

THE INFLUENCE OF AUDIT COMMITTEE, INDEPENDENT COMMISSIONERS AND NUMBER OF AUDIT COMMITTEE MEETINGS ON EARNINGS QUALITY

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Abstract. The purpose of this study was to examine the effect of the Audit Committee, Independent Commissioner, and the Number of Audit Committee Meetings on Earning Quality in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 Period. This study uses a quantitative method with an associative research design with a causal relationship. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in the 2019-2021 period. The sampling method used was purposive sampling, based on predetermined criteria there were 135 companies with financial report data of 405 annual reports used as samples. The analytical method used is multiple linear regression analysis and processed using the SPSS Version 25 tool. The test results show that: (1) Audit Committee has a significant effect on Earnings Quality, (2) Independent Commissioners have no significant effect on Earnings Quality, (3) The Number of Audit Committee Meetings has no significant effect on Earnings Quality, (4) Audit Committee, Independent Commissioner and Number of Audit Committee Meetings have a joint effect on Earnings Quality. The novelty of this research is that the research is applied to companies affected by Covid-19. So it is hoped that the results of this study can be input for the company in improving the quality of company profits..

Keywords: audit committee, independent commissioners and number of audit committee meetings, earning quality

INTRODUCTION

Indonesia's economic growth cannot be separated from the development and progress of companies in Indonesia. One of the indicators that makes the company grow and is widely known is by going public. Companies that go public must be registered on the Indonesia Stock Exchange (IDX) with several conditions that have been regulated. Every company that has been registered on the IDX is required to submit financial reports that have been prepared in accordance with Financial Accounting Standards and have been audited by a public accountant registered with Bapepam LK (Liwe et al., 2018). Financial reports are a component of information from a company that must be published to parties who need them as a form of accountability for the performance of the management of a company (Rahmah & Suyanto, 2020). One important indicator in the financial statements that is often considered for decision making is the quality of earnings used to measure the company's operational performance. The low quality of earnings will bias the decisions made by users of financial statements. Therefore, the profit reflected in the financial statements must be of good quality, i.e. relevant and reliable, so that they can be useful for decision makers (Soly & Wijaya, 2018). Low earnings quality can lead to reduced shareholder trust in management because shareholders feel cheated. Profits that do not reflect actual company performance will mislead users of the financial statements (Putra & Anwar, 2021). Currently, financial statements have become a central issue as a source of misuse of information that is detrimental to interested parties. It is noted that there have been many financial scandals in public companies involving issues of financial reports that have been published (Wati & Putra, 2017)

One of the scandals in financial statement information that occurred in Indonesia, PT Tiga Pilar Sejahtera Food Tbk (AISA). The Taro snack producer is suspected of violating financial statements after the public accounting firm Ernst & Young (EY) issued an investigative audit report. One of the important points from the results of the investigation was that there was an alleged mark up in the 2017 financial statements of IDR 4 trillion in accounts receivable, inventories and fixed assets of the AISA Group and IDR 662 billion in sales and IDR 329 billion in Food Entity EBITDA. The fraud at PT AISA identified that the profit content in its financial statements was not in accordance with the circumstances that should have affected the quality of earnings, moreover there was a misstatement in the company's sales account, the profit figure was considered to have low earnings quality. (cnbcindonesia.com, 2019). Apart from PT Tiga Pilar Sejahtera Food, a financial report manipulation scandal has also occurred at PT Kimia Farma Tbk. This phenomenon indicates the occurrence of a scandal of failure of financial report information to meet the needs of financial reports to meet the information needs of report users (Wati & Putra, 2017). Based on previous research, several variables are known to affect earning quality. Researchers tried to apply these variables to this study. Such as Audit Committee, Independent Commissioners And Number Of Audit Committee Meetings. The purpose of the study is to test the impact of Audit Committee, Independent Commissioners And Number of Audit Committee Meetings on earning quality

RESEARCH METHOD

The type of this research is to use a quantitative approach. The quantitative approach is an analysis of numbers or statistics based on positivity and testing research hypotheses (Sugiyono, 2017). The population used for this study is Manufacturing Companies Listed on the Indonesia Stock Exchange During the 2019-2021 Period. The research sample used is the purposive sampling method. This study consists of 3 independent variables: Audit Committee, Independent Commissioners And Number of Audit Committee Meetings. Dependent variables are Earning Quality. The data sources in this study used secondary data. The data is obtained through the documentation method by collecting secondary data in the form of financial statements for Manufacturing Companies Listed on the Indonesia Stock Exchange During the 2019-2021 Period. This research will be analyzed using the multiple linear regression method with the help of SPSS software.

RESULT AND ANALYSIS

1.1. Descriptive Statistics

Table 1
Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Means	std. Deviation
Profit Quality	295	-2.80	4.68	.9263	1.45041
Audit Committee	295	2	5	3.00	.130
Independent Commissioner	295	.25	.67	.3988	.08272
Number of Audit Committee Meetings	295	1	27	5.77	3.137
Valid N (listwise)	295				

Source: SPSS Data Processing Output Version 25, 2022

Table 1 explains that the total research data is 295, while the descriptive statistical explanation for each variable is as follows:

The earnings quality variable has a minimum value of -2.80 while the maximum value is 4.68. The minimum value of -2.80 is owned by PT Malindo Feedmill Tbk in 2020, which means that the company has quite low quality earnings. The value of 4.68 is owned by PT Wijaya Karya Beton Tbk in 2020, which means that the company can be used as a good reflection of the company because it has high quality earnings. And the average value for the earnings quality variable is 0.9263 with a standard deviation of 1.45041.

Audit committee variable has a minimum value of 2 while the maximum value is 5. These results indicate that the number of audit committees is certain to be 2 to 5 people. And the average for the audit committee variable is 3 people with a standard deviation of 0.130.

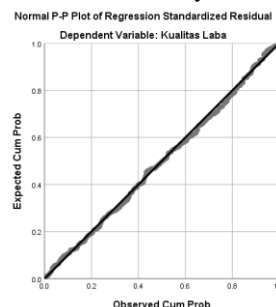
The results of the descriptive statistical test show that the independent commissioner variable has a minimum value of 0.25 while the maximum value is 0.67. These results indicate that the number of independent commissioners is at least 25% of the number of commissioners and at most up to 67% of the number of commissioners. And the average value for the independent commissioner variable is 30% with a standard deviation of 0.08272.

Independent commissioner variable has a minimum value of 0.25 while the maximum value is 0.67. These results indicate that the number of independent commissioners is at least 25% of the number of commissioners and at most up to 67% of the number of commissioners. And the average value for the independent commissioner variable is 30% with a standard deviation of 0.08272.

Variable number of audit committee meetings has a minimum value of 1 while the maximum value is 28. These results indicate that the number of audit committee meetings is held at least 1 time and up to 27 times at most. And the average value for the variable number of audit committee meetings is 6 times with a standard deviation of 3.137.

1.2. Normality Test

Figure 1. Normal Probability Plot Test Results



Source: SPSS Data Processing Output Version 25, 2022

Based on the chart output above, we can see that the plotting points contained in the Normal P-P Plot of Regression Standardized Residual image always follow and approach its diagonal line. Therefore, as the basis or guidelines of decision-making in the normality test of the probability plot technique, it can be concluded that the residual value is usually distributed. Thus, B, the normalcy assumption for residual value in this study's simple linear regression analysis, can be fulfilled.

1.3. Multicollinearity Test

Table 2. Multicollinearity Test Results

Coefficients ^a			
Model		Collinearity Statistics	
		tolerance	VIF
1	(Constant)		

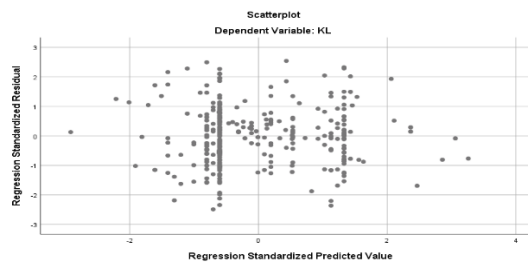
	Audit Committee	.991	1009
	Independent Commissioner	.990	1010
	Number of Audit Committee Meetings	.999	1,001
a. Dependent Variable: Profit Quality			

Source: SPSS Data Processing Output Version 25, 2022

Table 2 shows that all VIF values < 10 and tolerance values are entire ≥ 0.10 . It states that there is no Multicolonierity in this regression model.

1.4. Heterokedasity Test

Figure 2. Heteroscedasticity Test Results



Source: SPSS Data Processing Output Version 25, 2022

From the scatterplot in Figure 2 above, it can be seen that the distribution of points spreads randomly, does not form a specific, clear pattern and is spread both above and below the number 0 on the Y axis. The conclusion drawn from the figure is that there is no heteroskedasticity problem in the regression model, so the regression model in this study is feasible to be used to predict dependent variables based on independent variables.

1.5. Autocorrelation Test

The following is a table of autocorrelation test results with the Run-Test test.

Table 3. Autocorrelation Test Results

Run Test	
	Unstandardized Residuals
Test Value ^a	.00736
Cases < Test Value	147
Cases \geq Test Value	148
Total Cases	295
Number of Runs	132
Z	-1,924
asymp. Sig. (2-tailed)	054
a. Median	

Source: SPSS Data Processing Output Version 25, 2022

Run test autocorrelation test in table 3 show a test value of 0.03806 with Asym. Sig (2-tailed) 0.054 at 5% significance. This condition means that the residuals are random so that there is no autocorrelation between residuals.

1.6. Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Analysis Test Results

Coefficients ^a			
Model	Unstandardized Coefficients		Standardized Coefficients
	B	std. Error	Betas
(Constant)	.288	1965	
Audit Committee	-.023	.650	-.002
Independent Commissioner	2034	1025	.116
Number of Audit Committee Meetings	-.018	.027	-.039

a. Dependent Variable: Profit Quality

Source: SPSS Data Processing Output Version 25, 2022

Based on table 4, the results of multiple linear regression analysis were obtained and the coefficients for the independent variables X1 -0.023, X2 2.034, and X3 -0.018 were obtained so that the regression model obtained was as follows:

$$Y = 0,288 - 0,023 + 2,034 - 0,018 + \epsilon$$

From the results of multiple linear regression above, it can be seen that The constant value shows a positive number, which means that if all the variables of the audit committee, independent commissioners and the number of audit committee meetings are zero, then the magnitude of the earnings quality variable will be worth 0.288.

The Audit Committee shows a negative number, meaning that for every increase of 1 audit committee unit, the quality of earnings will decrease by 0.023 .

Independent commissioners show a positive number, meaning that for every increase of 1 unit of independent commissioners, the quality of earnings will increase by 2.034 .

The number of audit committee meetings shows a negative number, meaning that for every 1 unit increase in the number of audit committee meetings, the quality of earnings will decrease by 0.018.

1.7. Coefficient of Determination Test

Table 5. Determination Coefficient Test Results

Summary Model ^b			
Model	R Square	Adjusted R Square	std. Error of the Estimate
1	.015	.005	1.44673

a. Predictors: (Constant), Number of Audit Committee Meetings, Audit Committee, Independent Commissioners

b. Dependent Variable: Profit Quality

Source: SPSS Data Processing Output Version 25, 2022

Based on the test results for the Coefficient of Determination in table 4.8, it shows an R Square value of 0.005 or 0.5%. This shows that the earnings quality variable can be explained by the audit committee, independent commissioners and the number of audit committee meetings of 0.5%. There are still 99.5% of the variable determined by other factors such as considering the education of audit committee members and independent commissioners.

1.8. Simultaneous Test (F)**Table 6.** F Test Results (Simultaneous)

ANOVA ^a						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	9,416	3	3.139	1,500	.215 ^b
	residual	609,069	291	2,093		
	Total	618,485	294			

a. Dependent Variable: Profit Quality
b. Predictors: (Constant), Number of Audit Committee Meetings, Audit Committee, Independent Commissioners

Source: SPSS Data Processing Output Version 25, 2022

Based on the results of the F test in table 6, the calculated F value is 1.500 with a significant value of 0.215. Based on the F distribution table, an F table value of 2.634 is obtained, because the F count < F table (1.500 < 2.633) and a significance value of 0.215 > 0.05 this shows that the variables Audit Committee, Independent Commissioner and Number of Audit Committee Meetings together the same has no significant effect on the Profit Quality of Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period.

1.9. Individual Parameter Significant Test (T-Test)**Table 7.** T Test Results (Partial)

Coefficients ^a			
Model		t	Sig.
1	(Constant)	.147	.884
	Audit Committee	-.035	.972
	Independent Commissioner	1.984	.048
	Number of Audit Committee Meetings	-.669	.504

Source: SPSS Data Processing Output Version 25, 2022

The results of the t statistical test in table 7 can be explained as follows:

Based on the results of the t test in table 7, the t count is -0.035 with a significant value of 0.972 and based on the distribution table the t table is 1.650, because t count < t table (0.035 < 1.650) and a significance level of 0.972 > 0.05. So it can be concluded that the Audit Committee has no significant effect on earnings quality.

Based on the results of the t test in table 7, a t count of 1.984 is obtained with a significant value of 0.048 and based on the distribution table a t table of 1.650 is obtained, because t count > t table (1.984 > 1.650) and a significance level of 0.048 < 0.05. So it can be concluded that the Independent Commissioner has a significant effect on earnings quality.

Based on the results of the t test in table 7, the t count is -0.669 with a significant value of 0.504 and based on the distribution table a t table is 1.650, because t count < t table (0.669 < 1.650) and a significance level of 0.504 > 0.05. So it can be concluded that the number of Audit Committee meetings has no effect on earnings quality.

1.10. Discussion**The Effect of the Audit Committee on Earnings Quality**

Based on the results of partial hypothesis testing, it shows that the number of audit committees in a company has no significant effect on earnings quality, according to table 4.6 the value of this study is based on a significance level of 0.972 greater than 0.05. So it can be

concluded that the Audit Committee variable has no significant effect on earnings quality in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

The results of this study are in line with research that has been conducted by Dewi et al., (2020) where in his research stated that the audit committee has no effect on earnings quality due to the low level of corporate governance practices in companies in Indonesia which means that profits can still be earned. manipulation by related parties, so that the profit generated is not qualified. This is because the number of audit committees is stable and consistent every period in manufacturing companies. The number of audit committees tends not to change every year, so the number of audit committees has no effect on earnings quality.

The results of this study are in line with those conducted by (Nanang & Tanusdjaja, 2019) with research objects on manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2017, another study conducted by (Polimpung, 2020) states that the audit committee does not effect on earnings quality.

The Effect of Independent Commissioners on Profit Quality

Based on the partial results of hypothesis testing, it shows that the independent commissioner has a significant effect on earnings quality, according to table 4.6, the value of this study is based on a significance level of 0.048, less than 0.05. So it can be concluded that the Independent Commissioner variable has an effect on Profit Quality at Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021.

Independent commissioners are part of the board of commissioners who are generally assumed to carry out supervision which is expected to supervise management in preparing financial reports (Hidayatul et al., 2022) . This shows that the greater the proportion of independent commissioners will be able to lead to better monitoring of management policies. A good level of supervision will have an impact on company performance, one of which is the monitoring function in supervising management policies, causing a lack of loopholes for profit manipulation. causing a lack of loopholes for earnings manipulation.

The results of this study are in line with those conducted by (N. Khasanah & Kartika, 2022) with the object of research on food and beverage sector companies listed on the Indonesia Stock Exchange in 2015-2019 and other research conducted by (Wayan & Ayu, 2019) which stated that the results of independent commissioners' research had a significant effect on earnings quality.

The Effect of Number of Audit Committee Meetings on Earnings Quality

Based on the results of partial hypothesis testing, it shows that the number of audit committee meetings has no effect on earnings quality, according to table 4.6 the value of this study is based on a significance level of 0.504 greater than 0.05. So it can be concluded that the variable Number of Audit Committee Meetings has no effect on Profit Quality in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

The results of this study agree with the results of research that has been conducted by (Puteri & Saraswati, 2021) where in his research concluded that the number of audit committee meetings does not affect earnings quality because company audit committee meetings are considered limited to fulfilling formal requirements, and the effectiveness of supervision cannot be measured only through meetings. This may be due to the frequency of meetings conducted by the audit committee which only focus on discussing issues related to the annual audit plan, namely the audit committee reviews the adequacy of financial information to be published to the public and regulators, so the audit committee meeting has no effect on earnings quality.

CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter regarding audit committees, independent commissioners and the number of audit committee

meetings on earnings quality in Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period, the conclusions of this study are as follows :

The audit committee has a significant effect on the earnings quality of Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. This shows that the existence of an audit committee can increase the effectiveness of company performance and control in the preparation of financial reports which have an influence on earnings quality.

Independent commissioners have no effect on the quality of earnings in Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. This shows that the independent commissioner only oversees the directors' policies in managing the company and the company's operational supervision by the independent commissioner is minimal so that the independent commissioner has no effect on earnings quality.

The number of audit committee meetings has no effect on earnings quality in Manufacturing Companies listed on the the Indonesia Stock Exchange (IDX) for the 2019-2021 period. This shows that the frequency of meetings held by the audit committee only focuses on discussing issues related to the annual audit plan so that the audit committee meetings do not affect earnings quality.

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