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Management Ownership, Audit Committee, Independent Commissioner, And Company Size Affect the Integrity of Financial Statements

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Abstract

The purpose of this study is to analyze the effect of managerial ownership, audit committee, independent commissioner, and firm size on integrity of financial statement. This study consists of four independent variables consisting of managerial ownership is proxied by the proportion of share ownership by management, the audit committee is proxied by the number of audit committee meetings, independent commissioners are proxied by the proportion of independent commissioners, and company size is proxied by LN total assets, and one variable dependent namely the integrity of financial statements proxied by earnings management. In this study, there were 84 companies that met the research criteria with the object of research being non-financial industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2020. The results indicate that managerial ownership, audit committees, independent commissioners, and firm size has simultaneous effect on earnings management. The managerial ownership variable has negative effect on earnings management. The audit committee has no effect on earnings management. Independent commissioners have negative effect on earnings management. Firm size has no effect on earnings management. This research can also be an evaluation material for companies and investors and provide additional information about what factors affect earnings management.

Keywords
management ownership; audit committee; independent commissioner; firm size; earning management

I. Introduction

Earnings management actions can cause the company to suffer losses because management does not provide information about the real profit. Earnings management occurs when management fails to achieve targeted profits and management modifies financial statements by adjusting accounting methods suitable for obtaining profits with good results (Tsaqif & Agustiningsih, 2021). PT Tiga Pilar Sejahtera Food Tbk (AISA) is suspected of inflating IDR 4 trillion in its 2017 financial statements. This was revealed in Pt. Ernst & Young Indonesia's (EY) Fact-Based Investigation Results report on AISA's new management dated March 12, 2019. The alleged inflation is suspected to have occurred on the accounts of AISA Group's accounts receivable, inventory, and fixed assets. In addition to the Rp 4 trillion bubble, it was also found that there were also allegations of revenue inflation of IDR 662 billion and other inflations worth IDR 329 billion in the EBITDA post (profit before interest, taxes, depreciation, and amortization) of the issuer (finance.detik.com, 2019). This research will use non-financial sector companies for the 2019-2020 period as the object of research. The non-financial sector was chosen because researchers wanted to take a wider scope of the sample.

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Managerial ownership will align the interests of management and shareholders. Management will be more thorough in presenting financial statements and enthusiastic about increasing the value of the company. Managerial ownership is also able to encourage management to work in accordance with the interests of the principal. Management will also feel as if they own the company because all of their actions affect the company in terms of managerial policies and the dividends they receive. It can be said that companies with managerial ownership tend not to carry out earnings management because, in some cases, it can undermine the value of the company (Ibrani et al., 2019).

The audit committee is responsible for monitoring the financial reporting process and ensuring the credibility of the financial statements (Putri & Prasetyo, 2020). The Financial Services Authority Regulation Number 55/POJK.04/2015 states that the audit committee must hold regular meetings at least once every three months, which means that the audit committee must hold meetings at least four times a year. The more frequent audit committee meetings, the more effective the supervision will be, which will reduce the opportunity for management to carry out earnings management (Ibrani et al., 2019).

The independence of the board of commissioners is one of the most important determinants of the effectiveness of the board of commissioners in reducing earnings management. Therefore, to improve the effectiveness and activity of the board of commissioners in its supervision, agency theory suggests involving independent commissioners in the company (Putri & Prasetyo, 2020). Indrati et al. (2021). says that having an independent commissioner will help set up a good board of commissioners that will help organizations reduce and prevent fraud.

Companies that have a large number of assets are considered to have good prospects in a relatively stable period and can generate profits compared to companies that have a small amount of assets. Large-scale companies have higher competitiveness compared to small companies because large companies have a large market, which means they have a great opportunity to obtain large profits (Meiryani et al., 2020). The size of the company affects earnings management actions because large companies are expected to maximize the wishes of investors and shareholders (Tsaqif & Agustiningsih, 2021).

Based on the explanation above, this study aims to examine the influence of managerial ownership, audit committees, independent commissioners, and company size on the integrity of financial statements proxied with earnings management both simultaneously and partially on non-financial industrial sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2020. The benefits of research for companies so that they pay more attention to the implementation of governance mechanisms in company operations to improve the accuracy of financial statements.

II. Review Literature

2.1 Agency Theory

According to Jensen & Meckling (1976), agency theory explains that there is a contractual relationship between two or more persons, where one of the parties, called the *principal*, hires an *agent* to perform some work on behalf of the *principal*, which includes delegation of authority. The owner of the company entrusts the operation of the company to the management. In general, shareholders want their welfare to increase, but managers, as parties who are given authority, tend to maximize their personal interests and override the interests of shareholders, so that this will cause agency problems (Suhardi & Fadli, 2021). The difference in goals will provide encouragement for *agents* to manipulate the performance they do on financial statements to fulfill their wishes (Putri & Prasetyo, 2020). Agency theory implies that there is an information asymmetry between managers, as *agents* and shareholders as *principals* (Abdullah *et al*., 2020).

2.2 Managerial Ownership

Managerial ownership is the ownership of company shares by management, or in other words, the management of the company as well as shareholders (Ramadhan & Putri, 2020). Managerial ownership is part of ownership in the company, and managers actively participate in decision-making in the company in question. From this definition, it can be concluded that managerial ownership is the ownership of company shares by members of management who participate in company decision making (Fairus & Sihombing, 2020). The company is considered to have high managerial ownership, if the managerial ownership is more than 25% and low managerial ownership if the managerial ownership is less than 5% (Amarsanaa *et al*., 2021).

2.3 Audit Committee

According to the Financial Services Authority Regulation Number 55 /POJK.04/2015, the audit committee is a committee formed by the board of commissioners and is responsible to the board of commissioners to help carry out its duties and functions. Generally, the board of commissioners authorizes the audit committee to effectively supervise financial reporting in order to improve the reliability and relevance of financial statements (Alzoubi, 2019). The duties of the audit committee include tracking the accounting policies of the enterprise; evaluating internal controls; analyzing the external reporting system; and compliance with regulations (Fairus & Sihombing, 2020).

2.4 Independent Commissioner

The independence of the board of commissioners is one of the most important determinants of the effectiveness of the board of commissioners in reducing earnings management. Therefore, to improve the effectiveness and activities of the board of commissioners in its supervision, agency theory suggests involving independent commissioners in the company (Putri & Prasetyo, 2020). Independent commissioners are members of the commission who do not have a special relationship, such as not having a business relationship or kinship relationship with the controlling shareholders, directors, or other members of the board of commissioners (Indrati *et al*., 2021).

2.5 Company Size

Company size is a scale that can describe large or small companies (Purnama & Nurdiniah, 2019). The size of the company can be seen from the number of assets, sales, and market value (Indrati *et al*., 2021). The larger the company's assets, the greater the capital invested, the more sales, the more money turnover, and the greater the market capitalization, the more well-known it is in society. (Abdullah *et al*., 2020). The size of the enterprise plays an important role in determining the type of overall assets that the company needs in processing activities in order to improve its profitability and performance (Irawati *et al*., 2019). Company size is one of the indicators used by investors to assess assets and company performance (Karnawati, 2018).

2.6 Integrity of Financial Statements

Financial statements are written documents that state the business activities and financial performance of a company. Financial statements are often audited by government agencies, accountants, firms, etc. to ensure their accuracy and for tax, financing, or investment purposes. Financial statements are used by investors, analysts, and creditors to assess the financial health and revenue potential of a company. (investopedia.com, 2022). Integrity comes from the Latin word 'integer' which means full or complete. In English, integrity means the quality of being honest and having strong moral principles; moral uprightness. If translated, integrity means the quality of honesty and having strong moral principles.

2.7 Earnings management

In conjunction with agency theory, management has an information asymmetry against external parties of the company such as investors and creditors. Information asymmetry occurs when managers have relatively more internal company information and faster than external parties. This can provide an opportunity for management to manipulate financial statements as an effort to maximize its prosperity. Earnings management is the manager's action to increase (decrease) the current reported profit of a unit for which the manager is responsible without relating to an increase (decrease) in the profitability of the long-term economy. (Karnawati, 2018). Earnings management can be divided into 3 types, namely accrual earnings management, real Earnings management, and non-GAAP Earnings management (Ibrani *et al*., 2019).

2.8 The Relationship of Managerial Ownership to Earnings management

Ownership of shares by management will determine the policy and decision-making of the accounting methods applied in the enterprise. The higher the managerial ownership in the company, the lower the interest in carrying out Earnings management actions due to the existence of aligned goals between managers and shareholders (Abdullah *et al*., 2020). Management will be more thorough in presenting financial statements and enthusiastic in increasing the value of the company. Managerial ownership is also able to encourage management to work in accordance with the interests of *the principal*. Management will also feel like owning the company, because all the actions taken by them on the company in terms of managerial policies also have an effect on the dividends they receive (Ibrani *et al*., 2019).

This is in line with the research of Abdullah *et al*. (2020), Amarsanaa *et al*. (2021), and Fairus & Sihombing (2020) which states that managerial ownership has a negative impact on Earnings management.

H1: Managerial ownership negatively affects Earnings management.

2.8 The Relationship between the Audit Committee and Earnings management

The more frequent audit committee meetings, the more effective the supervision will be, which will reduce the opportunity for management to carry out Earnings management (Ibrani *et al*., 2019). Audit committees with more frequent meetings will have more time to oversee the financial reporting process. The frequency of meetings indicates the efficiency of the supervisory role of the audit committee and the credibility of the information provided (Syofyan *et al*., 2021)

H2: The audit committee negatively affects Earnings management.

2.9 Relationship between Independent Commissioners and Earnings management

The independence of the board of commissioners is one of the most important determinants of the effectiveness of the board of commissioners in reducing Earnings management. Therefore, to improve the effectiveness and activity of the board of commissioners in its supervision, agency theory suggests involving independent commissioners in the company (Putri & Prasetyo, 2020). The independent board of commissioners functions and is responsible for ensuring that the company sets the right strategy (monitoring the schedule, budget and effectiveness of the strategy), does not violate applicable regulations, and ensures that the principles and practices of good corporate governance are adhered to and implemented properly (Fairus & Sihombing, 2020).

H3: Independent commissioners negatively affect Earnings management.

2.10 The Relationship of Company Size to Earnings management

Small-scale companies are considered to do more Earnings management than large companies. This is because the larger the size of a company, usually the more information available to investors for decision-making related to investing in the company's shares. Large-scale companies are also more concerned by the public so that they will be more careful in reporting financial statements. This will have an impact on the company reporting its situation more accurately (Karnawati, 2018).

H4: The size of the company negatively affects Earnings management.

2.11 Research Model

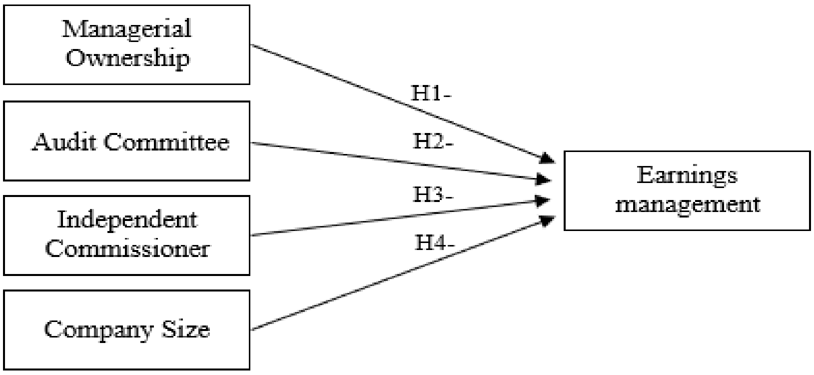

Figure 1. *Research Model*

Source: Author-processed SPSS data output, 2022

III. Research Method

In this study, the type of research used is causal research, which explains the influence of a free variable on bound variables. The independent variables in this study include managerial ownership, audit committees, independent commissioners, and company size while the dependent variables are the integrity of financial statements in non-financial sector companies listed on the Indonesia Stock Exchange in 2019-2020.

This study uses secondary data sources in the form of financial statements of non-financial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2020 period. Sampling is carried out by purposive sampling with the aim of obtaining samples that are in accordance with the criteria of companies that issue annual reports for the 2019-2020 period and have complete data on managerial ownership. There are 82 companies that meet the criteria. So that the number of samples in this study was 164 company financial statement data.

The research technique uses multiple linear regression analysis with classical assumption testing consisting of normality test, multicollinearity test, heteroskedastity test, and autocorrelation test. Hypothesis tests are performed by simultaneous test (F), partial hypothesis test (t test), and multiple regression analysis test.

ML=α + 1M β+ 2KA β + 3KI β + 4UP β + e

Information:
ML : Earnings management
α : Constants
$\beta_1 - \beta_4$: Variable coefficient
KM : Managerial Ownership
KA : Audit Committee
KI : Independent Commissioner
UP : Company Size
ε : *error*

IV. Result and Discussion

4.1 Descriptive Statistical Test

Table 1. Descriptive Statistical Test

	N	Min	Max	Mean	Std Dev
Earning Management	164	-.10	.09	-.0116	.04321
managerial ownership	164	.01	.74	.0866	.12981
audit committee	164	.60	1.71	.7970	.27585
independent commission	164	.25	.75	.4014	.10231
Company Size	164	1.18	1.26	1.2179	.01624
Valid N (listwise)					

Source: Data processed by the author, 2022

The descriptive statistical test consists of minimum, maximum, average, and standard deviation values to describe the population of the sample data tested. This study used four independent variables, consisting of managerial ownership, audit committee, independent commissioner, and company size, as well as one dependent variable for earnings management in the non-financial industry sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2020. Valid sample or N data in this study totaled 164 data points. The research sample data shows the results of managerial ownership variables that are proxied with the percentage of share ownership by the management with a minimum value of PT. Gajah Tunggal Tbk. of 0.01 in 2020, the maximum value of PT. Sarana central Bajatama Tbk was 0.74 in 2019 and 2020, and the average value was 0.0866 with a standard deviation value of 0.12981. It can be argued that the average level of managerial ownership in the non-financial industry sector for the period 2019 to 2020 is 0.087.

The audit committee variable proxied by the number of meetings that the audit committee has charged in a year with a minimum value of 0.60 in 2019 and 2020, the maximum value of PT. Krakatau Steel (Persero) Tbk amounted to 1.71 in 2019, and the average value of 0.7970 with a standard deviation value of 0.27585. It can be stated that the average level of audit commitment in the non-financial industry sector for the period 2019 to 2020 is 0.797. The independent commissioner variable proxied by the percentage of commissioner members who come from outside the company with a minimum value of 0.25 in 2020, the maximum value of PT. Global Mediacom Tbk was 0.75 in 2019 and 2020, and the average value was 0.4014 with a standard deviation value of 0.10231. It can be stated that the average number of independent commissioners in the non-financial industry sector for the period 2019 to 2020 is 0.401.

The variable size of the company is proxied by the LN of total assets with a minimum value of 1.18 in 2020, the maximum value was PT. Astra International Tbk, at 1.26 in 2019, and the average value was 1.2179 with a standard deviation of 0.01624. It can be argued that the average company size in the non-financial industry sector for the period 2019 to 2020 is 1,218. The earnings management variable proxied with discretionary accrual with a minimum value of PT. Citra Tubindo Tbk of-0.10 in 2020, the maximum value was PT. Nusa Raya Cipta Tbk of 0.09 in 2019, and the average value was -0.0116 with a standard deviation value of 0.04321. It can be argued that the average level of earnings management in the non-financial industry sector for the period 2019 to 2020 is -0.012.

4.2 Normality Test

In this normality test using the Kolmogorov-Smirnov (K-S) test with the provision that if the value of *Asymp. Sig.* (2-tailed) > 0.05 then the data population is declared normally distributed. Based on the data of the research sample shows the results of *Asymp. Sig.* As much as 0.084, where the result is greater than the significance level of 0.05. Then it can be interpreted that the sample data in this study is normally distributed and can be used in regression testing.

4.3 Multicollinearity Test

In this multicollinearity test using *the tolerance value* and *Variance Inflation Factor* (VIF) tests with the provision that the *Variance Inflation Factor* (VIF) value < 10 and *the tolerance* value > 0.100, the sample data is free from multicholinearity. Based on research sample data, it shows the results of managerial ownership variables proxied with the percentage of share ownership by management having a value of VIF 1.026 < 10 with a *tolerance* value of 0.975 > 0.100. The audit committee variable proxied by the number of meetings held by the audit committee in a year has a VIF value of 1.101 < 10 with a *tolerance* value of 0.909 > 0.100. The independent commissioner variable proxied by the percentage of commissioners who come from outside the company has a VIF value of 1.053 < 10 with a *tolerance* value of 0.950 > 0.100. And the company size variable proxied with the total asset LN has a VIF value of 1.130 < 10 with a *tolerance* value of 0.885 < 0.100. So it can be interpreted that each independent variable in the sample data of this study is free from multicholinearity in the regression model.

4.4 Heteroskedasticity Test

In this heteroskedasticity test using the geyser test with the provision of significance values on independent variables > 0.05, the sample data did not occur heteroskedasticity problems. Based on the research sample data, it shows that the results of managerial ownership variables proxied with the percentage of share ownership by management have a significance value of 0.470 > 0.05. The audit committee variable proxied by the number of meetings held by the audit committee in a year has a significance value of 0.399 > 0.05. The independent commissioner variable proxied by the percentage of commissioner members who come from outside the company has a significance value of 0.971 > 0.05. And the company size variable proxied with the total asset LN has a significance value of 0.184 > 0.05. So, it can be interpreted that each independent variable in the sample data of this study does not occur heteroskedasticity problems in the regression model.

4.5 Autocorrelation Test

In this autocorrelation test, it uses a run test with the provision of *the Value of Asymp. Sig.* (*2-tailed*) > 0.05 then the sample data did not have any autocorrelation problems. Based on the data of the research sample shows the results of the *asymp. Sig value.* (2-tailed) of 0.273 > 0.05. So it can be interpreted that there is no problem of autocorrelation between independent variables, so that the regression model is feasible and can be carried out.

4.6 Multiple Linear Regression Test

Based on the findings of multiple linear regression analysis tests, the model of equations between variables can be formed as follows:

Earnings management = -0.255 – 0.010 Managerial Ownership **- 0.015**Audit Committee **- 0.034**Independent Commissioners **- 0.191**Company Size **+ Ɛ**

So, it can be interpreted that the constant value is -0.255 which states that all independent variables that are equal to zero, then Earnings management proxied by *discretionary accrual* in the non-financial industry sector for the period 2019 to 2020 is predicted to be -0.255. Based on the research sample data, it shows that the results of managerial ownership variables proxied with the percentage of share ownership by management affect Earnings management which is proxied by *discretionary accrual* with a regression coefficient value of -0.010, it can be interpreted that the managerial ownership variable negatively affects Earnings management. In conditions where other variables constantly increase by one unit in the managerial ownership variable, it is predicted that Earnings management will decrease by -0.010.

The audit committee variable, which is proxied by the number of meetings held by the audit committee in a year, affects Earnings management which is proxied with *discretionary accrual* with a regression coefficient value of -0.015, it can be interpreted that the audit committee variable negatively affects Earnings management. In conditions where other variables are constantly increasing by one unit in the audit committee variable, it is predicted that Earnings management will decrease by -0.015.

The independent commissioner variable, which is proxied by the percentage of commissioner members who come from outside the company, affects Earnings management, which is proxied by *discretionary accrual* with a regression coefficient value of -0.034, it can be interpreted that the independent commissioner variable negatively affects Earnings management. In conditions where other variables are constantly increasing by one unit in the independent commissioner variable, it is predicted that Earnings management will decrease by -0.034.

The variable of company size proxied with the LN of total assets affects Earnings management which is proxied with *discretionary accrual* with a regression coefficient value of -0.191, it can be interpreted that the company size variable negatively affects Earnings management. In conditions where other variables constantly increase by one unit in the variable size of the company, it is predicted that Earnings management will decrease by -0.191.

4.7 Coefficient of Determination Test

Based on the data of the Coefficients research sample, this determination showed the results that the adjusted R-square value was 0.511 or 51.1%. So, it can be interpreted that the variables of managerial ownership, audit committee, independent commissioners, and company size affect Earnings management by 51.1%, while the remaining 48.9% is influenced by other variables besides the independent variables used in this study.

4.8 Statistical Test F (Simultaneous)

Statistical test F (Simultaneous) has a measurement provision, namely the sig value. In Anova research < 0.05 and the calculated F value > the table F value, it can be interpreted that all independent variables have a simultaneous effect on the dependent variable. Based on the data of the research sample, it shows the results of the sig value. in Anova the study was 0.047 < 0.05 and the calculated F value was 6.622 > the table F value was 2.422. So, it can be interpreted that managerial ownership, audit committees, independent commissioners, and company size have a simultaneous effect on Earnings management.

4.9 Statistical Test T (Partial)

The T statistical test (Partial) has measurement provisions, namely a significant value of < 0.05 and the result of T counting < T table, it can be interpreted that the independent variable has an influence on the dependent variable, based on the data of the research sample shows the results of managerial ownership variables partially negatively affecting Earnings management with sig values. 0.049 < 0.05 and the T result counts -2.394 < T table -1.962. The audit committee variable partially has no effect on Earnings management with a sig value. 0.091 > 0.05 and T count result -1.117 > T table -1.962. The independent commissioner variable partially negatively affects Earnings management with a sig value. 0.032 < 0.05 and the T result counts -2.002 < T table -1.962. The variable size of the company partially has no effect on Earnings management with a sig value. 0.093 > 0.05 and the T result counts -1.857 > t table -1.962.

Table 2. Hypothesis Test Results of Research Methods

Hypothesis	Statement	Result	Decision
H1	Managerial Ownership partially negatively affects Earnings management.	Sig. < 0.05 **0.049 < 0.05** Calculated T Value < T Table **-2,394 < -1,962**	**Hypothesis Accepted**
H2	The Audit Committee partially has no effect on Earnings management.	Sig. < 0.05 **0.091 > 0.05** Calculated T Value < T Table **-1,117 > -1,962**	**Hypothesis Rejected**
H3	Independent Commissioners partially negatively affect Earnings management.	Sig. < 0.05 **0.032 < 0.05** Calculated T	**Hypothesis Accepted**

		Value < T Table **-2,002 > -1,962**	
H4	The size of the Company partially has no effect on Earnings management.	Sig. < 0.05 **0.093 > 0.05** Calculated T Value < T Table **-1,857 > -1,962**	**Hypothesis ditolak**

Source: Data processed by the author, 2022

4.10 Managerial Ownership of Earnings management

Based on the results of the study, it shows that managerial ownership proxied by the percentage of share ownership by management has a negative effect on Earnings management proxied by *discretionary accrual* in non-financial industry sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2020, then H1 is **acceptable**. This is in line with the research of Abdullah *et al*. (2020), Amarsanaa *et al*. (2021), and Fairus & Sihombing (2020) which states that managerial ownership has a negative impact on Earnings management.

Managerial ownership is considered to be able to reduce agency conflicts that occur between management and shareholders because the large size of share ownership by management illustrates the existence of common interests among management and shareholders (Karnawati, 2018). The higher the managerial ownership in the company, the lower the interest in carrying out Earnings management actions due to the existence of aligned goals between managers and shareholders (Abdullah *et al*., 2020).

4.11 Audit Committee on Earnings management

Based on the results of the study, it shows that the audit committee, which is proxied by the number of meetings held by the audit committee in a year, has no effect on Earnings management proxied by *discretionary accrual* in non-financial industrial sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2020, then H2 **was rejected**. This research was unable to prove the influence between the audit committee and Earnings management. The results of this study are in line with the research of Saftiana *et al*. (2017), Florencea & Susanto (2019) and Nanda & Somantri (2020) who stated that the audit committee has no influence on Earnings management.

This is because the audit committees of most companies only hold four meetings a year. The audit committee conducts meetings only to abort its obligations. The audit committee has not carried out its duties and responsibilities to the fullest so that its functions and roles to supervise management are ineffective. Sometimes, members of the audit committee do not have a background in accounting or financial academia. This can be a motive for management to be able to manipulate, especially in financial reporting (Saftiana *et al*., 2017).

4.12 Independent Commissioner of Earnings management

Based on the results of the study, it shows that independent commissioners who are proxied with the percentage of commissioner members who come from outside the company negatively affect Earnings management proxied by *discretionary accrual* in non-financial industrial sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2020, then H3 can **be accepted**. This is in line with research by Fairus & Sihombing (2020) and Handriani (2020) which states that independent commissioners have a negative impact on Earnings management.

The independence of the board of commissioners is one of the most important determinants of the effectiveness of the board of commissioners in reducing Earnings management. Therefore, to improve the effectiveness and activity of the board of commissioners in its supervision, agency theory suggests involving independent commissioners in the company (Putri & Prasetyo, 2020). The existence of an independent commissioner will establish an effective board of commissioners to help organizations reduce and prevent fraud (Indrati *et al*., 2021).

4.13 Independent Commissioner of Earnings management

Based on the results of the study, it shows that the size of the company proxied with the LN of total assets has no effect on Earnings management proxied by *discretionary accrual* in non-financial industrial sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2020, then H4 **was rejected**. This research cannot prove the influence between the size of the company and Earnings management. However, the results of this study are in line with the research results of Saftiana *et al*. (2017), and Fadlli & Khairunnisa (2020) who stated that the size of the company has no influence on Earnings management.

The size of the company does not affect the company to carry out Earnings management. The company wants to maintain its reputation or good name by not manipulating financial statements (Earnings management). Earnings management actions carried out by the company are not triggered by the size of the company but can be triggered based on the objectives of the company that wants more investment (Fadlli & Khairunnisa, 2020).

V. Conclusion

Based on the results of research that the author has conducted, it can be concluded that managerial ownership, audit committees, independent commissioners, and company size have a simultaneous effect on Earnings management in non-financial industrial sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 to 2020. Managerial ownership negatively affects Earnings management, meaning that companies with a high level of managerial ownership can reduce the level of Earnings management carried out by the company's management. The audit committee has no effect on Earnings management, meaning that at least many meetings conducted by the audit committee do not affect the level of Earnings management carried out by the company. Independent commissioners negatively affect Earnings management, meaning that companies with a high level of independent commissioners can reduce the level of Earnings management carried out by the company's management. The size of the company does not affect Earnings management, meaning that the size of the company does not affect the level of Earnings management carried out by the company.

The limitation of this study lies in the research period which was only carried out for 2 years, namely the period from 2019 to 2020. This study only uses the components of the internal corporate governance mechanism as an independent variable. Suggestions for further research can expand the research period and add other independent variables in the form of external mechanisms of corporate governance. This corporate governance mechanism is influenced by external factors of the company which include investors, auditors, creditors and institutions that certify legality (accounting.binus.ac.id, 2021). Subsequent studies can use the KAP reputation variable as an independent variable because the financial statements published by the issuer must be supplemented by an independent audit report issued by a public accounting firm (KAP). This is to increase the trust of users of financial statements in the credibility of the financial statements presented by management. External auditors are an important mechanism in helping to ensure the quality and reliability of financial statements. So that financial statements need to be audited by external auditors who have strong competence and independence. This is done to give confidence that financial statements are free from material misstatements and integrity can be accounted for (Dade Nurdiniah & Endra Pradika, 2017).

This research can also be an evaluation material for companies and investors and provide additional information about what factors affect Earnings management. To avoid Earnings management investors should pay attention to the large percentage of managerial ownership and independent commissioners of the company. Companies should hold professional ethics in disclosing financial statements by avoiding fraudulent acts through Earnings management using corporate governance mechanisms.

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