOUTH KALIMANTAN	Yusuf Azis, Nuri Dewi Yanti; Athaillah Mursyid	Faculty of Agriculture, University of Lambung Mangkurat	Indonesia
MIICEMA UnSri-157	Survey The influences of establishing Academic centers in women's wealth	Sedighe hasani ahmadie, Rouhollah tavakolizadeh, Rouhollah cheraghpoor	Islamic Azad University - Kahnootj - Branch	Iran

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Human Resource				
MIICEMA UnSri-14	Internet Job Search and Labor Market Outcomes	Hazrul Shahiri	University of Arizona	America
MIICEMA UnSri-36	Participatory Ergonomic: Mechanism to Improve Workers Productivity	Mohd Nasir Selamat	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-52	Role Models' Influence on Academic Career Choice	JAKARIA DASAN, MOHD NASIR SELAMAT	Universiti Malaysia Sabah	Malaysia
MIICEMA UnSri-306	People Risk and Human Capital Attributes : An Exploratory Study in Islamic Bank	Aisyah Abd Rahman, Ph.D, dkk	UKM, Malaysia	Malaysia
MIICEMA UnSri-117	PERFORMANCE ANALYSIS OF LECTURERS FACULTY ECONOMIC UNIVERSITY RIAU	jumiati sasmita	Riau University	Indonesia
MIICEMA UnSri-188	The Influence of Integrity, Competence, and Loyalty Leadership to the Trust of Subordinates in the Strategic Business Unit of PT Pusri Palembang	Elvia Zahara	Universitas Sriwijaya Palembang	Indonesia

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MIICEMA UnSri-4	Background of the Degree in Public Accounting	José G. Vargas.Hernández	University center for economic and Managerial sciences, University of Guadalajara	Mexico
MIICEMA UnSri-322	The Importance of Forensic Auditing to Combat Fraud in Indonesia	Lukluk Fuadah	Unsri, Indonesia	Indonesia
MIICEMA UnSri-23	GOODS AND SERVICES TAX (GST) COMPLIANCE COST AMONG SMALL AND MEDIUM ENTERPRISES	Mohd Rizal Palil, Rosiati Ramli, Ahmad Fariq Mustapha, Nurul Syuhada Abu Hassan	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-24	External auditor's reliance on the work of internal audit function, audit committee characteristics and audit report lag in Jordan	Noor Azizi Ismail, Faudziah Hanim Fadzil, Ghassan Sa'eed Bagulaidah	Univeristi Utara Malaysia	Malaysia
MIICEMA UnSri-33	FIRM LIFE CYCLE AND THE VALUE RELEVANCE ON INTANGIBLE ASSETS: THE CASE OF AUSTRALIAN FIRMS	Hartini Jaafar, Hazianti Abdul Halim	Universiti Pendidikan Sultan Idris	Malaysia

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MIICEMA UnSri-42	The Impacts of Malaysian Code of Corporate Governance on the Quality of Reported Earnings of KLCI Components	Rizwana Md Yusof	UITM Shah Alam	Malaysia
MIICEMA UnSri-61	THE PRACTICE OF EARNINGS MANAGEMENT : SHORT TERM AND LONG TERM DISCRETIONARY ACCRUAL APPROACH MODEL (Empirical Studies in LQ - 45 During The period of 2004-2010)	Wiyadi, Lina Ayu Safitri	Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-64	THE EFFECT OF CORPORATE GOVERNANCE ON INCOME STATEMENT DISCLOSURE COMPLIANCE IN THE STATE OWNED ENTERPRISES	Abdul Kharis	Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-344	Earnings Management, Underinvestment and Value Relevance of Accounting Information	Mohammad Sabri Jassan, Norman Mohd Saleh, Aulia Fuad Rahman, Zafaha Abdul Shukor	Universiti Kebangsaan Malaysia	Malaysia

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MIICEMA UnSri-135	The Influence of The Quality of Board of The Council on Local Finance (APBD) with Good Governance as The Moderating Variables	Rosalina Pebrica Mayasari, Prof. Syamsurijal, Drs. Burhanuddin	Tridinanty University	Indonesia
MIICEMA UnSri-138	Auditor Choice of Indonesian Listed Firms: Do Ownership Concentration and Family Control Matter?	Salim Darmadi	Indonesian Capital Market and Financial Institut	Indonesia
MIICEMA UnSri-143	The Role of professional accounting association in direct companies to regard accounting standards.	Rouhollah tavakolizadeh, Maryam Mazaheri, Mahdi shariif, mansour alemzadeh	Islamic Azad University	iran
MIICEMA UnSri-159	THE FACTORS THAT EFFECT TO THE DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY IN MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE	Verawaty, Citra Indah Merina	Bina Dharma University	Indonesia
MIICEMA UnSri- 204	WESTERN CULTURAL VALUES AND ITS IMPLICATIONS ON MANAGEMENT PRACTICES	A. M. INUN JARIYA	South Eastern University of Sri Lanka	Sri Lanka

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MIICEMA UnSri-31	The Influence of Cash Flow Changing and Profit Accounting to Stock Return in Manufacturing compaies listed on the Indonesia Stock Exchange	Debby Novianti, Mukhtaruddin, Rina Tjandrakirana	Sriwijaya University	Indonesia
MIICEMA UnSri-34	Finding Market Leaders among Institutional Investors: Case of Indonesia Government Bond Market	Isabelle Aranditha Gusdinar, Deddy P. Koesrindartoto	Institut Teknologi Bandung	Indonesia
MIICEMA Unsri-35	LOCALIZATION OF ZAKAT DISTRIBUTION, RELIGIOSITY, QUALITY OF LIFE AND ATTITUDE CHANGE (PERCEPTIONS OF ZAKAT RECIPIENTS IN MALAYSIA)	Hairunnizam Wahid, Radiah Abdul Kader (PdD), Sanep Ahmad (PhD)	National University of Malaysia	Malaysia
MIICEMA UnSri-38	Developing a Customers' Oriented Ar-Rahnu (Islamic Pawn Brokeing). Model for Cooperatives in Micro Financing in Malaysia- Providers' Perspectives	Mohd Rafi Yaacob, Ghazali Ahmad, Mohamed Dahlan Ibrahim	University of Malaysia Kelantan	Malaysia

Room 2				
Finance				
MIICEMA UnSri-89	THE COMPARATIVE OF PREDICTING BANKRUPTCY MODELS IN BANKING WHICH LISTED IN BURSA EFEK INDONESIA (BEI)	Meisita Sari, Tirta Ibat Rainbow, Rini Indriani	Bengkulu University	Indonesia
MIICEMA UnSri-90	MANAGEMENT CONTROL SYSTEM, COOPERATION AND THE PERFORMANCE OF PROFIT AND LOSS SHARING FINANCING	ATAINA HUDAYATI, SOFIAH MD AUZAIR	INDONESIAN ISLAMIC UNIVERSITY	Indonesia
MIICEMA UnSri-94	THE INFLUENCE OF COUPON BOND AND BOND MATURITY TO BOND YIELD IN INDONESIA STOCK EXCHANGE	Richard Andrew, Andi Wijaya	Tarumanagara University	Indonesia
MIICEMA UnSri-327	Corporate Demand For Islamic Insurance (Takaful) In Malaysia	Prof.Mohamad Abdul hamid	UKM	Malaysia

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MIICEMA UnSri-128	ARBITRAGE PRICING THEORY MODEL TESTING ON SHARES IN INDONESIAN BANKING SECTOR	Fida Muthia, Isnurhadi Banaluddin	Sriwijaya University	Indonesia
MIICEMA UnSri-174	The Impact of Legal Origin Toward Shariah Governance	Ince Nopica, Prof. Abdul Ghafar Ismail	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-175	Risk Return Tradeoff For Jakarta Islamic Index: Does The Link Exist?	Farra Munna Harun	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-178	THE EFFECT OF INVESTMENT OPPORTUNITY SET (IOS) TO EARNINGS MANAGEMENT: REAL ACTIVITIES AND ACCRUAL MANIPULATION	Dewi Kusuma Wardani	Faculty of Economics, Universitas Satjanawiyata Tamansiswa	Indonesia

Room 4 Economics				
MIICEMA UnSri-335	Indonesia Discourage Worker Performance in Agriculture-Rural and Industri-Urban Sector	Nurlina Tamizi, Dessy Adriani	Sriwijaya University	Indonesia
MIICEMA UnSri-162	Emissions, energy and economic growth in an environmental Kuznets curve: Pooled mean group estimations of developed, developing, and least-developed countries	Mohd Adib Ismail, Mawar Murni Yunus	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-166	The impact of globalization on the consumption pattern of households with a family case songket producers as a single parent mothers	Lisnini, Purwati, Neneng Miskiyah	Politeknik Negeri Sriwijaya	Indonesia

MIICEMA UnSri-172	THE PRODUCTION FACTORS PATTERN IN INCREASING PALEMBANG TRADITIONAL FOOD MANAGERS INCOME IN PALEMBANG	Esya Alhadi, Yusleli Herawati, Nirwan Rasyid	Politeknik Negeri Sriwijaya	Indonesia
MIICEMA UnSri-193	Economic Instability and Financial Crises in a Capitalist Financial System: Empirical Evidence from the UK	Dr Ashfaq Ahmad Khan, Mr. Waqar Ahmad	University of New England, Armidale, NSW 2351	Australia
MIICEMA UnSri-202	FOOD SECURITY AND POVERTY IN RURAL OF SOUTH SUMATERA, INDONESIA	Faharuddin, Prof. Dr. Ir. Andy Mulyana, M.Sc.	Sriwijaya University	Indonesia

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MIICEMA UnSri-67	EARNINGS MANAGEMENT PRACTICES ON COMPANIES IN THE SHARIAH INDEX (The comparative studies between STDAM and LTDAM in Indonesian stock exchange during 2004-2010 period)	Noer Sasongko, Happy Purbasari	Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-70	THE UTILIZATION OF INFORMATION TECHNOLOGY, THE USER SATISFACTION OF ACCOUNTING INFORMATION SYSTEM AND TASK COMPLEXITY: Study in Banking Industry at Bengkulu city	sriwidharmanely, darman usman; hery aprizal	Universitas Bengkulu	Indonesia
MIICEMA UnSri-77	BASIC MATH AND LANGUAGES SKILL UPON ACCOUNTING STUDENTS ACADEMIC ACHIEVEMENT IN UNIVERSITY BENGKULU	Lisa Martiah Nila Puspita, Muhammad Firmansyah	Bengkulu University	Indonesia
MIICEMA UnSri-78	Corporate Governance Quality, Performance and Firm Value : Evidence from Selected Corporate Governance Perception Index.	Triyono	Universitas Muhammadiyah Surakarta	Indonesia
MIICEMA UnSri-87	THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY TO FIRM VALUE WITH PROFITABILITY AND LEVERAGE AS A MODERATING VARIABLE	Febi Susanti, Fenny Marietza; Rini Indriani	Bengkulu University	Indonesia

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MIICEMA UnSri-101	Ratio of Bank and Divestment PT Bank Mutiara, tbk post-taken over by LPS	Marieska Lupikawaty Nenang Miskiyah, Elisa, Fetty Maretha	Politeknik Sriwijaya	Indonesia
MIICEMA UnSri-125	SHARE REPURCHASE DECISION: FREE CASH FLOW HYPOTHESIS OR SIGNALING THEORY	Endah Jati Purwanti, Eddy Suranta, Pratana Puspa Madiastuty	Bengkulu University	Indonesia
MIICEMA UnSri-131	THE INFLUENCE OF ORGANIZATIONAL COMMITMENT, DECENTRALIZATION, ORGANIZATIONAL CULTURE ON THE RELATIONSHIP BETWEEN BUDGETARY PARTICIPATION AND BUDGETARY SLACK	ismacoryanata	Bengkulu University	Indonesia

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MIICEMA UnSri-173	AUDIT COMMITTEE CHARACTERISTICS AND ENTERPRISE RISK MANAGEMENT OF INDONESIA PUBLIC LISTED BANKING COMPANIES	Husaini	Bengkulu University	Indonesia
MIICEMA UnSri-177	EARNINGS MANAGEMENT AND FIRM VALUE WITH INVESTMENT OPPORTUNITY SET (IOS) AS MODERATING VARIABLE: COMPARATIVE STUDY IN INDONESIA AND MALAYSIA	Dewi Kusuma Wardani, Sri Hermuningsih	Faculty of Economics, Universitas Sarjanawiyata Tamansiswa	Indonesia
MIICEMA UnSri-180	Board Structure and Earnings Quality: Malaysian Evidence	Redhwan Ahmed AL-Dhamari and Ku Nor Izah Bt Ku Ismail	uum university, malaysia	Malaysia
MIICEMA UnSri-182	Voluntary disclosure of intangibles in annual reports: An analysis of capital-raising companies in Malaysia	Hazianti Abdul Halim, Hartini Jaafar	Universiti Pendidikan Sultan Idris, 35900 Tanjung Malim, Perak	Malaysia
MIICEMA UnSri-185	AUDIT COMMITTEE AND TIMELINESS OF FINANCIAL REPORTING: Malaysian Public Listed Companies	Sharinah Puasa, Mohd Fairuz Md Salleh and Azlina Ahmad	Universiti Kebangsaan Malaysia	Malaysia

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Human Resource				
MIICEMA UnSri-303	Performance Appraisal for Civil Servant in Department of Public Works Cipta Karya of South Sumatera	Dr. Agustina Hanafi, Afriadi Cahyadi, SE, MM	Unsri, Indonesia	Indonesia
MIICEMA UnSri-340	An Evaluating of Business Performance through Supply Chain Management Implementation	Inda Sukati, Abu Bakar Hamid, Rohaizat Baharun	Universiti Teknologi Malaysia	Malaysia
MIICEMA UnSri-194	EFFECTIVENESS OF TALENT MANAGEMENT STRATEGIES IN DEVELOPING EMPLOYEE POTENTIAL AND REDUCING TURNOVER INTENTION	FATIMAH PA'WAN, NURITA JUHDI, RAMMILAH HANSARAM, SIMRANPREET KAUR AND NORIZAN MOHD KASSIM	Universiti Teknologi Malaysia	Malaysia
MIICEMA UnSri-324	Awareness and Socialisation of Consumer Rights among UKM Students	Doris Padmini Selvratnam, Tan Kok Jing, Norlaila Abu Bakar, Wook Endut, Rika Fatimah	UKM, Malaysia	Malaysia
MIICEMA UnSri-85	Market Potential Analysis Service of Forerunner Air Transport in Pagar Alam as Feeder Line National Air Transport in South Sumatra Province	Hanifati Intan	Politeknik Negeri Sriwijaya	Indonesia
MIICEMA UnSri-170	SOCIAL CAPITAL AS CORPORATE KNOWLEDGE	Felix Ferryanto Lukman, M.M.	Prasetya Mulya Business School	Indonesia

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Marketing				
MIICEMA UnSri-108	E-commerce adoption by Small Medium Enterprises and Firm Performance	Rita Rahayu, John Day	Huddersfield University	England
MIICEMA UnSri-110	The effects of Brand Status on Brand Attitude and Willingness to Pay a Price Premium on Generation Y in Indonesia	Arief Budiman	Lambung Mangkurat University (UNLAM)	Indonesia
MIICEMA UnSri-321	The Influence of Visual Merchandising on Impulse Buying	Efendi, Martin	Atmajaya University	Indonesia
MIICEMA UnSri-320	Increasing Number of Tourists by Means of Building Tourist Values	Didin Syarifuddin	ARS International Institute of Tourism, Bandung, Indonesia	Indonesia
MIICEMA UnSri-402	SUCCESS FACTORS OF ACEHNESE ENTREPRENEURS IN MALAYSIA	Jullimursyida Ganto, Amru Usman	University of Malikussaleh	Indonesia

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MIICEMA UnSri-141	The Effect Of Ability Vendor on Consumer Trust in e-commerce (Study Business Retail Online)	Seprianti Eka Putri	university of bengkulu	Indonesia
MIICEMA UnSri-22	How Social Network Media Influences University's Brand Image	Bambang Sukma Wijaya, Dianingtyas M. Putri	Bakrie University	Indonesia
MIICEMA UnSri-342	Analysis of Market Potential Preference of By Product from Traditional Food Product to Enhance Competitiveness in Globalization	Yusleli Herawati, Dewi Fadila, Nirwan Rasyid	Sriwijaya University	Indonesia
MIICEMA UnSri-343	The Dimension of Bengkulu City's Development Using Tourism Satisfaction Approach	Muhartini Salim, Anggarwati	Bengkulu University	Indonesia
MIICEMA UnSri-400	SERVICE FAILURE AND SWITCHING BEHAVIOUR IN THE INDONESIAN SERVICE INDUSTRY	Lizar Alfansi, Roosemarina A. Rambe, Rahmatu Chairina	Bengkulu University	Indonesia
MIICEMA UnSri-401	SERVICE QUALITY, EMOTIONAL RESPONSES, AND CUSTOMER SATISFACTION IN FAST-FOOD RESTAURANTS IN INDONESIA	Fachri Eka Saputra, Sugeng Susetyo, Paulus Kananlua	Bengkulu University	Indonesia

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MIICEMA UnSri-133	THE INFLUENCING OF RISK FACTORS, MANAGEMENT ENTRENCHMENT, AND CORPORATE GOVERNANCE QUALITY ON EQUITY RISK PREMIUM	Saiful, Ph.D	Bengkulu University	Indonesia
MIICEMA UnSri-146	Survey the usual & ethic ways to decrease eBanking fraud	Ikmal Javanmard, Rouhollah Tavakolizadeh, Maryam Mazaheri, Ali Tavakolizadeh	Islamic Azad University, Kahnooj Branch.	Iran
MIICEMA UnSri-152	The Impact of Shari'ah Boards on Islamic Bank Performance	Majdi Anwar Qutainah	College of Business Administration, University of Kuwait	Kuwait
MIICEMA UnSri-155	Unobservable Effects and Firms' Capital Structure Determinants in Malaysia	Malemilla B.T, Bany Ariffin, A.N and Azman-Saini, W.N.W	University Putra Malaysia	Malaysia

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MIICEMA UnSri-308	An Analysis of Factors Influencing Underpricing in Initial Public Offering at the Indonesian Stock Exchange year 2007-2010	Ridwan Nurazi, Y Hernitha	UKM, Malaysia	Malaysia
MIICEMA UnSri-310	The Effect of Public Ownership on Financial and Operation Performances and Sustainable Competitive Advantage Based on Accounting Reputation Measure in Indonesia's States Owned Enterprises	Dr. Haryadi, Dr. Tona Aurora Lubis		Indonesia
MIICEMA UnSri-313	The Opportunity of Sukuk al-intifa'a For Financing Infrastructure Projects in Indonesia	Izzuddin Abd Manaf, Hendro Wibowo	SEBI School of Islamic Economics, Indonesia	Malaysia
MIICEMA UnSri-316	Corporate Governance Mechanisms and Privatized Companies Performance in Jordan	Ahnaf Ali Al Smadi	UKM, Malaysia	Malaysia
MIICEMA UnSri-326	Investment, Capital Structure, Dividend Policy, and Firm Performances: Evidence Indonesia Listed Companies	Darmawati Muchtar	Univ.Malikusaleh/ UKM, Malaysia	Malaysia

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MIICEMA UnSri-40	Global Financial Crisis, Islamic Stock Markets Integration: A Case Study of Selected Asian Countries	Zahoor Khan, Prof. Dr. Jamalludin Sulaiman	University Sains Malaysia	Malaysia
MIICEMA UnSri-43	Price Impact of Block Trades and Price Behavior Surrounding Block Trades in Indonesian Capital Market (Case Study : Stocks in LQ45)	Moh.Rickki Yantriolatu, Deddy P. Koesrindartoto	Institut Teknologi Bandung	Indonesia
MIICEMA UnSri-45	Financial literacy in Malaysia: A review and future research opportunities	Hawati Janor (PhD)	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-47	DETERMINANT OF CREDIT CRUNCH IN BANKING CREDIT LOAN (Case Study In Indonesia Banking 2005-2010)	Sulaeman Rahman Nidar, Noviana Puspita Sari	Padjadjaran University	Indonesia
MIICEMA UnSri-59	Does Large Price Change Have A Predictable Pattern? : Emperical Evidence LQ45 Stock Index	Yudy Putra Agung, Deddy Priatmodjo Koesrindartoto	School of Business and Management ITB	Indonesia

Room 4 Finance				
MIICEMA UnSri-317	The Technical Analysis For Buying And Selling Decisions : A Case Study of Astra International (ASII) Stock	Iskandar Zuikarnain	UNIB	Indonesia
MIICEMA UnSri-338	Google Search Traffic And it's Influence on Bid/Ask Spread	Berto Usman, Paulus S Kananlua, Sugeng Susetyo	UNIB	Indonesia
MIICEMA UnSri-123	INDONESIA STOCK EXCHANGE'S ANOMALY: THE RAMADHAN EFFECT	Bregita Amatory, Eddy Suranta; Pratana Puspa Midiastuty	Bengkulu University	Indonesia
MIICEMA UnSri-311	Ownership Structure And Bank Performance During Economic Crisis In Indonesia	Hamdi Agustin, SE, MM	University of Islam Riau, Universiti Utara Malaysia	Indonesia

Room 5 Marketing				
MIICEMA UnSri-80	Entrepreneurial Orientation and Business Success of Malay Entrepreneurs: Religiosity as Moderator	Mohamad Zulkifli Bin Abdul Rahim	Universiti Malaysia Kelantan	Malaysia
MIICEMA UnSri-10	ETHNOCENTRISM, ANIMOSITY AND COUNTRY OF ORIGIN IMAGE TOWARD INDONESIAN PRODUCT IN MALAYSIA	ISMI RAJIANI, AZAH ABDUL AZIZ	Universiti Teknikal Malaysia Melaka	Malaysia
MIICEMA UnSri-20	CUSTOMER SATISFACTION AND THE PURCHASE DECISION IN THE FINANCIAL INDUSTRY: A CONCEPTUAL MODEL	Noormariana Mohd Din, M. Mohd Rosli	Universiti Malaysia Kelantan	Malaysia
MIICEMA UnSri-39	Entrepreneurial Characteristics Amongst Cooperatives in Malaysia – A Pilot Study (UPDATE: - Preliminary Evidence)	Ghazali Ahmad, Mohd Rafi Yaacob, Mohamed Dahlan Ibrahim	University of Malaysia Kelantan	Malaysia
MIICEMA UnSri-334	FRANCHISEE AS ENTREPRENEUR: A CHARACTERISTIC APPROACH	Mohd. Hizam Hanafiah	Universiti Kebangsaan Malaysia	Malaysia

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MIICEMA UnSri-5	Prospect of Iran Natural Gas Export Projects	hedayat omidvar	National Iranian Gas Company	Iran
MIICEMA UnSri-55	Fiscal Policy, External Shocks, and Macroeconomic Fluctuations: A SVAR Modeling of Indonesia	Putri Bintusy Syathi, Zulkefly Abdul Karim ; Dr Mohd Azlan Shah Bin Zaidi; Prof Madya Dr Noor Aini Khalifah	UKM and UNSYIAH	Malaysia, Indonesia
MIICEMA UnSri-7	BRIDGES ACROSS CRITICAL INTERNATIONAL SHIPPING WAYS: A STUDY OF THE PROPOSED STRAIT OF MALACCA BRIDGE	Mohd Hazmi bin Mohd Rusli	Universiti Sains Islam Malaysia	Malaysia
MIICEMA UnSri- 28	Revitalization Cooperative in the area of globalization	Karuniana Dianta A. Sebayang	State University of Jakarta	Indonesia
MIICEMA UnSri-32	MODELING THE SUCCESS FACTOR OF COOPERATIVE IN KELANTAN	RASMANI A.GHANI, M.MOHD ROSLI	Univeristi Malaysia Kelantan	Malaysia
MIICEMA UnSri-197	TRADE BARRIERS FCING BY MALAYSIAN FISHERIES SECTOR TO PENETRATE INTERNATIONAL MARKET	SITI MARIAM ALI, NOR HALAWAH AHMAD, ROS ANITA YAHYA	Universitas Teknologi MARA	Malaysia

Room 7				
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MIICEMA UnSri-309	Analysis of Determinant Factor Influencing Cinnamon Export end Prices in Indonesia	Sutarno Iskandar, Evada Dewata, dkk		Indonesia
MIICEMA UnSri-312	The Impact of Human Capital on Economic Griwth - The Case of Selected Arab Countries	Auf Awad, dkk	National University of Malaysia	Malaysia
MIICEMA UnSri-314	Proposing Women Ecohomic Empowerment Model to Contribute in Emerging "From Local to Global" Economy	Sari Lestari Zainal Ridho, SE, M.Ec	Politeknik Negeri Sriwijaya, Indonesia	Indonesia

MIICEMA UnSri-315	Analysis Effect of Price and Non Price Determinants Toward Procurement of Rice From Regional Rice Production by Badan Urusan Logistik Divisi Regional of South Sumatera	Idham Alamsyah	Faculty of Agriculture, UNSRI, Palembang	Indonesia
MIICEMA UnSri-332	Analysis Of Swamp Land Use Change Related To Factors That Affect Housing Growth	Reini Ilmiaty, RH. Sutanto B. Setiawan, FX Suryadi, ES. Nugraha	Universitas Sriwijaya	Indonesia

Accounting				
MIICEMA UnSri-186	a quantitative measure to analyze shariah compliance	raleena thassim junkeer	international centre for education in islamic finance	Malaysia
MIICEMA UnSri-187	Convergence to IFRS and Timeliness of Financial Reporting : Investigating the Governance of Malaysian Audit Firms	Sharifah Milda Amirul, Dr. Mohd Fairuz Md. Salleh, En. Ismail Upawi	Universitas Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-190	The Role of Professional Accounting Association in Direct Companies to Regard Accounting standards	rouhollah tavakolizadeh, mansour alemzade, Mahdi sharifi, Maryam Mazaheri	Islamic Azad University	Iran
MIICEMA UnSri-191	THE REAL EARNINGS MANAGEMENT PRACTICES (The comparative studies between shariah index (JII) and conventional index (LQ-45) in Indonesian stock exchange during 2004-2010 period)*	Rina Trisnawati, Suhestiningsih	Economics Faculty, Magister Management Program, Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-196	EFFECT OF COMPETENCE, UNDERSTANDINGS SYSTEM ACCOUNTING AND UNDERSTANDING REGIONAL FINANCE MANAGEMENT OF THE FINANCIAL MANAGEMENT PERFORMANCE EMPLOYMENT UNITS THE REGION IN THE CITY BENGKULU	Lismawati, Rena Apriyani	Bengkulu University	Indonesia

Round 3				
Accounting				
MIICEMA UnSri-201	THE EFFECT OF COMPETENCE, INDEPENDENCE, AND MOTIVATION ON THE QUALITY OF THE OPERATIONAL AUDIT. THIS IS PERFORMED BY THE INSPECTORATE INSTITUTION OF BENGKULU PROVINCE TO CONTROL REGION FINANCIAL	Elvira Hertika, Fachruzzaman; Hega Aide Purisyia	Bengkulu University	Indonesia
MIICEMA UnSri-153	The Availability of IFR (Internet Financial Reporting) through E-Government as Public Transparency, Participation, and Accountability Means In Indonesia	Verawaty	Bina Dharma University	Indonesia
MIICEMA UnSri-302	The Earning Management Practice among Shariah Compliant Companies in Malaysia	Zuraidah Mohd Sanusi, dkk	Universiti Teknologi MARU, Malaysia	Malaysia
MIICEMA UnSri-319	The Effect of Application of Good Governance to Organizational Performance with Intervening Variable Consumer Trust	Sri Fadilah	Unisba, Indonesia	Indonesia
MIICEMA UnSri-323	The Effect of Budgetary Participation, Asymmetry Information, Budget Emphasis and Commitment Organization to Budgetary Slack at SKPD Governmental of Bengkulu City	Nila Aprila, Selvi Hidayani	Bengkulu University, Indonesia	Indonesia
MIICEMA UnSri-142	THE OF BUDGET QUALITY ON BUDGET CONTROL : KNOWLEDGE OF BUDGET AS MODERATING VARIABLE	Robinson	Bengkulu University	Indonesia

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Finance				
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MIICEMA UnSri-83	Is the January effect alive in IPO market?	Chan Siew Lian	Graduate School of Business UKM	Malaysia
MIICEMA UnSri-84	STOCK MARKET OVERREACTION AND GENERAL ELECTION EFFECT IN MALAYSIA	Chong Sok Fong, Rafidah Othman	Graduate School of Business, UKM	Malaysia
MIICEMA UnSri-163	MARKET TIMING PERFORMANCE MEASURE - DOES THIS MATTER?	RAFIDAH OTHMAN	Graduate School Of Business, Universiti Kebangsaan Malaysia	Malaysia

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MIICEMA UnSri-88	TRANSFORMATIVE SERVICE TO IMPROVE WELL-BEING OF SOCIETY (1 MCA MEDICAL FOUNDATION)	Chong Sok Fong	Graduate School of Business, UKM	Malaysia
MIICEMA UnSri-304	Relationship Motives, Personality, and Organizational Citizenship Behavior in Academic Staffs in Indonesia	Dorothea Wahyu Ariani	Atmajaya University, Indonesia	Indonesia
MIICEMA UnSri-9	KNOWLEDGE SHARING INTENTION ON KNOWLEDGE WORKER: EXAMINING THE ROLE PSYCHOLOGY FORCE, ORGANIZATIONAL CLIMATE AND CHANNEL RICHNESS	Rahab, Devani Laksmi Indyastuti	Jenderal Soedirman University	Indonesia
MIICEMA UnSri-341	Effect of Competence and Organizational Commitment to Customer Orientation of The Employees PT. Fertilizer Iskandar Muda Aceh	Agustina Hanafi, Likdanawati	Sriwijaya University	Indonesia

MIICEMA UnSri- 345	LECTURERS EFFECTIVENESS AND STUDENT PERFORMANCE IN TWO POLYTECHNICS IN PERAK MALAYSIA	Nek Kamal Yeop Yunus, Salomawati Ishak, & Ahmad Razman Dahari	Universiti Pendidikan Sultan Idris, Sultan Azlan Shah Polytechnics, Cator Avenue Primary School	Malaysia
MIICEMA UnSri- 148	RISK ASSESSMENT AND EFFECTIVE RISK MANAGEMENT: THE MEDIATING ROLE OF ORGANIZATIONAL CULTURE SUPPORT	Irzan Bin Ismail, Nik Mutasim Nik Ab Rahman, Mohamad Abdul MBA Hamid, Fazlil Idris	Universiti Teknologi MARSA, Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri- 403	FACTORS AFFECTING PERFORMANCE OF TEACHERS OF MATHEMATICS IN IMPLEMENTING COMPETENCY-BASED CURRICULUM IN SENIOR HIGH SCHOOLS IN PALEMBANG.	Dr. Agustina Hanafi, MBA Leonita Putri, SE,	Sriwijaya University	Indonesia

Room 2 Accounting				
MIICEMA UnSri-66	CORPORATE GOVERNANCE IN BANKING AND FINANCE INDUSTRY: THE ROLE OF SUPERVISORY BOARD	Zaitul	University of Bung Hatta	Indonesia
MIICEMA UnSri-65	Commissioner Board Diversity and Company Value in the Emerging Market	Desi Ilona, Dr. Shamharir Abidin and Nurwati Ashikkin Ahmad-Zaluki	Universiti Utara Malaysia	Indonesia
MIICEMA UnSri- 346	THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY COST TO ASSETS TURNOVER IN COMPANIES LISTED IN INDONESIAN STOCK EXCHANGE	Hasni Yusrianti, SE, MAAC, Ak, Heri Chandra	Sriwijaya University	Indonesia

Room 3 Economics				
MIICEMA UnSri-333	Boro: The Mobility of Tegalombe Community, Seragen	Tjpto Subadi	Universitas Muhammadiyah Surakarta	Indonesia
MIICEMA UnSri-161	LECTURERS EFFECTIVENESS AND STUDENT PERFORMANCE IN TWO POLYTECHNICS IN PERAK MALAYSIA	Dr. Nekamal Yusuf	Fakulti Pengurusan & Ekonomi (UPSE)	Malaysia

AUDIT COMMITTEE CHARACTERISTICS AND ENTERPRISE RISKMANAGEMENT OF INDONESIA PUBLIC LISTED BANKS

Husaini

Economics Faculty of Bengkulu University

Abstract

This study explores the association between audit committee characteristics and the enterprise risk management. The study predicts that independent, size, expert, and diligent of audit committees affect on the implementation of enterprise risk management. By exploring purposive sampling method, the sample of this study consists 60 observation of 20 Indonesia public listed banking companies with the observation period of three (3) years (2007-2009). The study found that the audit committee independence is significantly associated with the enterprise risk management. This study can not provide an empirical evidence on the association of the size, expert, and diligent of audit committees affect on the implementation of enterprise risk management. The results also show that the firm size significant affect on the enterprise risk management.

Keywords: *audit committee, enterprise risk management, profitability, firm size and leverage.*

1. Introduction

Reliable risk management capability is one of the core competencies that must be owned by management to create value of a company. Management should strive to find the right balance between the growth and the risks faced by the company, so it becomes a challenge for management to be able to implement effective risk management.

Implementation of risk management, especially in Indonesia banking is a follow-up of the concept of bank capital framework issued in 1988, known as the 1988 accord (Basel I) which is the internationally accepted standards. Along with the development of products that exist in the world of banking, the Basel Committee on Banking Supervision (BCBS) in the document The International Convergence of Capital Measurement and Capital Standards (commonly known as "Basel II") improving capital framework Basel I. Basel II aims to improve the safety and health of the financial system, with emphasis on the calculation of risk-based capital, the supervisory review process and market discipline. Therefore, one focus of Basel II implementation in Indonesia is the development and improvement of the quality of risk management by national banks in accordance with Bank Indonesia Regulation (PBI) Number: 5/8/PBI/2003 dated May 19, 2003 as amended by regulation where the number : 11/25/PBI/2009 on the Application of Risk Management for Banks.

Implementation of risk management is a follow-up of the implementation of good corporate governance, because identifying, assessing and managing risks is central to the implementation of good corporate governance. Therefore, the application of risk

management is one of the main fondansi implementation of corporate governance (Cowan, 2004:37; KPMG, 2006). Further implementation of risk management will be achieved properly if the audit committee to function effectively (Venkataraman 2005:165-166). The audit committee is one of the committees associated with the monitoring mechanism (Daniri, 2005:22), and is one of the main factors to support the effective implementation of corporate governance.

Associated with the implementation of Good Corporate Governance in Banking, Bank Indonesia issued Bank Indonesia Regulation Number: 8/4/PBI/2006 On the Implementation of Good Corporate Governance for Banks, which in these regulations also regulate the obligation of banks to establish an audit committee. Audit committee in this case serves as an ideal vehicle for reviewing the risk management process, because this committee does not have operational responsibilities, and members must consist of independent persons (Cowan, 2004:111). And further Always discuss the audit committee's policies relating to risk assessment and risk management, as well as discuss the exposure-risk exposure faced by companies and measures to monitor and control the exposure-risk exposures to the board of directors (New York Stock Exchange / NYSE) in The Institute of Internal Auditors / IIA (2004). Therefore, according to Cowan (2004:112) the responsibilities of audit committees in the implementation of risk management are: 1) provide assurance that the board has in considering the seriousness of the risk profile of the company at the highest level and take active steps to manage the risk profile; and, 2) ensure that the directors have continued to establish management authority to review the implementation of effective risk management system covering all operations and processes in the company.

Research related to the audit committee characteristics and application of risk management is still very little is done mainly in Indonesia. Some researchers have identified characteristics of the audit committee (independence, expertise, size and number of meetings or meeting) with the risk management. Dionne and Triki (2005) concluded that the requirements regarding the number, the independence, educational background of the audit committee encourages companies to pay more attention to risk management. Furthermore Orphan (2009) explored the relationship between audit committee characteristics and risk management committees by listed companies in Malaysia. The study concluded that there is a strong relationship between independence, expertise, and diligent audit committee on the establishment of risk management committee. Some researchers also have linked characteristics of the audit committee with a variety of other variables such as Carcello et al. (2006) who concluded that the audit committee expertise in finance proven effective in reducing earnings management, and research Abbott, et. al., (2002) found that the composition of the audit committee, meeting at least four times a year significantly negatively related to misstated financial statements, while the audit committee has financial expertise is positively associated with reporting back to the financial statements and audit committee independence and financial expertise related negative (positive) with fraudulent financial statements.

Based on the above, this study aims to examine audit committee characteristics (independence, expertise, size and number of meetings or meeting) to the application of risk management. Implementation of risk management in this study diproksikan with Enterprise risk management index (ERMI) of achieving Enterprise Risk Management (ERM) proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2004) which includes the strategy, operations, reporting, and compliance .

2. Theoretical studies and Hypothesis Development

Agency theory (*Agency Theory*)

Jensen and Mecling (1976) explain the agency relationship in agency theory that the company is a collection of contracts (nexus of contracts) between the owners of economic resources (principal) and manager (agent) to manage and control the use of these resources. According Meisser, at al., (2006:7) the agency relationship has led to two problems, namely: (a) the occurrence of asymmetric information, where management generally has more information about the actual financial position and operating position of the entity owner, and (b) any conflict of interest due to lack of equality objectives, which management does not always act in accordance with the interests of the owner.

In an effort to overcome or reduce these agency problems, raises the cost of agency which will be borne either by the principal or agent. Audit committee and risk management has its own position in addressing the issue of agency. Audit committee positions in the agency relationship lies in the actions that they do surveillance (Alstetind at al., 2004), which is the extension of the board functions. Therefore, the existence of an audit committee can lower information asymmetry, for monitoring, control and review the financial reporting process including the role in the scope of the audit committee duties (Alstetind at al., 2004). Meanwhile, according to Schoeck (2002: 81) the application of risk management can also reduce costs and enhance shareholder value kagenan. Enterprise risk management can also be used as a monitoring mechanism in reducing asymmetric information and contribute to avoid the opportunistic behavior of managers (Kajüter et al., 2005).

Characteristics of the Audit Committee

The audit committee is one important element of good corporate governance mechanisms. According Tjager et al (2003:34), "The audit committee is one of a committee established by the board of commissioners and is responsible to the board of commissioners, with the primary duty and responsibility is to ensure that the principles of good corporate governance, especially transparency and disclosure applied consistent and appropriate by the executive ". The audit committee has a crucial role in maintaining the strategic credibility of the process of preparing financial statements as well as keeping the company's creation of an adequate system of supervision and the implementation of good corporate governance (Rachmawati and Triatmoko, 2007).

The audit committee should be formed to have certain characteristics such as independence, financial and accounting expertise, size and so diligent monitoring functions can be carried out effectively. Audit committee characteristics most often cited in the literature of corporate governance as a prerequisite for an effective monitoring function is independence, which the audit committee comprising non-executives from the outside (independent) can be assumed pemonitor better than management (Sarbane-Oxley Act, 2002; Blue Ribbon Committee, 1999). Furthermore DeZoort and Salterio (2001) suggests that audit committee members with accounting and financial expertise makes it possible to better understand the issues and audit risks and audit procedures are proposed to address the risks and detect problems. Because the audit committee members with financial backgrounds have the experience to understand the process of risk management (Orphan, 2009). Related to the amount (the size of the audit committee) some regulations such as the NYSE Stock Exchange and the Stock Exchange requires a minimum of at least 3 members. The recommended size of the

audit committee is expected to improve the status of the organization's audit committee (Braiotta, 2000). Meanwhile, a number of studies have concluded that the audit committee must be diligent in performing their duties (Beasley et al, 1999; and Horton et al, 2000), and in general, research on audit committees to use the number of audit committee meetings held each year as a proxy for persistence (diligent) audit committee.

Enterprise Risk Management (ERM)

Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the Enterprise Risk Management Integrated Framework (2004), Provided ERM definition as follows: "Enterprise risk management is a process, affected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events may affect the entity That, and manage risk to be within its risk appetite, to Provide reasonable assurance regarding the achievement of entity objectives. "(COSO, 2004). COSO (2004), explained that the effectiveness of an organization's ERM should be judged on the following four objectives: (1) Strategy, a high-level goals, aligned and support the organization's mission, (2) The operation, which is related to the use of resources effectively and efficiently; (3) Reporting, which focuses on the reliability of financial reporting, and (4) Compliance, including dams comply with legal regulations. ERM is considered as one important element to strengthen the corporate governance structure (Desender, 2007). Implementation of a formal and structured ERM is an obligation for the company. If effectively implemented, ERM is expected to become a force in supporting the implementation of the company's corporate governance, which in the end the application of corporate governance is believed to increase the value of the company (Siallagan and Machfoedz, 2006).

Audit and Enterprise Risk Management (ERM)

The effectiveness of the audit committee is key to successful implementation of risk management. The audit committee is responsible for monitoring risk management systems, although this responsibility is the devolution of responsibility for corporate directors (Sarens and Beelde, 2006), and in carrying out their duties relating to risk management, audit committee should discuss these policies relate to risk assessment The main exposure and exposure-risk corporate finance as well as measures to monitor and control the exposure-risk exposures to senior management (New York Stock Exchange / NYSE in the IIA, 2004).

Cohen et al., (2002) provides an illustration that would be effective if the audit committee independent of management, understand the financial reporting process and comply with applicable regulations. Meanwhile, according to De Zoort, et al., (2002) there are four factors in determining an effective audit committee, namely: (a) the composition of which is related to the expertise, independence, integrity and objectivity, (b) the authority that is concerned with the influence of management and accountability and auditor; (c) resources, the adequacy of the number of membership, access to management, internal auditors and external auditors, and (d) diligent, related to the incentive, motivation and persistence. Furthermore Bedard, et al., (2004) concluded that the criteria set out DeZoort, et al., (2002) is a key quality elements that influence the effectiveness of audit committees, which can be identified into five key areas of

accountability of audit committees include: financial reporting, risk management, governance, and evaluation of penegendalian internal audit process.

Some research on the relationship and application of risk management committees, among others, performed by Dionne and Triki (2005) which proves that the requirements regarding the independence of audit committees and encourage companies to pay more attention to risk management. The results also prove that the audit committee of the whole educational background in finance and the board of commissioners who manyoritas educational background in finance is more active in risk management. Likewise, the research Carcello et al.(2006) concluded that the audit committee expertise in finance proven effective in reducing earnings management. Research Abbott, et. al., (2002) found that audit committee composition, meeting at least four times a year significantly negatively related to misstated financial statements. Audit committee who have financial expertise is positively associated with reporting back to the financial statements and audit committee independence and financial expertise related to the negative (positive) with fraudulent financial statements. Research Orphans (2009) explored the relationship between audit committee characteristics and risk management committee formation by companies registered in Malaysia. The study aims to examine the relationship of independence, expertise, size, diligent audit committee on the establishment of risk management committee. The study concluded that there is a strong relationship between independence, expertise, and diligent audit committee on the establishment of risk management committee.

Based on theoretical basis stated previously, the alternative hypothesis to be tested are:

- H1: The independence of audit committee positively affect on the application of risk management.
- H2: accounting and financial expertise of audit committee positively affect on the application of risk management.
- H3: The size of the audit committee positively affect on the application of risk management.
- H4: number of the audit committee meeting positively affect on the application of risk management.

3. METHODS

Population and Sample

The population in this study are public listed banking in IDX (Indonesia Stock Exchange). Sampling technique using the method of purposive sampling is sampling in accordance with criteria. The sampling criteria were as follows: (a) The banking company listed on the Indonesia Stock Exchange and publish its financial statements in the year 2007-2010, (b) The financial statements of companies with close ended December 31, (c) The company is have complete data, including independence, expertise, size, audit committee meetings, and the disclosure of auditor fees (professional fees).

Operationalization of Research Variables

Risk Enterprise Management(ERM)

ERM variable is the dependent variable, which is calculated by using the ERM index (ERMI) is based on four objectives in the COSO ERM as used in the study Tseng

(2007). The fourth purpose of ERM include strategy, operations, reporting, and compliance as follows:

$$ERMI = \sum Strategy + \sum Operating + \sum Reporting + \sum complaint \quad (3.1)$$

Strategy: a measurement of a company's success which can be seen from number standard deviation of income, as shown below.

$$Strategy_i = \frac{Income_i - \mu_{income}}{\sigma_{income}} \quad (3.2)$$

Note:

$Revenue_i$ = revenue of company i at year t

$M_{revenue}$ = average revenue of company i at year t

$\Sigma_{Revenue}$ = standard deviation revenue of all companies in the same industry

The second measure for success is strategic company's competitive advantage in the industry to reduce the risk systematic. Thompson (1984) measure performance diversification strategy with reduction systematic risk or beta.

$$Strategy_2 = \frac{\Delta\beta_i - \mu_{\Delta\beta}}{\sigma_{\Delta\beta}} \quad (3.3)$$

where:

$\Delta\beta_i$ = $(\beta_i \text{ year } t - \beta_i \text{ year } t_1)$

β_i = beta of company i

$\mu_{\Delta\beta}$ = mean $\Delta\beta$ industry at year t

$\sigma_{\Delta\beta}$ = standard deviation $\Delta\beta$ all company in the same industry

Operation: Turnover is defined as income assets over total assets is one measure of operating efficiency (Kiyamaz, 2006), as shown below.

$$Operating_1 = \frac{Revenue}{Total Asset} \quad (3.4)$$

Reporting: Earnings management is illegal, the financial *restatement*, and financial fraud in the use as evidence of poor financial reporting (Cohen *et al.*, 2004). Thus, one measure for the low reliability of reporting is a combination of the three variables are easily observed: material weaknesses, auditor's opinion, and the *restatement*. If a company discloses the existence of material weaknesses in the annual report, the variable is given a value of 1, and given the value 0 otherwise. Firms with an unqualified opinion in the auditor's report they have a value of 0, if disclosed other is given a value of 1. Data on material weaknesses and the auditor's opinion is collected from company annual reports. If a firm announced a *restatement* in year t given the value 1, if not given a value of 0.

$$Reporting_1 = (Material Weakness) + (Auditor Opinion) + (Restatement) \dots\dots\dots(3.5)$$

The absolute value of abnormal accruals have also been used to measure the quality of financial reporting is poor (Johnson *et al.*, 2002). The second measure of the reliability of corporate reporting is used in this study is the relative proportion of the absolute value of abnormal accruals divided by the number of absolute value of abnormal accruals and abnormal accruals. Abnormal accruals are measured using *cross-sectional* Jones (1991) model of accrual measurement, as described in Defond and Subramanyam (1998), Herawaty (2008) and Para *et al.* (2007). Calculation of total accruals measured as the difference between earnings and operating cash flow using the formula:

$$TA = net\ income - net\ operating\ cash\ flow \dots\dots\dots (3.6)$$

To decompose total accruals into normal accruals and abnormal accruals is calculated by the following steps.

$$\frac{TA_{it}}{A_{it-1}} = \alpha_0 \left[\frac{1}{A_{it-1}} \right] + \alpha_1 \left[\frac{(\Delta PO_{it} - \Delta Piut_{it})}{A_{it-1}} \right] + \alpha_2 \left[\frac{PPE_{it}}{A_{it-1}} \right] + e_{it} \dots\dots\dots(3.7)$$

$$NDA_{it} = \alpha_0 \left[\frac{1}{A_{it-1}} \right] + \alpha_1 \left[\frac{(\Delta PO_{it} - \Delta Piut_{it})}{A_{it-1}} \right] + \alpha_2 \left[\frac{PPE_{it}}{A_{it-1}} \right] \dots\dots\dots(3.8)$$

$$DA_{it} = TA_{it} - NDA_{it} \dots\dots\dots(3.9)$$

where:

α_0	= constant	A_{it-1}	=total asset firm i at year t
α_1, α_2	=coefficient	ΔPO_{it}	=operating revenue change of firm i
TA_{it}	= total accrual firm i at year t	$\Delta Piut_{it}$	=account receivable change of firm i
DA_{it}	= <i>discretionary</i> Accrual firm i year t	PPE_{it}	=property, Plant, and Equipment of firm i at year t
NDA_{it}	= <i>nondiscretionary accrual</i> firm i at t	e_{ijt}	= error

OLS (*ordinary least squares*) is used to obtain the coefficients of each variable on top. Reliability of reporting was measured by using the following formula:

$$Reporting_2 = \frac{|Normal\ Accrual|}{|Normal\ Accrual| + |Abnormal\ Accrual|} \dots\dots\dots(3.10)$$

Compliance: O'Keefe *et al.* (1994) found evidence that corporate compliance with *Generally Accepted Auditing Standards* (GaAs) can be increased with an increase in costs audit. Compliance measured by the following equation:

$$\text{Compliance} = \frac{\text{Auditor fee}}{\text{Total Asset}} \dots\dots\dots(3.11)$$

The next independent variable of this study consisted of independence, expertise, size and Diligence audit committee is measured as follows:

Audit Committee: Percentage of the audit committee of independent independent (KA_Indp) commissioners to the number of audit committees.

Audit Committee: Percentage of audit committee that educational background Expertise (KA_Expt) and financial accounting of the number of audit committees.

Size of the Audit Committee: The total number of audit committee Committee (KA_Size)

Diligence Audit: 1 if the number of meetings that are held four times or more Committee (KA_Dilgc) a year, 0 if less than four time a year

This study also include firm size, leverage, and profitability as a control variable into the model as a study where some previous studies stated that the three variables related to the ERM (Orphan, 2009; Altuntas, et.al., 2011). The size of the natural logarithm diprosikan company's total assets, Leverage measured by comparing the total debt to total equity and profitability is measured by comparing net income to total assets.

Data Analysis Techniques

Data analysis techniques used in this study is the multiple linear regression, which were previously conducted trials ie the classical assumption of normality, multicollinearity and heteroscedasticity. Model used to test the hypothesis is as follows:

$$\begin{aligned} \text{ERM} = & \beta_0 + \beta_1 + \beta_2 \text{KA_Indp} \text{KA_Ekpt} \text{KA_Size} \beta_3 + \beta_4 + + \text{SIZE} \text{KA_Dilgc} \\ & + \\ & \beta_5 \beta_6 \beta_7 \text{ROAF} \text{LEV} + + e \dots\dots\dots (3.12) \end{aligned}$$

where:

β_0 = Intercepts	Auditor Reputation KA_Dilgc =
β_1 - β_5 = Coefficient Regression	SIZE = Size Companies
Enterprise Risk Management ERM =	LEV = Leverage
KA_Indp = Independent Commissioner	ROA = Profit
KA_Ekpt = The size of the Board of Commissioners	ofe = error term
KA_Size = Audit Committee	

4. DATA ANALYSIS AND DISCUSSION

Sample

The sample in this study were obtained by using *purposive sampling* method. In accordance with predetermined criteria, the results of this study sample selection are as follows:

Table 4.1 Sample Selection List

Criteria	Number
Companies <i>listed</i> on the Stock Exchange in 2007-2010	35
Companies that <i>delisted</i> in 2007-2010	4
Companies that do not have the complete financial statements and data	11
The number of samples in research	20

Sources: Secondary data is processed (2011)

Based on Table 4.1 above were obtained with a sample of 20 companies during the observation period of three (3) years, and eventually acquired a total of 60 observations, the data in this study.

Descriptive Statistics

Table 4.2 shows the descriptive statistics of the study include the value of the average (*mean*), maximum, minimum and standard deviation of each variable used in this study are as follows.

Table 4.2 Descriptive Statistics

Variables	Minimum	Maximum	Value Average	Standard Deviation
ERM	-3.43	4.49	1.1880	1.77134
KA_Indp	0.00	0.75	0.3314	0.12900
KA_Ekpt	0.20	2.00	0.5610	0.25924
KA_Size	2.00	7.00	3.8000	1.19036
KA_Dilgc	0.00	1.00	0.9167	0.27872
SIZE	12.07	14.60	13.3801	0.77256
LEV	0.79	1.27	0.9083	0.06129
ROA	-1.30	0.04	-0.0136	0.17013

Sources: Secondary data is processed (2012)

Table 4.2 above shows the average index value of ERM is 1.1880, the highest score at 4.49 and the lowest value of -3.43. This suggests that the achievement of ERM in banking companies tend to be high. Audit committee independence variable (KA_Indp) has an average of 0.3314, which means that 33.14% sebayak company's audit committee of independent samples come from the commissioner. Further 56.10% of the sample firms have an audit committee accounting expertise and finance (KA_Ekpt), and the average sample firm has a number of audit committee (KA_Size) by 4 people, and as much as 91.67% sample company's audit committee meetings (meetings) (KA_Dilgc) four times or more a year.

Regression Analysis Result

Table 4.3, shows the results of multiple regression analysis with a value of *R Square* of 55.8%. These results indicate that 55.8% of the dependent variable, namely Enterprise Risk Management (ERM) can be explained by the independent variables (KA_Indp, KA_Ekpt, KA_Size, KA_Dilgc, SIZE, LEV and ROA), while the remaining 44.2% is explained by other variables that are not included in this research model. Significance of

F value of 0.000 probability of <5%, indicating that the model developed in this study is the fit.

Table 4.3
Regression Analysis of the Audit Committee Characteristics and ERM

Variables	Regression coefficients	t-statistics	Sig.
(Constant)	-23.357	-4.649	0.000
KA_Indp	3.041	2.275	0.027 *
KA_Ekpt	0.612	0.900	0.372
KA_Size	0.163	0.840	0.405
KA_Dilgc	0.020	0.032	0.975
SIZE	15.63	5.623	0.000 *
LEV	17.99	0.380	0.705
ROA	-1.168	-0.695	0.490
R Square	0.558		
Adjusted R Square	0.498		
F	9.372		
Sig.	0.000		

Note: * Significance alpha of 5%

Audit Committee Characteristics and ERM

Testing the hypothesis one wants to prove that the independence of audit committees (KA_Indp) positive effect on ERM. The results of hypothesis testing shows the regression coefficient of 3.041 with a significance level below 5% (0.027). Statistically, a significant positive effect KA_Indp variables against ERM. Therefore, the results of this study accepted the hypothesis 1. Significant positive effect means that more and more from the audit committee of independent commissioners, then the application will be more effective ERM. The results of testing the first hypothesis of this study support the opinion expressed by Cohen et al., (2002) that would be effective if the audit committee independent of management. These results are also consistent with the results of Dionne and Triki (2005) which proves that the requirements regarding audit committee independence prompted the company to pay more attention to risk management. Research Abbott, et. al., (2002) concluded that the independence of audit committees related to the negative (positive) with the financial statement *fraud*, as well as with the results of Orphans (2009) concluded that there is a strong relationship between the independence of the audit committee on the establishment of risk management committee.

Testing hypothesis 2, that the audit committee expertise (KA_Ekpt) positive effect on the implementation of ERM. The results of hypothesis testing showed that the regression coefficient of 0.612 with a significance level > 5%. Statistically, the variable KA_Ekpt no significant effect on the implementation of ERM. So the second hypothesis which states the expertise of the audit committee a positive effect on ERM application is rejected. These results suggest that accounting and financial expertise can not improve the implementation of ERM. The results of hypothesis testing in this study do not support research conducted by Dionne and Triki (2005) that the audit committee of the

whole educational background in finance and the board of commissioners who manyoritas educational background in finance is more active in risk management. Carcello *et al.* (2006) concluded that the audit committee expertise in finance proven effective in reducing earnings management. Similarly, the results of the study Abbott, et. al., (2002) concluded that the audit committee has financial expertise is positively associated with reporting back to the financial statements and financial expertise related to the negative (positive) with *fraudulent* financial statements, as well as the p enelitian Orphan (2009) who concluded that the audit committee expertise is strongly correlated towards the establishment of risk management committee.

Further testing of the hypothesis 3 that the size of the audit committee (KA_Size) positive effect on the implementation of ERM. The results of hypothesis testing showed that the regression coefficient of 0.163 with a significance level > 5%. Statistically audit committee size variables had no significant effect on the implementation of ERM. Therefore, these results reject the hypothesis 3. These results suggest that the large number of audit committee can not affect the company's management to be more concerned with improving the implementation of ERM. Therefore, the results of testing this hypothesis is not supported study conducted by Dionne and Triki (2005) who proved that the terms of the number of audit committee encourages companies to pay more attention to risk management. However enelitian p is in line with the results of research Orphan (2009) who concluded that there is no strong relationship between the size of the audit committee with the establishment of risk management committee.

Next test the hypothesis 4 that the audit committee diligence (KA_Dilgc) positive effect on the implementation of ERM. Test results showed that the regression coefficient of 0.020 with a significance level > 5%. Statistically, the variable that diproksikan diligence audit committee with a number of meetings (the meeting) no significant effect on the implementation of ERM, so that the results of this study reject the hypothesis 4. These results suggest that the large number of meetings (meetings) audit committee can not improve the implementation of ERM. Thus the results are inconsistent with research Orphan (2009) who concluded that there is a strong relationship diproksikan diligent audit committee with a number of meetings towards the establishment of risk management committee. Similarly, the study Abbott, et. al., (2002) who concluded the audit committee meetings at least four times a year significantly negatively related to misstated financial statements.

In addition to testing the hypothesis on the results of this fieldwork also found that firm size significantly influence the implementation of ERM. This means that the larger size of the company, the better application of the ERM. However, leverage is not significant to the implementation of ERM berpengaruh. These results are consistent with research Orphan (2009). Similarly, the profitability is also no significant effect on the implementation of ERM.

5. CONCLUSION, LIMITATIONS AND IMPLICATIONS

Conclusion

Based on the objectives, results and discussion, the conclusions of this study are as follows:

1. The independence of audit committees have a significant effect on ERM. These results indicate that audit committees are a growing number of independent commissioners, then the application will be more effective ERM.

2. Expertise of audit committees does not significantly influence the implementation of ERM. These results suggest that accounting and financial expertise possessed by the audit committee can not improve the implementation of ERM.
3. Audit committee size had no significant effect on the implementation of ERM. These results suggest that the large number of audit committee can not affect the company's management to be more concerned with improving the implementation of ERM.
4. Diligence audit committee (meeting or meetings) did not significantly influence the implementation of ERM. These results suggest that the large number of audit committee meetings or gatherings not capable of improving the implementation of ERM.

Research Limitations and Suggestions

There are some limitations to this study include:

1. Regression results in this study produces a low value of *R Square* and from the fourth hypothesis received only a hypothesis. Therefore, for further research are expected to develop this research not only on the characteristics of audit committees, but can be extended to other corporate governance mechanisms such as the commissioner, commissioner of an independent, institutional ownership and others.
2. This bank is one of the types of financial companies that have many rules that bind primarily related to its financial condition. Banking companies also have different characteristics from other types of companies. Binding rules and the different characteristics of these companies make the results of this study can not be generalized to other industries. Therefore, for subsequent researchers are expected to develop this research to other types of companies bernagai.

Implications of Research

The results of this study contribute to interested parties such as governments, Bapepam, and IAI in formulating policies, regulations, and standards related to risk management. In addition, it can also provide input to regulators to intensify their companies listed on the Stock Exchange to have a formal risk management systems and structured to support the creation of *good corporate governance*, because if implemented effectively, risk management can be a force for the implementation of GCG

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