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THE INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS ON EARNINGS MANAGEMENT

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ABSTRACT

This research examines how audit committee traits impact earnings management. Purposive sampling was used to choose consumer products manufacturing businesses listed on the Indonesia Stock Exchange from 2019 to 2023. This research sampled 55 financial report data from 11 firms. This research employs linear regression tests to examine how audit committee size, independence, frequency of meetings, membership, and gender affect earnings management. Results reveal that audit committee expertise negatively impacts earnings management, demonstrating that experience and competence may improve oversight. The size, independence, number of meetings, and gender of the audit committee all improve profits management. These elements do not ensure ongoing monitoring. This demonstrates that the audit committee's efficacy relies on both its formal tasks and how similarities are used to improve financial reporting openness and quality.

Keywords: Audit Committee Size, Audit Committee Independence, Audit Committee Meeting Frequency, Audit Committee Expertise, Audit Committee Gender, Earnings Management.

INTRODUCTION

High-quality financial statements support accurate decision-making for investors, creditors, and regulators. However, if the information presented is inaccurate, it falls under earnings management practices (Tanjung & Syahzuni, 2023). Rinjani & Indrati (2024) emphasize that such practices undermine transparency and reduce stakeholder trust. Earnings management can create the illusion of strong financial performance but ultimately harms many parties. This practice arises due to conflicts of interest between management (agents) and owners (principals), as explained by agency theory (Jensen & Meckling, 1976).

PT Tiga Pilar Sejahtera Food Tbk, a company in the food and beverage sub-sector, was involved in an earnings management case that led to sanctions and the indictment of two former directors. Established on January 26, 1990, the company operates in trade, industry, and electricity. In 2017, its two subsidiaries, PT Indo Beras Unggul and PT Jati Sari Rezeki, sold rice with misleading labels, triggering a scandal that caused AISA's stock price to plummet. To restore its image, the management at the time allegedly manipulated the 2017 financial statements. However, in 2018, the new management appointed Ernst & Young (EY) for a re-audit, which uncovered a Rp5 trillion fund inflation and non-transparent fund transfers to related parties. In response, an Extraordinary General Meeting of Shareholders (EGMS) was held, resulting in the formation of a new management team to improve the company's operations. This case highlights the importance of good governance and transparency in maintaining investor trust. More information can be accessed through the PT. TPS Fraud Case.

Based on the explanation from Masmoudi & Makni (2020), high-quality financial reports require a commitment from the preparers and supervisors, such as the audit committee and auditors. Therefore, in order to ensure the level of accuracy and transparency, the audit committee has a role in maintaining the reliability of financial reports, while also strengthening the governance and performance of a company (Galal et al., 2022). In terms of the size of the audit committee, it can influence the effectiveness of supervision, where each number of members who tend to be larger are able to provide various authority resources, as well as diverse expertise in order to monitor optimally (Ha, 2022). Amin et al., (2018) also highlighted that every challenge of a company, such as in the practice of earnings management, tends to be more effective if handled by an audit committee that has a larger number.

The independence of the audit committee has an important role to maintain the reliability of a financial report and is able to prevent various profit management practices, this is because they are not directly involved with the management of a company. Galal et al. (2022) and Jameel et al. (2024) is of the opinion that an audit committee consisting of various independent members tends to be objective in assessing financial reports. Studies by Sun et al. (2014) and Setiawan et al. (2020) also shows that the dominance of each member of higher independence, the audit committee has the ability to undergo supervision that tends to be fairer and reduces various risks resulting from profit manipulation and can increase the transparency of the company's financial reports.

OJK in its regulation No. 55/POJK.04/2015 has stipulated that the audit committee has an obligation to hold meetings that must be held periodically, at least once every three months (Financial Services Authority, 2015). Based on the explanation of Amin et al., (2018), it is stated that there is a significant relationship between financial report manipulation and the frequency of audit committee meetings. Audit committees that have held various meetings regularly have the ability to detect and respond to various problems quickly, especially problems that have the potential for financial report manipulation (Setiawan et al., 2020; Xie et al., 2003).

The audit committee plays a crucial role in monitoring an entity's financial statements, making it essential for its members to have strong expertise in finance and accounting. This knowledge is critical for accurately analyzing and evaluating financial information (Setiawan et al., 2020). With such competencies, financial oversight boards can detect and ensure that financial statements are presented accurately and reliably by identifying and reducing adjustments in financial reports (Tanjung & Syahzuni, 2023). In line with OJK Regulation No. 55/POJK.04/2015, at least one audit committee member must have an educational background in finance or accounting (OJK, 2015).

Nowadays, various corporations have created an equal opportunity for men and women to join the financial oversight team, both in terms of team composition and in a more comprehensive supervisory function. Regarding the supervisory aspect, women tend to be careful and comply with regulations. Then, in the realm of problem solving, women are more directed at recognizing or solving problems than men (Jameel et al., 2024). Thus, it is desired that female financial oversight team personnel are more effective in minimizing revenue engineering compared to men (Setiawan et al., 2020).

Various previous studies have shown that the characteristics of the financial oversight team affect revenue engineering activities, although the findings vary. Setiawan et al., (2020) found that gender diversity had no effect on revenue engineering, while the number of meetings and financial expertise had a positive effect. However, there was no significant effect on the size and freedom of the financial oversight team. Jameel et al.'s (2024) study only found that the freedom of the financial supervisory team had no effect on revenue engineering, then the quantity of members, quantity of meetings, and gender of the financial supervisory team were not significant. Tanjung & Syahzuni (2023) stated that the intensity of meetings held by the financial supervisory team and the expertise of its members did not have a significant effect. Santoso & Syahzuni (2024) stated that there was a significant effect between the financial supervisory team and revenue engineering. Galal et al.'s (2022) study added that size, expertise, and gender showed a significant negative relationship to revenue engineering. Meanwhile, freedom showed a positive relationship with revenue engineering, while the quantity of meetings did not show any significant relationship.

Ali (2024) conducted research on 17 insurance companies in Ethiopia and found that size, independence, meeting frequency, expertise, and gender positively influenced earnings management. The type of entity studied is the primary distinction between this research and previous studies. The present study focuses on consumer goods manufacturing companies.

The objective of this research is to obtain empirical evidence on the influence of audit committee size, independence, meeting frequency, expertise, and gender on earnings management practices in consumer goods manufacturing companies listed on the Indonesia Stock Exchange. The consumer goods sector was selected due to its significant contribution to the national economy and the complexity of financial statement management. This study is expected to enhance existing knowledge and support more transparent and honest corporate governance practices.

LITERATURE REVIEW

Agency Theory

Conflicts of interest between managers (agents) and owners (principals) in running a company have long been a focal point, especially since they were discussed by Jensen & Meckling (1976). Essentially, this conflict arises because owners seek high returns on their investments, which pushes managers to constantly find ways to increase profits and dividends for shareholders. Agency theory provides an explanation that a manager often gets the urge to do earnings management, which is a practice in preparing financial reports with the aim of looking better, and can increase the compensation they get such as incentives, bonuses, and various benefits that have been given for the performance of the business that is done better which can strengthen self-tendencies. So, in other words, every manager has full control to manage a company that is in accordance with their interests (Jameel et al., 2024). This is where the role of the audit committee becomes crucial—to ensure transparency, prevent information asymmetry, and keep managers focused on shareholder interests. Additionally, the audit committee serves as a key mechanism to mitigate conflicts arising from the separation between ownership and managerial control. An audit committee composed of independent, experienced, and competent members can help maintain corporate governance, ensuring greater transparency and accountability (Syariati & Purwaningsih, 2024).

Earnings Management

According to Schipper (1989), earnings management is the deliberate process of altering financial report information to gain advantages for either individuals or organizations. Intervention in the financial reporting process can lead to the manipulation of reports, making profits appear higher, more stable, or even lower without external parties being aware (Saputra & Hermanto, 2022). In general, earnings management can be understood as the adjustment of financial reports to present a certain level of profit, aimed at meeting shareholder expectations or securing other benefits for the organization. Depending on its impact on cash flow, earnings management is categorized into accrual-based and real earnings management. When management alters financial reports without violating Generally Accepted Accounting Principles (GAAP), accrual-based earnings management is applied, which does not immediately affect cash flow. In contrast, real earnings management involves operational decisions that directly impact cash flow (Sun et al., 2014). The practice of earnings management negatively affects companies, as it prevents management from conveying the true earnings information (Rinjani & Indrati, 2024).

Audit Committee Size

The board of commissioners establishes an audit committee in accordance with Kep.29/PM/2004 to support the implementation of corporate oversight responsibilities. The committee's duties include monitoring the performance of internal auditors and company operations, particularly in identifying risks and potential fraud. It also ensures strong corporate governance (GCG) and that financial reports accurately reflect the company's status (Saputri & Febyansyah, 2023). The audit committee must consist of at least three independent commissioners and external parties, as mandated by POJK No. 55/POJK.04/2015 (Otoritas Jasa Keuangan, 2015). The number of members in the committee plays a crucial role in a company's performance. By having a relatively large number of members, they have the ability to supervise more effectively and provide a sense of security to each company owner related to financial reports, until finally this can provide support for company growth that tends to be more optimal Syariati & Purwaningsih (2024) and Jameel et al. (2024), Therefore, the good performance of each member of the audit committee is a reflection of governance that tends to be effective. In order for the principles of corporate governance in the public to be carried out properly, each audit committee is required to uphold the values of independence, transparency, accountability, responsibility, and a sense of justice in disclosing information (Wahyuningsih, 2020).

Audit Committee Independence

The audit committee is required to have at least three members, these three members include an independent chairman of the commissioner and two external members (Financial Services Authority, 2015). So, based on the explanation from Hanipah & Purwaningsih (2024) this composition is able to strengthen independence, as well as various important factors in the effectiveness of the audit committee. In addition, an independent audit committee can carefully supervise various financial report arrangements. Thus, they will be able to carry out various supervisory functions optimally which aim to ensure that the protection of the interests of each shareholder can be maintained (Bedard et al., 2004). The presence of members who have or are currently holding positions in a company's management can affect the various levels of independence in a committee. The Financial Services Authority, (2015) provides a statement that independent commissioners and external members who do not have business relationships and interests in a company, family, board of commissioners, board of directors, or shareholders have the ability to provide opinions that tend to be professional, and neutral based on ethical principles without any bias.

Audit Committee Meetings

According to Otoritas Jasa Keuangan (2015), the audit committee must hold meetings at According to the Financial Services Authority (2015), it explains that the audit committee has an obligation to hold every three months. Meetings can be held if more than half of the committee members are present. In addition, the high frequency of meetings can increase the level of effectiveness of the investigations that have been carried out (Hanipah & Purwaningsih, 2024). This meeting is held with the aim of discussing various financial reports during the audit process, especially when completing reports in the middle and end of the year (Amin et al., 2018). In addition, the meetings that have been held also include various discussions related to internal control, risk management, and various other responsibilities which are the main tasks of the audit committee.

Audit Committee Expertise

Good corporate governance includes an audit committee responsible for overseeing financial reporting and ensuring its accuracy. With professional training in accounting or finance, the audit committee can provide effective oversight and reassure investors that the company is committed to solid financial reporting (Galal et al., 2022). According to OJK Regulation No. 55/POJK.04/2015 (Otoritas Jasa Keuangan, 2015), the audit committee must have at least one member with accounting or finance training.

Gender in the Audit Committee

Jameel et al. (2024) explain that men and women tend to approach tasks differently. Women are often more meticulous in identifying and completing tasks compared to male auditors. Women's participation in the audit committee, board of commissioners, and as independent commissioners can enhance the effectiveness of management oversight of the company's operational activities (Sinaga & Edastami, 2024). This view is supported by Hudha & Utomo (2021), who state that the presence of women on the board of directors is considered important, as they play a crucial role in monitoring the managerial performance of a company.

RELATIONSHIP BETWEEN VARIABLES

Relationship Between Audit Committee Size and Earnings Management

An audit committee consists of three members (Otoritas Jasa Keuangan, 2015). Numerous studies indicate that audit committee members possess greater authority, resources, perspectives, skills, and experience, thereby enhancing oversight (Ha, 2022). Amin et al. (2018) found that the effectiveness of the audit committee correlates with its membership. With increased resources, the audit committee can address corporate issues such as earnings management. However, studies by Galal et al. (2022), Setiawan et al. (2020), and Tanjung

& Syahzuni (2023) found that the size of the audit committee does not affect earnings management. This research supports agency theory, which suggests that a larger audit committee is more independent. Thus, monitoring earnings management enhances efficiency and the quality of financial reporting. This study proposes the following hypothesis:

H1: The size of the audit committee negatively affects earnings management.

Relationship Between Audit Committee Independence and Earnings Management

Academics and practitioners often highlight the importance of an independent audit committee in controlling earnings management practices. A meta-analysis conducted by Pomeroy & Thornton (2008) on 27 studies found that audit committee independence is the most commonly used indicator to assess its effectiveness. In general, it is recognized as contributing to the improvement of financial reporting quality. Moreover, an increasing number of studies have investigated the relationship between managerial financial reporting and audit committee independence. Nelwan & Tansuria (2019) and Tanjung & Syahzuni (2023) found that audit committee independence negatively impacts earnings management. The hypothesis proposed for this study is:

H2: Audit committee independence negatively affects earnings management.

Relationship Between the Number of Audit Committee Meetings and Earnings Management

The total number of meetings reflects the activities of the audit committee. Setiawan et al. (2020) and Xie et al. (2003) estimated that an increase in audit committee meetings could reduce earnings management. Several studies have examined the relationship between audit committee meetings and earnings management. Jameel et al. (2024), Mollik et al. (2020), and Tanjung & Syahzuni (2023) found that audit committee meetings have a negative impact on earnings management. The reduction in earnings management due to frequent audit committee meetings highlights the importance of these meetings (Xie et al., 2003). Therefore, the hypothesis proposed in this study is:

H3: The number of audit committee meetings negatively affects earnings management.

Relationship Between Audit Committee Expertise and Earnings Management

Audit committee members are required to have sufficient skills in carrying out their various tasks in overseeing the financial reporting process and various systems in internal control (Bedard et al., 2004). Sun et al. (2014) provide a statement that every member who has expertise in finance and accounting has a selective tendency in controlling various earnings management practices, in addition they are also able to understand more deeply the practices carried out, so they can identify the existence of the perpetrators. Tanjung & Syahzuni (2023) and Jameel et al. (2024) explain that audit committee expertise has a negative relationship with earnings management, so on the basis of this the author proposes a theory:

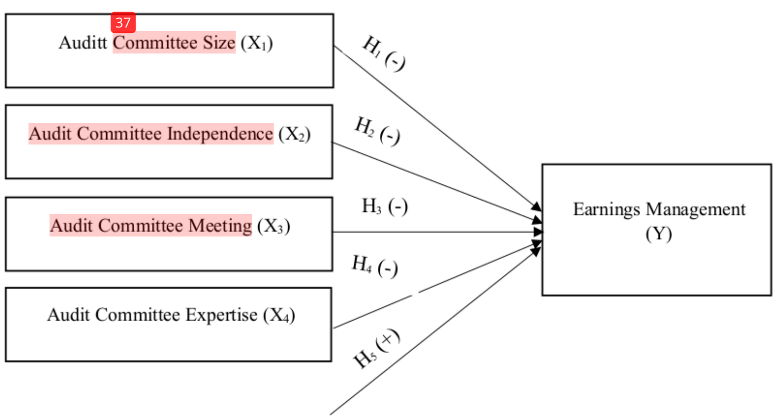
H4: Audit committee expertise negatively affects earnings management.

Relationship Between Gender Diversity in the Audit Committee and Earnings Management

The proportion of each female and male member on an audit committee is used as another factor in influencing earnings management. Therefore, based on agency theory, gender diversity has the ability to increase the effectiveness of supervision carried out because of the different perspectives in making a decision. Therefore, the relationship between gender diversity on the audit committee and practices in earnings management is a research topic that tends to be widely studied (Jameel et al., 2024). Female members on the audit committee are often associated with higher ethical standards, greater accuracy, and a different approach to supervision. This aligns with the findings of Galal et al. (2022), Masmoudi Mardessi & Makni Fourati (2020), and Setiawan et al. (2020), who found no significant correlation between earnings management levels and the number of women involved in the audit committee. Zalata et al. (2018) argued that if women have a limited role within the committee structure, they may support earnings management practices as a solution to reduce potential conflicts of interest. This perspective is consistent with the study by Ali (2024), which found a significant relationship between earnings management practices and female audit committee members. Thus, the following hypothesis can be proposed in this study:

H5: Audit committee gender has a positive effect on earnings management.

As explained in the previous hypotheses, this study focuses on the relationship between audit committee characteristics and their influence on earnings management practices. The theoretical framework underlying the development of these hypotheses is as follows:



Audit Committee Gender (X_5)

RESEARCH METHOD

A causal research design is used to demonstrate how various attributes of the audit committee, such as size, independence, meeting frequency, expertise, and gender, influence earnings management practices. Since this study employs a quantitative approach, each variable must be thoroughly measured. ACS is the first independent variable, measured nominally (Sun et al., 2014). The ACI variable is obtained by dividing the number of independent audit committee members by the total number of audit committee members (Ali, 2024). The ACM variable is based on the number of audit committee meetings held within a specific period (Ali, 2024). ACE is calculated by comparing the number of audit committee members with accounting or finance degrees to the total number of members (Ha, 2022). The last variable, ACG, is determined by comparing the number of female audit committee members to the total number of members (Xie et al., 2003).

Earnings management is measured using the Modified Jones Model by Dechow et al. (1995). This model is chosen because it better reveals revenue-based manipulation than the original Jones Model. The reason for this is that the Jones Model assumes that changes in revenue fully reflect non-discretionary accruals. To identify earnings management practices, the Modified Jones Model adds the accounts receivable change variable. This is done by subtracting the change in receivables from the change in revenue. According to this model, credit sales can indicate opportunities for earnings management.

This study uses corporate financial reports as secondary data. The research population consists of consumer goods manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023. A total of 110 companies were initially included, collecting 550 data points over five years. The sample was selected using a purposive sampling method since not all members of the population met the criteria. The sample selection criteria included consumer goods manufacturing companies that were publicly listed from 2019 to 2023, consistently published annual financial reports during this period, reported profits, and had female audit committee members. After data processing, 11 companies were selected as the sample over five years, resulting in a total of 55 observations.

This study summarizes data analyzed using descriptive statistics. To verify the regression model, classical assumption tests were conducted, including tests for autocorrelation, heteroscedasticity, multicollinearity, and normality. Hypothesis testing was then carried out to determine how the independent factors influence the dependent variable. The analysis included the coefficient of determination, F-test, and t-test. Additionally, multiple regression analysis was performed using the following equation model:

$$EM = \alpha - \beta 1.ACS - \beta 2.ACI - \beta 3.ACM - \beta 4.ACE + \beta 5.ACG + \varepsilon$$

Explanation:

EM = Earnings Management
ACS = Audit Committee Size
ACI = Audit Committee Independence
ACM = Audit Committee Meetings
ACE = Audit Committee Expertise
ACG = Audit Committee Gender
ε = Error

RESULTS OF THE RESEARCH

Table 1

Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Audit Committee Size	55	3.00	4.00	3.0182	0.13484
Audit Committee Independence	55	0.00	1.00	0.9212	0.25631
Audit Committee Meetings	55	4.00	10.00	5.6000	1.80123
Audit Committee Expertise	55	0.00	1.00	0.4697	0.29761
Audit Committee Gender	55	0.33	1.00	0.4394	0.16779
Earnings Management	55	-0.27	0.65	0.0880	0.18789
Valid N (listwise)	55				

Source: Data Processing SPSS (2025)

According to the descriptive analysis conducted using SPSS on 55 samples, it was found that in 2019, PT Sariguna Prima had the lowest earnings management value of -0.27 and the highest at 0.65. The mean value of 0.0880 is lower than the standard deviation of 0.18789, indicating a wide data distribution and suggesting significant differences in earnings management practices among companies. Consequently, further research is needed to understand the distribution patterns and factors influencing variations in earnings management levels over this period.

The minimum audit committee size is 3.00, observed across all samples except PT Unilever Tbk in 2021, which had a maximum value of 4.00. With a mean of 3.0182, higher than the standard deviation of 0.13484, the data tends to be homogeneous or less varied. This finding suggests that most sample companies have a similar audit committee size. The Financial Services Authority (OJK) Regulation No. 55/POJK.04/2015 requires publicly listed companies to have at least three audit committee members. Based on these findings, the sample companies comply with this regulation (Otoritas Jasa Keuangan, 2015).

The independence of the audit committee in the sample shows significant variation. PT Tempo Scan Pacific Tbk had the lowest value of 0.00 in 2019, while most companies had the highest value of 1.00. The mean audit committee independence is 0.9212, with a standard deviation of 0.25631, indicating that the majority of companies have implemented independent audit committees in line with Good Corporate Governance (GCG) principles. Setiawan et al. (2020) found that financial report monitoring becomes more effective as audit committees become more independent. Therefore, the likelihood of earnings management practices may decrease.

Most listed companies held four audit committee meetings, as shown by the minimum value, while PT Gudang Garam Tbk had a maximum of 10 meetings in 2019. With a mean of 5.6000 and a standard deviation of 1.80123, the data shows differences in the frequency of meetings held by different companies. According to OJK Regulation No. 55/POJK.04/2015, companies must hold audit committee meetings at least once every three months to ensure proper corporate governance and financial report oversight (Otoritas Jasa Keuangan, 2015).

There are significant differences in the expertise levels of audit committees among the 55 samples, with the lowest value of 0.00 observed in 12 samples and the highest value of 1.00 found in PT Astra Argo Lestari Tbk in 2020. The resulting standard deviation is 0.29761 and the mean value resulting from the expertise of each audit committee has a value of 0.4697, this shows a variety of variations that are quite significant in terms of the expertise of the audit committee in each entity that they will examine.

The education they have, especially in accounting and finance, can influence the various skills possessed by the audit committee members. So, based on the background explained, they tend to have good abilities when analyzing and evaluating their financial reports. According to OJK Regulation No. 55/POJK.04/2015, The audit committee is required to have at least one member who has an educational background in accounting or finance (Otoritas Jasa Keuangan, 2015). Thus, this expertise has an important role in strengthening various supervisions on each financial report and helping to ensure transparency and responsibility in managing a company (Setiawan et al., 2020).

Most companies record a minimum sample result with a value of 0.33 for each gender of the audit committee, while at PT Astra Argo Lestari Tbk, this gender records a maximum result value of 1.00. So, the average of each recorded gender of the audit committee has a value of 0.4394 which has a standard deviation of 0.16779, this is illustrated by the various differences in the representation of women on the audit committee in each company.

A One-Sample Kolmogorov-Smirnov test was used to assess the normality of the data. A normal distribution is indicated by a normality test result greater than 0.05, which in this case is 0.200. This confirms that the research data follows a normal distribution.

The multicollinearity test results indicate that the Tolerance value is above 0.10, and the Variance Inflation Factor (VIF) is below 10. The results show that the ACS variable has a tolerance value of 0.992 and a VIF of 1.008, ACI has a tolerance of 0.743 and a VIF of 1.346, ACM has a tolerance of 0.739 and a VIF of 1.354, ACE has a tolerance of 0.554 and a VIF of 1.804, and ACG has a tolerance of 0.884 and a VIF of 1.184. These results confirm that the regression model does not suffer from multicollinearity issues.

The Glejser test was used to assess heteroscedasticity. If the significance value is greater than 0.05, it indicates no heteroscedasticity in the regression model. Conversely, if the value is less than 0.05, heteroscedasticity is present. The test results show ACS = 0.141 > 0.05, ACI = 0.196 > 0.05, ACM = 0.285 > 0.05, ACE = 0.016 < 0.05, and ACG = 0.814 > 0.05. Based on these findings, the significance value for the ACE variable (X4) is less than 0.05, indicating heteroscedasticity in the regression model.

Autocorrelation was assessed using the Durbin-Watson (DW) method. This method requires the DW test result to fall between dU and 4-dU. In this study, the DW value obtained is 1.838, while the dU and 4-dU values are 1.768 and 2.232, respectively. Thus, it can be concluded that the data in this study is free from autocorrelation.

The following regression equation is formulated based on the results of multiple regression analysis:

EM = -2,051+ 0,125 ACS + 0,077 ACI + 0,084 ACM – 0,148 ACE + 0,105 ACG

The regression equation shows a constant value (α) of -2.051 in this study. Keeping ACS, ACI, ACM, ACE, and ACG constant results in an earnings management value of -2.051. Earnings management increases by 0.125 if X1 (ACS) rises, as indicated by its beta value of 0.125. If X2 (ACI) increases, earnings management will rise by 0.077. An increase in X3 (ACM) will lead to a 0.084 rise in earnings management, according to its beta value. Earnings management will decrease by -0.148 if X4 (ACE) increases, as its beta value is -0.148. Finally, X5 (ACG) has a beta value of 0.105, meaning earnings management will increase by 0.105 if X5 increases.

The F-test results show a significant value of 0.000, which is below 0.05, and an F-calculated value of 5.424, which is higher than the F-table value of 2.40. This indicates a significant relationship between Audit Committee Size, Independence, Meetings, Expertise, and Gender on Earnings Management.

Table 2

Partial Test Results (t)

Description	**Hypthosesis**	***Unstandardized* Beta**	**t**	***Sig.***	**Result**

Audit Committee Size, Audit Committee Independence, Audit Committee Meeting, Audit Committee Expertise, and Audit Committee Gender ⟶ Earnings Management					
Audit Committee Size (H_1)	Negative	0,125	2,964	0,005	H_1 Rejected
Audit Committee Independence (H_2)	Negatif	0,077	1,590	0,118	H_2 Rejected
Audit Committee Meeting (H_3)	Negatif	0,084	1,725	0,091	H_3 Rejected
Audit Committee Expertise (H_4)	Negatif	-0,148	-2,628	0,011	H_4 Accepted
Audit Committee Gender (H_5)	Positif	0,105	2,316	0,025	H_5 Accepted

Source: Data Processing SPSS (2025)

The t-test confirms significance if the p-value is < 0.05 and the calculated t-value exceeds the t-table value. Statistical analysis indicates a positive effect of ACS on earnings management, as the t-value is 2.964 > 2.010 and the significance level is 0.005 < 0.05. The beta value is 0.125.

ACI has a positive but insignificant effect on earnings management, with a t-value of 1.590 < 2.010 and a significance level of 0.118 > 0.05. ACM also has a positive but insignificant effect, with a t-value of 1.725 < 2.010 and a significance level of 0.091 > 0.05. ACE negatively affects earnings management, with a t-value of -2.628 > -2.010 and a significance level of 0.011 < 0.05. ACG positively impacts earnings management, with a t-value of 2.316 > 2.010 and a significance level of 0.025 < 0.05.

The coefficient (R) test result of 0.597 indicates a strong relationship between Audit Committee Size, Independence, Meeting Frequency, Expertise, and Gender with Earnings Management. Additionally, the Adjusted R-Square (coefficient of determination) is 0.291, or 29.1%. This suggests that these factors contribute 29.1% to Earnings Management, while the remaining 70.9% is influenced by other variables not covered in this study.

DISCUSSION

Impact of Audit Committee Size on Earnings Management

The partial test (t-test) indicates that audit committee size increases earnings management. Therefore, H1, which states that audit committee size negatively affects earnings management, is rejected. This contradicts the fundamental idea that a larger audit committee reduces earnings management. According to Ali (2024), a larger audit committee may increase earnings management due to poor coordination within larger groups. Research conducted by Balagobei & Keerthana (2022) and Galal et al. (2022), has shown that earnings management is negatively affected by every size of the audit committee, this is certainly contrary to the results obtained from this study. So, there are several factors that may influence the conclusions of this study, including in terms of the quality of discussions held at an audit committee meeting, the level of membership held, to independence in making a decision. In addition, further research is needed to identify various additional characteristics that can affect the size of the audit committee or practices in earnings management.

Impact of Audit Committee Independence on Earnings Management

The partial test (t-test) that has been conducted shows that significantly, earnings management is influenced by each independence of the audit committee. So, the H2 hypothesis provides a statement that the independence of the audit committee has a negative impact on each earnings management that has no evidence. In fact, the independence of the audit committee has a negative and significant impact on each earnings management.

This is certainly contrary to the initial assumption that had expected a negative relationship. So, in other words, the increase in the independence of the audit committee does not necessarily reduce various practices in earnings management. The findings of this study are in line with the research conducted by Ali (2024); Balagobei & Keerthana (2022); Galal et al. (2022); and Masmoudi Mardessi & Makni Fourati (2020), they concluded that the independence of the audit committee does not always provide effective results in limiting earnings management, so there are several other factors that can be influenced, such as pressure from each management or the supervisory function that tends to be less than optimal.

Impact of Audit Committee Meeting Frequency on Earnings Management

The results of this study indicate that the more often the audit committee holds meetings, the higher the practice of earnings management will be, thus making H3 rejected. This indication states that audit committee meetings do not emphasize the use of methods in earnings management, but these meetings actually provide encouragement to reduce the profits that have been managed. Thus, more frequent audit committee meetings do not necessarily strengthen financial reporting controls. Ali (2024) explains that the frequency of audit committee meetings does not always reflect the effectiveness of earnings manipulation oversight. Even with frequent meetings, the audit committee's involvement in financial reporting quality remains limited without professionalism and independence.

Impact of Audit Committee Expertise on Earnings Management

H4 is accepted because the partial test (t-test) conducted has shown that there is a negative relationship between earnings management and the expertise possessed by the audit committee. Thus, the strong belief held by the audit committee states that the audit committee is capable and has an important role in suppressing various practices carried out in earnings manipulation. So, in other words, if the audit committee's expertise is higher, their level of effectiveness in overseeing finances will also increase. The results of this study are also in line with research conducted by Galal et al., (2022) and Tanjung & Syahzuni, (2023), they explained that audit committees that have an educational background in finance or accounting tend to be more solid, besides that they are also able to detect and prevent various profit manipulations carried out.

Impact of Audit Committee Gender on Earnings Management

Based on the research that has been conducted, earnings management is positively and significantly influenced by each gender of the audit committee members, this makes H5 accepted. The findings obtained indicate that the increasing diversity of gender in an audit committee is related to increasing earnings management practices. So, with that, the presence of audit committee members from each particular gender does not only always reduce the manipulation of each profit obtained. In line with the research conducted by Ali (2024), even though there are various genders, this can still provide a wider perspective in terms of supervision in the financial sector, in addition, the level of effectiveness obtained in limiting earnings management still depends on various factors, such as in terms of experience and professional expertise possessed by each committee member.

CONCLUSION

This study was conducted by conducting an analysis of the influence generated by each size, number of meetings, and gender on the audit committee in earnings management, then through the financial statements of a company from each consumer goods listed on the Indonesia Stock Exchange (IDX) in 2019 to 2023. The results obtained from this study indicate that the presence of an audit committee involved has a negative impact on earnings management, while in terms of size, independence, number of meetings and gender, it actually increases the practice.

However, the study also has several limitations, including a relatively low level of determination coefficient, which is 29.1%. This is an indication that there are several other factors that must be reconsidered, one of which is in terms of the quality of the audit carried out, so that this can provide a deeper understanding of the earnings management variable.

The results obtained from this study provide implications for several parties, while from the company, the results obtained also provide confirmation that an effort is needed to increase the level of effectiveness of each audit committee, so that it is not just from the number of meetings, but must be able to improve the quality in terms of supervision and discussions that have been carried out. In addition, optimization of the size of the audit committee is needed, so it must be considered with the aim of making the supervision carried out more effective and financial reports more transparent and can be improved.

For investors, this research provides insights into how corporate governance factors, particularly audit committee characteristics, can influence financial reporting quality. Meanwhile, for regulators and other stakeholders, these findings can serve as input for developing stricter policies regarding the role and function of audit committees to enhance financial reporting transparency and accountability.

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