JURNAL ILMIAH
Bisnis dan Ekonomi Asia
Terakreditasi Sinta 3 SK No: 105/E/KPT/2022
htttps://jurnal.stie.asia.ac.id/index.php/jibeka

The Effect Of Good Corporate Governance On Earnings Management Actions With Audit Tenure As A Moderating Variable

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Article's Information

DOI:
10.32812/jibeka.v19i1.2243

ISSN-E:
2620-875X

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ABSTRACT

This study aims to examine how Good Corporate Governance (GCG) constrains earnings management in companies, considering the tenure of the Public Accounting Firm (PAF) with the company. The population used in this research consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period from 2018 to 2022. The sampling technique employed is purposive sampling, resulting in a sample of 109 companies with 545 observations. The analysis technique used is multiple linear regression analysis. The testing used in this research is SPSS. The results of this study indicate that Good Corporate Governance can constrain earnings management. An independent board of commissioners and managerial ownership can minimize the occurrence of earnings management. However, the audit committee and institutional ownership cannot constrain the occurrence of earnings management. Audit tenure can weaken the influence of the independent board of commissioners in constraining earnings management. Audit tenure can strengthen the influence of institutional ownership in limiting earnings management. However, audit tenure does not moderate the influence of the audit committee and managerial ownership on the occurrence of earnings management.

Keywords: Independent Board of Commissioners, Managerial Ownership, Institutional Ownership, Earnings Management, Audit Tenure.

ABSTRAK

Penelitian ini bertujuan untuk menguji bagaimana Good Corporate Governance dalam membatasi manajemen laba di perusahaan, dengan mempertimbangkan seberapa lama Kantor Akuntan Publik (KAP) telah bekerja dengan perusahaan. Populasi yang digunakan dalam penelitian ini berasal dari perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) selama periode tahun 2018-2022. Teknik pengambilan sampel penelitian menggunakan purposive sampling dan diperoleh jumlah sampel 109 perusahaan dengan 545 pengamatan. Teknik analisis yang digunakan adalah analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa dewan komisaris independen dan kepemilikan manajerial dapat mengurangi terjadinya tindakan manajemen laba. Komite audit dan kepemilikan institusional tidak dapat membatasi tindakan manajemen laba. Berdasarkan hasil penelitian menunjukkan bahwa audit tenure dapat memperlemah pengaruh dewan komisaris independen dalam membatasi Tindakan manajemen laba. Namun, hasil penelitian menunjukkan bahwa audit tenure memperkuat pengaruh kepemilikan institusional dalam membatasi tindakan manajemen laba. Audit tenure tidak memoderasi pengaruh komite audit dan kepemilikan manajerial terhadap terjadinya tindakan manajemen laba.

Keywords: Dewan Komisaris Independen, Kepemilikan Manajerial, Kepemilikan Institusional, Manajemen Laba, Audit Tenure.

Introduction

Companies that are established must have the same goal, which is to make a profit or profit from their business. Profit is not only used as a lifeline for a business, but also a measure of the success of the business. For medium-large companies, profit is used as an attraction to invite investors, with the assumption that the greater the profit earned, the greater the interest of investors to entrust their capital to the company. One of the factors that encourage managers to perform earnings management is the company's financial risk (Scott, 2011).

In 2018 there were two major scandals involving SOEs, namely the accountant of PT Jiwasraya who allegedly made financial reports with false profits for more than six years and the accountant of PT Garuda Indonesia who made financial reports not in accordance with applicable Financial Accounting Standards. The case of PT Garuda Indonesia Tbk began April 2, 2019, it was known that the results of PT Garuda Indonesia's financial statements for the 2018 year recorded a net profit of USD 809.85 thousand, while in the previous year Garuda Indonesia suffered a loss of 216.5 million (Hartomo, 2019).

The phenomenon of financial scandals that occur shows the failure of the integrity of financial statements to meet the information needs of users of financial statements. The presentation of earnings in the financial statements does not show the actual economic condition of the company. According to Statement of Financial Accounting Concepts (SFAC) No. 1 that earnings-related information is the main concern for assessing management performance or accountability. addition, earnings information also helps owners or other parties in estimating the company's future earnings management. Earnings management actions can be said to be manipulation activities, but can have positive or negative impacts. Earnings management practices, in accordance with the objectives of their use, can be carried out because no positive impact. strict rules or restrictions regarding accounting policies and procedures chosen by management. This causes management to freely use its power to determine accounting policies and procedures that are in accordance with its objectives. Most investors are more interested in seeing the company's profit growth from year to year. This causes many managers play earnings reports, such as flattening earnings to make them look stable from year to year

According to Cadbury (1992), Good Corporate Governance is a system that directs and controls the company with the aim of achieving continuity between the power and authority needed by the company to ensure the continuity of its extension and as an accountability to stakeholders. The implementation of good corporate governance practices can increase firm value by improving the company's financial performance and reducing the risks that may be carried out by the board with decisions that are personally beneficial and can generally increase investor confidence.

Good Corporate Governance (GCG) in agency theory provides a view that earnings management actions can be reduced through monitoring mechanisms that align the interests of principals and management. Share ownership by institutions is considered a smart investment because of their considerable ownership. Budiasih and Saputri (2014) state that the better the implementation of Good Corporate Governance in the company, it is expected to reduce opportunistic management behavior, so that the financial statements presented show true and honest information.

The mechanism of good corporate governance is characterized by managerial, independent board of commissioners, audit committee, institutional ownership, and the existence of managerial ownership can act as a party that can unite the interests of managers and shareholders, so as to overcome the conflict of interest between the two and suppress earnings management. The mechanism of good corporate governance which is characterized by the existence of managerial ownership, independent board of commissioners, audit committee, institutional ownership, and managerial ownership can act as a party that can unite the interests of managers and shareholders, so as to overcome conflicts of interest between the two and suppress earnings management.

The International Federation of Accountants (IFAC) issued a document, Rebuilding Public Confidence in Financial Reporting. IFAC considers kinship between auditors and clients as a threat to auditor independence. This causes doubts or auditor satisfaction to face reasonable challenges. Dewi and Budiartha's research (2015) states that auditor independence decreases if auditors are pressured by clients or have a close relationship with clients, thus affecting their attitude and mentality in providing opinions. Based on the inconsistencies in the results of previous research on the effect of GCG on earnings management actions, it raises the suspicion that other contextual factors interact in influencing the situation. Audit tenure is thought to be able to strengthen or weaken the effect of GCG on earnings management actions. The novelty of this study is using audit tenure in moderating the effect of GCG on management actions.

Agency Theory

Good Corporate Governance arises because of an unfavorable relationship between the agent and the principal. This is triggered by information that is not fully conveyed by the agent to the principal, causing information asymmetry which can have an impact on earnings management. The corporate governance mechanism, if implemented properly and appropriately from the company's vision, will be able to minimize management actions.

Earnings Management

Earnings management is the dependent variable of the study. The dependent variable in the form of earnings management is proxied by discretionary accruals and is defined as accounting adjustments to the company's cash flow according to the manager's choice. Meanwhile, Non- Discretionary Accrual, is defined as accounting adjustments to the company's cash flow that are regulated by the accounting standard setting body (Byun and Roland-Luttecke, 2014). The use of discretionary accrual (DA) as a proxy for earnings quality using a special model The use of Discretionary Accrual as a proxy for earnings management is calculated using the modified Jones Model. The reason for using the modified Jones Model is that this model is the best in detecting earnings management compared to other models and provides the most accurate results (Perwitasari, 2014).

$TA_{it} = NI_{it} - CFO_{it}$ .... (1)

Independent Board of Commissioners

This study uses Good Corporate Governance factors as independent variables, one of the Good Corporate Governance factors used is the independent board of commissioners. Research conducted by Chen and Liang (2016) found that with the increasing number of independent commissioners, supervision of financial reports will be tighter and more objective, so that fraud committed by managers to manipulate profits can be minimized and earnings management can be avoided.

$$\text{Independent Board of Commissioners} = \frac{\text{Jumlah komisaris Independen}}{\text{total anggota dewan komisaris}}\, x\ 100\% \quad .... \quad (2)$$

Audit Committee

The second Good Corporate Governance factor used as an independent research variable is the audit committee. The audit committee is responsible for overseeing the process of preparing financial reporting and observing the internal control system then its duties are delegated to the audit committee). The audit committee in this study is measured based on the number of committee members in each company (Pasaribu et al, 2015). Measurement of the audit committee variable uses the size of the number of members because the higher the number of audit committee members, the stronger the Good Corporate Governance mechanism.

Audit Committee = number of audit committee members .... (3)

Managerial Ownership

Managerial ownership is measured by the proportion of share ownership by managers, directors, commissioners, and other parties who actively participate in company decision making. Managerial ownership is measured by the percentage of share ownership owned by management of the total outstanding share capital. This measurement refers to Wibowo (2016).

$$Kepemillikan\ Institusional = \frac{\text{Jumlah saham yang dimiliki manajer}}{\text{Total saham yang beredar}}\, x\ 100\% \quad .... \quad (4)$$

Institutional Ownership

Institutional ownership is the percentage of shares owned by institutional shareholders. Institutional ownership has the ability to control management through an effective monitoring process so that it can reduce earnings management. institutional ownership is measured by the percentage of the number of shares owned by institutional investors from the total number of shares outstanding (Rustiarini, 2011).

$$Kepemillikan\ Institusional = \frac{\text{saham yang dimiliki investor institusional}}{\text{Total saham yang beredar}}\, x\ 100\% \quad .... \quad (5)$$

Audit Tenure

Audit tenure is the length of the auditor's relationship with his client. Audit tenure is measured by counting the number of years a KAP audits a company's financial statements in sequence (Al-Thuneibat et al., 2011). The calculation of the number of years of tenure is carried out, starting from 2018 and continuing to be traced until the year the client moves to another auditor. In Indonesia, the length of the audit engagement period by KAP is limited to 5 consecutive financial years, so to calculate the number of years of tenure of a company, it is seen from the company's audited financial statements for 5 consecutive years.

Independent Board of Commissioners on Earnings Management

The board of commissioners is considered the highest internal control mechanism, which is responsible for monitoring the actions of top management. The results of many previous studies have found a positive effect of the size of the board of commissioners on earnings management. The larger the size of the board of commissioners, the greater the earnings management carried out by the company. However, because the board of commissioners is tasked with monitoring the company's financial reporting, its role is expected to influence management in preparing financial reports so that a quality earnings report can be obtained. Based on the explanation above, the hypothesis of this study is formulated as follows.

H1: Independent Board of Commissioners has a negative effect on earnings management.

Audit Committee on Earnings Management

The audit committee proxied by the number of audit committee members can minimize earnings management actions because the audit committee is an internal control of the company. Taco and Ilat (2016) explain that the audit committee has no effect on earnings management. This happens because the company's goal of forming an audit committee is only to fulfill government regulations. Based on the explanation above, the hypothesis of this study is formulated as follows.

H2: the audit committee has a negative effect on earnings management.

Managerial Ownership on Earnings Management

The effect of managerial ownership variables on earnings management partially states that there is a significant positive effect between managerial ownership and earnings management. According to Lozano, et al (2016) which states that managerial ownership has a significant negative effect on management. The greater the shares owned by the manager, it is possible that the manager's actions in earnings management will be reduced because the manager feels that he owns the company so that it will reduce the impact of agency theory on the company. Based on the explanation above, the hypothesis of this study is formulated as follows.

H3: managerial ownership has a negative effect on earnings management.

Institutional Ownership and Earnings Management

Supervision carried out by institutional investors will encourage company management to disclose financial reports more transparently, as a form of accountability to stakeholders (Pradipta, 2019). The greater the share ownership by institutional investors in a company, the greater the impetus for management to be careful in reporting earnings. This is because management feels the need to provide accurate and transparent reports to meet the higher expectations and standards held by institutional investors. Institutional investors tend to demand higher clarity and accountability, so their presence can improve the quality of corporate financial reporting.

H4: Institutional ownership has a positive effect on earnings management.

Board of Commissioners, Audit Tenure on Earnings Management

The monitoring function is owned by the board of commissioners in accordance with its duties, namely supervising the management of the company and advising the board of directors. The board monitors the company's accounting system by ensuring managers comply with relevant accounting principles and standards in preparing financial statements, thereby ensuring the credibility of accounting information. So that the International Federation of Accountants (IFAC) issued a document Rebuilding Public Confidence in Financial Reporting, IFAC considers kinship between auditors and clients as a threat to auditor independence. Excessive kinship can result in hesitation or auditor satisfaction to face reasonable challenges, thus reducing the level of doubt requires an effective audit. The existence of audit tenure can cause auditors to develop "more comfortable relationships" and strong loyalty or emotional relationships with their clients, so that auditor independence is threatened.

H5: Audit tenure weakens the effect of the board of commissioners on earnings management.

Audit Committee, Audit Tenure on Earnings Management

The audit committee has a significant role in assisting the obligations of the board of commissioners to carry out checks, supervision, examinations and research that are considered important for the sustainability of the company so that management actions to pursue the earnings management process can be minimized. The audit committee strives independently to realize and complete its duties and responsibilities with the audit committee membership structure. The factor that can affect earnings management is audit tenure. Audit tenure is the period or number of years in which KAP conducts audit examinations in the same company, so that it can encourage an increase in the auditor's understanding of interpreting the operating activities, business risks, and accounting system framework in the company (Yanthi et al, 2020). Based on the explanation above, the hypothesis of this study is formulated as follows.

H6: audit tenure weakens the effect of the audit committee on earnings management.

Managerial Ownership, Audit Tenure on Earnings Management

Managerial ownership is the number of shares owned by the company's management or in other words, the manager is also a shareholder.

The ability or competence of auditors in a company will be seen from the size of the Public Accounting Firm (KAP) used by the company and the length of the auditor engagement period or audit tenure in the company (Puspitasari, et al 2016). Based on the explanation above, the hypothesis of this study is formulated as follows.

H7: Audit tenure weakens the effect of managerial ownership on earnings management.

Institutional Ownership, Audit Tenure on Earnings Management

Institutional ownership has the ability to control management through an effective monitoring process so that it can reduce earnings management. According to Rahardi and Prastiwi (2014) institutional investors are said to be experienced investors (sophisticated) so that they can carry out the monitoring function more effectively and are not easily tricked or believe in manager manipulation such as earnings management actions. This is in accordance with research conducted by Rahardi and Prastiwi (2014). Based on the explanation above, this research hypothesis is formulated as follows.

H8: Audit tenure strengthens the effect of institutional ownership on earnings management.

Method

This research uses a type of quantitative method. The population of this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2018 - 2022. Furthermore, the sampling used purposive sampling technique. The criteria used to select samples are (1) The company is a manufacturing company listed on the Indonesia Stock Exchange for the observation period, namely the period 2018 - 2022; (2) The company has never been delisted from the Indonesia Stock Exchange (IDX); (3) The available data is complete, namely the overall data available in the publication period December 31, 2018-2022; (4) The financial statements and annual reports published by the observed companies use Rupiah (Rp) as the currency; (5) Manufacturing company data in the form of financial statements that have been audited by independent auditors.

The variables used consist of earnings management as the dependent variable, the board of commissioners, audit committee, ownership structure, managerial ownership, and institutional ownership as independent variables, and audit tenure as a moderating variable.

This study uses secondary data obtained from annual reports, which are published on the IDX and the websites of each company. Secondary data is data that refers to information inferred from existing sources. Secondary data sources are usually in the form of Company records or documentation, government publications, industry analysis by the media, the internet and so on (Sekaran, 2011). The data sources for this research come from the Indonesia Stock Exchange website, Indonesia Capital Market Directory (ICMD), The Indonesian Institute for Corporate Governance (IICG), financial reports and from the websites of each company.

Result and Discussion

Table 1. Normality Test

Equation	Asymp. Sig.
Equation 1	0,200
Equation 2	0,200

Source: Data Processed 2023

The regression model is said to be good if it has normally distributed residual data. Residual data is said to be normally distributed if the asymp. sig. > 0.05. Based on Table 1, the asymp. sig. for equations 1 and 2 is greater than 0.05. This means that the data is normally distributed so that the normality test in both equations is fulfilled.

Based on Table 2, the results show that all independent variables in all regression equations have tolerance values greater than 0.10 and VIF values less than 10. These results indicate that there is no multicollinearity problem in the independent variables in the regression model used in this study.

Table 2. Multicollinearity Test

Variables	Tolerance	VIF
DKI	0,963	1,039
KA	0,946	1,057
KM	0,556	1,798
KI	0,535	1,868

Source: Data Processed 2023

Table 3. Glejser Test

Variables	Equation 1 Sig.	Equation 2 Sig.
DKI	0,058	
KA	0,131	
KM	0,136	
KI	0,127	
DKI*AT		0,596
KA*AT		0,392
KM*AT		0,547
KI*AT		0,293

Source: Data Processed 2023

The presence of heteroscedasticity in the model is considered insignificant if the significance value> 0.05. The results of the analysis on all variables in Table 5.5 show that the significance value for each variable is greater than 0.05. Based on this finding, it can be concluded that the model used in this study does not experience heteroscedasticity problems.

Table 4. Multiple Regression Test Results

Constant	Regression Coefficient	Statistics t	Probability Value	Description	Hypothesis
DKI	-0,071	-2,842	0,005	Significant	Accepted
KA	-0,004	-0,444	0,657	Not Significant	Rejected
KM	-0,050	-1,746	0,082	Significant	Accepted
KI	-0,026	-1,505	0,067	Significant	Accepted
F-value	5,595				
Sig F	0,000				
Adjusted R	0,144				

*Sig. at 0.1 level (p<0.1)
**Sig. at 0.05 level (p<0.05)
***Sig. at 0.01 level (p<0.01)

Source: Data Processed 2023

The Effect of Independent Board of Commissioners on Earnings Management

Based on Table 4, the regression output results show a coefficient value of -0.071 and a probability of 0.005. The probability value which is smaller than the alpha (α) significance level of 0.01 and the negative coefficient indicates that the independent board of commissioners has a significant effect and has a negative direction on earnings management. Thus, hypothesis H1 is accepted.

This finding is in line with the results of Octavia's (2017) research which states that the existence of an independent board of commissioners has a negative impact on earnings management practices. Statistical analysis that supports this hypothesis provides strong evidence that the independent board of commissioners has the potential to be an effective counterweight in preventing earnings management practices that harm the company.

The Effect of Audit Committee on Earnings Management

Based on Table 4, the regression output results show a coefficient value of -0.004 and a probability of 0.657. The probability value which is greater than the alpha (α) significance level of 0.1 and the negative coefficient indicates that the audit committee has no effect and has a positive direction on earnings management. Thus, hypothesis H2 is rejected.

This finding is in line with the results of previous research conducted by Taco and Ilat (2016), which also explains that the audit committee has no effect on earnings management This happens because the company's goal of forming an audit committee is only to fulfill government regulations.

The Effect of Managerial Ownership on Earnings Management

Based on table 4, the regression output results show a coefficient value of -0.050 and a probability of 0.082. The probability value which is smaller than the alpha (α) significance level of 0.1 and the negative coefficient indicates that managerial ownership has a significant effect and has a negative direction on earnings management. Thus, hypothesis H3 is accepted.

This research is in line with Lozano, et al. (2016) which states that managerial ownership has a significant negative impact on earnings management practices. The greater the number of shares owned by managers, the less likely they will be involved in earnings management actions.

The Effect of Institutional Ownership on Earnings Management

The fourth hypothesis (H4) proposed is that institutional ownership has a negative effect on earnings management. The regression output results show a coefficient value of - 0.026 and a probability of 0.067. The probability value that is smaller than the alpha (α) significance level of 0.1 and the negative coefficient indicate that institutional ownership has a significant effect and has a negative direction on earnings management. Thus, hypothesis H4 is accepted.

In line with Pradipta's research (2019) and Sofia et al (2019) which state that supervision from institutional investors will encourage management to carry out financial report disclosure more transparently as part of their responsibility to stakeholders. The greater the share ownership by institutional investors in the company, the greater the impetus for management to be more careful.

Audit Tenure Does Not Moderate Of Audit Commite On Earnings Management.

Based on table 5, the results of the moderation regression output show a coefficient value of -0.085 and a probability of 0.009. The probability value which is smaller than the alpha (α) significance level of 0.01 indicates that audit tenure moderates the relationship between the independent board of commissioners and earnings management. The coefficient value is -0.085 which is smaller than -0.071 (before any moderating effect). Thus, the negative coefficient value indicates that the effect of the independent board of commissioners on earnings management with moderation of audit tenure has a negative direction. Thus, hypothesis H5 is accepted.

Table 5. Moderation Regression Test Results

Constant	Regression Coefficient	Statistics t	Probability Value	Description	Hypothesis
DKI	0,103	1,634	0,103		
KA	-0,004	-0,269	0,788		
KM	-0,110	-1,605	0,109		
KI	-0,078	-2,052	0,041		
DKI*AT	-0,085	-2,615	0,009	Moderating	Accepted
KA*AT	0,005	0,923	0,356	Does Not Moderate	Rejected
KM*AT	0,036	1,078	0,282	Does Not Moderate	Rejected
KI*AT	0,032	1,668	0,096	Moderating	Accepted
F-value	5,595				
Sig F	0,000				
Adjusted R	0,144				

*Sig. at 0.1 level (p<0.1)
**Sig. at 0.05 level (p<0.05)
***Sig. at 0.01 level (p<0.01)

Source: Data Processed 2023

In the context of Jensen and Meckling's (1976) agency theory, the finding that audit tenure reduces the negative influence of the board of commissioners on earnings management can be strengthened by understanding the role of control mechanisms in a company. The board of commissioners, as a representation of shareholders, is expected to act as an effective control mechanism to oversee management actions and ensure that shareholders' interests are protected. However, a close relationship between the auditor and the client, indicated by a long audit tenure, may reduce the effectiveness of the board of commissioners as a control mechanism.

Audit Tenure Does Not Moderate The Effect Of Audit Committee On Earnings Management.

Based on table 5, the results of the moderation regression output show a coefficient value of 0.005 and a probability of 0.356. The probability value which is greater than the alpha (α) significance level of 0.1 indicates that audit tenure does not moderate the effect between the audit committee on earnings management. Thus, hypothesis H6 is rejected.

This finding is supported by Senja and Nurbaiti's research (2019) which shows the view that the effect of the Audit Committee on Earnings Management states that the audit committee has no effect on the dependent variable earnings management. This result occurs because there is a possibility that the formation of an audit committee in a company is based only on fulfilling the regulations of the Financial Services Authority Regulation Number 55 / POJK.04 / 2015 concerning the Establishment and Guidelines for Implementing the Work of the Audit Committee so that in its implementation the audit committee is less effective and optimal in developing and implementing the supervisory process to minimize earnings management practices.

The Effect Of Audit Tenure On The Relationship Between Managerial Ownership Of Earnings Management.

Based on Table 5, the results of the moderation regression output show a coefficient value of 0.036 and a probability of 0.282. A probability value greater than the alpha (α) significance level of 0.1 indicates that audit tenure does not moderate the effect between managerial ownership on earnings management. Thus, hypothesis H7 is rejected.

The results of this study are supported by Kurniawansyah's research (2016) which explains that managerial ownership has no significant effect on earnings management practices in the company. This means that the level of share ownership owned by the company's management does not substantially affect the company's tendency to carry out earnings management. Although management has a vested interest in the company's performance and may have an incentive to manipulate financial statements, the relationship between managerial share ownership and earnings management practices is not consistent or statistically significant

Audit tenure, institutional ownership on earnings management.

Based on table 5, the results of the moderation regression output show a coefficient value of 0.032 and a probability of 0.096. The probability value which is smaller than the alpha (α) significance level of 0.1 indicates that audit tenure moderates the relationship between institutional ownership and earnings management. The coefficient value is 0.032 which is greater than -0.026 (before any moderating effect). Thus, the positive coefficient value indicates that the effect of institutional ownership on earnings management with moderation of audit tenure has a positive direction. Thus, **hypothesis H8 is accepted**.

The results of this study are supported by Kurniawansyah's research (2016) which explains that the mass of long engagements between auditors and their clients is believed to strengthen emotional relationships with their clients. The emergence of strong emotions will result in the quality and competence of the auditor's work decreasing, so that the auditor will agree to engineering efforts by the client (manager) by using accounting techniques to adjust profits according to the manager's wishes. The emergence of strong emotions will result in the quality and competence of the auditor's work decreasing, so that the auditor will agree to engineering efforts by the client (manager) by using accounting techniques to adjust profits according to the manager's wishes.

Conclusion

This study aims to see how good management in a company affects efforts to manipulate financial statements, taking into account how long an auditor has worked with the company. The data used in this study come from manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2022 period. Good management in the company is measured by looking at the independence of the board of commissioners, the existence of an audit committee, ownership by company managers, and ownership by other institutions. And attempts to manipulate financial statements are measured using the Jones Model. The duration of an auditor's work with the company, also known as "audit tenure", is also taken into consideration in this study.

The results of this study indicate that the independent board of commissioners has a negative effect on earnings management, this is because companies with a strong independent board of commissioners can be considered more capable of maintaining integrity and credibility in their financial reporting, so that it will reduce earnings management practices in the company. In the audit committee has no effect on earnings management Managerial ownership is proven to have a negative effect on earnings management because managers who own a large number of shares tend to have a greater interest in the long-term performance of the company, so that it can reduce the impact of manipulating earnings which can harm shareholders. Institutional ownership has a negative effect on earnings management because a high level of institutional ownership can prevent managers from carrying out earnings management. Audit tenure is proven to weaken the effect of independent commissioners and institutional ownership on earnings management because when the board of commissioners realizes that the auditor has established a long-term relationship with management, this can create uncertainty in assessing the extent to which the auditor remains independent.

The limitations of this study include several aspects, first, the data used in this study are limited to a certain period of time, namely using the research year before, during, and after the COVID-19 pandemic so that this limits the generalization of the findings. In addition, this study only uses research samples from manufacturing sector companies, so the results still cannot be generalized to other company sectors on the Indonesia Stock Exchange From the limitations mentioned, the suggestion for further research is to consider audit quality or auditor independence which can be reflected through research on companies that use the services of auditors who are members of the Big ten or Big four.

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