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THE EFFECT OF GOOD CORPORATE GOVERNANCE MECHANISM ON EARNING MANAGEMENT

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ABSTRACT

Earning management activities are often an alternative carried out by company officials to show the performance of their company's financial statements. One such phenomenon occurred at PT Tiga Pilar Sejahtera (TPS) Food Tbk in 2018 and resulted in two boards of directors being punished in this case. The purpose of this study is to test and analyze the effect of good corporate governance mechanisms on earning management actions. The mechanism of good corporate governance in this study consists of the size of the board of directors, the size of independent commissioners, the frequency of audit committee meetings, audit committee expertise, and the type of auditor as well as Leverage and Profitability as control variables. This research method was carried out using a quantitative approach with multiple linear regression analysis techniques and hypothesis testing. The sample in this study is 70 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period using purposive sampling techniques. The results showed that the size of the board of directors, frequency of audit committee meetings, audit committee expertise, and type of auditor had a negative influence on earning management, while the size of independent commissioners had no effect on earning management.

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INTRODUCTION

In one period, company profits often attract the attention of users of financial statements to measure the performance of a company (Osianto & Pudjolaksono, 2022). The Extraordinary General Meeting of Shareholders (EGMS) in 2018 indicated that Tiga Pilar Sejahtera (TPS) Food Tbk. streamlined earning management, where in 2017 they lost as much as $5.23 trillion and in 2018 as much as $1.03 billion so that the company's shareholders protested the 2017 financial statements (Ramdhanti & Indrati, 2022). After the incident, a second EGMS was held to audit PT TPS Food's 2017 financial statements together with KAP Ernst &; Young Indonesia (EY). From the results of the investigation carried out found a bubble (overstatement) which reached 4 trillion. Bubbles were also found in sales accounts amounting to Rp662 billion, and amounting to Rp329 billion overstatement EBITDA in the food division, as well as the flow of funds to parties affiliated with Joko Mogoginta and Budhi Istanto which reached IDR 1.78 trillion without adequate disclosure (kompasiana, 2022). The aftermath of this case resulted in the two former directors being convicted for their earning management activities.

Based on these cases, profit information is often the target of opportunistic actions of management to maximize its interests (Alexander, 2021). Muda et al., (2018) have raised a question regarding the effectiveness of Corporate Governance which is good to implement in the company to limit earning management activities. Therefore, Good Corporate Governance is needed as a mechanism to minimize moral hazard and avoid performance Corporate Governance inefficient due to wrong decision making (Indrati et al., 2021).

The board of directors has an important task in managing earning management in the company (Sajjad et al., 2019). They manage the company's accounting system by ensuring managers adhere to accounting principles and standards that are important in presenting financial statements to ensure the credibility of accounting information (Githaiga et al., 2022).

Yanthi et al., (2021) mentioned that members of the Independent Board of Commissioners have no substantial connection to the company even though they act as colleagues, shareholders, or employees in the company. Nevertheless, the company's independent commissioners can still influence earning management (Junaedi & Sudarwan, 2020). With a growing number of independent commissioners, it is expected to oversee the running of other executive roles and minimize agency issues (Tanzil & Arrozi, 2020).

The audit committee one of the systems that is able to align the needs of management with majority and minority shareholders (Mardjono & Chen, 2020). The audit committee also helps the board monitor financial, accounting, and internal oversight processes (Mauren & Purwaningsih, 2022). The holding of meetings and each audit committee has accumulated expertise are expected to minimize opportunistic behavior in earning management.

The type of auditor relates to a public accounting company in the KAP category Big-4 and KAP non Big-4. They are in charge of auditing financial statements. Companies that are already large and Go public On average, they prefer to use the services of auditors to check their financial statements in KAP Big-4 as well as to avoid existing risks (Panjaitan & Haryanto, 2021). A good KAP reputation will be one of the variables that can reduce earning management cases, because if you use a reputable KAP, managers have the opportunity to do earning management (Widagdo et al., 2021).

Leverage and Profitability in this study became a control variable. Leverage being one of the important variables that can help stakeholders to recognize the company's ability to pay its obligations, so that there is a possibility for the company to engage in earning management practices (Susanto & Yangrico, 2020). Profitability is used to measure a company's operational performance that reflects profits (Princess & Maksum, 2020). High profitability increases the opportunistic behavior of managers who motivate managers to manipulate profits for specific goals (Asim & Ismail, 2019).

Research Alexander, (2021) mentioning the size of the board of directors and the quality of the audit has no impact on earning management variables. However, the independent commissioner on research Karina & Alfarizi, (2021) shows a positive influence on earning management variables. While the results of the research Kapkiyai et al., (2020) and Abdel & Ali, (2022) mention committee expertise and the audit committee meeting frequency negatively affect earning management variables. This research refers to research Putri & Prasetyo, (2020) which states that only the expertise of the audit committee has a negative effect on earning management among the size of the board of directors, independent commissioners, the size of the audit committee, and the type of auditor has no influence on the earning management of LQ-45 companies listed on the Indonesia Stock Exchange (IDX). Therefore, the difference between this research and the research Putri & Prasetyo, (2020), there is a proxy change of audit committee expertise to an ordinal scale from 4 until 1 to determine how well the audit committee is based on its expertise (Mardjono & Chen, 2020).

The next difference is in the proportion of the audit committee to the audit committee meeting frequency in one period. The reason to be a comparison between the number of meetings and the presence of meeting members, which can trigger decision rates. Because, the effectiveness of the audit committee is also seen from the number of their meetings (Mardjono & Chen, 2020). In addition, the population taking of manufacturing companies is also a differentiator. The reason is that the manufacturing industry is often an option that attracts the attention of investors among industries in Indonesia because of its ability to generate profits (Mardjono & Chen, 2020). Therefore, based on their ability to generate profits, manufacturing companies are considered suitable as samples in this research because they will test how a company generate its company profits in terms of corporate governance.

The purpose of the study was to examine how much influence the effect of good corporate governance mechanism on the earning management variables of the manufacturing industry. Benefits for companies to improve the running of the corporate governance system in displaying the company's financial statements so that they are consistently able to maintain business continuity and provide views for shareholders to be more careful in reading financial statements.

LITERATURE REVIEW

Agency conflict exists if management does not take action as required by shareholders (Kapkiyai et al., 2020). As the core of Corporate Governance and boards that have the role of creating effectiveness in monitoring management (Githaiga et al., 2022). A large board of directors will maximize the supervisory role, which can affect the company's performance. This statement occurs because the increasing proportion of the board of directors, the higher the control and monitoring activities by the board of directors on earning management variables (Githaiga et al., 2022).

This is in line with research Hemathilake et al. (2019), Fitriyana (2020), and Cho & Chung (2022) which shows the board of directors has a negative impact on earning management. Based on the description above, the following hypothesis is formed:

H 1 : The size of the board of directors negatively affects earning management.

In agency theory, an independent commissioner acts as a principal because his role is to oversee management policies as an agent in obtaining profits at the time of reporting (Handriani, 2020). More independent commissioners can reduce earning management because the proportion of independent commissioners can contribute to quality financial statements (Gunawan et al., 2021). This means that the existence of an independent commissioner can increase supervisory actions which will later have an impact on the use of lower discrious accruals (Handoyo & Kusumaningrum, 2022).

This is in line with research Fitriyana (2020), Indarti et al. (2021), and Ramdhanti & Indrati (2022) which shows that independent commissioners have a negative impact on earning management. Based on the description above, the following hypothesis is formed:

H 2 : Independent commissioners negatively affect earning management.

The activity of the audit committee is seen from the number of meetings. Agency theory holds that the audit committee can provide oversight when the audit committee conducts a large number of meetings in a year, resulting in a reduced tendency of managers to manage profits (Kapkiyai et al., 2020). Setiawan et al., (2020) it is also believed that the many meetings of the Audit Committee are expected to suppress earning management.

This statement is in line with research Kapkiyai et al. (2020) and Abdel & Ali (2022) which explains the audit committee meeting frequency has a negative impact on earning management. Based on the description above, the following hypothesis was formed:

H 3 : The audit committee meeting frequency negatively affects earning management.

Agency problems arise when principals delegate tasks, operational manager obligations, and strategies to managers in the hope that agents can optimize company value (Gunawan et al., 2021). As a supervisor, the audit committee will be tasked with ensuring and improving the quality of financial statements (Ngo & Le, 2021). Therefore, in practice, expertise in accounting is needed so that its duties as an audit committee are more productive (Mardjono & Chen, 2020). The higher the proportion of financial and accounting expertise the audit committee can suppress earning management actions (Florencea & Susanto, 2019).

This is in line with research Putri & Prasetyo (2020), Kapkiyai et al. (2020) Handriani (2020), (Ngo & Le, 2021), and Abdel & Ali (2022) who interpret the expertise of the Audit Committee as having a negative impact on earning management. Based on the description above, the following hypothesis is formed:

H 4 : Audit committee expertise negatively affects earning management.

Management conflicts with shareholders in agency theory can lead to information asymmetry (Kapkiyai et al., 2020). Therefore, in delivering accurate information and reliable financial statements, a company will use the services of KAP (Vidiyastutik & Hendra, 2020). Quality of auditors who are included in KAP Big-4 Considered to have better audit quality than accounting non Big-4 (Osianto & Pudjolaksono, 2022). Thus, KAP category Big-4 judged to be able to find earning management syndicates (Nugrahanti & Nugroho, 2022).

This is in line with research Fairus & Sihombing (2020), Osianto & Pudjolaksono (2022), and Ramdhanti & Indrati (2022), which states the type of auditor based on his or her quality negatively affects earning management. Based on the above explanation, the following hypothesis was formed:

H 5 : The type of auditor negatively affects earning management.

RESEARCH METHODS

The research used quantitative approach methods. The population is taken from secondary data on the financial and annual statements of the manufacturing industry listed on the Indonesia Stock Exchange (IDX) during the period 2019-2021 and each company's official website. The Purposive Sampling method is used as a sample collection technique with the criteria of manufacturing companies that are actively listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021, manufacturing companies that present financial statements using Rupiah currency from 2019 to 2021, manufacturing companies that earn profits from 2019 to 2021, and manufacturing companies that meet research variables. There are 70 companies covering all criteria determined from a total of 214 observations with a total sample of 210 data.

Each variable has a measurement. The size of the Board of Directors is proxied based on the sum of the proportion of the board of directors (Tran et al., 2020). The size of the Independent Commissioners is proxied as a percentage of the proportion of independent commissioners divided by the company's board of commissioners as a whole (Fitriyana, 2020). The Audit Committee Meeting Frequencys is proxied based on the number of audit committee meetings in one year (Florencea & Susanto, 2019). The expertise of the Audit Committee has a great influence on a financial statement. Coates, Marais, & Weil, (2007) in the journal Mardjono & Chen, (2020) using ordinal scales as a measure of Audit Committee expertise. Scale 4 is given to audit committees that have experience as controllers and accountants, scale 3 is given to audit committees that have experience as financial directors or experts in finance, scale 2 is given to audit committees that have experience as managers outside the financial sector, and scale 1 is given to audit committees with experience outside the business field. So that the expertise of the audit committee is proxied using the audit committee's expertise score divided by the total audit committee (Mardjono & Chen, 2020).

The Auditor type is proxied using dummy variables. 1 for companies audited by KAP Big-4 and 0 for companies audited by KAP non Big-4 (Hadnan & Setiyawati, 2021). The tested control variable contains the variable Leverage Using the ratio of debt by proxy total debt divided by total assets (Asim & Ismail, 2019). ROA proxies are used for profitability tests. The calculated ROA value comes from the result of dividing net profit by total assets (Asim & Ismail, 2019). On the dependent variable is proxied using discretionary accruals of modifications of the Jones model. This model is considered better at measuring earning management because of its assumptions regarding the manipulations that can be made to profits and discretionary profits (Finishtya et al., 2021).

This research test begins with descriptive statistical analysis, followed by classical assumption tests containing normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests, multiple linear regression tests, and finally hypothesis tests from coefficient of determination (Adjusted R Square), F statistical tests (Simultaneous) and T statistical tests (Partial) using the Statistical Program For Social Science data processing tool (SPSS) version 25. The multiple linear regression equation model is expressed as follows:

$$\boxed{EM = \alpha - \beta 1DIR - \beta 2DKI - \beta 3FPKA - \beta 4KKA - \beta 5KAP + \beta 6LEV + \beta 7ROA + \pounds}$$

Picture 1
Multiple Linear Regression Model
Source: Data processed by author, 2023

Where:
EM = Earning Management
DIR = Board of Directors
DKI = Independent Board of Commissioners
FPKA = Audit Committee Meeting Frequency
KKA = Audit Committee Expertise
KAP = Public Accounting Firm
LEV = Leverage
ROA = Profitability
α = Variable or constant number

β_1-β_7 = Regression coefficient
£ = Error

RESEARCH RESULTS AND DISCUSSION

This section contains the results of data analysis, results of hypothesis testing (if using a hypothesis), answering research questions, findings and interpreting the findings. The research results also explain why, how, and so on.

Descriptive Statistical Test

Table 1

Statistics Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
EM	210	-0.145	0.118	0.00583	2.50275
DIR	210	2	11	4.84	2.022
DKI	210	0.250	5.000	0.45877	0.459746
FPKA	210	1	34	6.04	4.445
KKA	210	1.000	3.667	2.80581	0.546867
KAP	210	0	1	0.35	0.479
LEV	210	0.003	0.911	0.39050	0.189862
ROA	210	0.00040	0.416	0.07604	0.070539
Valid N (Listwise)	210				

Source : Outputs SPSS 25

Based on valid data or Valid N totaling 210 data. The research sample data showed that the variable size of the board of directors (DIR) showed a minimum result of 2, a maximum result of 11, an average of 4.84 and a standard deviation of 2.022. With an average rate of 4.9, it can be concluded that the board of directors of manufacturing companies in 2019-2021 is in accordance with the applicable rules by having at least two boards of directors in their companies.

The independent commissioner variable (DKI) showed a minimum result of 0.250, a maximum result of 5.000, an average of 0.45877 and a standard deviation of 0.459746. With an average rate of 46%, it can be concluded that independent commissioners of manufacturing companies in 2019-2021 have exceeded the applicable rules by having 30% independent commissioners from the number of company commissioners.

The audit committee of meeting frequency variable (FPKA) shows a minimum result of 1 at PT Gaya Abadi Sempurna Tbk. in 2019, a maximum result of 34 obtained in 2021 from PT Kimia Farma Tbk, an average of 6.04 and a standard deviation of 4.445. With an average level of 6.04, it can be concluded that the audit committee meeting of manufacturing companies in 2019-2021 is in accordance with the applicable rules by holding committee meetings at least 4 times a year.

The audit committee expertise variable (KKA) showed a minimum result of 1.000, a maximum result of 3.667, an average of 2.80581 and a standard deviation of 0.546867. It can be concluded that the audit committee that is an expert in accounting and finance of manufacturing companies in 2019-2021 is only 28% of the total sample data.

The auditor type variable (KAP) from the results of the dummy variable shows a minimum result of 0, a maximum result of 1, an average of 0.35 with a standard deviation of 0.479. Based on the average level obtained, it can be concluded that manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021 only 35% use Big-4 KAP services, while the remaining 65% use non-Big-4 KAP services from the amount of data studied

The LEV variability shows a minimum result of 0.003 at PT Buana Artha Anugerah Tbk. in 2021, a maximum result of 0.911 in 2019 at PT Saranacentral Bajatama Tbk, an average of 0.39050 and a standard deviation of 0.189862. The company's average liability level is only 39%, so it can be concluded that manufacturing companies in 2019-2021 can be categorized as good because they are able to manage liabilities against their assets.

The variable ROA shows a minimum result, namely PT Cahayaputra Asa Keramik Tbk. in 2020 of 0.0004, a maximum result of 0.416 listed in 2019 at PT Multi Bintang Indonesia Tbk, a standard deviation of 0.070539 and an average of 0.07604. It can be concluded that manufacturing companies in 2019-2021 are still not efficient in seeking profits because they only generate net profits of 7.7%.

Earning management (EM) variables proxied with discretionary accruals of Jones model modifications showed a minimum yield of -0.145 in 2019 at PT Ultra Jaya Milk Industry and Trading Company Tbk, maximum results were at PT Sinergi Inti Plastindo Tbk. 0.118 in 2019, an average of 0.00583 and a standard deviation of 0.16479. When referring to journals Osianto & Pudjolaksono, (2022) regarding the discretionary accrual value where a negative value indicates the company is doing downward earning management and vice versa if a positive value indicates the company is doing upward earning management. Of the 210 samples of manufactsuring companies in 2019-2021, there are 31 companies that carry out downward earning management while the remaining 179 companies carry out upward earning management.

Classical Assumption Test

At the implementation of the normality test using Kolmogorov-Smirnov with normal conditions Asymp. Sig. (2-tailed) > 0.05. In Table 2, the first research data using a sample of 210 data shows Asymp. Sig. 0.000 < 0.05 are otherwise not normally distributed. The next step is to release 24 data outliers to retest 186 data to produce Asymp values. Sig 0.200 > 0.05 and the data are declared normal as shown in Table 3.

Table 2
Normality Test Before Outlier

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		210
Normal Parameters[a,b]	Mean	0
	Std. Deviation	0.01581308
Most Extreme Differences	Absolute	0.217
	Positive	0.212
	Negative	-0.217
Test Statistic		0.217
Asymp. Sig. (2-tailed)		.000c
a Test distribution is Normal. b Calculated from data. c Lilliefors Significance Correction.		

Source: Outputs SPSS 25

Table 3
Normality Test After Outlier

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		186
Normal Parametersa,b	Mean	0
	Std. Deviation	0.00416797
Most Extreme Differences	Absolute	0.058
	Positive	0.058

	Negative	-0.043
Test Statistic		0.058
Asymp. Sig. (2-tailed)		.200c,d
a Test distribution is Normal. b Calculated from data. c Lilliefors Significance Correction. d This is a lower bound of the true significance.		

Source: Outputs SPSS 25

Good research must be free from multicollinearity where the Variance Inflation Factor (VIF) should be < 10 and tolerance should be > 0.100. Based on the results of data processing carried out, DIR produced a VIF number of 1.279 and a tolerance number of 0.782, DKI produced a VIF number of 1.175 and a tolerance number of 0.851, FPKA produced a VIF number of 1.075 and a tolerance number of 0.930, KKA produced a VIF number of 1.060 and a tolerance number of 0.944, KAP produced a VIF number of 1.438 and a tolerance number 0.695, LEV produces a VIF of 1.104 and a tolerance of 0.906, and ROA produces a VIF of 1.352 and a tolerance of 0.740. So it is interpreted that this study is free from symptoms of multicollinearity.

In heteroskedasticity tes, it is carried out with a park test where the condition is free heteroscedasticity of sig numbers should > 0.05. Based on the sample data, it shows the DIR shows the sig number 0.233 > 0.05, DKI shows the sig number 0.352 > 0.05, FPKA shows the sig number 0.221 > 0.05, KKA shows the sig number 0.575 > 0.05, KAP shows the sig number 0.182 > 0.05, LEV represents the sig number 0.446 > 0.05, and ROA shows the sig number 0.824 > 0.05. Variable testing was successfully independent of the symptoms of heteroskesdasticity.

In autocorrelation test, it is carried out with a run test that has the condition of the Asymp number Sig. (2-tailed) should > 0.05. Based on processing shows the Asymp number Sig. 0.462 > 0.05 with the conclusion of the study variable free of autocorrelation symptoms.

Multiple Linear Regression Analysis

EM = 0,0126 – 0,0005DIR – 0,0002DKI – 0,0002FPKA – 0,0011KKA – 0,0026KAP - 0,0032LEV + 0,0062ROA + £

The constant value of this equation is 0.0126 where if the value of the board of directors (DIR), independent commissioner (DKI), audit committee meeting frequency (FPKA), audit committee expertise (KKA), and type of auditor (KAP) is equal to zero, earning management (EM) will be equivalent to constant value. The value of the DIR regression coefficient of -0.0005 this condition shows that if the DIR variable increases by one unit, it is predicted that EM decreases by -0.0005. The value of the DKI regression coefficient -0.0002 this condition shows that if the DKI variable increases by one unit, it is predicted that earning management will decrease by -0.0002. The value of the FPKA regression coefficient is -0.0002, this condition shows that if the FPKA variable increases by one unit, it is predicted that EM will decrease by -0.0002.

The value of the KKA regression coefficient is -0.0011 this condition shows that if the KKA variable increases by one unit, it is predicted that EM decreases by -0.0011. The value of the KAP regression coefficient of -0.0026 this condition shows that if the FPKA variable increases by one unit, it is predicted that EM will also decrease by -0.0026. The value of the LEV regression coefficient is -0.0032 This condition shows that where the LEV variable increases by one unit, it is predicted that EM decreases by -0.0032. The value of the ROA regression coefficient of 0.0062 this condition shows that where the FPKA variable increases by one unit, it can maximize EM by 0.0062.

Hypothesis Test

The results of the assessment of the Coefficient of Determination sample data showed an adjusted R-square value of 0.207 or 20.7%. Interpreted variables of the Board of Directors, Independent Board of Commissioners, Audit Committee Meeting Frequency, Audit Committee

Expertise, Type of Auditor, Leverage, and Profitability affect Earning management as much as 20.7%, while the remaining 79.3% is influenced by other variables that are not in this study.

The F test is applied to testing hypotheses simultaneously to determine the feasibility of research. When the number sig. < 0.05 and the F value is calculated > the F value of the table means that all independent variables have a simultaneous effect on the dependent variable. From the results of the F test shows the sig number. research 0.000 < 0.05 and F value count 7.897 > 2.060. It is concluded that the variables of the Board of Directors, Independent Board of Commissioners, Audit Committee Meeting Frequency, Audit Committee Expertise, Type of Auditor, Leverage, and Profitability simultaneously affect Earning management.

Table 4
T-Test (Partial)

Hypothesis	Statement	Result	Decision
H1	The size of the board of directors negatively affects earning management	T Count < T table **-2,792 < -1,652** Value Sig. < 0,05 **0,006 < 0,05**	**Hypothesis Accepted**
H2	Independent of commissioners negatively affect earning management	T Count < T table **-0,319 > -1,652** Value Sig. < 0,05 **0,750 > 0,05**	**Hypothesis Rejected**
H3	The audit committee meeting frequency negatively affects earning management	T Count < T table **-2,201 < -1,652** Value Sig. < 0,05 **0,029 < 0,05**	**Hypothesis Accepted**
H4	Audit committee expertise negatively affects earning management	T Count < T table **-2,020 < -1,652** Value Sig. < 0,05 **0,045 < 0,05**	**Hypothesis Accepted**
H5	The type of auditor negatively affects earning management	T Count < T table **-3,415 < -1,652** Value Sig. < 0,05 **0,001 < 0,05**	**Hypothesis Accepted**

The Relationship of Board of Directors Size on Earning Management

The results show that the size of the board of directors has a partial effect on earning management, thus H1 is **accepted**. Jensen & Meckling, (1976) initiating agency theory regarding the relationship of agents (management) with principals (shareholders). The Board of Directors as the party responsible for monitoring and supervising managers has a role to create management effectiveness. The variables of this study interpret the negative influence on earning management. This is based on the fact that the more members of the board of directors, the lower the earning management actions taken by management. In addition, the board of directors also monitors the company's accounting system by ensuring managers use relevant financial accounting standards, thus raising the credibility of financial statement information (Githaiga et al., 2022)

The results of this study are in line with research Hemathilake *et al.*, (2019), Fitriyana, (2020) Cho & Chung, (2022), which suggests that the size of the board of directors has a negative influence on earning management.

The Relationship of Independent Commissioner Size on Earning Management

The results show that the size of the independent commissioner has no partial effect on Earning management, thus H2 **rejected**. In agency theory, an independent commissioner acts as a principal because it acts as a supervisor and advises management. Based on OJK regulation NO.57/PJOK.04/2017, it is also explained that the total number of independent commissioners consists of at least 30% of the members of the total board of commissioners. But after scrutiny, the size of the independent commissioner has no influence on earning management. This may be possible because it is only limited to fulfilling the proportion of the size of the independent board of commissioners in accordance with applicable regulations. Other causes of conflict such as differences in interests between other parties in the company can also cause limitations in maintaining its independence. Because even though the size of commissioners is large, in practice they cannot carry out their duties as supervisors due to being limited by regulations or policies of majority shareholders (Handoyo & Kusumaningrum, 2022).

The results of this study are in line with research Fitriyani *et al*., (2018), Gunawan *et al.*, (2021), Antou *et al.*, (2021), and Handoyo & Kusumaningrum, (2022) which suggests that the size of the independent commissioner has no influence on earning management.

The Relationship of Audit Committee Meeting Frequency on Earning Management

The results obtained show that the frequency of audit committee meetings has a partial effect on Earning management, thus H3 **Accepted**. Another factor that triggers agency problems also comes from conflicts of interest where Agent and principal do not have the same interests (Tifanny & Wijaya, 2020). The audit committee meeting means that each company has implemented Good Corporate Governance in accordance with applicable regulations. This can avoid gaps between agents and principals, because an active audit committee will carry out its duties and obligations to financial statements through meetings held (Abdel & Ali, 2022). With more frequent audit committee meetings, it will tend to demand higher quality reports (Osianto & Pudjolaksono, 2022). So it can be concluded that the more audit committee meetings, the more earning management actions will decrease.

The results of this study are in line with research Kapkiyai et al., (2020) and Abdel & Ali, (2022) which suggests that the frequency of audit committee meetings has a negative influence on earning management.

The Relationship of Audit Committee Expertise on Earning Management

The results obtained show that the expertise of the audit committee has a partial effect on Earning management, thus H4 **Accepted**. Companies that seek members of their audit committee to concentrate in accounting or finance will be an added value for the company. Where they will take action in accordance with procedures and minimize information asymmetry in financial statements. Because theory agency explains that company managers know more and more easily access company information so that agents have an easier opportunity to manipulate numbers and information about company performance (Jensen & Meckling, 1976). Therefore, the greater the proportion of audit committees that are competent in their fields, the lower the earning management action. As more and more audit committees with financial expertise can provide the necessary monitoring mechanisms to assess and evaluate financial statements in detecting manipulated profits (Kapkiyai et al., 2020).

The results of this study are in line with research Ngo & Le, (2021), Putri & Prasetyo, (2020) Osianto & Pudjolaksono, (2022), Abdel & Ali, (2022) which suggests that the expertise of the Audit Committee has a negative influence on earning management.

The Relationship of Auditor Type on Earning Management

The results obtained show that the type of auditor has a partial effect on Earning management, thus H5 **Accepted**. Earning management is formed because agents use their decisions in financial statement change activities to share company performance results with stakeholders or influence results to please principals (Kamaludin & Wiardi, 2022). Therefore, better the quality of auditors further decreases earning management actions. This statement interprets that the company go public who uses help KAP Big-4 It will be difficult to do earning management in his company so that it will produce credible financial statements for the user. High-quality auditors are easier to detect accounting practices and are able to detect material errors than low-quality auditors (Susanto & Yangrico, 2020).

The results of this study are in line with research Fairus & Sihombing, (2020), Ramdhanti & Indrati, (2022), and Osianto & Pudjolaksono, (2022) which suggests that the type of auditor has a negative influence on earning management.

CONCLUSION

This research examines the mechanism of good corporate governance on variables related to earning management as many as 70 manufacturing industry companies for the 2019-2021 period. This finding shows that simultaneously corporate governance affects earning management variables. A partial test has been carried out giving negative results of the board of directors on earning management variables, interpreting that the more directors there are, the more capable of minimizing the manipulation actions carried out by the company. The audit committee meeting frequency results in a negative influence that interprets the more frequent the meeting, the lower the earning management action. Accounting and financial experts regarding audit committees negatively affect earning management variables, interpreting the more audit committee experts in accounting and finance will be able to reduce earning management actions due to a deeper level of monitoring. Likewise, the type of auditor that produces a negative influence on earning management which ultimately illustrates that there will be a decrease in earning management actions as the type of auditor chosen by companies such as KAP Big-4 to audit their financial statements increases. However, this finding was unable to prove that independent commissioners negatively impacted earning management variables.

The limitation of this research lies in the coefficient of determination or the level of influence of the overall independent variable on earning management which can only affect 20.7%. This is because researchers only focus on corporate governance in detecting the influence of earning management. It is necessary to add other factors such as in-depth analysis of financial statements. In addition, the presence of outliers in sample testing causes less optimal testing to detect how influential Good Corporate Governance to overall earning management. Therefore, the author recommends that in future studies add financial ratio variables to detect earning management, one of which uses Net Profit Margin (NPM). If the company engages in earning management, this ratio may appear inconsistent or may be unnaturally high. Because NPM that is too volatile can reduce investor interest in investing in the company because it is considered very risky (Antou et al., 2021).

This research is expected to be useful for readers and related parties regarding earning management literature and provide information about what corporate governance affects earning management. It is good for the company to maintain the reliability of financial statement information for its users by minimizing earning management actions through corporate governance.

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