

THE INFLUENCE OF AUDIT COMMITTEE ON EARNINGS MANAGEMENT

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Abstrak

Penelitian ini bertujuan untuk membuktikan secara empiris mengenai pengaruh komite audit terhadap manajemen laba. Metode penelitian yang digunakan adalah penelitian kuantitatif dengan sumber data yang digunakan adalah data sekunder. Populasi dalam penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2020-2023 dengan jumlah sampel yang diperoleh sebanyak 107 perusahaan. Teknik analisis data yang digunakan adalah analisis regresi linier sederhana dengan bantuan SPSS versi 25. Hasil penelitian menunjukkan bahwa komite audit berpengaruh positif dan tidak signifikan terhadap manajemen laba. Penelitian selanjutnya diharapkan dapat menambahkan variabel lain seperti dewan komisaris independen, kepemilikan institusional, kepemilikan manajerial, kualitas audit atau karakteristik komite audit yang lebih spesifik seperti frekuensi rapat komite audit.

Kata Kunci: Komite Audit, Manajemen Laba, Good Corporate Governance

Abstract

This study aims to empirically demonstrate the influence of audit committees on earnings management. The research method used is quantitative research with secondary data sources. The population in this study were manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023, with a sample size of 107 companies. The data analysis technique used was simple linear regression analysis with the help of SPSS version 25. The results indicate that audit committees have a positive but insignificant effect on earnings management. Future research is expected to add other variables such as an independent board of commissioners, institutional ownership, managerial ownership, audit quality, or more specific audit committee characteristics such as the frequency of audit committee meetings.

Keywords: *Audit Committee, Earnings Management, Good Corporate Governance*

A. INTRODUCTION

Company owners typically entrust the management of their company to a party they deem appropriate, with the company owner handing over full responsibility to a party called an agent,

who only receives performance reports from the agent. In this case, the agent will know about the company's performance improvements and declines before the owner, thus creating an agency problem. Financial reports, which should present honest and accurate information about the company's performance, can be misused by the agent for their own benefit through earnings management (Ardyanti, 2023).

Earnings management is a company's action in managing or manipulating financial reports to improve company performance or to hide actual financial problems that occur (Munawar et al., 2024). Earnings management can also be defined as the process of smoothing, increasing or decreasing profits in the process of preparing financial reports according to the wishes of management (Subali et al., 2021). Agents are motivated to carry out profit management to appear impressive and gain appreciation from the owner or because of certain goals which could ultimately harm the owner or even the company (Ardyanti, 2023).

The phenomenon of earnings management in Indonesia occurred at PT. Waskita Karya (Persero) Tbk, where the company is suspected of manipulating its financial statements since 2016 by reporting positive profits even though its operating cash flow was actually negative (Liputan6, 2023). In addition, PT. Waskita Karya (Persero) Tbk was also involved in a fictitious project case which was proven to have engineered financial reports and procurement of projects that never occurred by a number of former company officials (detiknews, 2020).

Earnings management practices can be minimized by implementing good corporate governance through an internal control system mechanism, including the establishment of an audit committee. OJK Regulation No. 55/PJOK.04/2015 explains that the audit committee is tasked with auditing the company's financial reports that have been prepared and will be published (Sumayyah & Ladepi, 2020). The audit committee plays a role in assisting the board of commissioners to carry out supervision and inspections so that profit management practices can be reduced (Hanafiah et al., 2022). In addition, the audit committee is also responsible for creating fairness, transparency, accountability and responsibility so that the resulting financial reports are of higher quality (Tinangon et al., 2021).

Previous research conducted by Tahmidi et al. (2022), Subali et al. (2021), Ardyanti (2023) and Hanafiah et al. (2022) stated that audit committees have a negative effect on earnings

management. Meanwhile, research conducted by Tinangon et al. (2021), Solihah & Rosdiana (2022), Santosa et al. (2022), and Utami et al. (2021) stated that audit committees have no effect on earnings management.

Based on the background outlined above, this study aims to empirically demonstrate the influence of audit committees on earnings management. This research is useful as a reference and consideration for companies regarding the influence of earnings management on investment (Utami et al., 2021) decision-making and serves as a reference for further research related to earnings management.

Literature Review

Agency Theory

According to Meckling and Jensen (1976), agency theory explains the influence between principals and agents. Principals are shareholders or investors who only obtain information through the company's financial reports, while agents are management who run the company and possess more information about the company. In practice, the relationship between agency theory and earnings management can be explained by information asymmetries that can provide opportunities for agents to engage in manipulative actions such as earnings management (Surianti et al., 2021). The Good Corporate Governance (GCG) mechanism based on agency theory is expected to provide investors with confidence that they will receive information according to actual conditions and receive rewards for their investments, both in the form of dividend distribution and reinvestment of profits obtained (Ambarwati et al., 2024).

Earnings Management

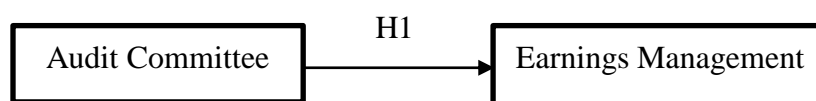
Earnings management is a company practice in managing or manipulating financial reports with various actions such as shifting income, hiding expenses and manipulating reserves (Munawar et al., 2024). Company management usually carries out earnings management for various reasons such as bonus plans, attracting creditors, tax motivations or initial public offerings (Rohmatika & Triyono, 2022).

Audit Committee

The audit committee is a work unit formed by the Board of Commissioners and is under the direct responsibility of the Board of Commissioners, whose task is to assist in carrying out

the supervisory function of the financial reporting process and compliance with applicable regulations (Ardyanti, 2023). BAPEPAM Regulation No: Kep.29/PM/2004 explains that the audit committee has an important role in supervising all aspects of the company, because its existence is considered as a liaison between shareholders, directors and company management in handling control issues (Solihah & Rosdiana, 2022).

Conceptual Framework



Source : Solihah & Rosdiana (2022) dan Santosa et al. (2022)

Picture 1. Research Model

Hypothesis Development

The establishment of an audit committee within a company can strengthen the oversight function of financial reporting and limit opportunistic behavior by managers. Therefore, the existence of an audit committee can influence the quality of financial reporting and improve a company's performance (Solihah & Rosdiana, 2022). The existence of an audit committee with a larger number of members has a variety of knowledge and expertise, so that the more audit committees there are, the more internal supervision will increase, which can reduce the practice of earnings management (Subali et al., 2021). Based on the explanation above, the hypothesis in this study is as follows:

H1: The audit committee influences earnings management.

B. METHOD

The research method used in this study is quantitative. The data source in this study is secondary data obtained from company annual reports accessed through the company's official website and www.idx.co.id. The population in this study is manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023. The sampling technique used is purposive sampling. Based on the established criteria, 107 manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023 that meet the criteria were obtained.

Operational Definition of the Variable

Audit Committee

The audit committee in this study is measured numerically by the number of audit committee members (Rohmatika & Triyono, 2022).

$$KA = \sum \text{Audit Committee Members}$$

Earnings Management

Earnings management is measured using Discretionary Accruals (DA) with the Modified Jones Model method developed by Dechow et al (1995). The following are the steps in calculating earnings management using the Modified Jones Model method :

1. Find total accruals ($TACC_{it}$) :

$$TACC_{it} = NI_{it} - CFO_{it}$$

2. Measuring the total value of accruals ($TACC_{it}$) with the regression equation using the following formula:

$$TACC_{it} / Ait - 1 = \alpha_1(1/Ait - 1) + \alpha_2(\Delta REV_{it} / Ait - 1) + \alpha_3(PPE_{it}/Ait - 1) + eit$$

3. Calculate the Non-Discretionary Accrual ($NDACC_{it}$) value using the following formula :

$$NDACC_{it} = \alpha_1(1/Ait - 1) + \alpha_2((\Delta REV_{it} - \Delta REC_{it}) / Ait - 1) + \alpha_3(PPE_{it}/Ait - 1)$$

4. Calculate the Discretionary Accruals value ($DACC_{it}$) using the following formula:

$$DACC_{it} = TACC_{it} / Ait - 1 - NDACC_{it}$$

Information :

$TACC_{it}$: Total accruals of company i in year t

NI_{it} : Net profit of company i in year t

CFO_{it} : Flow Operating cash of company i in year t

$Ait - 1$: Total assets of company i in year t

ΔREV_{it} : Change in total revenue of company i in year t

ΔREC_{it} : Change in total receivables of company i in year t

PPE_{it} : Fixed assets of company i (property, plant, and equipment) of company i in year t

$NDACC_{it}$: Non-Discretionary Accrual of company i in year t

$DACC_{it}$: Discretionary Accrual of company i in year t

α : Regression coefficient

eit : error item

C. RESULTS AND DISCUSSIONS

Descriptive Statistical Test

Table 1. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Komite Audit	428	3,00	5,00	3,0172	0,14771
Manajemen Laba	428	-0,35	0,68	-0,0265	0,09958
Valid N (listwise)	428				

Source: Reseach Data, 2025

Table 1 shows that the audit committee has a minimum value of 3.00 and a maximum value of 5.00, with an average value of 3.0172 and a standard deviation of 0.14771. Meanwhile, the results for earnings management have a minimum value of -0.35 and a maximum value of 0.68, with an average value of -0.0265 and a standard deviation of 0.09958.

Classical Assumption Test Results

Normality Test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			125
Normal Parameters ^{a,b}	Mean		0,0000000
	Std. Deviation		1,01030607
Most Extreme Differences	Absolute		0,115
	Positive		0,115
	Negative		-0,077
Test Statistic			0,115
Asymp. Sig. (2-tailed)			,000 ^c
Monte Carlo Sig. (2-tailed)	Sig.		,069 ^d
	95% Confidence Interval	Lower Bound	0,064
		Upper Bound	0,073
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. Based on 10000 sampled tables with starting seed 926214481.			

Source: Reseach Data, 2025

Based on Table 2, the Monte Carlo Sig. (2-tailed) value is 0.069, which is greater than 0.05. This indicates that the research data used is normally distributed, so further testing can be carried out.

Multicollinearity Test

Table 3. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X_1	1,000	1,000

a. Dependent Variable: Y_1

Source: Research Data, 2025

Based on table 3, it shows that the audit committee variable has a tolerance value > 0.10 and a VIF value < 10 , which means that there is no multicollinearity in this study.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,013	1,593		0,636	0,526
	X_1	-0,171	1,444	-0,011	-0,119	0,906

a. Dependent Variable: Abs_Ut

Source: Research Data, 2025

Based on table 4 above, the significance value for the audit committee is 0.906, which is greater than 0.05, so it is safe from heteroscedasticity or heteroscedasticity does not occur.

Uji Autokorelasi

Tabel 5. Hasil Uji Autokorelasi

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,157 ^a	0,025	0,017	1,01440	1,839

a. Predictors: (Constant), X_1

b. Dependent Variable: Y_1

Source: Research Data, 2025

Based on Table 5, the results of the autocorrelation test obtained a Durbin Watson value of 1.839. The number of samples is 408 with 1 independent variable, so the du value is 1.654

and dl is 1.885. Therefore, it can be concluded that $du < d < 4-du$ ($1.654 < 1.839 < 2.346$), which means there is no positive or negative autocorrelation.

Simple Linear Regression Analysis

Table 6. Simple Linear Regression Test Results

		Coefficients ^a					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	-8,042	2,774		-2,899	0,004		
	X_1	4,442	2,514	0,157	1,767	0,080	1,000	1,000

a. Dependent Variable: Y_1

Source: Reseachr Data, 2025

$$Y = -8,042 + 4,442X_1$$

Based on the regression equation, it can be interpreted as follows:

1. The constant -0.842 means that if the Audit Committee variable is equal to 0, the Earnings Management value is -8.042.
2. The Audit Committee regression coefficient of 4.442 means that if the Audit Committee variable increases by 1 point, the Earnings Management variable will increase by 4.442, assuming all other variables remain constant.

Hypothesis Test Results

t-Test

Table 7. t-Test Results

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-8,042	2,774		-2,899	0,004
	X_1	4,442	2,514	0,157	1,767	0,080

a. Dependent Variable: Y_1

Source: Reseachr Data, 2025

Based on table 7, it shows that t_{count} for the Audit Committee variable is 1.767 and t_{table} is 1.649 obtained from the calculation of $df = (n-k-1)$ or $(408-1-1)$, then 406 is obtained with a significance of 0.05. This means that $t_{count} > t_{table}$ ($1.767 > 1.649$) indicates that there is a positive influence between the audit committee and earnings management. Furthermore, the significance value of $0.080 > 0.05$ indicates that there is a positive and insignificant influence between the audit committee and earnings management.

Coefficient of Determination Test**Table 8. Results of the Coefficient of Determination Test**

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,157 ^a	0,025	0,017	1,01440

a. Predictors: (Constant), X_1

b. Dependent Variable: Y_1

Source: Reseachr Data, 2025

Based on Table 8 above, it can be seen that the Adjusted R Square value is 0.017. This means that the audit committee variable contributes 1.7% to earnings management, while the remaining 98.3% is influenced by other variables not included in this study.

D. CONCLUSIONS

Based on the data analysis, it was concluded that the audit committee had a positive but insignificant effect on earnings management in manufacturing companies listed on the Indonesia Stock Exchange from 2020 to 2023. This means that the more audit committee members there are, the greater the likelihood of earnings management practices within the company. This is because the establishment of an audit committee is solely to comply with government regulations, not to implement better corporate governance. Therefore, the audit committee's presence has not been effective in reducing earnings management practices.

E. SUGGESTIONS

Based on the conclusions of this study, several suggestions for further research can be used as input to gain a deeper understanding of the factors that influence earnings management, namely by adding other variables such as independent boards of commissioners, institutional ownership, managerial ownership, audit quality or more specific audit committee characteristics such as the frequency of audit committee meetings.

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