The Effect of *Good Corporate Governance* and Audit Quality on Earnings Management

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Abstract *- The purpose of this study is to determine the effect of board of commissioners, managerial ownership, audit committee and audit quality on earnings management at state-owned companies listed on Indonesia Stock Exchange from 2015 - 2019. Methods of data analysis in this research is panel data regression which analyzed using Eviews version 10. The sampling technique of this research is used by purposive sampling with specifics and certain characteristics and obtained 13 companies in 2015-2019 to obtain 65 samples as observation material. The result showed that board of commissioner and audit committee have a significantly the negative effect on earnings management. Meanwhile, managerial ownership and audit quality have no significant effect on earning management of listed companies in Indonesia.*

Keywords: *earnings management, board of commissioners, managerial ownership, audit committee, audit quality*

Abstrak– *Tujuan dari studi ini adalah untuk mengetahui pengaruh dewan komisaris, kepemilikan manajerial, komite audit dan kualitas audit terhadap manajemen laba pada perusahaan BUMN yang terdaftar di Bursa Efek dari tahun 2015 sampai dengan tahun 2019. Metode yang digunakan adalah metode penelitian regresi data panel yang di olah menggunakan Eviews 10. Sampel penelitian diambil secara purposive sampling, dengan mengambil sampel yang dipilih secara spesifik dan karakteristik tertentu yang terdiri dari tiga belas (13) perusahaan sampel yang terdaftar di Bursa Efek Indonesia pada tahun 2015 sampai dengan tahun 2019 dengan total enam puluh lima (65) sampel.Hasil penelitian ini menunjukkan bahwa dewan komisaris dan komite audit berpengaruh signifikan terhadap manajemen laba di dalam perusahaan go public. Sedangkan kepemilikan manajerial dan kualitas audit tidak berpengaruh terhadap manajemen laba di dalam perusahaan go public. pengolahan dalam angka (Kurangi penggunaan angka-angka statistic)*

Kata Kunci: *Manajemen Laba, Dewan Komisaris, Kepemilikan Manajerial, Komite Audit dan Kualitas Audit*

I. INTRODUCTION

The financial statements provide information about the financial position of a company which can be beneficial to users as a basis for decision making. One of the important information contained in the financial statements are statements regarding the company's profit. Managers or preparers of financial statements do accounting information management specifically for the sake of personal gain and / or company. This action is called earnings management practices. Earnings management action was triggered by several motivations such as the one manajemn parties who want to show to the shareholders and investors that the company's performance is getting better because profit is one measure of corporate performance.

One of the ways companies monitor earnings management practices is by auditing financial statements, which in this case can be seen from the quality of their auditors. Audit quality can be measured by KAP Big Four and KAP Non Big Four. Another way that can be used to monitor earnings management is that the company requires the application of good corporate governance or commonly known as Good Corporate Governance (GCG). The Good Corporate Governance mechanism is characterized by managerial ownership, the existence of an audit committee and an independent commissioner. The existence of an audit committee and independent commissioners in a company has also proven effective in preventing earnings management practices, because the existence of an audit committee and independent commissioners aims to oversee the course of company activities in achieving company goals (Utomo, 2015). Agency problems can be reduced if the manager has share ownership in the company, the higher the proportion of managerial share ownership, the better the company's performance. Managerial ownership is company shares owned by managerial (Agustina: 2013).

Earnings management is not a new thing for company management. The practice of earnings management has been widely applied by management which is then seen from the emergence of cases regarding accounting reporting. In Indonesia, one of the cases is that PT Garuda Indonesia (Persero) managed to book a net profit of US $ 809 thousand in 2018, in contrast to 2017 which lost US $ 216.58 million. Two commissioners of Garuda Indonesia, Chairul Tanjung and Dony Oskaria refused to sign the 2018 financial statements. PT Garuda Indonesia (Persero) Tbk republished (restatement) the 2018 financial statements. In the restated financial statements, Garuda Indonesia recorded a net loss of 175, 02 million US dollars or equivalent to Rp 2.45 trillion from the previous profit of 5.01 million US dollars. (www.cnnindonesia.com). BUMN Minister Erick Thohir removed I Gusti Ngurah Askhara Danadiputra from the board of directors of PT Garuda Indonesia. The man who is familiarly called Ari Askhara is no longer the President Director. BUMN observer Said Didu said that the removal was a form of consequence because it violated the principles of good corporate governance (GCG) of the company. According to Said Didu, the action taken by Ari Askhara for smuggling a Harley Davidson and 2 Brompton bikes was a big violation. (www.detik.com).

Formulation of the problem

1. Does the board of commissioners have an effect on earnings management?
2. Does Managerial Ownership affect Earnings Management?
3. Does the Audit Committee affect earnings management?
4. Does Audit Quality affect Earning Management?

Research purposes

1. To analyze the influence of the Board of Commissioners on Earnings Management
2. To analyze the effect of Managerial Ownership on earnings management
3. To analyze the effect of the Audit Committee on Earnings Management

4. To analyze the effect of audit quality on earnings management

II. THEORETICAL BASIS

2.1. Teory Agency

Agency theory is the basis used by companies to understand corporate governance (Rini, 2010). This theory discusses the relationship between the principal (owner and shareholder) and the agent (management). In Borlea and Monica's (2013) research, this theory refers to the relationship that exists between company owners (principal) and directors (agent). Managers have the responsibility of managing owner's capital and running the company, including taking decisions for the company and being accountable for managed capital by reporting every action that has been and will be taken to the principal on a regular and transparent basis. Meanwhile, the principal has the obligation to pay attention to and give rewards, bonuses or rewards to managers, and has the right to supervise and control, request accountability reports, replace management with more capable people if management is deemed unable to carry out their duties, and receive a decent return capital so that their welfare increases (Mufida, 2012).

Agency theory implies the existence of information asymmetry between managers as agents and shareholders as principals. Information asymmetry is a condition in which managers have access to information on company prospects that are not owned by outsiders. Information asymmetry arises when managers know more about the company's internal information and prospects in the future than shareholders and other stakeholders. Information asymmetry between agent and principal can trigger managers to perform disfunctional behavior. There is an information gap between managers and company owners, so management has the opportunity to maximize their interests, one of which is by doing earnings management.

2.2. *Good Corporate Governance*

Good Corporate Governance is a company management system designed to improve company performance, protect the interests of stakeholders and improve compliance with laws and regulations as well as generally accepted ethical values. The definition of Good Corporate Governance according to the Regulation of the State Minister for State-Owned Enterprises Number: PER -01 / MBU / 2011 is "Good Corporate Governance, hereinafter referred to as GCG, are the principles that underlie a process and mechanism of corporate management. based on statutory regulations and business ethics ". In article 5 paragraph (3) of the BUMN Law, it is regulated that in carrying out their duties, members of the board of directors must comply with the articles of association of BUMN and statutory regulations and must implement the principles of professionalism, efficiency, transparency, independence, accountability, responsibility and fairness. Meanwhile, the provisions for commissioners and supervisory board of directors Article 6 Paragraph (3) of the BUMN Law states, in carrying out their duties the commissioners and supervisors must comply with the BUMN's articles of association and the provisions of laws and regulations and must implement the principles of professionalism, efficiency, transparency, independence, accountability, responsibility and fairness. Managers and supervisors of BUMN in carrying out their respective duties must implement GCG (Supamono 2016,153).

2.3. Board Of Commissioners

Daniri (2014,336) states that the Board of Commissioners is elected by and is responsible to the GMS. As one of the company's organs, the Board of Commissioners must have the responsibility and authority to oversee the actions of the Board of Directors. Not only that, the Board of Commissioners also has the right to provide advice to the Board of Directors, whether requested or not. The Board of Commissioners oversees the Board of Directors in the interests of the company in carrying out its social responsibility, and monitors the effectiveness of the company's GCG implementation. With the Board of Commissioners that supervises company management, it can reduce the level of earnings management. The effectiveness of the Board of Commissioners in carrying out its role can be seen from the activities, number of members, independence and competence of the board of commissioners (Junaedi and Farina, 2017).

2.4. Managerial Ownership

Managerial ownership is share ownership by company management. Managerial share ownership can connect the interests of shareholders with managers, because managers feel the benefits of the decisions taken directly and managers who bear the risk if there are losses that arise as a consequence of making wrong decisions. According to Imanata and Satwiko (2011) managerial ownership is the ownership of company shares by the manager or in other words the manager is also a shareholder. Meanwhile, according to Ni Putu (2012), managerial ownership can be defined as the percentage of shares owned by directors and commissioners. Managerial ownership is the compensation provided by the company to its employees. Mathematically, the value of managerial ownership is obtained from the percentage of company shares owned by directors and commissioners.

2.5. Audit Committee

According to the decision of the chairman of BAPEPAM-LK Number: KEP-643 / BL / 2012, the audit committee is a committee formed by and responsible to the Board of Commissioners in helping carry out the duties and functions of the Board of commissioners. The establishment of the National Committee for Good Corporate Governance in Indonesia confirms the role of the audit committee. The roles and responsibilities of the audit committee are outlined in the audit committee charter which is generally grouped into three major sections, namely financial reporting, corporate governance, and risk and control management. According to Sutedi (2012), the audit committee has a function to help the board of commissioners to improve the quality of financial reports, create disciplinary advertisements and controls that can reduce the chance of irregularities in company management, increase the effectiveness of the internal audit (SPI) and external audit functions, and identify matters. - matters related to the audit process and role for the company, especially in reporting the results of corporate financial audits that are disclosed to the public. The audit committee is also tasked with providing professional and independent opinions to the board of commissioners regarding reports or other matters submitted by the board of directors to the board of commissioners..

2.6. Audit Quality

Audit quality is the implementation of an audit carried out according to standards so that auditors are able to disclose and report any violations committed by the client (Rosidah, 2010). According to Mulyadi (2014: 9) audit quality is a systematic process for obtaining and evaluating evidence objectively regarding statements regarding economic activities and activities, with the aim of determining the level of conformity between these questions and predetermined criteria and delivery of results. proceeds to interested users.

According to Arens (2011; 47) audit quality is a process to ensure that generally accepted auditing is followed in every audit, KAP follows special audit quality control procedures to help meet these standards consistently in each assignment. According to Andra in Firyana (2014) KAP size is a measure used to determine the size of a public accounting firm. KAP size is the size of the public accounting firm used by the company. The size of KAP is divided into two groups, namely KAP affiliated with the Big Four and KAP that is not affiliated with the Big Four. The size of KAP itself is usually related to the quality and reputation of the auditor (Kurniasari, 2014). Meanwhile, according to Asih (2015), the size of KAP is a reflection of the size of the Public Accounting Firm, the bigger the Public Accounting Firm, the higher the quality of the resulting audit, so the company will change auditors from small KAP to auditors from large KAP to improve the reputation and quality of its financial statements.

2.7. Earnings Management

Earnings management is any action that can affect the reported earnings figures and in the external financial reporting process that is carried out by management for its personal interests, namely with the intention of benefiting the company's own managers (Guna and Herawaty, 2010) According to Wirakusuma (2016) Earnings management is a deliberate process, with financial accounting standards constraints to direct earnings reporting at a certain level. According to Riske and Basuki (2013) earnings management is a condition in which management intervenes in the process of preparing financial reports for external parties so that it can increase, level and decrease profits. The phenomenon of earnings management is very difficult to avoid because of the impact of using accrual basis in preparing financial statements. The impact of using accounting, which is a means of communication between interested parties and the company's internal weaknesses in accounting, has an impact on judgment resulting in earnings management occurring (Guna and Herawaty, 2010). Earning management is not something that is detrimental as long as it is carried out in the corridors of opportunity, earnings management is not always defined as the process of manipulating financial statements because there are several methods that can be used and are not prohibited (Kusumawardhani, 2012). Earning management behavior is a form of creative accounting from managers, of course it does not appear by itself, but there is an extrinsic motivation behind this behavior (Sulistiawan, 2011).

Research Hypothesis

The Effect of the Board of Commissioners on Earnings Management

The board of commissioners has a function to supervise and provide advice to the board of directors. The more the number of the board of commissioners, the more supervision will be carried out by the board of commissioners so that it will reduce management to take earnings management actions. Research conducted by Meiranto and Prastiti (2013) states that board size has a negative effect on earnings management. Dewi (2016) states that the size of the board of commissioners has a negative effect on earnings management. The more the number of members of the board of commissioners of a company who have the duty to monitor management behavior and provide advice to directors in implementing company strategy, the lower the company performs earnings management.

H_1 : The Board of Commissioners has a negative effect on Earnings Management

The Effect of Managerial Ownership on Earnings Management

Managerial ownership is ownership of shares by management. So that if management has relatively high shares, it will act as a shareholder and ensure that the financial statements are presented fairly in accordance with the conditions of the company. The higher the managerial ownership, the lower the earnings management practice. Previous research revealed that managerial ownership has a negative effect on earnings management and can improve the quality of the financial reporting process, this is because when managers also have a share of share ownership, they will act the same as external shareholders and ensure that the financial statements are presented fairly. and reveal the real condition of the company (Kouki et al, 2011). The results of the research by Oktovianti and Agustina (2012) state that managerial ownership has a significant negative effect on earnings management.

H2 : Managerial Ownership has a negative effect on Earning Management

The Effect of Audit Committee on Earnings Management

The audit committee is a committee formed by the board of commissioners whose task is to assist the board of commissioners in supervising management. The more the number of audit committees in a company, the more supervision will be carried out so that it will reduce earnings management practices. The audit committee is formed by the board of commissioners, whose function is to assist the board of commissioners in carrying out their duties. The audit committee is independent both in carrying out its duties and in reporting, and is directly responsible to the board of commissioners. The audit committee is a party that becomes the liaison between the external auditor and company management so that the audit committee is required to be independent in carrying out its duties. The audit committee is required to prepare an annual report on the implementation of activities carried out by the audit committee to the board of commissioners as a form of audit committee assignment responsibility.

Based on agency theory to reduce earnings management actions in the company, investors make agent fees in monitoring management actions in the company (Padmuji, 2010). The audit committee is the party responsible for supervising, based on article 71 of the BUMN Law Gatot Supramono (2016,156) forms a committee that works collectively and functions to help oversee the performance of management or directors. In Anindyati's research (2011) states that companies that have high audit independence can increase supervision and reduce the level of fraud. Furthermore, in the research of Pamuji and Aprillya (2010), it is proven that the audit committee has a negative effect on earnings management.

H3 : The Audit Committee has a negative effect on Earning Management

Effect of Audit Quality on Earnings Management

Audit quality can be seen from the quality of auditors, where this can be measured by the Big Four and Non Big Four KAP. Large public accounting firms will produce quality audit reports because they have auditors who are more competent than ordinary public accounting firms. The more reliable the auditors are in producing quality audit reports, the less management measures they take to manage earnings. Auditor functions to ensure the fairness of the financial statements presented by the company. Auditors must be able to ensure that the financial information presented by the company is in accordance with accounting standards, so that auditors are expected to provide good audit quality. The higher the competence of the auditor, the higher the credibility of the audited financial statements, the lower the company will be to take earnings management actions. The results of research from Sugiarti (2015) regarding the effect of audit quality on earnings management show that audit quality has a negative effect on earnings management. Good quality will affect the quality of the financial statements presented by the company.

H4 : Audit quality has a negative effect on earnings management

III. Research methods

3.1. Research Strategy

The research strategy used in this research is causal associative. According to Sugiyono (2015; 36-37) causal associative is the formulation of research problems that require a relationship between two or more variables. Causal relationship is a relationship that is causal in nature. In this study, there are dependent (influenced) and independent (influencing) variables. Researchers use causal associative in this study aimed at testing the hypothesis which examines the explanation of the cause-and-effect relationship between two or more variables, there are dependent variables that are influenced, namely earnings management and independent variables that affect the Board of Commissioners, Managerial Ownership, Audit Committee and Quality. Audit. The method to be used is a quantitative method. According to Sujarweni (2015: 33) quantitative research methods are a type of research that produces discoveries that can be obtained using statistical procedures from measurement.

Population and Sample

The population in the research to be carried out is 19 BUMN companies listed on the IDX in 2015-2019. Based on the sample selection criteria above, there are 19 companies that meet the requirements in this study and 13 companies that meet the sampling criteria. Meanwhile, the analysis will be carried out for five periods, namely the period 2015 to 2019 so that the data from the sample is 13 x 5 = 65 companies.

Operationalization of Research Variables

Tabel 1 : Operationalization of Research Variables

Variable	Measurement	Measurement Scale
Board of Commisioners	Internal + External Board of Commisioners	Nominal Scale
Managerial Ownership (X_2)	$KM = \frac{\text{Number of Management Shares}}{\text{Number of Shares Outstanding}}\ x\ 100\%$	Scale Ratio
Audit Committee (X_3)	Members In The Audit Committee	Nominal Scale
Audit Quality (X_4)	Public Accounting Firm used by the company	Nominal Scale
Earnings Management (Y)	DAit = TAit/Ait-1-NDAit	Scale Ratio

Keterangan :
DAit : Discretionary Accruals perusahaan i pada periode ke t
NDait : Non Discreationary Accruals perusahaan i pada periode ke t
TACit : Total akrual perusahaan i pada periode ke t
NIit : Laba bersih perusahaan i pada periode ke t
CFOit : Aliran kas dari aktivitas operasi perusahaan i pada periode ke t
Ait-1 : Total Aset perusahaan i pada periode ke t-1
ΔRevit : Perubahan pendapatan perusahaan I pada periode ke t
PPEit : Aset tetap perusahaan pada periode ke t
ΔRect : perubahan piutang perusahaan I pada periode ke t
α : Koefisien tetap dari hasil regresi pada perhitungan total akrual
ε : eror

3.2. Data Analysis Method

The data analysis method used in this research is Panel Data Regression Analysis. According to Juanda and Junaidi (2012: 180) panel data is data obtained from cross section data that can be observed repeatedly on the same object at different times (time series). According to Ghozali (2013: 18) cross series data is a result of the observation of different entities such as people, companies or nations where these variables can be measured at the same point, while time-series data are based on time sequences. Researchers used panel data regression analysis because this method has specificity in terms of the type and purpose of the analysis in accordance with the data to be used by researchers of more than one entity and has an observation period of 5 (five) years, namely 2015-2019. In this research, data processing will be carried out using the Econometric Views (Eviews) version 10 program.

VI. RESEARCH RESULT

Tabel 2 : Descriptive Statistical Analysis Results

Date: 06/11/20
Time: 20:30
Sample: 2015 2019

	DA	DK	KM	KA	AQ
Mean	-0.017323	7.369231	0.000230	4.692308	0.846154
Median	-0.006000	7.000000	9.63E-05	4.000000	1.000000
Maximum	0.160000	18.00000	0.006518	8.000000	1.000000
Minimum	-0.142000	5.000000	0.000001	3.000000	0.000000
Std. Dev.	0.051532	2.027693	0.000827	1.249038	0.363609
Skewness	0.091277	2.707090	6.992423	0.453008	-1.918806
Kurtosis	4.647319	13.49788	53.15675	2.410435	4.681818
Jarque-Bera	7.439753	377.8637	7343.039	3.164563	47.54692
Probability	0.024237	0.000000	0.000000	0.205506	0.000000
Sum	-1.126000	479.0000	0.014963	305.0000	55.00000
Sum Sq. Dev.	0.169954	263.1385	4.38E-05	99.84615	8.461538
Observations	65	65	65	65	65

Source: Data processing with Eviews. 10

1. The board of commissioners variable in this study has the lowest (minimum) value of 5.00 and the highest (maximum) value of 18.00 which means that the number of commissioners in BUMN companies listed on the Indonesia Stock Exchange (IDX) is at least 5 people and at most a number of 18 people. The average (mean) value of the board of commissioners was 7.369231, which indicates that from all samples the company had an average of 7 commissioners. The standard deviation value of the board of commissioners is 2.027693.
2. Managerial ownership variable is measured using managerial ownership percentage. The results of the calculation of descriptive statistics show the lowest value (minimum) of 0.00001 and the highest value (maximum) of 0.006518. The average percentage of managerial ownership is 0.00230 or 0.23% of all outstanding shares with a standard deviation of 0.000827. The lowest (minimum) value of managerial ownership is obtained by PT. Adhi Karya (Persero) Tbk amounted to 0.00001 while the maximum value was obtained by PT. State Savings Bank (Persero) of 0.00230.
3. The audit committee variable in this study has the lowest value (minimum) of 3.00 and the highest value (maximum) of 8.00 which means that the number of commissioners in BUMN companies listed on the Indonesia Stock Exchange (IDX) is at least 3 people and at most a number of 8 people. The average number of audit committees is 4,692308 which indicates that the average number of the sample companies has an average of 5 people with a standard deviation of 1.249038.
4. Audit quality variables are measured using dummy variables by comparing the big four and non big four KAP. If the company uses Big Four KAP then it will be given a value of 1 whereas if the

company uses KAP Non Big Four will be given a value of 0. The results of descriptive analysis of the auditor quality variable obtained the lowest (minimum) value of 0 which means the company uses Non Big Four KAP in conducting its audits while the value highest (maximum) 1 indicates that the company uses Big Four KAP in auditing its financial statements. Overall, the companies in this study have an average value (mean) of 0.846154 which indicates that the entire sample of companies on average performs audits on Big Four KAP and the rest uses Non Big Four KAP. The standard deviation value is 0.363609.

5. Earnings Management Variables have an average of -0.017323. the lowest value (minimum) of Earnings Management of -0.142000 and the highest value (maximum) of 0.160000. The average value of -0.017323 indicates that state-owned companies during the study period, on average, indicated that they had taken earnings management actions with a pattern of reducing the profit rate because they showed a negative value. while the largest and smallest values, respectively -0.142000 and 0.160000 are owned by PT Timah (Persero)

4.1. Classic Assumption Test

Tabel 3: Multicollinearity Test Results

	DK	KM	KA	SR
DK	1.000000	0.242906	0.428759	0.237978
KM	0.242906	1.000000	0.394733	0.099761
KA	0.428759	0.394733	1.000000	0.212484
AQ	0.237978	0.099761	0.212484	1.000000

Source: Data processing with Eviews. 10

Based on the results of the output obtained from the correlation matrix, it is known that the relationship between the independent variables (Board of Commissioners, Managerial Ownership, Audit Committee, and Audit Quality) shows no correlation value above 0.90, so it can be concluded that there is no multicollinearity between the independent variables.

Tabel 4: Heteroscedacity test

Dependent Variable: RESABS
Method: Panel Least Squares
Date: 06/11/20 Time: 20:27
Sample: 2015 2019
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DK	0.005926	0.018434	0.321483	0.7490
KM	0.001500	0.002634	0.569308	0.5713
KA	-0.005514	0.003271	-1.685867	0.0970
AQ	0.011205	0.010570	1.060004	0.2934
C	0.055690	0.047070	1.183142	0.2414

R-squared	0.056656	Mean dependent var	0.036763
Adjusted R-squared	-0.006233	S.D. dependent var	0.029535
S.E. of regression	0.029627	Akaike info criterion	-4.126486

Sum squared resid	0.052664	Schwarz criterion	-3.959226
Log likelihood	139.1108	Hannan-Quinn criter.	-4.060491
F-statistic	0.900888	Durbin-Watson stat	1.146010
Prob(F-statistic)	0.469257		

Source: Data processing with Eviews. 10

Based on the results of the heteroscedacity test data above the probability value of the independent variables, namely the Board of Commissioners, Managerial Ownership, Audit Committee, and Audit Quality greater than 0.05, it can be concluded that heteroscedasticity does not occur.

Tabel 5: Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.721796	Prob. F(2,58)	0.4902
Obs*R-squared	1.578530	Prob. Chi-Square(2)	0.4542

Source: Data processing with Eviews. 10

Based on the results of calculations using the Breusch-Godfrey test, the Obs * R-squared probability value is obtained of 0.4542. This means that a probability> 0.05 then the hypothesis is accepted and there is no autocorrelation.

Tabel 6: Panel Data Regression Analysis

Dependent Variable: DA
Method: Panel Least Squares
Date: 06/11/20 Time: 20:25
Sample: 2015 2019
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DK	-0.161557	0.033284	4.853851	0.0000
KM	0.005349	0.004140	-1.291954	0.2026
KA	-0.013266	0.006161	2.153271	0.0364
AQ	0.032137	0.032934	0.975804	0.3341
C	-0.481496	0.092974	-5.178826	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.590184	Mean dependent var	-0.018863
Adjusted R-squared	0.453578	S.D. dependent var	0.052638
S.E. of regression	0.038911	Akaike info criterion	-3.435212
Sum squared resid	0.072673	Schwarz criterion	-2.866526
Log likelihood	128.6444	Hannan-Quinn criter.	-3.210829
F-statistic	4.320351	Durbin-Watson stat	2.533820
Prob(F-statistic)	0.000041		

Source: Data processing with Eviews. 10

T test result (partial)

1. The Effect of the Board of Commissioners on Earnings Management (H1)
   Berdasarkan hasil pengujian diatas Dewan Komisaris memperoleh nilai probabilitas lebih kecil dari tingkat signifikan (0.0000 ≤ 0.05) serta diperoleh β -0.161557, maka H1o ditolak dan H1a diterima. Dengan demikian dapat disimpulkan bahwa dewan komisaris secara individual berpengaruh negatif signifikan terhadap manajemen laba.
2. The Effect of Managerial Ownership on Earnings Management (H2)
   Based on the test results above, Managerial Ownership obtained a probability value greater than the significant level (0.2026 ≥ 0.05) and obtained β 0.005349, then H2o was accepted and H2a was rejected. Thus it can be concluded that individual managerial ownership does not have a significant effect on earnings management.
3. The Effect of the Audit Committee on Earnings Management (H3)
   Based on the test results above, the Audit Committee obtained a probability value smaller than the significant level (0.0364 ≤ 0.05) and obtained β -0.013266, then H3o was rejected and H3a was accepted. Thus it can be concluded that the individual audit committee has a significant negative effect on earnings management.
4. Effect of Audit Quality on Earnings Management (H4)
   Based on the test results above, the Audit Quality obtained a probability value greater than the significant level (0.3341 ≥ 0.05) and obtained β 0.32137, then H4o was accepted and H4a was rejected. Thus, it can be concluded that individual audit quality has no significant effect on earnings management.

Determination Coefficient Test Results

Based on the test results above, it shows the adjusted R-square value of 0.453578, this means that 45.35% of the earnings management variable can be explained by the variables of the Board of Commissioners, Management Ownership, Audit Committee and Audit Quality, while the remaining 54.65% is explained by other factors. that is outside the regression model in this study. Here is an example of writing a reference:

Simultaneous Test

Based on the results of the analysis, it is obtained that F count is 4.320351 with a significance level of 0.000041 which is smaller than 0.05, so Ho is rejected and Ha is accepted. Thus the test results show that together the independent variables (board of commissioners, managerial ownership, audit committee, and audit quality) have an effect on earnings management.

DISCUSSION

The Effect of the Committee of Commissioners on Earnings Management

The t-test of the board of commissioners variable variable shows that the prob t-statistic is 0.0000 <0.05. Based on the test results, H1 is accepted and H0 is rejected, meaning that the board of commissioners has a significant negative effect on earnings management.

This means that the number of commissioners from the sample companies is sufficient so that it affects the company's supervisory function. An independent board of commissioners is a member of the board that is not affiliated with the management, other members of the board of commissioners, controlling shareholder and is free from business relations or relationships to act independently for the benefit of the company. So it can be stated that the supervision of the board of commissioners can encourage managers not to act according to their own interests and in the interests of shareholders. Commissioners are in a position to reduce earnings management by managers in order to create good corporate governance.

The Effect of Mnagerial Ownership on Earnings Management

The t-test for managerial ownership variable shows that the prob t-statistic is 0.2026> 0.05. Based on the test results, H2 is rejected and H0 is accepted, meaning that managerial ownership has no significant effect on earnings management. The results showed that managerial ownership had no significant effect on earnings management. This is because the BUMN companies that were the sample of this study had managerial ownership with a very low percentage of managerial ownership. Thus, the results cannot be used to show that managerial ownership will affect earnings management activities. This proves that managerial ownership in the company as an indicator of good corporate governance has not been able to control the earnings manipulation by management.

The Effect of Audit Committee on Earnings Management

Audit committee variable t statistical test shows that the prob t-statistic is 0.0364 <0.05. Based on the test results, H3 is accepted and H0 is rejected, meaning that the audit committee has a significant negative effect on earnings management, where an increase in the number of audit committee members will reduce earnings management behavior. The results of this study are in line with the results of research by Kusumaningtyas (2015) which explains that the larger the size of the audit committee will improve the quality of financial reporting and the audit committee's supervisory function on management. The size of the audit committee can reduce earnings management actions taken by managers within a company.

The Effect of Audit Quality on Earnings Management

Audit committee variable t statistical test shows that the prob t-statistic is 0.3341> 0.05. Based on the test results, H4 is rejected and H0 is accepted, meaning that audit quality does not have a significant effect on earnings management, where audit quality does not affect the company's earnings management behavior.

The results of this study are in line with the results of research by Arivin and Destriana (2016) which state that audit quality has no effect on earnings management. This is because the examination of financial statements by Big Four KAP does not reduce the possibility of corporate earnings management practices. In general, companies that use Big Four or high quality KAP services are only to increase the credibility of financial reports so that they can attract and be trusted by investors, but with Big Four KAP it has not been able to limit the occurrence of earnings management carried out by company management.

V. Conclusion and Suggestion

Conclusion

Based on this explanation, the conclusions from the results of multiple linear regression analysis are as follows:

1. Based on the analysis results show that the board of commissioners has a negative and significant effect on earnings management at. This means that more boards of commissioners in a company will reduce earnings management practices.
2. Based on the results of the analysis, it shows that managerial ownership has no significant effect on earnings management. This means that the level of managerial ownership in a company does not affect earnings management behavior. This proves that managerial ownership in the company as one of the indicators of Good Corporate Governance has not been able to control earnings manipulation by management.
3. Based on the results of the analysis, the audit committee has a negative and significant effect on earnings management. This means that the larger the size of the audit committee will be able to improve the quality of financial reporting and the function of the audit committee on management, thus reducing earnings management carried out by managers in a company.
4. The analysis shows that audit quality has no significant effect on earnings management. This means that the examination of the financial statements by Big Four KAP does not reduce the possibility of earnings management practice actions. Basically, companies that use Big Four or

high quality KAP services are only to increase the credibility of financial statements so that they can attract and be trusted by investors, but have not been able to limit the occurrence of earnings management carried out by company management.

Suggestion

1. Investors and shareholders should be more careful in choosing companies for investment facilities by taking into account the company's performance, financial performance, and members included in the company's good corporate governance in order to avoid or minimize the possibility of earnings management.
2. Companies are expected to pay more attention to the role of management in carrying out their duties. In addition, companies must further improve their supervisory function to avoid earnings management practices. A good supervisory function will reduce fraud in the company.

Research Limitations

1. This research is limited to state-owned companies listed on the Indonesia Stock Exchange, so that it does not represent all manufacturing companies listed on the Indonesia Stock Exchange
2. In further research, other variables can be added, for example institutional ownership, foreign ownership and auditor independence.

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