International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 13, Issue 8, 2020

The Effect of Audit Committee Size, Audit Committee Meeting Frequency, Audit Committee Financial Expertise, and Disclosure of Internal Control of Earnings Management

Rara Fitri Annisa[a], **Iswajuni**[b*], [a,b]Department of Accountancy, Faculty of Economics and Business, Universitas Airlangga, Email: [b*]iswajuni@feb.unair.ac.id

This study aims to determine the relationship between audit committees, the frequency of audit committee meetings, audit committee financial expertise and disclosure of internal control to the existence of earnings management in companies. This research was conducted using 194 observations of companies in the manufacturing sector, which were listed on the Indonesia Stock Exchange during the 2016-2017 period. The analysis technique used is multiple linear regression analysis, using the help of SPSS version 22. The results of this study indicate that the frequency of meetings and expertise of an audit committee is proven to be related to earnings management within the companies. However, the size of an audit committee and the disclosure of internal control have no relationship with earnings management activities. This result implies that companies must pay attention to the qualifications and intensity of meetings of an audit committee to be able to suppress earnings management within companies.

Keywords: *Size, Frequency of meetings, Financial expertise, Audit committee, Disclosures, Internal control.*

Introduction

According to Davidson, Stickney and Weil (1987), earnings management is a process of taking deliberate steps within the limits of generally accepted accounting principles in order to produce the expected level of profit in financial statements. Earnings management can increase the bias in financial statements to provide a negative effect on stock market liquidity (Setiawati and Na'im, 2000; Agustia et al., 2019). According to Habbash (2015), earnings management is caused by a conflict of interest between principals and agents. This conflict can be avoided if a principal and an agent have a harmonious goal, where the agent seeks to maximise the principal's goal. Therefore, to protect the principal's wealth, good governance is needed within the company. Board structures in good corporate governance play a role in restricting earnings management (Kapoor & Goel, 2019; Muda et al, 2018; Nasution, 2019; Bukit & Iskandar, 2019). Corporate governance components that are directly related to the supervision of financial statements include an audit committee and internal audits. For this reason, this study will analyse the extent of internal audit disclosure and various characteristics of audit committees, such as expertise, frequency of meetings, meeting size, and their relationship with earnings management within a company.

An audit committee is the main mechanism in implementing good governance (Zhang et al., 2007) and has an important role in maintaining a company's financial reporting (Carcello and Neal, 2000; Bulutoding, 2016). An audit committee has assisted the BoC in monitoring financial reporting within the company through monitoring internal control and communication with external auditors (Larasati et al, 2019). The Financial Services Authority has enacted 55/POJK.04/2015 and sets minimum limits on the size of the number of members, the frequency of meetings, and the minimum qualifications that must be owned by members of the audit committee. This shows that three characteristics are considered important for the smooth functioning of an audit committee.

A company owner will feel that the quality of financial reporting is increasingly guaranteed if the size of an audit committee is large (Saleh et al., 2007). A large audit committee is considered able to improve its monitoring function of management. In addition to its large size, an audit committee is expected to be able to hold regular meetings so that it can better coordinate the oversight function of management (Albersman, 2017). The individual characteristics of audit committee members are important factors that can influence the performance of their oversight. Audit committee members who have financial accounting backgrounds are expected to be better able to detect the manipulation of financial statements by management (Albersman, 2017). Alves (2013) states that the existence of an audit committee is able to reduce earnings management behaviour. Better supervision by the audit committee is carried out by fulfilling various provisions regarding the number of expenses, frequency of meetings and qualifications of members. This is expected to reduce the level of earnings management within a company.

Internal audits also play an important role in the supervision process of financial reporting within a company. The Institute of Internal Auditors, hereinafter referred to as IIA, published a guide in 2008 stating that the importance of management's understanding of the implementation of internal control. Management needs to disclose the implementation of internal control and the actual conditions of a company. Stakeholders' limitations in understanding a company's internal control conditions is one of the reasons companies registered on the Indonesia Stock Exchange must disclose internal control information. According to Ying (2016), disclosure of information about internal control is important for investors to obtain information about the reliability of accounting information presented by management. Improvement of company performance will be realised if the satisfaction of external stakeholders is fulfilled (Amar & Hamid, 2016). Leng (2011) states that quality corporate earnings are obtained from better disclosure of internal control information. The quality of corporate earnings is the key to the effectiveness of the function of a company's cash flow in the future.

This study uses 194 observations from a sample of companies from the manufacturing sector listed on the Indonesia Stock Exchange during the 2016-2017 period. Based on multiple linear regression analysis, the results of this study indicate that the frequency of meetings and the expertise of an audit committee is proven to reduce the level of earnings management in a company. However, the size of an audit committee and the disclosure of internal control have no relationship with earnings management activities. This result implies that companies must pay attention to qualifications and the intensity of meetings of an audit committee to be able to suppress earnings management.

The remainder of this paper is structured as follows: Section 2 develops the research hypotheses. Section 3 describes the research design. Section 4 specifies the empirical results. Section 5 summarises the paper and presents concluding remarks.

Hypothesis Development

Audit Committee Size and Earnings Management

An audit committee is an organ within a company that assists commissioners' duties. The Board of Commissioners has the authority to determine and dismiss all members of the audit committee. Alves (2013) states that the existence of an audit committee is able to reduce earnings management activities. Based on the guidelines of the Indonesia Corporate Governance Manual, OJK requires a minimum of three members in an audit committee at a publicly listed company.

According to Bedard (2004), a greater number of members in an audit committee will provide a variety of views, expertise and experience that can improve the efficiency of the oversight function. In line with this, Li et al., (2012) also showed that a greater number of members in an audit committee will increase the ability of the audit committee to uncover and solve management issues regarding earnings management activities. We argue that an increasing number of audit committee members is able to suppress earnings management within a company.

H1: The size of an audit committee is negatively related to earnings management.

Frequency of Audit Committee Meetings and Earnings Management

Audit committee members in Indonesia consist of at least one independent commissioner. An independent board will demand stricter internal controls on the financial reporting process in order to protect a company's wealth (Carcello et al., 2002). High demands for overseeing company wealth will be responded to by increasing the frequency of audit committee meetings (Menon and Williams, 2004). The Financial Services Authority Regulation 55/POJK.04/2015 states that an audit committee should meet at least four times a year. Audit committees are allowed to hold meetings regularly at least once in three months, and meetings are held if attended by more than half of the members. A higher frequency of audit committee meetings will be able to improve coordination among audit committees so as to be able to increase supervision of management and so as to not manipulate earnings (Carcello et al., 2002). We argue that the higher the frequency of meetings among audit committees, the better supervision, coordination and reduction of earnings management.

H2: The frequency of audit committee meetings is negatively related to earnings management.

The Financial Expertise of an Audit Committee and Earnings Management

Based on 55/POJK.04/2015, at least one member of an audit committee is required to have an accounting or financial background. Chen (2018) shows that someone who has financial expertise is considered to have more theoretical abilities in accounting and more experience in finance than other audit committee members. Audit committees with financial expertise will have a better understanding of the financial reporting process and are expected to be more effective in overseeing and preventing management in carrying out earnings manipulation. Audit committee members are expected to be able to overcome various complex accounting problems. Hence, audit committee members who have financial expertise will be able to help carry out these tasks better than audit committee members who do not have financial expertise (DeFond, 2005). Chen (2018) states that an audit committee's financial expertise has a positive influence on earnings quality. The more members with financial expertise, the stronger a company's earnings quality. In this study, we argue that a high number of members who have financial expertise will be able to suppress earnings management actions within a company.

H3: Audit committee financial expertise affects earnings management.

Disclosure of Internal Control and Earnings Management

Agency theory assumes that agents know more company information than principals (Jensen & Meckling, 1976). If a company has weak internal control, management can hide information that is not known by the principals. This can encourage management to manage earnings.

Disclosure by management is a tool to report company activities to users of financial statements (Paramitha, 2012). Companies that disclose internal control activities will reduce the tendency of managers to conduct earnings management. This is because these companies want to show that they carry out appropriate control activities in operational and financial activities. The disclosure of internal control gives investors, creditors and stakeholders confidence in the financial statements presented by a company. By disclosing internal controls, the reliability of financial statements will increase so that the quality of financial statements will also improve.

Research by Leng and Li (2011) examines the relationship between earnings quality and disclosure of internal control. The study states that there is a positive relationship between earnings quality and disclosure of internal control. This implies that there is a linear relationship between disclosures regarding internal control and the quality of corporate earnings. Good quality of earnings are earnings that avoid earnings management. In this study, it is argued that disclosure of internal control will be negatively related to the level of earnings management in a company.

H4: Disclosure of internal controls affects earnings management.

Methods

Data and Sample

The data in this study is panel data. This study uses data of manufacturing companies listed on the Indonesia Stock Exchange during 2016-2017. Quantitative panel data used in this study was obtained from the annual report downloaded through the website www.idx.co.id. Table 1 shows the research sample used in this study. The number of observations in this study was 194 from 97 manufacturing companies.

Table 1: Sample Selection

Criteria	Total
Companies listed under the manufacturing sector on the Indonesia Stock Exchange for the period of 2016-2017.	288
Companies entered into mergers, acquisitions, restructuring and business group changes during the 2016-2017 period.	(12)
Manufacturing companies that have financial reports that are not accessible in the 2016-2017 period.	(14)
Manufacturing companies that do not bring up the size, frequency of meetings and financial expertise of the audit committee in the 2016-2017 Annual Report period.	(68)
Total samples	194

Variable Measurement

Measurement of Independent Variables

Variables of interest in this study are audit committee size, frequency of audit committee meetings, audit committee financial expertise and disclosure of internal controls. The audit committee size variable (COMSIZE) is the number of audit committee members in a company in one financial year. This variable is measured numerically, which is seen by the number of members of the audit committee. Variable Frequency of audit committee meetings (MEET) is the number of internal meetings conducted by the chairman and members of the audit committee in one fiscal year. This variable is measured numerically, as seen from the number of meetings held by the audit committee in the current period. The audit committee financial expertise variable (EXPERT) is the educational background of audit committee members who have a financial or accounting background. This variable is measured by calculating the ratio of the number of audit committee members who have financial or accounting expertise to the total number of audit committee members. Internal control disclosure is a disclosure related to internal control activities carried out by a company. This is disclosed in the company's annual report.

The internal control disclosure variable (IADISCLOSURE) is measured by examining items disclosed in a company's annual report. If the disclosure meets one of the criteria, then a score of 1 is given. If not, then a score of 0 is given. Each score will be added together to obtain the final score of a company. The assessment of internal control disclosures in a company refers to the Financial Services Authority Circular Letter Number 30/SEOJK.04/2016 regarding the Form and Content of the Annual Report of the publicly listed company. The following are items that must be disclosed by an entity in an issuer's annual report. There are 22 points as follows:

1. Audit committee, including:
1) the name and position in the committee membership;
2) age;
3) citizenship;
4) educational history;
5) history of position (legal basis, dual position, work experience);
6) period and tenure of members of the audit committee;
7) statement of independence of the audit committee;
8) policies and implementation regarding the frequency of audit committee meetings and the attendance of audit committee members at the meetings;
9) education and/or training that have been followed in the financial year (if any); and
10) the implementation of the audit committee activities in the financial year in accordance with what is stated in the guidelines or charter of the audit committee.

2. Internal audit unit, including:
1) the name of the head of the internal audit unit;
2) history of position, work experience, and legal basis for the appointment;
3) education and/or training followed in the financial year;
4) structure and position of the internal audit unit;
5) description of duties and responsibilities;
6) statement that the internal audit unit has a guideline or charter; and
7) a brief description of the implementation of the duties of the internal audit unit in the financial year.

3. A description of the internal control system implemented by the company going public, at least concerning:
1) financial and operational control, and compliance with other laws and regulations; and
2) review of the effectiveness of the internal control system.

4. Risk management systems implemented by issuers or companies going public, at least concerning:
1) a general description of a company's risk management system going public;
2) the type of risk and how to manage it; and
3) a review of the effectiveness of the company's risk management system going public.

The criteria of 22 points are assumed to be able to represent all the information needed by stakeholders so that they are able to convey the conditions of a company's internal control.

Measurement of the Dependent Variable

The dependent variable in this study is earnings management (EM). According to Schipper (1989) earnings management is an attempt to gain personal profit by making intentional interference in the external financial reporting process. Earnings management is measured using discretionary accruals with the Jones model modification approach. This model is often used in research because it is considered the best model in detecting earnings management. Jones model assumes that management discretion is not made towards income, to overcome this assumption Dechow et al (1995) develops steps because if management manipulates the Jones model's opinion it becomes biased.

The steps that must be taken to measure earnings management with this model are:

1. Calculate the total value of accruals, which is the difference between net income and operating cash flow.

$$\mathbf{TA_{it} = NI_{it} - CFO_{it}}$$

2. Determine parameter values 1, 2, and 3 with the Jones (1991) Model.

$$\mathbf{TA_{it}} = \alpha 1 + \alpha 2(\Delta REVit - \Delta RECit) + \alpha 3PPEit + \varepsilon it$$

To scale the data, all the variables above are divided by the assets of the previous year so the formula becomes:

$$\frac{TAit}{Ait-1} = \alpha 1\left(\frac{1}{Ait-1}\right) + \alpha 2\left(\frac{\Delta REVit - \Delta RECit}{Ait-1}\right) + \alpha 3\left(\frac{PPEit}{Ait-1}\right) + \varepsilon it$$

The parameter values of α1, α2, and α3 are estimated by the Ordinary Least Square (OLS) regression equation.

3. Using the coefficient parameter values 1, 2, and 3, then the nondiscretionary accrual value can be calculated using the formula:

$$\mathbf{NDA_{t}} = \alpha 1\left(\frac{1}{At-1}\right) + \alpha 2\ (\Delta REVt + \Delta RECt) + \alpha 3\ (PPEt)$$

4. Total accruals are the sum of discretionary accruals and non-discretionary accruals. To calculate discretionary accruals, subtract total accruals with nondiscretionary accruals.

$$\mathbf{DA_{it} = TA_{it} - NDA_{it}}$$

Description:
TA_{it} : total accrual company i period t.
NI_{it} : net income company i period t.
CFO_{it} : operational cash flow company i period t.
NDA_{it} : estimated nondiscretionary accrual company i period t.
DA_{it} : discretionary accrual company i period t.
A_{it-1} : total assets company i period t.
ΔREV_t : changes of revenue company i period t.
PPE_t : property, plant dan equipment company i period t.
$\alpha1, \alpha2, \alpha3$: parameters obtained from the regression equation.
ΔREC_{it} : accounts receivable in year t less receivables in year t-1 are scaled by total assets in year t-1.

Research Methodology

This research used a multiple linear regression analysis method using SPSS software version 22. To test hypotheses 1, 2, 3 and 4, the regression model was used as follows:

$$\mathbf{EM = \alpha + \beta 1COMSIZEit + \beta 2MEETit + \beta 3EXPERTit + \beta 4IADISCLOSUREit + \varepsilon}$$

In this study, it was expected that COMSIZE, MEET, EXPERT and IADISCLOSURE were negatively related to EM. The t test measured the extent of the influence of the independent variable in explaining the dependent variable individually, with a confidence level of 95% or a significance of 5%. If the t value showed significance below 0.05, then the hypothesis was accepted and vice versa.

Empirical Results

Descriptive Statistics

Table 2 shows the descriptive statistical results regarding the minimum, maximum, average and standard deviation values.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Comsize	194	2,00	6,00	3,0670	,40801
Meet	194	2,00	21,00	5,8454	3,19922
Expert	194	,00	1,00	,7532	,25504
Iadisclosure	194	,23	1,00	,6808	,20909
Em	194	,00	7,12	,9068	1,15159
Valid N (listwise)	194				

Table 2 shows that EM has an average of 0.9068. The COMSIZE variable has an average of 3.067, meaning that on average Indonesian companies have an audit committee with at least 3 members. Since the value varies from 2 to 6 people, this shows that there are still companies that have not met the minimum requirements set by the OJK regarding the number of members on the audit committee. The audit committee meeting frequency (MEET) variable varies in value from 2 to 21 meetings in one year. The EXPERT variable has an average value of 0.75. This gives an indication that most of the audit committee members in manufacturing companies in Indonesia already have financial and accounting expertise. The IADISCLOSURE variable has an average of 0.68. This means that companies in the manufacturing sector, on average, have revealed more than 50 percent of the provisions in the disclosure of internal control.

Multicollinearity Test

Table 3 shows the results of multiple linear regression analysis and multicollinearity testing. The tolerance values of all independent variables>0.1. Additionally, all VIF values<10, so it can be concluded that the regression model in this study is free from multicollinearity.

Table 3: Multiple Linear Regression Analysis

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1,782	,715		2,490	,014		
	Comsize	,086	,205	,031	,420	,675	,927	1,078
	Meet	-,071	,026	-,198	-2,745	,007	,946	1,057
	Expert	-,961	,326	-,213	-2,943	,004	,939	1,065
	Iadisclosure	,000	,401	,000	,001	,999	,926	1,080

a. Dependent Variable: ML
Source: Output SPSS, 2019

Audit Committee Size and Earnings Management

COMSIZE has a Constant value of 0,086 and a t value of 0.42 (> α = 0.05). These results indicate that the H1 hypothesis is rejected, meaning that there is no significant relationship between committee size and company earnings management practices.

The absence of a relationship between audit committee size and the quality of financial statements is in line with the work of Baxter and Cotter (2009) and Xie et al. (2003). They indicate the size of audit committees was not significantly related to the quality of financial statements. Naimah and Mukti (2019) also explain that the size of an audit committee does not significantly influence the extent of intellectual capital disclosure. According to Bedard (2004), size does not have a significant effect on earnings management possibilities. As such, an audit committee may be able to ensure proper monitoring even if there are few or many members.

Frequency of Audit Committee Meetings and Earnings Management

The Audit Committee Meeting Frequency Coefficient (MEET) is -0.071 and has a t value of -2,745 (<α = 0.05). These results are in line with H2, which means the number of audit committee meetings has a negative effect on earnings management practices. The effectiveness of an audit committee in carrying out its oversight role of the financial reporting process and internal control requires regular meetings. A well-organised and well-controlled meeting will assist an audit committee in examining accounting related to a company's internal control system. Consequently, the financial statements produced by management (agents) are more guaranteed in quality and credibility. The frequency of audit committee meetings is also shown to have a relationship with corporate disclosure (Baidok & Septiarini, 2017). The results of this study are consistent with the results of Albersmann's (2017) research, which proves that the number of audit committee meetings has a significant negative effect on earnings management. Furthermore, Harymawan et al (2020) show that board meetings can be more effective in influencing corporate performance, especially when companies suffer losses. The influence of the number of audit committee meetings in this study means that the number of audit committee meetings can reduce the possibility of earnings management practices.

Financial Expertise of an Audit Committee and Earnings Management

The Financial Expertise Coefficient (EXPERT) is -0.961 and has a t value of -2,943 (<α = 0.05). This result is in line with H3, which means that more members who have financial expertise will reduce earnings management activities within a company. The management oversight function will be more functional if one member of the audit committee has a background in financial expertise. The results of this study are in accordance with the research of Baxter and Cotter (2009) and Albersmann (2017). They state that special knowledge in accounting and auditing (financial expertise) is required for members of an audit committee. The existence of financial expertise will increase the ability of an audit committee to evaluate various accounting problems, provide advice on accounting treatments or estimates or solve problems related to new accounting policies.

Disclosure of Internal Control and Earnings Management

IADISCLOSURE has a coefficient of 0.00 and t value of 0.001 (> α = 0.05). This result rejects Hypothesis 4, where the variable of disclosure of internal control has no effect on earnings management. In this study, it was shown that more and more disclosure of internal control does not seem to affect the practice of earnings management that occurs in a company. Many companies in Indonesia have yet to disclose internal controls for the period from 2016-2017. This is because the disclosure is only mandatory and effective in 2017. This has caused many companies that have not made disclosures in accordance with the Financial Services Authority Circular. As a result, good corporate internal control is not necessarily reflected in the disclosures made.

Conclusions

Based on the results of the analysis of this study, the frequency of meetings and financial expertise possessed by an audit committee is negatively related to earnings management within a company. The audit committee size variables and internal control disclosure have no effect on earnings management.

The results in this study imply that an audit committee can carry out proper monitoring even if there are few or many members. The results imply that effective audit committee monitoring will be related to individual characteristics in terms of financial capability and intensity of the audit committee team in holding meetings to discuss issues within a company. Size and disclosure are not related to earnings management within a company.

This study has limitations, especially in testing internal control variables. The regulation regarding disclosure of internal control was published on August 5, 2016, and it only became effective in Indonesia in 2017. This many companies have still not made their disclosure. During 2016-2017, of all companies that became the study sample, there were only 17 that revealed all mandatory disclosures. For this reason, the suggestion for further research is to conduct a comparative analysis of the effect of internal audit disclosures during the post and pre period of mandatory disclosure in accordance with the provisions issued by the OJK.

Acknowledgement

This paper is derived from Rara Fitri Annisa’s Undergraduate thesis at the Faculty of Economics and Business, Universitas Airlangga, Surabaya, Indonesia. We are also grateful for the comments and insights from Eka Sari Ayuningtyas and Dyah Ayu Larasati.

REFERENCES

Agustia, D., Prasetyo, B., & Permatasari, Y. (2019). Do earnings management and institutional ownership affect stock market liquidity? [¿la gestión de ganancias y la propiedad institucional afectan la liquidez del mercado de valores?] Opcion, 35(SpecialEdition24), 1227-1239. Retrieved from www.scopus.com

Albersmann, B. T., & Hohenfels, D. 2017. "Audit committees and earnings management–Evidence from the German two-tier board system". *Schmalenbach Business Review*, *18*(2), 147-178.

Alves, S. 2013. "The impact of audit committee existence and external audit on earnings management: Evidence from Portugal". *Journal of Financial Reporting & Accounting*, *11*(2), 143-165.

Amar, M. Y., & Hamid, N. (2016). Testing the relationship of company performance with external stakeholder satisfaction (a study at industrial metal processing company in indonesia). International Journal of Applied Business and Economic Research, 14(13), 8953-8963. Retrieved from www.scopus.com

Baidok, W., & Septiarini, D. F. (2017). The Influence of the Board of Commissioners, the Composition of the Independent Board of Commissioners, the Sharia Supervisory Board, the Frequency of Sharia Board of Commissioners Meetings, and the Frequency of Audit Committee Meetings on Disclosure of Islamic Social Reporting Index in Sharia Commercial Banks 2010-2014 Period. *Jurnal Ekonomi Syariah Teori dan Terapan*, *3*(12), 1020. (In Bahasa)

Baxter, P., & Cotter, J. 2009. "Audit committees and earnings quality". *Accounting & Finance*, *49*(2), 267-290.

Bédard, J., Chtourou, S. M., & Courteau, L. 2004. "The effect of audit committee expertise, independence, and activity on aggressive earnings management". *Auditing: A Journal of Practice & Theory*, *23*(2), 13-35.

Bukit, R. B., & Iskandar, T. M. (2009). Surplus free cash flow, earnings management and audit committee. International Journal of Economics and Management, 3(1), 204-233. Retrieved from www.scopus.com

Bulutoding, L. (2016). Analysis of aggressive tax in terms of good corporate governance company listed on the indonesia stock exchange (IDX). Man in India, 96(11), 4455-4466. Retrieved from www.scopus.com

Carcello, J. V., & Nagy, A. L. 2002. “Auditor industry specialization and fraudulent financial reporting”. *In Symposium on Auditing Problems*. University of Kansas.

Carcello, J. V., & Neal, T. L. 2000. “Audit committee composition and auditor reporting:. *The Accounting Review*, *75*(4), 453-467.

Chen, S., & Komal, B. 2018. “Audit committee financial expertise and earnings quality: A meta-analysis”. *Journal of Business Research*, 84, 253-270.

Davidson, S., Stickney, C. and Weil, R., 1987. “Accounting: The language of business. Thomas Horton and Daughter”. *Sun Lakes Arizona*.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. 199). “Detecting earnings management”. *Accounting review*, 193-225.

DeFond, Mark L., Rebecca N. Hann, and Xuesong Hu. 2005. ”Does The Market Value Financial Expertise on Audit Committee of Board Of Directors?” *Journal of Accounting Research* 43.

Habbash, M., Sindezingue, C., & Salama, A. 2013. “The effect of audit committee characteristics on earnings management: Evidence from the United Kingdom”. *International Journal of Disclosure and Governance*, *10*(1), 13-38.

Harymawan, I., Agustia, D., Aprilia, P., & Ratri, M. C. (2020). Board Meeting, Loss, And Corporate Social Responsibility Disclosure. *Journal of Security & Sustainability Issues*, *9*.

Jensen, Michael C. dan William H.Meckling. 1976. “Theory of The Firm: Managerial Behaviour,Agency Costs and Ownership Structure”. *Journal of Financial Economics*, October, 1976, 3(4): pp:305-306.

Kapoor, N., & Goel, S. (2019). Do diligent independent directors restrain earnings management practices? Indian lessons for the global world. *Asian Journal of Accounting Research*.

Larasati, D. A., Ratri, M. C., Nasih, M., & Harymawan, I. (2019). Independent audit committee, risk management committee, and audit fees. *Cogent Business & Management*, (just-accepted), 1707042.

Leng, J., & Li, L. 2011. “Analysis of the relationship between listed companies’ earnings quality and internal control information disclosure”. *Modern Economy*, *2*(05), 893.

Li, J., Mangena, M., & Pike, R. (2012). The effect of audit committee characteristics on intellectual capital disclosure. *The British Accounting Review*, *44*(2), 98-110.

Menon, K., & Williams, D. D. 2004. "Former audit partners and abnormal accruals". *The Accounting Review*, *79*(4), 1095-1118.

Muda, I., Maulana, W., Siregar, H. S., & Indra, N. (2018). The analysis of effects of good corporate governance on earnings management in indonesia with panel data approach. Iranian Economic Review, 22(2), 599-625. Retrieved from www.scopus.com

Naimah, Z., & Mukti, N. A. (2019). The influence of audit committee's and company's characteristic on intellectual capital disclosure. *Asian Journal of Accounting Research*.

Nasution, A. A. (2019). Analysis of corporate governance effect and characteristics of companies on the existence of risk management committee. Paper presented at the IOP Conference Series: Materials Science and Engineering, , 648(1) doi:10.1088/1757-899X/648/1/012001 Retrieved from www.scopus.com

Paramitha. Pradjna. 2012. The effect of environmental performance and corporate social responsibility (CSR) disclosure as an effort to preserve the environment of the company's financial performance. Thesis. Surabaya : Faculty of Economic and Busness, Universitas Airlangga. (In Bahasa)

Saleh, N. M., Iskandar, T. M., & Rahmat, M. M. (2007). Audit committee characteristics and earnings management: Evidence from Malaysia. *Asian Review of Accounting*.

Schipper, Katherine. 1989. "Earnings management." *Accounting horizons 3*, no. 4 1989: 91.

Setiawati, L. and Na'im, A., 2000. Manajemen laba. *Journal of Indonesian Economy and Business*, 15(4), pp.424-441.

Xie, B., Davidson III, W. N., & DaDalt, P. J. 2003. "Earnings management and corporate governance: the role of the board and the audit committee". *Journal of corporate finance*, *9*(3), 295-316.

Ying, Y. 2016. "Internal Control Information Disclosure Quality, Agency Cost and Earnings Management—Based on the Empirical Data from 2011 to 2013". *Modern Economy*, *7*(01), 64.

Zhang, Y., Zhou, J., & Zhou, N. 2007. "Audit committee quality, auditor independence, and internal control weaknesses". *Journal of accounting and public policy, 26(3), 300-327.*