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# Effects of Company Size, Company Age, Audit Committee, and Auditor Quality on Sharia Information Disclosure Compliance -An Indonesian Sharia 'Financial Industry Evidence

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## Abstract

This manuscript describes the research investigated the effect of company size, company age, audit committee independence, and auditor quality on compliance with sharia information disclosure in sharia financial institutions in Indonesia. Compliance disclosure is proxied by the Shariah compliance index adopted from previous studies and adjusted to sharia regulations and principles issued by the National Sharia Board. Firm size is measured by the natural log of company assets, company age is measured since the company was established until now, independence of audit committees is measured based on the percentage of external audit committee members, and auditor quality is measured using a dummy variable worth 1 if the company is audited by Big public accounting office 4 and given a value of 0 if the opposite. This study uses data from Islamic finance companies listed on the capital market for 2014 to 2016. The results of the study show that company size and company age have a positive effect, but external auditor quality has a negative effect on compliance with sharia information disclosure, while the independence of audit committee members has no effect towards compliance with sharia information disclosures. The results of this study are expected to contribute in the form of completing the literature on the level of disclosure of Islamic information that must be disclosed by Indonesian Islamic financial institutions.

**Keywords:** level of disclosure, sharia financial institutions.

## 1. Introduction

This study aims to investigate the effect of company size, company age, audit committee independence, and auditor quality on compliance with disclosure of sharia accounting information for Indonesian companies included in the Islamic finance industry. This research was motivated by the growth of the Islamic financial industry in the last decade which demanded the Islamic finance industry to maintain public trust by always maintaining aspects of information transparency. The second motivation of this research is the fact that sharia financial accounting standards, which are compiled based on the

Basic Framework for Preparation and Presentation of Sharia Financial Statements are not easily implemented especially by new sharia financial institutions or sharia financial institutions established by conventional financial institutions. This happens because sharia accounting standards are prepared based on general accounting concepts and are adjusted to sharia principles (DSAK IAI, 2016). The majority of the financial industry, especially banks, experienced financial problems due to the global financial crisis in 2008. Nevertheless, Islamic banks managed to defend themselves from this financial crisis. As a result, Islamic banking received greater attention from investors, policymakers, and academics (Ben Khediri Charfeddine, and Ben Youssef, 2015).

Currently, Islamic financial institutions, especially Islamic banks, have experienced rapid devel- opment and become a segment of the international financial industry and capital markets (Sellami and Tahari, 2017). Islamic financial institutions operate based on Sharia law derived from interpretations of the Qur'an and Hadid and from other secondary Islamic legal sources, such as Ijma ', Qiyas, and Ijtihad. Therefore, the main focus of Islamic financial institutions is on moral and ethical values, so that in carrying out every transaction Islamic financial institutions use the principle of brotherhood (ukhuwah), justice ('adalah), general interest (maslahah), balance (tawazun), and universalism (syumuliyah). Islamic banking is experiencing rapid growth in various parts of the world so that they gain universal recognition (Sellami and Tahari, 2017). Islamic financial institutions, especially Islamic banks mainly operate in developing countries in the Middle East, Africa, and Southeast Asia, and also in several European and Central American and South American countries.

Regarding accounting standards for sharia in these countries, including Indonesia, they face difficulties in adopting sharia accounting standards into practice due to the absence of formal frameworks and the existence of inconsistencies in financial reporting. There are two accounting standards, namely the International Financial Reporting Standards (IFRS) and the Accounting and Auditing Organization for Islamic Financial Institutions' Financial Accounting Standards (AAOIFI FAS). Indonesia, although having KDPPLKS since 2008 faced the same problem, namely about how to implement two standards whose contents are sometimes out of sync. For example, temporary sirkah funds according to sharia principles must be presented in the statement of financial position as a separate element between liabilities and equity. Conversely, according to IFRS, these accounts must be classified and presented as part of liabilities. Even though temporary sirkah funds have been regulated in Sharia Accounting Standard number 101 regarding the presentation of financial statements (DSAK IAI, 2016), compliance with their application needs to be empirically tested.

This study contributes mainly to supplementing the literature on the disclosure of Islamic financial information, because throughout the researchers' observations, currently there is still very little empirical research conducted on compliance with standards for disclosure of Islamic financial accounting information. Most research on compliance is related to IFRS (Nobes, 1990; Street and Gray, 2002; Al-Akra et al., 2010; Tsalavoutas, 2011; Glaum et al., 2013; Krismiaji et al., 2019). Therefore, this study focuses on the disclosure of accounting standards (PSAK 101). This standard requires the disclosure of a lot of information that does not need to be reported by conventional financial institutions so as to make this standard complex to obey. In addition, this study focuses on Indonesian financial services companies that have relatively recently had sharia accounting standards, so they have the potential not to fully comply with these standards. The difference between this research and previous research is that this study focuses on disclosure of mandatory information in accordance with sharia regulations while some previous studies have focused more on voluntary disclosure, namely research conducted by Haniffa and Hudaib (2007); Aribi and Gao (2011) and Darmadi (2013).

Based on previous research studies on compliance with accounting standards (Glaum and Street, 2003; Tsalavoutas, 2011; Glaum et al., 2013) and theories related to disclosure (agency theory, political costs theory and signaling theory), researchers look for answers to questions the following research:

**RQ1:** How are the influence of company characteristics (company size; company age), independence of the audit committee, and auditor quality on the level of compliance with sharia information disclosure in Indonesian sharia financial services companies?.

Thus, the purpose of this study is to investigate the influence of company size; the age of the company, the independence of the audit committee, and the quality of the public accounting firm on the level of compliance with sharia information disclosure in Indonesian sharia financial services companies. To achieve these objectives, the research uses the sharia disclosure index adopted from previous studies and adjusted to the applicable provisions in Indonesia.

The next section of this paper is organized as follows. The second part examines the theory and previous research to formulate the research hypothesis. The third part describes the research method and the fourth part details the data analysis and statistical test results. The final section presents the research findings and limitations of the study, including the implications and opportunities for further research.

## 1.1. IASB, AAOIFI, and SASB

The International Accounting Standard Board (IASB) was formed in 2001 to replace the International Accounting Standards Committee (IASC) which was established in 1973. The IASB is an independent and private institution that develops and issues international accounting standards both IAS and IFRS. IFRS is also used throughout the world, but the process of making IFRS as a standard must be done differently in each country. IFRS is also applied in Islamic countries. In addition, there is also a body of accounting standards compilers specifically compiling sharia accounting standards called the Accounting and Auditing Organization for Islamic Financial Institutions' Financial Accounting Standards (AAOIFI FAS) which was established in 1991. This institution is non-profit and has the task of compiling standards accounting, auditing, governance, ethics, and sharia for Islamic financial institutions. AAOIFI developed 44 sharia standards, 26 accounting standards, five auditing standards, eight governance standards, and two Islamic banking codes of ethics. IAS and IFRS focus on setting standards for public institutions because they are intended to be applied to all commercial companies in all industries in both the public and private sectors. AAOIFI FAS focuses on producing standards for Islamic institutions. IFRS focuses on accounting standards, while AAOIFI focuses on accounting standards, auditing standards, and sharia standards.

IAI Syariah Accounting Standards Board (SASB) is an institution formed specifically to develop Islamic financial accounting standards. (IFAS) The preparation of sharia accounting standards is carried out in accordance with the development of the fatwa of the National Sharia Council of the Indonesian Ulama Council (MUI DSN) and by considering the development of sharia financial business activities. IFAS complements general financial accounting standards by regulating accounting for sharia transactions. The main sharia transactions are regulated in financial accounting standards such as Murabaha, istishna ', salam, mudharabah, musyarakah, ijarah, tabarru', sukuk, and zakat. Until 2017, SASB has issued 11 IFAS and one technical bulletin.

## 1.2. Literature review of mandatory disclosure compliance.

Previous research investigating the level of compliance of financial institutions in various countries is still small. Most do research on compliance with IAS/IFRS or to local accounting standards for non-financial companies. Generally, these studies exclude groups of financial institutions because financial institutions are highly regulated by

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certain international accounting standards and disclosure regulations (Street and Gray, 2002; Al-Shammari et al., 2008; Hodgdon et al., 2009).

Especially for Islamic banks, Sarea (2012) explores the attitude of accountants regarding levels of compliance with AAOIFI FAS using survey methods. The researchers found that most had the same mean score. Research conducted by Vinnicombe (2010) measures the level of compliance with some AAOIFI FAS elements in Bahrain. The research findings show very high compliance with governance standards related to the Sharia Supervisory Board and reporting of murabahah contracts. On the contrary, compliance with AAOIFI rules regarding taxes on zakat and mudarabah contracts is relatively low. The next study on compliance was carried out by Sellami and Tahari (2016) who found that compliance levels varied between accounting disclosure standards, and compliance levels positively related to the listing status, the existence of audit committees, bank age, and bank domicile.

## 1.3. Hypotheses Development

This study uses agency theory and signaling theory because the two theories explain and predict information reported by management to shareholders. An increase in compliance with mandatory disclosures reduces agency costs (Sellami and Tahari, 2017) because this increase in compliance with mandatory disclosures can reduce information asymmetry and strengthen management's reputation. Thus, management has an incentive to increase the level of compliance with accounting standards.

The signaling theory states that information reported by managers to markets reduces information asymmetry, which is interpreted as a good signal by the market. Conformity between local community values and legal professional requirements also associates with reporting and disclosure practices (Omar and Simon, 2011). By considering the implications expressed by the signaling theory, managers have strong incentives to measure compliance risk (Tsalavoutas, 2011). In addition, the political cost theory can also be used to explain the level of compliance with mandatory disclosures. Watts and Zimmerman (1978) argue that companies, especially large companies, get more public attention. Therefore, a low level of compliance with accounting standards motivates politicians to test the financial statements produced. Based on the theoretical explanations and the assessment of previous research on factors that influence levels of compliance with accounting standards (Nobes, 1990; Glaum and Street, 2003; Akhtaruddin, 2005; Al Mutawaa and Hewaidy, 2010; Tsalavoutas, 2011; Glaum et al., 2013), the researcher identified factors that explained the level of compliance of sharia financial institutions to

accounting standards as follows: company size, external auditor quality, audit committee quality, and company age.

## 1.4. Company size and compliance level

The positive relationship between mandatory disclosure and company size is explained by agency theory and political cost theory. Large companies are the subject of an intervention by the government. To reduce political costs, large companies tend to increase compliance with mandatory disclosures. Previous research identified that firm size is one of the determinants of compliance with IAS (Street and Bryant, 2000; Street and Gray, 2002; Glaum and Street, 2003; Glaum et al., 2013). According to Glaum et al. (2013), large companies tend to have more resources to be channeled to the accounting department than small companies. In addition, the costs of disclosure and reporting are fixed costs so that these costs will decrease if the unit of activity undertaken increases. In addition, large companies also face greater political pressure and public attention than small companies, therefore large companies have greater incentives to fully comply with all required disclosure and reporting regulations (Glaum et al., 2013). Some previous research found a positive relationship between firm size and compliance with IAS / IFRS (Wallace and Naser, 1995; Akhtaruddin, 2005; Lopes and Rodrigues, 2007; Hassan et al., 2009; Al-Shammari et al., 2008; Barbu et al., 2014). Based on the study above, the researcher formulated the hypothesis as follows:

H1. Firm size is positively related to the level of compliance of sharia financial institutions to sharia accounting disclosure standards.

## 1.5. Audit Committee Independence and level of compliance

Klein (2002) states that the independence of audit committees influences the effectiveness of committees in monitoring financial reporting, because of the influence of independence on the ability of commissioners to effectively monitor corporate financial reporting. Felo et al. (2003) and Abbott et al. (2004) argue that the independence of the audit committee is claimed to be a mandatory requirement for the committee to be able to carry out its responsibilities objectively. Ba-Abbad and Wan-Hussin (2011) found that the independence of the audit committee was not related to the level of IFRS disclosure, while Al-Akra et al. (2010) found a positive relationship between the independence of the audit committee and the level of IFRS disclosure. The findings of Al-Akra et al. is confirmed by the results of research conducted by Juhmani (2017)

who found a positive relationship between the independence of the audit committee and the level of IFRS disclosure. Based on this condition, the researcher formulated the hypothesis as follows:

H2. The independence of the Audit Committee positively relates to the level of compliance of sharia financial institutions to sharia accounting disclosure standards.

## 1.6. Auditor quality and level of compliance

There are several explanations for this influence in relation to agency theory. An audit is one of the monitoring activities that increase the value of the company and reduces the problem of the agency (Watts and Zimmerman, 1983). In addition, the signaling theory assumption can also be applied to understand the relationship between disclosure and auditor quality. Large public accounting firms have an incentive to signal to the market about the high quality of audits they carry out and in turn encourage their clients to fully comply with regulations and accounting standards. Previous research has shown that compliance levels are related to auditor quality. Specifically, previous research found a positive relationship between compliance and audits conducted by Big 4 public accounting firms (Street and Gray, 2002; Glaum and Street, 2003; Al-Akra et al., 2010; Tsalavoutas, 2011; Glaum et al., 2013). Based on the study above, the researcher formulated the hypothesis as follows:

H3. Auditor quality is positively related to the level of compliance of sharia financial institutions to sharia disclosure accounting standards

## 1.7. Company age and compliance level

To maintain their reputation, companies that are long-lived are expected to show a high level of compliance with disclosure rules (Sellami and Tahari, 2017). The age of the company was chosen as one of the predictors of corporate disclosure because the company was more understanding and more experienced with the information needs of the users. According to Owusu-Ansah (1998), the main reason is that younger companies can be depressed by the negative side of competition so they disclose their information very carefully; the burden of data collection and processing, and information dissemination are obstacles for young companies. Therefore, the age of the company can influence the level of mandatory disclosure of IFRS (Popova et al., 2013). Based on the study, the researchers suspected that the age of the company could influence the

level of compliance of sharia financial institutions in disclosing information in accordance with sharia accounting standards. Thus, the hypothesis can be formulated as follows:

H4. The company's age is positively related to the level of compliance of sharia financial institutions to sharia disclosure accounting standards.

# 2. Methods and Equipement

## 2.1. Sample

The sample in this study includes all financial institutions that operate based on sharia principles and are listed on the Indonesia Stock Exchange (IDX) for the years 2015-2017. The sample is chosen based on the following criteria: (1) the company has complete data, (2) the company operates based on sharia principles, and (3) the company applies sharia financial accounting standards in 2015-2017. Data is obtained from various sources, namely IDX, ICMD databases and company annual reports. Data were analyzed using linear regression analysis. Consistent with the previous compliance literature, ordinary least-squares (OLS) regression is used to investigate the influence of company size, company age, audit committee, and auditor quality and control variables on compliance with sharia information disclosures.

## 2.2. Dependent variable measurement (disclosure compliance index)

Previous research on disclosures constructed different disclosure indices. Some researchers construct themselves, others use indexes developed by other researchers. As previous research on compliance with IFRS and sharia accounting standards (Glaum and Street, 2003; Lopes and Rodrigues, 2007; Al-Shammari et al., 2008; Hodgdon et al., 2009; Al Mutawaa and Hewaidy, 2010; Amoako and Asante, 2012), this study also uses a self-constructed index consisting of sharia items that must be disclosed. The index has three characteristics, namely dichotomy, unweighted, and adjusted for items that do not exist (Lopes and Rodrigues, 2007). To measure compliance with disclosure obligations, this study uses a dichotomy approach. The disclosure score is calculated for each company and is used as the dependent variable in the regression model. The total score for disclosure for a company is the same as the number of items disclosed in the annual report (if it is not in the annual report, it is treated as non-disclosure). The next disclosure index was made to measure the relative level of disclosures after

calculating the total disclosure score for each company. An index is the ratio of the actual score obtained by a company divided by the possible maximum score.

## 2.3. Independent variables measurement

The independent variables used in this study are company size, audit committee independence, auditor quality, and company age. To measure company size, researchers use natural total asset logs. This measure is used by Wallace and Naser (1995), Lopes and Rodrigues (2007), Al-Shammari et al. (2008) and Barbu et al. (2014). The independence of the audit committee is measured using the percentage of non-executive commissioners on the audit committee. This measure is used by Al-Matari et al. (2012), Adhikary and Mitra (2016), and Majiyebo et al. (2018). To measure auditor quality, researchers use a dummy variable that is worth 1 if the company is audited by a Big 4 auditor and has a value of 0 if vice versa. This measure has been used by Street and Gray (2002), Glaum and Street (2003), Al-Akra et al. (2010), Tsalavoutas (2011), and Glaum et al. (2013). To measure the age of the company, researchers used the number of years since the company was founded. This measure is also used by Owusu-Ansah (1998), Al-Shammari et al. (2008), and Al Mutawaa and Hewaidy (2010).

## 2.4. Measurement of control variables

This study uses two control variables, namely profitability (PROF) and leverage (LEV). Profitability is proxied by return on equity and measured using net income divided by total acquisitions, while leverage is measured by dividing total liabilities by total assets.

## 2.5. Model specifications

This study uses a multivariate model to test the hypothesis. To determine the effect of independent variables on the dependent variable (COMP), Model 1 is used as follows:

$$COMP_{it} = \alpha_{it} + \beta_1 SIZE_{it} + \beta_2 ACIN_{it} + \beta_3 AUD_{it} + B_4 AGE_{it} + \beta_5 PROF_{it} + \beta_6 LEV_{it} + {}_{it} \quad (1)$$

Where COMP is a sharia disclosure index, SIZE is company size, ACIN is an audit committee, AUD is the quality of an external auditor, AGE is the age of the company, PROF is profitability, LEV is leverage, and e is an error term.

# 3. Result

From the sampling process, we obtained data from companies or financial institutions that meet the criteria of 64 financial companies. With the three years duration, which is from 2015 to 2017, the number of observations used in this study is 192 firm-years.

## 3.1. Univariate analysis

The variables used in this study include corporate characteristics and corporate governance consisting of company size, external audit quality, independent audit committee; with control variables namely profitability and leverage, which are presented in the following descriptive statistics table:

TABLE 1: Descriptive Statistics.

|        | Minimum | Maximum | Mean  | Std. Deviation |
|--------|---------|---------|-------|----------------|
| COMP   | 0.01    | 0.96    | 0.44  | 0.23           |
| SIZE   | 23.60   | 31.75   | 26.85 | 2.13           |
| AUD    | 0.00    | 1.00    | 0.49  | 0.50           |
| ACIN   | 0.33    | 0.50    | 0.49  | 0.03           |
| AGE    | 1.00    | 26.00   | 8.67  | 4.59           |
| LEV    | 0.00    | 1.27    | 0.23  | 0.24           |
| PROF   | -0.17   | 7.16    | 0.22  | 0.80           |

Based on univariate analysis, information was obtained that the COMP variable, which is the sharia disclosure index, had a mean value of mandatory disclosure with a score of 0.44 with a standard deviation of 0.23. SIZE variable, which is the company size has an average value of 26.85 with a standard deviation of 2.13. The AUD variable has an average value of 0.49. Because AUD is a dummy variable, this average score indicates that the data for non Big4 auditors is less than the Big4 auditor data. The ACIN variable, which is an independent audit committee, has an average of 0.49 with a standard deviation of 0.03. According to Bapepam-LK Number Kep-643 / BL / 2012, the audit committee consists of at least 3 members from independent commissioners and parties from outside the company. The audit committee is chaired by an independent commissioner, which are: (1) he/she is not a person who works or has the authority and responsibility to plan, lead, control, or supervise the activities of the company within the last 6 (six) months; (2) he/she does not have shares either directly or indirectly with the company; (3) he/she does not have an affiliation with a company, a member of the

board of commissioners, a member of the board of directors, or a major shareholder of the company; and (4) he/she does not have a business relationship either directly or indirectly related to the business activities of the company. With an average score of 0.49, it means that the number of independent audit committee members is sufficient because according to the rules, the number of independent audit committee members is at least one-third of the total members of the audit committee. The AGE variable, which is the age of the company, has an average of 8.67 with a standard deviation of 4.59. LEV variable, which is leverage has an average value of 0.23 with a standard deviation of 0.24. Leverage is the ratio of total debt to total assets by an average of 23%, meaning that the overall assets of the company come from a debt of 23%, the rest using other funding sources. PROF variable which is profitability has a value of 0.22 with a standard deviation of 0.80.

## 3.2. Bivariate Analysis

Pearson correlation between research variables is presented in Table 2. This table shows that the correlation between independent variables is relatively small with the highest value of 0.494, which is the correlation between SIZE and COMP. This means there is no multicollinearity. The direction of correlation for SIZE and AGE shows the same thing as the direction stated in the hypothesis. In addition, the level of significance also supports. For AUD and ACIN the results of the bivariate analysis show the opposite. However, the results of this bivariate analysis are only an initial indication to prove the hypothesis. A comprehensive hypothesis test will be carried out in multiple regression analysis.

TABLE 2: Bivariate Analysis.

|      | COMP   |    | SIZE   |    | AUD    |   | ACIN   | AGE    | LEV   |
|------|--------|----|--------|----|--------|---|--------|--------|-------|
| SIZE | 0.494  | ** |        |    |        |   |        |        |       |
| AUD  | -0.072 |    | 0.073  |    |        |   |        |        |       |
| ACIN | -0.029 |    | -0.113 |    | -0.101 |   |        |        |       |
| AGE  | 0.187  | ** | 0.303  | ** | 0.013  |   | -0.105 |        |       |
| LEV  | -0.019 |    | 0.139  |    | 0.008  |   | -,.089 | 0.062  |       |
| PROF | -0.069 |    | -0.213 | ** | 0.152* | * | 0.076  | -0.061 | 0.087 |

***, **, * show that coefficient is significant at the level of 0.01, 0.05, and 0.1 respectively

## 3.3. Multivariate Analysis

Hypothesis testing is performed by using the ordinary least square (OLS) method. Before testing is conducted, researchers conducted a classical assumption test. From the results of the classical assumption test, it is proven that the data is normally distributed and there are no problems with multicollinearity, heteroscedasticity, and autocorrelation and there are no outliers in the data. The results of the regression analysis are presented in Table 3 below.

$$COMP_{it} = \alpha_{it} + \beta_1 SIZE_{it} + \beta_2 ACIN_{it} + \beta_3 AUD_{it} + B_4 AGE_{it} + \beta_5 PROF_{it} + \beta_6 LEV_{it} + \varepsilon_{it} \quad (2)$$

TABLE 3: Multivariate Analysis.

| Variable | Coefficient | t-Statistic | |
|---|---|---|---|
| Comp | -1.055 | *** | -16.68 |
| SIZE | 0.055 | *** | 112.051 |
| AUD | -0.054 | *** | -5.952 |
| ACIN | 0.059 | | 0.480 |
| AGE | 0.002 | *** | 28.924 |
| LEV | -0.093 | *** | -4.582 |
| PROF | 0.020 | *** | 3.125 |
| Adj. R2 | 0,246 | | |
| F-Statistic | 11,416 | *** | |

***, **, * show that coeficient is significant at 0.01, 0.05, and 0.1 respectively

Table 3 shows the results of regression analysis to test the hypothesis. The value of F from the regression model shows that the multiple regression model is very statistically significant so that the model is feasible for analysis. The adjusted R2 value of 0.246 indicates that the independent variables have an effect on the dependent variable of 24.6 percent. The variables tested in this study were company size (SIZE), auditor quality (AUD), independence of the audit committee (ACIN), and company age (AGE). Table 3 shows that SIZE variable coefficient is 0.055 and significant at 1% level (p = 0,000). This result indicates that company size is significantly positively related to the level of compliance with sharia information disclosure. Thus, it can be concluded that H1 states that company size is positively related to the level of compliance of sharia financial institutions to the accounting standards of sharia information disclosure proven and supported by empirical data. These results provide evidence that the greater the assets owned by the company, the higher the level of compliance of Islamic financial

institutions with accounting standards for sharia information disclosure. This finding confirms Wallace and Naser, (1995); Akhtaruddin (2005); Lopes and Rodrigues (2007); Hassan et al. (2009); Al-Shammari et al., (2008); and Barbu et al., (2014) who found a positive relationship between firm size and compliance with international accounting standards (IAS/IFRS).

The variable coefficient of audit committee independence in Table 3 shows a number of 0.059 and it is not significant. This indicates that the independence of the audit committee does not affect the level of compliance of sharia financial institutions with the accounting standards for sharia disclosures. Thus hypothesis 2 which states that the independence of the Audit Committee is positively related to the level of compliance of sharia financial institutions to accounting standards for sharia disclosure is rejected because it is not supported by empirical data on research. These results contradict with previous studies conducted by Al-Akra et al. (2010) and Juhmani (2017) which found a positive relationship between the independence of the audit committee and the level of IFRS disclosure. Nonetheless, the findings of this study confirm that the research conducted by Ba-Abbad and Wan-Hussin (2011) which found that the independence of audit committees is not related to the level of IFRS disclosure.

The variable coefficient of auditor quality (AUD) in Table 3 shows a figure of -5,952 and is significant at the level of 1%. (p = 0,000). This result means that auditor quality has a negative and significant effect on the level of compliance with sharia information disclosure accounting standards. These results do not support the Hypotheses 3 which states that auditor quality is positively related to the compliance level of sharia financial institutions to disclosure accounting standards. These results contradict to the results of previous studies conducted by Street and Gray (2002; Glaum and Street (2003); Al-Akra et al., (2010); Tsalavoutas (2011) and Glaum et al. (2013), who found a relationship positive between compliance and audits carried out by Big 4 public accounting firms. We suspect that this negative result may be due to auditors who audit financial statements not specialist auditors of sharia financial institutions. These allegations are reasonable if associated with descriptive statistical data that indicate that the average company that uses Big4 audit services is 49 percent.

Table 3 shows that the variable AGE coefficient is 0.002 and is significant at level 1% (p = 0,000). These results indicate that the age of the company is significantly positively related to the level of compliance with sharia information disclosure. Thus, it can be concluded that H4 which states that company size is positively related to the level of compliance of sharia financial institutions to the accounting standards of disclosure of sharia information proven and supported by empirical data. These results provide

evidence that the older the age of the company, the higher the level of compliance of sharia financial institutions with accounting standards for sharia information disclosure. The results of this study confirm previous studies conducted by Popova et al. (2013) who reported that the age of the company could influence the level of IFRS mandatory disclosures and claims made by Sellami and Tahari (2017) stating that in order to maintain its reputation, companies that are old-age showed a high level of compliance with disclosure rules.

The results of the analysis also show that the control variables have different influences. The leverage variable has a coefficient of -0.093 and is significant at the level of 1% (p = 0,000). This means that the LEV variable has a negative effect on the level of compliance of sharia financial institutions to the accounting standards for sharia disclosures. The variable profitability coefficient is 0.020 and is significant at level 1%. (p = 0,000). This means that the PROF variable has a positive effect on the level of compliance of sharia financial institutions to the accounting standards for sharia disclosures.

## 4. Conclusion

This research was conducted to obtain evidence about the effect of company size, auditor quality, audit committee independence, and company age on the level of compliance of sharia financial institutions to sharia information disclosure standards. The results showed that company size and company age had a positive effect, audit quality had no effect, and the independence of the audit committee had no effect on the level of disclosure of Islamic information.

This research has limitations so that it opens up opportunities for further research in the future. The first limitation is the number of samples studied is only 64 companies because there are not many financial institutions in Indonesia. This condition can result in a reduced value of generalization of the results of the study. Therefore, further research can be done using more samples from several countries. The second limitation, this study only focuses on aspects of sharia information disclosure and ignores other information disclosures that may be important in a sharia-based industry such as elements of corporate social responsibility. Therefore, further research can be done by including these elements. By incorporating elements of social responsibility, the results of the study can provide a more complete picture of the compliance profile of Islamic financial institutions or institutions.

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