e-ISSN: 2686-6331, p-SSN: 2686-6358
DOI: https://doi.org/10.31933/dijemss.v4i4
Received: 06 February 2023, Revised: 11 March 2023, Publish: 21 April 2023

DIJEMSS
DINASTI INTERNATIONAL JOURNAL OF EDUCATION MANAGEMENT AND SOCIAL SCIENCE
https://dinastipub.org/DIJEMSS
editor@dinastipub.org
0811 7401 455

Influence of the Independence of the Board of Commissioners, the Competency of the Committee Audit, and Audit Quality on Earnings Management and its Implications on Firm Value (Empirical Study of Non-Financial State-Owned Enterprises that go Public in the 2019-2021 Period)

Caecilia Cahyaningsih Kristilestari[1], Ronny Andesto[2]
[1)] Master of Accounting Program, Faculty of Economics and Business, Universitas Mercu Buana Jakarta, Indonesia, caeciliacahyakristi@gmail.com
[2)] Master of Accounting Program, Faculty of Economics and Business, Universitas Mercu Buana Jakarta, Indonesia, ronny.andesto@mercubuana.ac.id

[*]Corresponding Author: Caecilia Cahyaningsih Kristilestari[1]

Abstract: *This research was conducted with the aim of obtaining evidence about the influence* of the independence of the board of commissioners, audit committee competence and audit quality on earnings management and the implications for firm value. The population of this study are non-financial State-Owned Enterprises listed on the Indonesia Stock Exchange, with an observation period from 2019-2021. The sample technique used is purposive sampling, and the analytical method as the basis for data processing is SPSS software. The results of the study found that earnings management has no effect on firm value. The independence of the Board of Commissioners and the competence of the audit committee also have no effect on earnings management. From this study, the only hypothesis that can be accepted is that audit quality has a significant effect on earnings management. Rejection of the hypothesis can be influenced by several factors, including audit commissioners and audit committees with financial backgrounds that are only used to fulfill legal requirements. However, in practice, they need to be implemented properly or there is a conflict of interest in them.

Keywords: Independence of the Board of Commissioners, Audit Committee Competence, Audit Quality, Earnings Management, Firm Value

INTRODUCTION

In recent years, there have been various cases of manipulation by business entities formed by the government, namely State-Owned Enterprises or what we call BUMN. The most recent example is the case that befell PT Garuda Indonesia Tbk with the recognition of receivables which increased its profit to a large extent and the case of PT Jiwa Sraya which also seemed to have a large profit through its reinsurance scheme in 2006. Profit became so attractive to achieve as a measure company performance which is very important for users of financial statements (Scott, 2015: 370). Profit also indicates the extent to which a company is able to carry out activities that can add value to the company, and therefore, users of financial statements need quality information about net income in order to make decisions according to their interests (Rankin, et al., 2018: 264). Profits to be achieved also give rise to various reasons or motivations for management to distort information related to profits and this practice is referred to as earnings management or earning management (Rankin, et al., 2018: 284; Scott, 2015: 370).

Corporate governance is one of the factors that influence earnings management practices. In simple terms, the International Financial Corporation (2018: 27) defines good corporate governance as a system where companies are directed and controlled. The corporate governance structures that have been empirically proven to influence earnings management practices are the board of commissioners, audit committee and independent auditors. The board of commissioners of a public company has the task of carrying out general and/or specific supervision in accordance with the articles of association, providing advice to the directors (OJK, 2014). Independence is important for the board of commissioners. According to Magnanelli & Pirollo (2021: 39), the basis for an objective assessment by commissioners in evaluating top management and risk management policies, the process of financial reporting is independence. More effective independence will bring the board of commissioners to a smaller possibility for potential conflicts of interest in carrying out their duties so as to eliminate earnings management practices. According to the OJK, the audit committee, namely the committee formed, is responsible to the board of commissioners in carrying out their responsibilities as well as the functions of the board of commissioners. Competence in accounting and finance is important for the audit committee. Accounting and financial competence helps the audit committee carry out its responsibilities in overseeing the financial reporting process. Higher competence in accounting and finance is expected to streamline responsibilities in overseeing the financial reporting process, reducing earnings management practices. External auditors are one of the supporters of financial reporting who have the responsibility to plan and carry out audits to provide assurance that the existing financial statements are free from material misstatement, both in terms of errors and fraud (CAQ, 2010: 8). Audit quality reflects the performance of external audits which can describe how external auditors will detect and report possible violations in the accounting system (Watt & Zimmerman, 1980 in Soltani, 2007: 59). High quality audits will try to be realized by external auditors with the aim of protecting the name and reputation for the consequences arising from misleading financial reports by clients (DeAngelo, 1981b). Earnings management practices can have an impact on company value (Rankin, et al., 2018: 273), this can happen because company value can be described as the reaction of investors in the capital market to company profits as seen from the stock market price.

The phenomenon of earnings management practices as a basis and the existence of contradictions in research evidence as stated above, the researcher is interested in carrying out this research by giving the title "The Influence of the Independence of the Board of Commissioners, Audit Committee Competence and Audit Quality on Earnings Management and the Implications for Firm Value (Empirical Studies on Corporate Non-State-Owned Enterprises - Finances that Go Public Period 2019-2021).

LITERATUR REVIEW

Theory Agency

Agency relationships have the potential to cause agency problems, namely when the agent acts not for what is in the interests or needs of the principal (Subramaniam, 2018: 61). Earnings management arises as a matter of agency (Saona et al., 2019). Agency theory is a theoretical framework that studies conflicts of interest caused by differences in incentives between parties in agency relationships (Jensen & Meckling, 1976). This study is based on agency theory which provides an explanation of the relationship of independent commissioners, audit committee competence, and audit quality on earnings management. In this context, the board of commissioners, audit committee, and external auditors are the tools of the shareholders (principals) to oversee (monitoring) management (agent) behavior, while earnings management is a manifestation of agency problems due to differences in interests between parties shareholders (principals) and management (agent).

Signaling Theory

Signaling Theory is a theory that addresses the problem of asymmetry of information and provides an explanation of how the problem can be solved (Morris, 1987). Connelly et al. (2011) signaler, signal, receiver, and feedback are components of signaling theory. According to Connelly et al. (2011) signalers are insiders with privileged views on access to information. Meanwhile, signal receivers are outsiders who need information in order to support profitable decisions. Signaling theory is used here to provide an explanation of the relationship between firm value and earnings management practices. In this context, management (as the party that prepares the financial statements) is considered as the party giving the signal, profit as the signal, while investors and potential investors act as signal receivers, as well as the feedback is the company's value which appears in the form of the company's stock price (company values).

Independence of the Board of Commissioners

Article 1 point 6 of the Law of the Republic of Indonesia Number 40 of 2007 concerning Limited Liability Companies (2007 Limited Liability Company Law), states that the board of commissioners is tasked with providing advice to the directors and oversight both in general and/or specifically in accordance with the articles of association. According to Article 1 point 3 of the Financial Services Authority Regulation No. 33/POJK.4/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies, the board of commissioners is an organ of the issuer/company that has general and/or special supervisory duties in accordance with the articles of association and provides input to the directors. Independence has an important meaning for the board of commissioners (Kjaerland, et al., 2020; Hethilake, et al., 2019; Kapoor & Goel, 2019, Saona, et al., 2019; Al -Sraheen & Al Daoud, 2018, and Idris, et al., 2017).

Audit Committee Competency

The important role of the audit committee to assist the board of commissioners is to be responsible for oversight of risk management, financial reporting, adequate and effective control and governance (International Financial Corporation, 2017: 251). Public companies in the territory of Indonesia are required to form an audit committee to support the company (OJK, 2015). Center for Audit Quality (2010: 6) gives his opinion that the audit committee together with the board of commissioners is a supporting element unit for the chain in financial reporting which has the highest duties and responsibilities in overseeing the financial reporting process. The requirements given by OJK (2015) are that members of the audit committee must be able to understand financial reports, company business, especially those related to the series of business activities of issuers or public companies, audit processes, risk management, the market sector and related laws and regulations in force. The applicable regulations state that at least 1 (one) member of the audit committee has an educational background or at least has expertise in accounting and finance. The most important thing from the audit committee is competency in accounting and finance. (Abu Bakar, et al., 2021; Ngo & Le, 2021; Kapkiyai, et al., 2020; Agwor & Onukogu, 2018; and Zgarni, et al., 2016).

Audit Quality

In the literature, experts put forward several definitions of auditing. Several definitions of audit according to experts when summarized into an audit is a systematic process carried out by competent and independent people in terms of collecting, evaluating evidence as a basis for determining, providing reports on the level of conformity of information and predetermined criteria. Audit quality is very important. Krishnan & Schauer (2000) argues that audit quality as long as it refers to the applicable auditing standards, its quality can still be maintained. In line with Krishnan & Schauer (2000), the United States General Office of Accounting (2003:13) also states that: assurance on audit quality can be given if the auditing performed by the auditor meets applicable auditing standards. Confidence on adequate audit quality is related to: (1) audit results have been presented in accordance with accounting standards and (2) not found/containing material misstatements either due to errors or fraud. Measuring audit quality with dummy measurements like this is commonly used in research on audit quality as was done by Isah, et al., (2020); Kurawa & Aca (2020); Putra & Mela (2019); López (2018); Khalil & Ozkan (2016).

Earnings management

An important focus in financial reports that is of concern to stakeholders (investors and potential investors) is related to information about profits (Rankin, et al., 2018: 264). Net profit is an important measure of company performance for users of financial statements (Scott, 2015: 370). Net profit can provide an illustration of how the company is able to carry out activities that add value to the company. So quality information is needed by users of financial statements, including information about net income in order to make decisions (Rankin, et al., 2018: 264). In reality, with various motivations or goals, management distorts information about the company's net profit (earnings) (Rankin, et al., 2018: 268; Subramanyam, 2014: 109). This practice is called earnings management or earnings management (Rankin, et al., 2018: 284; Scott, 2015: 370).

In the literature, several definitions of earnings management are found, such as the view that earnings management is a deliberate action by management to report incorrectly the financial performance (profit) of an entity with the aim of obtaining certain profits. Rankin, et al., (2018: 268) identified several motivations underlying management's earnings management practices, such as: fulfilling expectations and describing the predictions of shareholder analysts, high stock prices and company valuations, to avoid violating restrictive debt agreements and at a level above normal is to avoid difficulties or company failure to meet short-term goals that lead to large managerial remuneration and bonuses.

Scott (2015:445) and El-Diri (2018:13) provide 2 (two) descriptions of earnings management methods, namely accrual earnings management and real earnings management. This study uses the accrual earnings management method. Accrual earnings management tends to display a consistent pattern of earnings growth (earnings) compared to earnings management using the real method (real earnings management) which displays fluctuating and surprising (erratic) profit growth (Rankin, et al., 2018: 266). The use of the accrual method in this study is based on the argument that investors tend to invest in companies that show consistent growth patterns, and therefore management has incentives to manage earnings using the accrual method (Rankin, et al., 2018: 266) . The earnings management measurement used in this study is the Modified Jones Model initiated by Dechow, et al. (1995) This measurement model is used with the argument that this model is a refinement of several previous earnings management measurement models (El Diri, 2018: 25).

Firm Value

One of the goals of the company is the creation of maximum corporate value (Mahajan, 2020: 148, Watson & Head, 2019: 8). Shareholders want the company to be able to increase the value and price of the company's shares, because this will increase their wealth (Brealey, et al., 2020: 1). Based on several definitions, what is meant by firm value in this study is the collective assessment of investors towards the company which is reflected in the share price formed through the buying and selling mechanism of company shares in the capital market (Urban, 2015: 3; Harmono, 2018: 233; Brigham & Houston, 2019: 389; Brealey, et al., 2020: 384). Firm value is measured by the Price to Book Value (PBV) ratio in this study, which is calculated using the ratio between the market price per share of a company compared to the book value per share of that company. This measure can be used to show whether a company's shares are traded above book value (overvalued) or traded below book value (undervalued). (Urban, 2015: 3; Harmono, 2018: 233; Brigham & Houston, 2019: 389; Brealey, et al., 2020: 384).

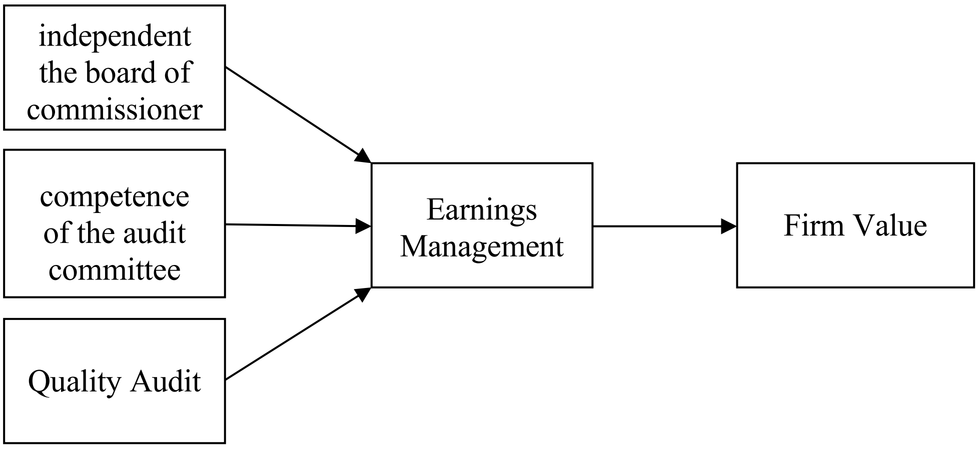
Conceptual Framework

Independence is the basis for supporting the process of monitoring and evaluating objectively by the board of commissioners on the company's operational processes, risk management policies adopted, the process for issuing financial reports in which there is the possibility of earnings management practices (Magnanelli & Pirollo, 2021: 39). More effective independence from the board of commissioners will result in less potential conflicts of interest arising from the board of commissioners, increasing the confidence of the board of commissioners in carrying out their duties, including overseeing earnings management practices which are ultimately expected to reduce and eliminate management's opportunistic behavior. From the explanation above it is believed that the independence of the board of commissioners has a significant influence on earnings management practices. The results of previous studies providing arguments that support this are demonstrated by, among others: Kjaerland, et al. (2020), Saona, et al. (2020), Hethilake, et al., (2019), Kapoor & Goel (2019), Al-Sraheen & Al Daoud (2018), and Idris, et al. (2017).

The competence of the audit committee in accounting and finance is able to assist the audit committee in carrying out its responsibilities when supervising the financial reporting process. The more competent the audit committee is in the field of accounting and finance, the more effective it will be when carrying out its responsibilities over the supervision of financial reporting, including supervising earnings management practices so as to reduce and eliminate earnings management efforts. Thus it is believed that the competence of the audit committee in accounting and finance has a significant effect on earnings management practices. The results of previous studies provide support for this argument, among others: Abu Bakar, et al. (2021), Ngo & Le (2021), Kapkiyai, et al. (2020), Agwor & Onukogu (2018), and Zgarni, et al. (2016).

External auditors will strive to achieve high quality audits to protect their good reputation from possible risks arising from misleading financial reports by clients (DeAngelo, 1981b). By conducting a high quality audit, it is likely that indications of earnings management practices will be found and the auditor will report this through an audit opinion (DeAngelo, 1981a; 1981b). Thus it is believed that audit quality has a significant influence on earnings management. The results of previous research provide empirical evidence to support this argument as shown by, among others: Kurawa & Aca (2020), Putra & Mela (2019), Amin, et al. (2018), Lopez (2018), Khalil & Ozkan (2016), Zgarni, et al. (2016).

Firm value is something that is influenced by earnings management practices (Rankin, et al., 2018: 273). Profit information in the context of signaling theory conveyed by management through financial reports is a signal sent by the sender of the signal (company) to the signal receiver (external parties, especially investors and potential investors) which contains information about the profits (earnings) generated by the company (Brigham & Houston, 2019: 500). The better the signal (profit/earnings) sent (good news), the better the decision (feedback) taken by the signal receiver, and vice versa. Thus it is believed that earnings management has a significant influence on firm value. The results of previous studies provide empirical evidence to support this argument as shown by, among others: Paddyland, et al. (2021), Abbas & Ayub (2019), Tarmidi & Murwaningsari (2019), Sunardi (2018) and Subanidja, et al. (2016). The framework as mentioned above can be described in the form of a framework chart as shown:



Picture 1. Conceptual Framework of Research

RESEARCH METHODS

According to Sugiyono (2013: 3), the scientific way to obtain data for predetermined purposes and uses is the understanding of the research method. The research method used here is quantitative research which can be explained from the following: from the data used, data processing methods, hypothesis testing and drawing conclusions. In terms of time, this research is a time series research. including confirmative research, namely research that aims to test hypotheses and prove predictions based on theory (Denscombe, 2010: 147).

Definition of Variable Operationalization and Variable Measurement

Based on the literature review that has been done before, the research variables are operationalized as follows:

1) Independence of the Board of Commissioners (X1) Based on the opinion of Kjaerland, et al., 2020; Hemathilake, et al., 2019; Kapoor & Goel, 2019, Saona, et al., 2019; Al-Sraheen & Al Daoud, 2018, and Idris, et al., 2017, what is meant by the independence of the board of commissioners in this study is the proportion of independent commissioners among all members of the board of commissioners.
2) Competence of the Audit Committee (X2). Based on the opinion of Abu Bakar, et al., 2021; Ngo & Le, 2021; Kapkiyai et al., 2020; Agwor & Onukogu, 2018; and Zgarni, et al., 2016, what is meant by audit committee competence in this study is the proportion of audit committee members who have an educational background and experience in accounting and finance among all members of the audit committee.

3) Audit Quality (X3). Based on the opinion of Watt & Zimmerman (1980) and DeAngelo (1981a; 1981b), what is meant by audit quality in this study is the probability that the external auditor will detect/find violations in the client's accounting system and report material violations in the accounting system.
4) Earnings Management (Y). Based on the opinion of Schipper (1989); Healy & Wahlen (1999); Mulford & Comiskey, (2002: 3) and Ronen & Yaari, (2008: 5), what is meant by earnings management in this study is an action taken intentionally by management to improperly report the financial performance (profit) of an entity with the aim of get certain benefits.
5) Firm Value (Z). Based on the opinion of Urban (2015: 3); Harmono, (2018: 233); Brigham & Houston (2019: 389); Brealey, et al. (2020: 384), what is meant by company value is the collective assessment of investors of the company which is reflected in the share price that is formed through the mechanism of buying and selling company shares in the capital market.

The above variables are formulated as follows:

Table 1. Variable Operationalization

Variabel	Indicator	Scala
Independence of the Board of Commissioners (INCOM) (Kjaerland, *et al*., 2020; emathilake, *et al*., 2019; Kapoor & Goel, 2019; Saona, *et al*., 2019; Al-Sraheen & Al Daoud, 2018, Idris, *et al*., 2017,)	INCOM= Number of independent commissioners in a reporting period/ Total number of members of the board of commissioners in a reporting period (Kjaerlan, *et al*., 2020)	Ratio
Competence of the audit committee (ACCOM) (Abu Bakar *et al*., 2021; Ngo & Le, 2021; Kapkiyai *et al*., 2020; Agwor & Onukogu, 2018; Zgarni *et al*., 2016)	ACCOM= Number of audit committee members who have educational background and experience in accounting and finance in a reporting period/Total number of Audit committee members in a reporting period (Abu Bakar, *et al*., 2021)	Ratio
Audit Quality (AQ) (Watt & Zimmerman, 1980; DeAngelo,1981a; 1981b)	AQ= Dummy variable, score 1 if the company is audited by a Big4 public accounting firm and 0 if it is audited by a non-Big4 public accounting firm. (Isah, *et al*., 2020; Kurawa & Aca, 2020; Putra & Mela, 2019; Lopez, 2018; Khalil & Ozkan, 2016)	Nominal
Earnings Management (EM) (Schipper, 1989; Healy & Wahlen, 1999; Mulford & Comiskey, 2002: 3; Ronen & Yaari, 2008: 5)	$= (TACC_{it} / TA_{it}) – NDACC_{it}$ $=\alpha 1(1/TA_{it-1}) + \alpha 2(1/\Delta REV_{it} – \Delta REC_{it}) + (\Delta PPE_{it} + TA_{it}) + \varepsilon_{it}$ $= \alpha 1(1/TA_{it-1}) +\alpha 2((\Delta REV_{it}/TA_{it-1}) – (\Delta REC_{it}/TA_{it-1})) +(\Delta PPE_{it}/TA_{it-1}) + \varepsilon_{it}$ (Dechow, *et al*., 1995)	Nominal
Firm Value (Urban, 2015: 3; Harmono, 2018: 233; Brigham & Houston, 2019: 389; Brealey, *et al*., 2020: 384)	PBV=Market Price per Share at the end of Reporting Period/Book Value per Share at the end of Reporting Period (Breadley, *et al*., 2020: 81)	Ratio

Population and Sample

The population taken was 28 BUMN companies, the sampling criteria were purposive sampling with the criteria for BUMN companies registered on the IDX before 2019, non-financial business sectors and publishing annual reports and financial reports on the IDX in the period 2019-2021. The sampling results obtained were 54 sample data.

Secondary data is the type of data used in this study, namely data or information collected from various sources that are already available or have been previously published (Sekaran & Bougie, 2016: 2). The research data referred to here is data or information obtained from textbooks, previous research reports, online media, as well as relevant websites (such as the website of the Ministry of State-Owned Enterprises, the website of the Indonesian Stock Exchange, the website of the Financial Services Institution, the website of the related). Processing of research data using the SPSS software application. Data analysis was carried out after all data or information needed for research was obtained. This activity consists of data grouping, data tabulation, data presentation, and various calculations to answer the problem formulation and hypotheses.

Data Analysis and Processing

The data comes from financial reports and annual reports which are used as samples which are recorded by tabulating accurately in the form of numbers, processed statistically according to the specified data processing method. The data processing technique used in this research is SPSS software. The test uses several types of data analysis methods including descriptive analysis, classic assumption test, normality test which includes multicollinearity test, autocorrelation test, heteroscedasticity test; then a statistical test consisting of the coefficient of determination (R2), f test and t test.

RESULT AND DISCUSSION

This research is quantitative in nature where the data to be generated is in the form of numbers. The data will be processed and analyzed using SPSS software. This study aims to analyze the influence of the independence of the board of commissioners, audit committee competence, audit quality on earnings management and the effect of earnings management on firm value.

The following table shows the results of the descriptive statistics of the research data:

Table 2. Descriptive statistics

Variabel	N	Min	Max	Mean	Std. Dev
Independensi Dewan Komisaris (X1)	54	0,286	0,667	0,422	0,105
Kompetensi Komite Audit (X2)	54	0,250	1,000	0,666	0,234
Kualitas Audit (X3)	54	0,000	1,000	0,556	0,502
Manajemen Laba (Y)	54	-0,200	1,120	0,463	0,327
Nilai Perusahaan (Z)	54	0,010	0,256	1,073	0.303
Valid	54				

Source: Output Results Using SPSS

Following are the results of the descriptive analysis that has been obtained and can be seen in table.2 as follows:

1) Based on the results of the descriptive statistical analysis above, it is known that the research sample is a total of 54 samples consisting of 18 BUMN companies for 3 years from 2019-2021 which are registered on the IDX.
2) The Independent Variable of the Board of Commissioners (X1) has an average value of 0.428. This shows that BUMN companies have an average level of independence of 42.8% in the composition of their board of commissioners. The standard deviation value is 0.105 < from the average value, so the X1 variable data is normally distributed.

3) The audit committee competency variable (X2) has an average value of 0.666. This shows that BUMN companies have an average score of 66.6% in terms of the composition of the audit committee which has a competency background in accounting/finance. The standard deviation value is 0.238 < from the average value, so the X2 variable data is normally distributed.
4) The independent variable of Audit Quality (X3) has an average value of 0.555. This shows that BUMN companies have an average value of 55.5% on the quality of audits conducted by external auditors. This means that in this research sample more companies use Big4 services in conducting their external audits. The standard deviation value is 0.501 < from the average value, so the X3 variable data is normally distributed.
5) Profit Management Variable (Y) has an average value of 0.463. This shows that BUMN companies have an average value of 46.3% in managing cash inflows and outflows so that the business generates profits. the standard deviation value is 0.327 <from the average value, the Y variable data is normally distributed.
6) Firm Value Variable (Z) has an average value of 1.073. This shows that state-owned companies have an average value of 107.3% of their company value. This means that the average company's shares are traded at above book value (overvalued). The standard deviation value is 0.303 < from the average value, so the Z variable data is normally distributed.

Based on the research sample whose data has been processed, testing the hypothesis of each independent variable, the results are as in table 3 are as follows:

Table 3. Summary of Hypothesis Testing

Hypothesis	Sig	Conclusion
H1	0,351	Rejected
H2	0,101	Rejected
H3	0,003	Accepted
H4	0,750	Rejected

1) The Influence of the Independence of the Board of Commissioners on Earnings Management

Testing the sample to answer the hypothesis shows that the independence of the board of commissioners has no effect on earnings management. The duties of the Board of Commissioners are to carry out objective general/specific supervision and assessment of company operations, risk management policies, financial reporting processes including earnings management practices (Magnanelli & Pirollo, 2021: 39). The manifestation of this agency is the problem of differences in interests between agents and principals. Higher independence by the board of commissioners can influence potential or minimize conflicts of interest of the board of commissioners (principal) and more effective in carrying out management (agent) supervisory duties in running the company including in supervising earnings management practices. The greater the ratio of the independent commissioners, the smaller the opportunity to perform earnings management because supervision will be more effective.

In general, independent commissioners have better supervision of managers so that it is expected to influence the possibility of irregularities committed by managers, but in some conditions this is not possible, for example independent commissioners are only administrative fulfillment. The results of this study illustrate that the independence of the board of commissioners has no influence on earnings management. This can happen for a number of reasons, as it is known that an independent commissioner in a BUMN is chosen by the government to carry out its supervisory duties, but political pressure cannot be avoided. The independence of the board of commissioners is also threatened by conflicts of interest both from the government itself and from other factors that causing the independent board of commissioners to be unable to carry out its oversight function properly, unable to properly evaluate management performance. This can be one of the reasons why the independence of the board of commissioners has no effect on earnings management. Some of the results of this study support previous contradictory findings. Research conducted by Lippolis & Grimaldi (2020); Nia & Dudi (2022) and Kapoor & Goel (2016) show that the independence of the board of commissioners has no influence on earnings management practices.

2) The Influence of Audit Committee Competence on Earnings Management

Testing the hypothesis gives the result that the competence of the audit committee has no effect on earnings management. Member of the audit committee (principal) with competency in accounting or financial experience will assist in carrying out their responsibilities and duties in overseeing a series of financial reporting processes which will later be submitted by management (agent). In general, the more experienced the competence of the audit committee, the more effective it is expected to be able to carry out its oversight responsibilities. The competence of the audit committee does not affect earnings management, which can be caused by several things, such as the ineffective oversight function of the audit committee (principal) over management (agent) which results in earnings management. regulations that apply can actually lead to conflicts of interest so that what should be their responsibility cannot be carried out effectively. The audit committee in BUMN was also chosen by the government to occupy this position according to the regulations in force in Indonesia, especially BUMN companies that the audit committee consists of a maximum of two people from the board of commissioners. The results of research that support the result that the competence of the audit committee does not affect earnings management are the results of research by Fauzyyah (2020); Indriwati & Triyanto (2020) and Juliana & Widodo (2019).

3) The Influence of Audit Quality on Earnings Management

Audit quality in this study is based on the results of data processing to answer the hypothesis that the effect on earnings management is proven to have a significant effect. Things that can encourage this happen because the external auditor will try to provide a high quality audit to protect and maintain a good reputation from risks that may arise from the client's financial statements which can be misleading. An auditor has an obligation to maintain the quality of the audit that will be produced, so the external auditor will carry out a series of audit processes according to established procedures to produce audits that are accountable, have quality and are able to provide adequate assurance of the free material misstatement of a financial statement, which caused by mistake or intentional fraud. In the context of an agency theory, audit quality is one of the instruments that will be able to assist the board of commissioners in evaluating, monitoring and providing assurance on management (agent) behavior in the financial reporting process.

Audit quality in this study is measured based on the criteria of the Public Accounting Firm, namely Big4 and Non-Big4. This study illustrates that audit quality can have a negative effect on earnings management. This illustrates that audit quality can reduce or minimize earnings management practices. A quality audit is one that is carried out in accordance with the required procedures. Big4's external auditors are said to have a good reputation and are able to provide guarantees for trusted, accountable work results.

Previous research provides support for this argument as shown, among others, by: Kurawa & Aca (2020), Putra & Mela (2019), Amin, et al. (2018), Lopez (2018), Khalil & Ozkan (2016), Zgarni, et al. (2016)

4) The Effect of Earnings Management on Firm Value

Testing the hypothesis shows that earnings management has no effect on firm value. The emergence of earnings management is due to several motivations, one of which is for profits or to increase stock prices (company value). Signaling theory (Connelly et al., 2011) can provide an overview of behavior when two parties (individuals or organizations) have different access to information. This research can show that the sender must choose whether and how to communicate (or give a signal) that information, and the other party, in this case as the receiver, must choose how to read or interpret the signal. Profit information in the financial reports conveyed by management in relation to signaling theory will influence perceptions, views, images and ultimately decisions made by signal recipients. But in reality on the ground, company value is not only affected by earnings management practices, several factors can also influence it. This study provides results that explain that earnings management has no effect on firm value. Firm value can be sustained from mergers or securities offerings, plans to sell shares or exercise options apart from how the market views profits in the context of earnings management here. The company can also deliberately maintain the stability of the profits it earns, meaning that companies with stable profits tend to attract more investors to invest in the company concerned and this causes no need for earnings management measures to increase the value of the company. Previous research that supports the argument that firm value is not affected by earnings management includes Rice (2013) and Fahmi & Prayoga (2018).

CONCLUSION

This research starts with phenomena, problem formulation, hypotheses, data processing on a sample of state-owned companies listed on the Indonesia Stock Exchange for the 2019-2021 period, several conclusions can be drawn as follows:

1) The independence of the Board of Commissioners has no effect on earnings management. This means that for companies with a certain number of independent commissioners, there is no guarantee that it can affect earnings management practices.
2) The competence of the Audit Committee has no influence on earnings management. Companies with a larger number of audit committee members who have more financial/accounting backgrounds or experience cannot provide guarantees for a reduction in earnings management practices.
3) Audit quality has an influence on earnings management. This means that with an external audit that has a good reputation, the quality of audit results can also be used as a guarantee that has an impact on minimizing earnings management practices.
4) Earnings management has no effect on firm value. Firm value is not only influenced by earnings management, but there are other factors that influence it.

Several limitations of the research were found, including the good corporate governance variables that were used only a few, namely the independence of the board of commissioners, the competence of the audit committee, the quality of the company without regard to other variables such as institutional share ownership, the percentage of the total board which can also be indicated to influence earnings management used to assess company mechanisms. the good one; research time is also relatively short 3 years 2019-2021; and this research was only conducted on SOEs listed on the Indonesian stock exchange.Based on the conclusions from the results of this study, the suggestions and practices from this research include the following: this research was not only conducted on BUMN listed on the Indonesian stock exchange. So that the results of this study do not reflect SOEs as a whole, extend the research period and also add other variables in further research, namely managerial ownership, institutional share ownership, the number of board percentages so that they can be assessed as a whole so that the mechanism of implementing good corporate governance can be assessed as a whole and objectively. In addition, it is hoped that companies, in this case SOEs, can use the services of Big4 external auditors, which in this study have been proven to have a significant influence on earnings management so that financial statement manipulation practices can be prevented.

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