THE EFFECT OF AUDIT QUALITY AND CORPORATE GOVERNANCE ON EARNINGS MANAGEMENT
(Study on Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period of 2015-2019)

Lu'luilmaknun[1], Devvy Rusli[2]
Accounting
Indonesian College of Economics
Jalan Kayu Jati Raya No. 11A Rawamangun, Jakarta, Indonesia
luluilmaknun894@gmail.com ; Devvyrusli@stei.ac.id

Abstract– The purpose of this study is to test and obtain empirical evidence of the effect of audit quality and corporate governance (institutional ownership, size of the board of commissioners and audit committee) on earnings management in manufacturing companies listed on the Indonesia Stock Exchange during the 2015-2019 period. The population in this study were manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2019. This research uses purposive sampling method . Based on certain criteria determined by the author, a sample of 59 companies for the 2015-2019 period was obtained so that the total sample amounted to 295 financial reports. This study uses multiple linear regression analysis method with SPSS version 23. The results show that audit quality has no effect on earnings management, while corporate governance (institutional ownership, board of commissioners and audit committee size) affects earnings management.

Keywords : Audit Quality, Corporate Governance , Earnings Management

I. PRELIMINARY

The financial report is a report on the financial activities of a company in one period. The financial statements are prepared by management with the aim of being responsible for the tasks assigned to them by the owners of the company. Financial reports are also used to fulfill other purposes, one of which is as a report to parties outside the company. Parties outside the company usually only see information about profit in the financial statements without knowing how that profit was obtained.

Profit is an important component in financial statements. An increase in profit when compared to the previous period indicates that the company's performance has been better. Earnings information can help the owner or other party to estimate the strength of corporate profits in the future will come. This earnings information is often the target of management's opportunistic engineering actions to maximize its satisfaction, but it can harm shareholders or investors (Melai, et al, 2017).

The opportunist actions carried out by way of selecting certain accounting policies, so that corporate profits can be adjusted, increased or reduced in accordance with the wishes. According to Artamita (2015) Management behavior to measure earnings according to this desire is known as earnings management. Management is a management action to influence the profit generated. Earnings management is thought to appear or be carried out by managers or financial report makers in the financial reporting process of an organization because they expect a benefit from their actions.

Corporate governance is very important corporate governance because it is one of the mechanisms used to control and manage the company. The need to implement Corporate Governance to minimize management that is considered ineffective and efficient so that it has the potential to harm other parties. Corporate Governance is a set of regulations that regulate the relationship between shareholders, company managers, creditors, government, employees and other internal and external stakeholders relating to their rights and obligations, or in other words a system that regulates and controlling the company (FCGI, 2001).

In several previous studies, the authors found differences in results between one study and another, namely the Suanadar research (2014) in line with the research conducted by Hainatun et al. (2014) which stated that audit quality affects earnings management practices. This is not in line with the results of Maya's (2012) research, that audit quality and corporate governance do not have a negative effect on earnings management. Chtourou et al. (2001) and Midiastuty and Machfoedz (2003) state that managerial ownership and institutional ownership are negatively related to earnings management, while board size is positively related to earnings management. In their research, Putri and Yuyyeta (2012) state that corporate governance and audit quality have a significant effect on earnings management. But based on research conducted by Agustia (2013), the results of the analysis show that managerial ownership and audit quality have no influence on earnings management.

Therefore, the authors are interested in re-conducting research to re-examine the results of previous research, as well as in the context of scientific development, because the manufacturing sector is dominant in Asia, especially in Indonesia (Achmad et al., 2009). Based on the background described above, there was GAAP between previous researchers, so the authors are interested in conducting research and presenting it in a thesis report entitled "The Effect of Audit Quality and Corporate Governance on Earnings Management (Empirical Study of Companies Listed on the IDX 2015- 2019)”.

II. LITERATURE REVIEW

2.1. Review of Previous Research Results

Ingrid Chistiani and Yeterina (2014) conducted a study entitled "The Effect of Audit Quality on Earnings Management". This study uses four control variables, namely company size, leverage, operating cash flow ratio and company growth. The data analysis method used in this research is multiple linear regression test. The results showed that KAP size has no effect on earnings management. Auditor industry specialization has a negative effect on earnings management. Of the four control variables used in this study, only operating cash flow and growth have an effect on earnings management, while the other two variables, namely firm size and leverage, have no effect.

Maya Indriastuti (2012) conducted a study entitled "An Analysis of Auditor Quality and Corporate Governance on Earnings Management". It shows that the quality of auditors in this study uses proxies and Big Four Auditors and Non Four Auditors. Meanwhile, corporate governance in this study is managerial ownership, institutional ownership, and the proportion of independent boards. The method of analysis used in this study is multiple linear regression with SPSS version 19.0. The results showed that the variable that had a positive and significant effect on earnings management was auditor quality, while managerial ownership and institutional ownership had a negative and significant effect. The variable proportion of the independent board of commissioners does not have a significant and positive effect on revenue from the company's management banking.

According to research by Arif Budi Prabowo (2017) on "The Effect of Audit Quality on Earnings Management in Non-Financial Companies Listed on the IDX". This study aims to examine the relationship between audit quality and earnings management. Audit quality studies document that accruals will decrease when auditors are independent because the audit firm is large. Earnings management is measured by discretionary accruals using the Jones Model. Based on the purposive sampling method, there are 31 samples. The research hypothesis was tested using multiple linear regression analysis. The results of this study indicate that there is no positive relationship between audit quality and earnings management. In addition, there is no positive relationship between companies that employ bigfour or no n-bigfour audit firms and earnings management .

2.2. Theories Associated with Research Variables

2.2.1. Agency Theory

Agency problems arise because of a conflict of interest between shareholders (principals) and managers (agents), which is due to the absence of maximum utility between them (Kusumaningtyas , 2012). The existence of separation between company owners and management by management tends to create agency conflicts between principles and agents. The conflict of interest between the principal and the agent occurs because the agent may not always act according to the principal's wishes because the manager as the manager of the company knows more about the company's internal information and prospects in the future than the owner (Sigit , 2016).

2.2.2 Earnings Management

According to Herlambang (2015), it is explained that earnings management is one of the factors that can reduce the credibility of financial statements and can interfere with users of financial statements in believing the numbers in these financial statements. According to Sulisyanto (2014:165) earnings management can be measured by the modified discretionary accrual of the Jones model. In this research discretionary accrual is used as a proxy for earnings because it is a component that can be manipulated by managers.

2.2.3. Audit Quality

According to Liu and Wang (1999), the definition of audit quality is the probability that the auditor will not report the audit report with an unqualified opinion for financial reports that contain material errors. Audit quality is all the possibilities where an auditor when auditing the client's financial statements can find discrepancies that occur in the client's accounting system. Where the violations found by the auditor must be reported in the audit financial report, guided by auditing standards and the relevant public accountant code of ethics in carrying out their duties (Artamita, et al. 2015).

2.2.4. Corporate Governance

Corporate governance can be defined as a corporate governance mechanism and process in which a company is run to improve economic efficiency which includes a series of relationships between company management, the board of directors, shareholders and other company stakeholders (Ridwan, 2007). Corporate governance also provides a structure that facilitates the determination of the goals of a company, and as a means of determining performance monitoring techniques (Wisnumurti, 2010). In this study, Corporate governance (Institutional Ownership, Board of Commissioners Size, Audit Committee).

2.3. The Relationship Between Research Variables

2.3.1. Effect of Audit Quality on Earnings Management

To gain the trust of the users of financial statements, it is expected that good audit quality is expected (Luhgiatno, 2010). High -quality auditing can act as a deterrent to effective earnings management practices because financial reports reflect management's reputation. If the results of the audit are not qualified, the reputation of management will be destroyed. The results of audits conducted by Big Four and non-Big Four accounting firms can affect the quality of the resulting audit. Auditors who work at Big Four KAP are considered more qualified because these auditors are equipped with a series of training and procedures and have an audit program that is considered more accurate and effective than auditors from non-Big Four KAP (Guna and Herawaty, 2010). Amijaya and Pratiwi (2013) in their research show that audit quality as measured by the Big Four KAP has a negative effect on earnings management.

2.3.2. The Effect of Institutional Ownership on Earnings Management

Institutional ownership is the ownership of the number of company shares by a non-bank financial institution where the institution manages funds on behalf of other people. According to Tarjo (2008) institutional ownership is ownership of company shares owned by institutions or institutions such as insurance companies, banks, investment companies and institutional ownership. Institutional ownership has the ability to control management through an effective monitoring process so as to reduce earnings management. Cornett et al. (2006) concluded that the act of controlling firms by institutional ownership can encourage managers to focus more on company performance so that it will reduce opportunistic or selfish behavior. The greater the institutional ownership, the lower the tendency for managers to carry out earnings management activities because of the better supervisory function of institutional investors.

2.3.3. Effect of Board of Commissioners Size on Earnings Management

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.

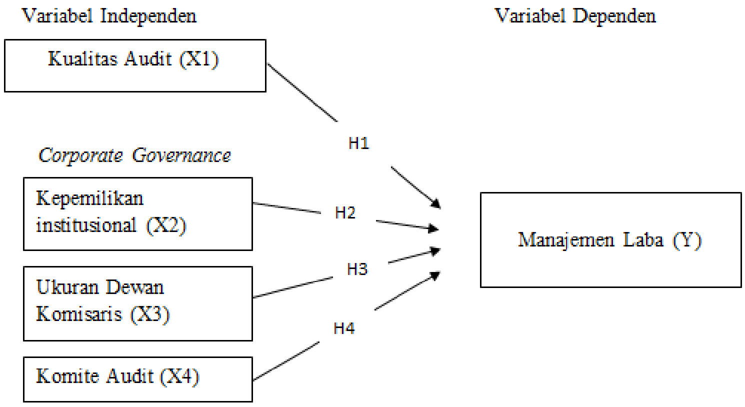
2.3.4. Effect of Committee Audit on Earnings Management

The audit committee is considered to be a liaison between shareholders and the board of commissioners and management in handling control issues. The audit committee is a committee formed by the board of commissioners to supervise the management of the company (Nasution and Doddy, 2007). The existence of an audit committee is useful for ensuring transparency, openness of financial reports, and fairness for all stakeholders so that the existence of an audit committee is very important for company management because it can reduce earnings management. Forum For Corporate Governance in Indonesia (FCGI, 2008), the audit committee has a separate task in assisting the board of commissioners, especially those related to corporate accounting policies, internal control, and financial reporting systems. The audit committee is in charge of supporting the supervisory function of management, this is done so that management is not opportunistic. The more members of the audit committee will improve the performance of the audit committee. This will result in an increased supervisory function, so that the quality of reporting carried out by management is guaranteed.

2.4. Research Conceptual Framework

Based on the explanation that has been stated above, the authors set a research conceptual model which is described as follows:

Gambar 2. 1 Kerangka Pemikiran



Sumber: Data diolah oleh penulis 2020

III. RESEARCH METHODS

3.1. Research Strategy

This research is a descriptive type of research with a quantitative approach . Descriptive research method with a quantitative approach is used when it aims to describe or explain events or an incident that is happening now in the form of meaningful numbers. The purpose of this descriptive study with a quantitative approach is to explain a situation to be studied with the support of a literature study so that it further strengthens the analysis of the researcher in making a conclusion, where the research results are obtained from the calculation of the research variable indicators then presented in writing by the author. (Nana Sudjana, 1997: 53).

3.2. Population and Sample

In this study the population used is a manufacturing company listed on the Indonesia Stock Exchange (BEI). The selection of manufacturing companies as research objects with the consideration that the manufacturing industry sector dominates all public companies listed on the Indonesia Stock Exchange. In addition, the selection of the manufacturing industry is because the manufacturing industry carries out complete operational activities starting from purchasing raw materials, production processes to sales, so a good corporate governance mechanism is needed to minimize any earnings management actions.

3.3. Research Samples

The sample selection of companies in this study using purposive sampling method, namely determining the sample based on certain criteria. The reason for using purposive sampling technique, it is expected that the sample criteria obtained are really in accordance with the research to be carried out. Here is a criterion in penentua n samples in this study: Companies listed on the Stock Exchange Ind onesia during the period 2015-2019, the Company publishes financial statements or with complete data consistently during the years 2015-2019, the Company published a report late finance in rupiah units, the company suffered a loss from 2015-2019.

3.4. Data dan and Data Collection Methods

Sources of data in the study using the literature study method, which is obtained from some literature related to the problem being researched. The data used in this study were collected using the documentation method. Documents cited in this research is financial statements, the data provided in www.idx.co.id. Data obtained from annual reports and audited financial reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2015-2019 period on the IDX official website, namely www.idx.co.id. This study only uses manufacturing companies as samples.

3.5. Operational Variables

3.5.1. Dependent Variable (Y)

The dependent variable is the variable that is described or influenced by the independent variable. The dependent variable used in this study is earnings management. According to Sulisyanto (2014:165) earnings management can be measured by the modified discretionary accrual of the Jones model. In this research discretionary accrual is used as a proxy for earnings because it is a component that can be manipulated by managers.

3.5.2. Independent Variable (X)

Independent variables are variables that affect the dependent variable positively or negatively. There are 2 independent variables used in this study, namely audit quality and corporate governance consisting of institutional ownership, board size, and audit committee. The operationalization of the variables in this study is shown in the following table:

Operational Variables

Variabel	Definisi	Pengukuran
Variabel dependen : Manajemen laba(Y)	Merupakan tindakan manajemen untuk mempeng-aruhi laba yang dihasilkan. Tindakan tersebut dilakukan oleh manajemen dengan tujuan untuk menguntungkan dirinya sendiri.	1. Menghitung total accrual TACit = NIit - CFOit 2. Menghitung Total Accrual dengan OLS TAit/Ait -1 = β1 (1/Ait -1) + β2 (REVit/Ait -1) + β3 (PPEit/Ait -1) 3. Menghitung *Nondiscretionary accrual* NDAit = β1 (1/Ait -1) + β2 ((REVit/Ait -1) – (RECit/Ait -1)) + β3 (PPEit/Ait -1) 4. Menghitung *Discretionary Accrual* DAit = (TACit /Ait -1) - NDAit
Variabel independen : Kualitas Audit (X1)	Hasil suatu pemeriksaan atas laporan keuangan berdasarkan Standar Profesional Akuntan Publik	Variabel dummy 1 untuk auditor yang tergabung dalam skala besar *big four* dan 0 untuk auditor yang bukan *big four*.
Kepemilikan Institusional (X2)	Jumlah saham perusahaan yang dimiliki oleh institusi seperti bank, perusahaan investasi dan kepemilikan oleh institusi lain.	Jumlah saham yag dimiliki investor institusional / Jumlah keseluruhan saham yang beredar x 100%
Ukuran Dewan Komisaris (X3)	Sebuah dewan yang bertugas untuk melakukan pengawasan dan memberikan nasihat kepada direktur Perseroan terbatas.	UDK = DK Internal + DK Eksternal
Komite Audit (X4)	Komite yang dibentuk dewan komisaris untuk melakukan tugas pengawasan perusahaan.	Jumlah seluruh komite audit yang dimiliki oleh perusahaan

3.6. Data analysis method

3.6.1. Descriptive Statistical Analysis

According to Sujarweni (2015:29) descriptive statistics in research basically aim to describe or provide an overview of the object of research through sample or population data. Descriptive statistics provide an overview or description of data seen from the average (mean), standard deviation, variance, maximum and minimum.

3.6.2. Classic assumption test

Regression testing can be done after the model from this study meets the requirements, namely passing classical assumptions. The conditions that must be met are that the data must be normally distributed, not contain multicollinearity and heterocidasticity. This is done to avoid biased estimation considering that all data cannot be applied in multiple registers . The following is the classic assumption test that will be used in this study: Normality Test, Multicollinearity Test, Autocorrelation Test, Heteroscedasticity Test.

3.6.3. Analisis Regresi Linear Berganda

The analytical method used in this research is multiple linear regression analysis. The following is the regression equation model developed in this study :

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e$$

Keterangan :

Y = earnings management
A = constant
β1,2,3,4,5 = regression coefficient
X1 = Audit quality
X2 = Institutional ownership
X3 = The size of the board of commissioners
X4 = Audit committee
e = coefficient of error

IV. ANALYSIS AND DISCUSSION

4.1. Description of Research Object

A manufacturing company is a business or industry that processes raw materials into finished or semi-finished materials that can be used by consumers and society. Of course in doing this production also need tools and materials other which makes it as an integral part of product so that people often say the value of manufacturing has a very close relationship with engineering and engineering or technology. Manufacturing companies are currently growing very rapidly every year both in terms of financial statements and shares that have gone public. The business prospects in manufacturing have also proven to be very profitable every year which will attract investors to invest in the company. Shares of manufacturing companies also experienced an increase every year because many investors are interested to invest this enterprise sector for investment purposes to meet the needs of wholeness future will come. So researchers use manufacturing companies as samples because until now the manufacturing industry continues to experience progress which results in increasingly fierce competition among companies in the industry

4.2. Data Collection

Collecting data in this research using purposive sampling method . Purposive sampling is the determination of the sample based on certain criteria. From the results of the purposive sampling that has been done, there are 59 companies that were sampled in this study.

4.3. Test Result

4.3.1. Descriptive Statistics Test Results

In this study, the descriptive statistical test provides an overview or description of the data seen from the average (mean), standard deviation, maximum and minimum. The following are the results of statistical testing:

Tabel 4.3

Descriptive Statistics Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Kualitas Audit	295	,000000	1,000000	,44745763	,498076549
Kepemilikan Institusional	295	,000000	,994297	,67570965	,214534418
Ukuran Dewan Komisaris	295	2,000000	12,000000	4,35593220	1,909185743
Komite Audit	295	3,000000	5,000000	3,11525424	,387216457
Manajemen Laba	295	-1,231010	,159570	-,09030345	,107204515

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

Based on table 4.3. The result of the descriptive statistical test on the earnings management variable shows that the total data (N) of 295 has a minimum value of -1,231010 and a maximum of 0,159570 with an average (mean) value of -0,09030345 and a standard deviation value of 0, 107204515. The result of the descriptive statistical test on the audit quality variable shows that the total data (N) of 295 has a minimum value of 0 and a maximum of 1, with an average (mean) value of 0,44745763 and a standard deviation value of 0,498076549. The result of the descriptive statistical test on the institutional ownership variable shows that the total data (N) of 295 has a minimum value of 0,000000 and a maximum of 0,994297 with an average (mean) value of 0,67570965 and a standard deviation value of 0,214534418. The result of the descriptive statistical test on the size of the board of commissioners variable shows that the total data (N) of 295 has a minimum value of 2,000000 and a maximum of 12,000000 with an average (mean) value of 4,35593220 and a standard deviation value of 1,909185743. The result of the descriptive statistical test on the audit committee variable shows that the total data (N) of 295 has a minimum value of 3 and a maximum of 5 with an average (mean) value of 3,11525424 and a standard deviation value of 0,387216457.

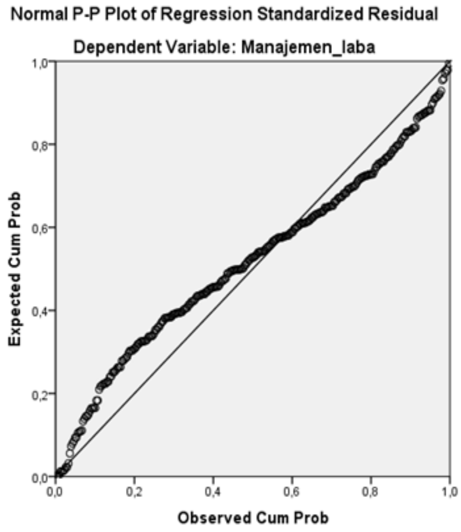
4.3.2 . Classic Asusmsi Test Results

4.3.2.1. Results of Classical Normality Assumption Testing

The normality test data aims to test whether the dependent and independent variables in the regression model are normally distributed. In this study, the classical assumption test used a histogram graph and a normal probability plot. If the lines on the histogram graph form a bell-like curve and the variables approach the diagonal lines on the normal probability plot graph, it means that there are no symptoms of the classic assumption of normality in this study. If the lines on the histogram graph do not form like a bell and the variables move away from the diagonal lines on the normal probability plot graph, it means that there are symptoms of the classic assumption of normality in this study.

Gambar 4.2

Results of Classical Normality Assumption Test: Histogram Graph



Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

From the test results it is known that the points that describe the position variable are located around the diagonal line and tend to approach the diagonal line. Based on the results of testing the classical assumptions of normality using histogram charts and normal probability plots, it can be concluded that there are no symptoms of the classic assumptions of normality in this study.

4.3.2.2. Multicollinearity Classical Assumption Test Results

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables. To detect the presence or absence of multicollinearity in the regression, it can be seen using the tolerance value and the Variance Inflation Factor (VIF). If the tolerance value is ≥ 0,10 or the value (VIF) ≤ 10, it means that there is no multicolerance and if the tolerance value ≤ 0,10 or the value (VIF) ≥10, it means that there is multicolerance. The following is the result of testing the classic assumptions of multicollinearity:

Tabel 4.4

Multicollinearity Classical Assumption Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Kualitas audit	,766	1,306
	Kepemilikan institusional	,961	1,040
	Ukuran dewan komisaris	,722	1,385
	Komite audit	,895	1,118

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

Based on the results of these tests and compared with the criteria previously described, it can be concluded that there are no multicollinearity symptoms in this study.

4.3.2.3. Results of Classical Autocorrelation Assumption Testing

The autocorrelation test aims to test whether in the liner regression model there is a correlation between confounding error in period t and confounding error in period t-1 (previous). To test whether autocorrelation exists or not, you can use the Durbin Watson Test (DW) number guide.

1. DW number below -2 means that there is positive autocorrelation.
2. DW numbers are between -2 to 2, meaning there is no autocorrelation.
3. DW number above 2 means that there is negative autocorrelation.

Tabel. 4.5

Classical Assumption Test Results Autocorrelation: *Durbin Watson*

Model Summary[b]

Model	Durbin-Watson
1	1,731

a. Predictors: (Constant), Komite Audit, Kualitas Audit, Kepemilikan Institusional, Ukuran Dewan Komisaris

b. Dependent Variable: Manajemen Laba

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

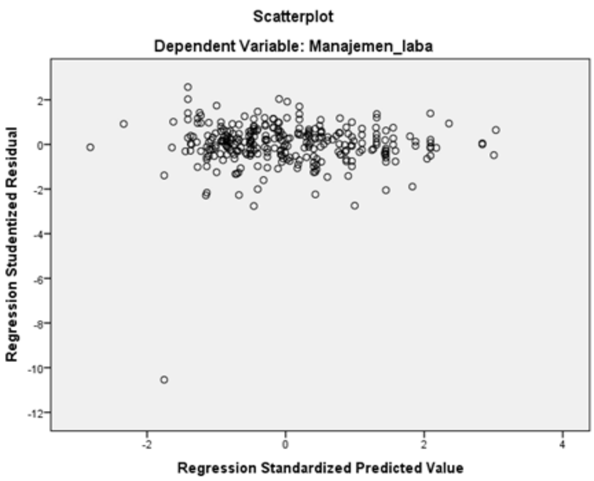
Based on the test results, it is known that the Durbin Watson value is calculated at 1,731. Stating that the number lies between -2 to 2 means that there is no autocorrelation. So it can be concluded that in this study there was no autocorrelation.

4.3.2.4. Results of Classical Assumption Testing Heteroscedasticity

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. If the pattern on the graph is shown by randomly spreading dots (without a clear pattern) and spread over or below the number 0 on the Y axis, it can be concluded that there is no heteroscedasticity in the regression model. The following are the results of testing the classic assumption of heteroscedasticity in this study:

Gambar 4.3

Results of Classical Assumption Testing Heteroscedasticity



Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

From the results of these tests, it can be seen that the points in the image are scattered above and below the number 0 on the Y axis and do not form a certain pattern. From the results of these tests, it can be concluded that there are no symptoms of heteroscedasticity in this study.

4.3.3. Multiple Linear Regression Test Results

Multiple linear regression analysis functions to find the effect of two or more independent variables, namely audit quality and good corporate governance, on the dependent variable, namely earnings management. The following are the results of multiple linear regression testing:

Tabel 4.6

Multiple Linear Regression Test Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	-,035	,057	
Kualitas Audit	-,007	,014	-,034
Kepemilikan Institusional	-,041	,030	-,082
Ukuran Dewan Komisaris	,008	,004	,135
Komite Audit	-,019	,017	-,067

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

Table 4.6 presented above is the result of multiple regression analysis testing. Based on these results, the equation that can be made is as follows:

$$Y = -0{,}035 - 0{,}007X_1 - 0{,}041X_2 + 0{,}008X_3 - 0{,}019X_4$$

Based on the test results and the regression equation presented above, it can be explained as follows:

1. The constant is -0,035, meaning that if the audit quality (X1), institutional ownership (X2), the size of the board of commissioners (X3), and the audit committee (X4) are constant, then earnings management will decrease by 0,035.
2. The regression coefficient for the audit quality variable (X1) is -0,007. This means that if the audit quality has increased by one unit, while institutional ownership, the size of the board of commissioners and audit committee does not change (constant), then earnings management will experience a decrease of 0,007.
3. Institutional ownership variable regression coefficient (X2) is -0,041. This means that if institutional ownership has increased by one unit, while the quality of the audit, the size of the board of commissioners and the audit committee does not change (constant), then earnings management will decrease by 0,041.
4. The regression coefficient for the size of the board of commissioners variable (X3) is 0,008. This means that if the size of the board of commissioners has increased by one unit, while the quality of the audit, institutional ownership and the audit committee do not change (constant), then earnings management will increase by 0,008.
5. The audit committee variable regression coefficient (X4) is -0,019. This means that if the audit committee increases by one unit, while the audit quality, institutional ownership and size of the board of commissioners do not change (constant), then earnings management will decrease by 0,019.

4.3.4. Result of Determination Coefficient Test (R2)

The test of the coefficient of determination is carried out to determine the percentage of influence of the independent variable on the dependent variable. If the r-squared value approaches 0, it means that the ability of the independent variable to explain the dependent variable is very limited. However, if the value is close to 1 (one), it means that the independent variable provides almost all the information needed to predict the variation in the dependent variable. The following are the results of testing the coefficient of determination:

Tabel 4.7

Results of Determination Coefficient Testing

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,147[a]	,022	,008	,106774311

a. Predictors: (Constant), Komite Audit, Kualitas Audit, Kepemilikan Institusional, Ukuran Dewan Komisaris

b. Dependent Variable: Manajemen Laba

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

Table 4.7 presented above is the test result of the coefficient of determination. From the results of the test it is known that the r-square value is 0,022 or which means the variable audit quality, institutional ownership, size of the board of commissioners and audit committee has an effect of 2,2% on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019 while as much 97,8% is influenced by other factors not examined in this study.

4.3.5. Hypothesis Testing Results

4.3.5.1. Simultaneous Hypothesis Testing of Significance (Test F)

Simultaneous hypothesis test or f test is a test conducted to test the hypothesis between the independent variable and the dependent variable together. In this study, the independent variables, namely audit quality and good corporate governance (consisting of institutional ownership, size of the board of commissioners and audit committee) on the dependent variable, namely earnings management.

To make a decision in this test based on the significance value of the output. If the calculated probability value is smaller than the significance level, it can be concluded that there is a partial influence between the independent variable and the dependent variable. Conversely, if the calculated probability value is greater than the significance level, it can be concluded that there is no partially influence between the independent variable on the dependent variable. The following are the results of simultaneous hypothesis testing:

Tabel 4.8

Simultaneous Hypothesis Testing Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,073	4	,018	1,593	,176[b]
	Residual	3,306	290	,011		
	Total	3,379	294			

a. Dependent Variable: Manajemen Laba

b. Predictors: (Constant), Komite Audit, Kualitas Audit, Kepemilikan Institusional, Ukuran Dewan Komisaris

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

From the test results, it is known that the calculated probability value is 0,176 with the calculated f-statistic value of 1.593. It is also known that the significance level used in this study is 0,05 . If the results of testing the variables of audit quality and good corporate governance are compared with the criteria, then the calculated probability value is greater than the significance level (0,176 > 0,05). Based on the test results, it can be concluded that there is no simultaneous influence between the variables of audit quality and good corporate governance, which consists of institutional ownership, size of the board of commissioners and audit committee on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

4.3.5.2. Partial Hypothesis Testing (t test)

Partial hypothesis test or t test is a test conducted to test the hypothesis between the independent variable and the dependent variable individually. If the calculated probability value is smaller than the significance level, it can be concluded that there is an influence between the independent variable and the dependent variable partially. Conversely, if the calculated probability value is greater than the significance level, it can be concluded that there is no influence between the independent variable and the dependent variable partially. The following are the results of partial hypothesis testing:

Tabel 4.9

Hypothesis Testing Results Partially

Coefficients[a]

Model		t	Sig.
1	(Constant)	-,607	,544
	Kualitas Audit	-,511	,609
	Kepemilikan Institusional	-1,381	,168
	Ukuran Dewan Komisaris	1,974	,049
	Komite Audit	-1,090	,277

Sumber: Hasil Pengolahan Data Dengan SPSS Versi 23

From the results of tests that have been carried out, the audit quality variable is compared with the criteria, then the calculated probability value is greater than the significance value (0.609 > 0,05). Based on the results of these tests, it can be concluded that there is no partial influence between audit quality variables on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The institutional ownership variable is compared with the criteria, so the calculated probability value is greater than the significance level (0,168 > 0,05). Based on the results of these tests, it can be concluded that there is no partial influence between institutional ownership on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

The variable of the size of the board of commissioners is compared with the criteria, so the calculated probability value is smaller than the significance level (0,049 < 0,05). Based on the results of these tests, it can be concluded that there is a partial influence between the size of the board of commissioners on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The audit committee variable is compared with the criteria, so the calculated probability value is smaller than the significance level (0,277 > 0,05). Based on the results of these tests, it can be concluded that there is no partial influence between the audit committee variables on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

4.4. Discussion

4.4.1. Effect of Audit Quality on Earnings Management

Based on the test results, the audit quality obtained a significance value of 0,609 > 0,05, which means that there is no partial influence between the audit quality variables on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

The results of this study are in line with Ingrid Chistiani and Yeterina (2014) who state that no KAP size has no effect on earnings management. In this study, the quality of a public accounting firm is measured using a dummy, that is, if the company uses the services of a public accounting firm affiliated with the big four, it will be given a value of 1, and if the company uses the services of a public accounting firm that is not affiliated with the big four then it will be given a value of 0.

4.4.2. The Effect of Institutional Ownership on Earnings Management

Based on the test results, institutional ownership has a significance value of 0,168 > 0,05, it can be concluded that there is no partial influence between institutional ownership on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

The results of this study are in line with Riske Meitha Anggraeni (2013) which states that there is no influence between institutional ownership on earnings management. In this study, institutional ownership is measured by comparing the shares owned by the institution with the total number of shares outstanding by the company.

4.4.3. Effect of Board of Commissioners Size on Earnings Management

Based on the test results, the size of the board of commissioners obtained a significance value of 0,049 < 0,05, it means that there is a partial influence between the size of the board of commissioners on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

The results of research that have been carried out are in line with research conducted by Rahmawati (2013) which states that there is an influence between the board of commissioners on earnings management. In this study, the size of the board of commissioners is measured from the number of commissioners in the company in the current period, both commissioners and independent commissioners in the company.

4.4.4. The Effect of the Audit Committee on Earnings Management

Based on the test results, the audit committee obtained a significance value of 0,277 > 0,05, it means that there is no partial influence between the audit committee variables on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

The results of the research conducted are in line with research conducted by Bayu Aji (2012) which states that there is no significant influence between the audit committee on earnings management. In this study, the audit committee is measured by the number of audit committees the company has in the current year. 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.

V. CONCLUSION AND SUGGESTION

5.1. Conclusion

This study aims to obtain empirical evidence of the effect of audit quality and corporate governance on earnings management. The analysis was performed using SPSS version 23. The sampling technique used purposive sampling method. Produce 59 samples of companies with an observation year of 5 years, so that the number of data sampled in this study was 295 data.

The results showed that audit quality and corporate governance (consisting of institutional ownership, board size, and audit committee) only affected earnings management by 2,2%, so the variables used in this study were still not effective in reducing earnings management. Based on the results of the tests that have been done, the researchers draw the following conclusions:

1. There is no influence between audit quality on earnings management in companies listed on the Indonesia Stock Exchange in 2015-2019. Due to all of the office of public accountant who publishes audit reports for companies sampled in this study provide a good service to be independent and not influenced by other parties who have an interest in the company's financial statements.

2. There is no influence between institutional ownership on earnings management in companies listed on the Indonesia Stock Exchange in 2015-2019. Because the company does not have the ability to control management through the monitoring process effectively, it cannot reduce earnings management practices.

3. There is an influence between the size of the board of commissioners on earnings management in companies listed on the Indonesia Stock Exchange in 2015-2019. Due to the increasing number of members of the board of commissioners in 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.

4. There is no influence between the audit committee on earnings management in companies listed on the Indonesia Stock Exchange in 2015-2019. This is because the audit committee in the company is unable to reduce earnings management practices that can harm stakeholders.

5.2. Suggestion

Based on the above conclusions, the researcher provides a number of suggestions to several parties as follows:

1. For further researchers, it is hoped that the results of this study can be considered as a consideration for examining factors regarding earnings management.

2. Future researchers are expected to use samples from all companies and use a longer observation year so that the research results can be better.

3. Further researchers are expected to use other sectors in order to describe earnings management practices in other sectors.

4. Investors are expected to consider audit quality, institutional ownership, size of the board of commissioners and audit committee as factors that can influence earnings management practices.

5. For companies to consider earnings management practices as practices that can harm interested parties, including the company.

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RESEARCH BIODATA

Personal Data

Name	: Lu'luilmaknun
NPM	: 11160000152
Place and Date of birth	: Jakarta, 20 April 1997
Citizenship	: Indonesia
Address	: Jl. Gongseng Raya RT 010/001, Kel. Cijantung Kec. Pasar Rebo, Jakarta Timur 13770
Phone	: 0895-3688-37213
Email	: luluilmaknun894@gmail.com

Formal Education

SDN Cijantung 07 Pagi	: Graduated in 2009
MTsN 17 Jakarta	: Graduated in 2012
SMK Karya Wijaya Kusuma	: Graduated in 2015
STIE Indonesia Jakarta	: 2016-2020

Profession

Office Name	: PT Meddia Mitra Sinergi
Office Address	: Graha 63, Jl. Kemang Timur No.63, RW 3, Kel. Bangka Kec. Mampang Prapatan, Jakarta Selatan

Organizational Experience

2009-2012	: Osis Sie. Keagamaan MTsN 17 Jakarta
2012-2015	: Ketua PMR SMK Karya Wijaya Kusuma