

The Influence Of The Audit Committee Characteristics On The Quality Of Earnings In Banking Companies Listed On The Indonesia Stock Exchange In 2019-2021

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Abstrak

Penelitian ini bertujuan untuk menguji pengaruh komite audit terhadap kualitas laba pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia periode 2019-2021. Variabel independen dalam penelitian ini adalah komite audit yang terdiri dari ukuran komite audit, independensi komite audit, jumlah rapat komite audit. Variabel dependen dalam penelitian ini adalah kualitas laba. Melalui pemilihan sampel dengan menggunakan metode purposive sampling, diperoleh sebanyak 30 perusahaan sebagai sampel atau sebanyak 90 observasi. Teknik analisis data dalam penelitian ini menggunakan analisis linier berganda dengan menggunakan program komputer SPSS Versi 23. Hasil penelitian ini menunjukkan bahwa ukuran komite audit, independensi komite audit, dan jumlah rapat komite audit berpengaruh positif dan signifikan terhadap kualitas laba.

Kata Kunci : Kualitas Laba, Ukuran Komite Audit, Independensi Komite Audit, Jumlah Rapat Komite Audit

Abstract

This study aims to examine the effect of audit committees on earnings quality in banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The independent variable in this study is the audit committee which consists of the size of the audit committee, the independence of the audit committee, the number of audit committee meetings. The dependent variable in this study is earnings quality. Through sample selection using the purposive sampling method, a total of 30 companies were obtained as sample companies or as many as 90 observations. The data analysis technique in this study was to use multiple linear analysis using the SPSS Version 23 computer program. The results of this study indicate that audit committee size, audit committee independence, and the number of audit committee meetings have a positive and significant effect on earnings quality.

Keywords : Profit Quality, Audit Committee Size, Audit Committee Independence, Number of Audit Committee Meetings

INTRODUCTION

Earnings quality is the ability of earnings in financial reports to explain the actual condition of a company's profits as well as being used to predict future earnings (Kepramareni, Pradnyawati, and Swandewi 2021). Therefore, the information made must be based on facts which will affect the characteristics of financial statement information, namely understandable, relevant, reliable and comparable. Low quality earnings do not show true information about management's performance in that period so that it can mislead report users. Profits are also often misused to benefit certain parties and harm other parties.

Therefore, many researchers are interested in discussing research on earnings quality such as research conducted by Ricky Rilo & Herry Laksito (2017) regarding the Effect of Audit

Committee Characteristics on Earnings Quality. The results showed that the number of meetings had a positive and significant effect on earnings quality, while audit committee size and audit committee independence had no significant effect on earnings quality. And research conducted by Eliana (2015) on Analysis of the Influence of Audit Committee Characteristics and IFRS Adoption on Earnings Quality. The results of the study show that audit committee size and audit committee independence have a significant effect on earnings quality.

Company management is increasingly involved in the practice of earnings manipulation or often called earnings management which will have a significant impact on the good or bad results of the quality of earnings in a company. Earnings management is an attempt by company managers to influence reported short-term earnings and earnings management by managers so that these earnings can influence creditors and investors' decisions.

Good Corporate Governance is one of the factors to convince users of financial information that the financial reports produced are free from fraud. One of the Good Corporate Governance mechanisms is the establishment of an audit committee. The Audit Committee is a committee formed by the board of commissioners to assist the board of commissioners in overseeing the financial statements of a company. So that the existence of an audit committee can prevent earnings management.

The characteristics of the committee have three indicators, namely the size of the audit committee, the independence of the audit committee, the number of audit committee meetings. The size of the audit committee is the number of audit committees in the company. Where the members of the audit committee consist of at least 3 (three) members who come from independent commissioners and parties from outside the issuer or public company. The independence of the audit committee is a member of an independent party that has no direct relationship with the company. The independence of the audit committee can be seen from how many members of the audit committee come from outsiders or have no relationship or conflict of interest with the company. The number of audit committee meetings is the number of meetings or internal meetings held by the audit committee within one year. Audit committee meetings or meetings are very useful in the successful work of the audit committee.

Based on the description of the background above, the title proposed in this research is "The Influence of Audit Committee Characteristics on Profit Quality (Study of Banking Companies Listed on the Indonesia Stock Exchange in 2019-2021)".

Theoretical basis

The theory underlying this research is:

Agency Theory. According to Jansen and Meckling 1976, said that agency theory is a relationship based on a contract in which one or more parties (principal) assign tasks to another party (agent) to carry out services and delegate authority to decision makers.

Profit Quality. According to (Kepramareni, Pradnyawati, and Swandewi 2021) "Earning quality is the ability of profits in financial reports to explain the actual condition of a company's profits as well as being used in predicting future profits." Earnings quality can be measured using the discretionary accrual approach modified by the Jones model.

Audit Committee. In the Financial Services Authority Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of Audit Committee Work (OJK Regulation 55/2015) explains that: "Audit Committee is a committee formed by and is responsible to the Board of Commissioners in assisting in carrying out the duties and function of the Board of Commissioners". The audit committee consists of the size of the audit committee, the independence of the audit committee and the number of audit committee meetings.

Audit Committee Size. The size of the audit committee is the sum of all members of the audit committee. According to the Financial Services Authority Regulation No.55/PJOK.04/2015 concerning the Establishment and Guidelines for the Implementation of Audit Committee Work Chapter II, article (4) states that: "The Audit Committee consists of at least 3 (three) members from Independent Commissioners and Parties from outside the Issuer or Public Company". The size of the Audit Committee can be calculated using the following formula:

Size of Audit Committee = Number of Audit Committee

Audit Committee Independence. The independence of the audit committee is a member of an independent party that has no direct relationship to the company. In the Public Accountant Professional Standards, the second general standard reads: "In all matters relating to the engagement, independence in mental attitude must be maintained by the auditor". The independence of the Audit Committee is measured by the proportion of the number of members from outside the company to the number of members of the audit committee.

Audit Committee Independence = Number of independent audit committee members/number of audit committee members

Number of Audit Committee Meetings. The number of audit committee meetings is the number of meetings held by the audit committee. In the Public Accountant Professional Standards, the second general standard reads: "In all matters related to the engagement, independence in mental attitude must be maintained by the auditor. The number of audit committee meetings can be measured by the formula:

Number of Audit Committee Meetings = Number of Meetings of Audit Committee Members in 1 year.

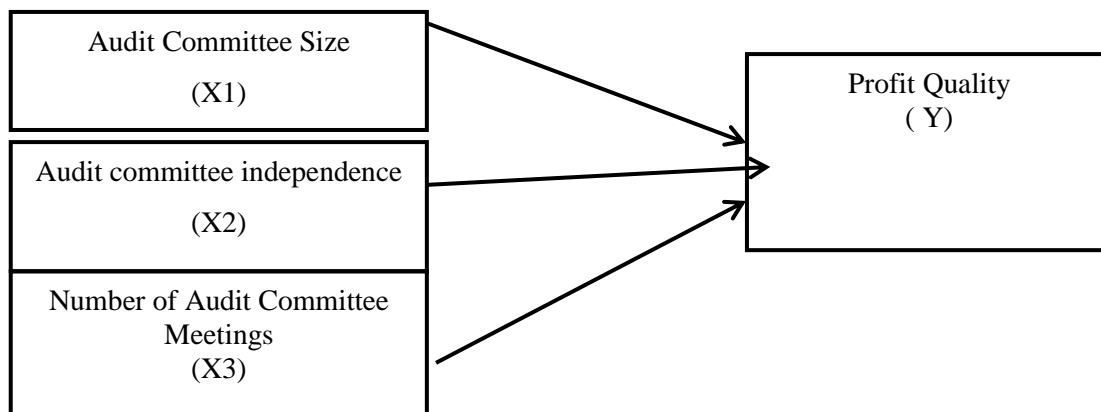


Figure 1 Effect of Independent Variables on Dependent Variables

The effect of audit committee size on earnings quality

Larger audit committees are more effective in reviewing company finances, thereby reducing some of the opportunities for earnings management. In addition to reviewing the company's finances, the audit committee is also tasked with reviewing the company's compliance with regulations, the effectiveness of the company's internal activities and controls, as well as the company's ability to manage risk and handle consumer complaints. Based on the description above, it can be concluded that the first hypothesis in this study is:

H1: Audit committee size has a significant positive effect on quality

Effect of audit committee independence on earnings quality

In the Public Accountant Professional Standards, the second general standard reads: "In all matters relating to the engagement, independence in mental attitude must be maintained by the auditor". These standards require the auditor to be independent, which means not easy to be influenced, because the more independent the members of the audit committee, the more likely a report can be trusted. Therefore, more and more independent audit committee members can minimize the existence of earnings management in the company. Where earnings management can affect earnings quality for the worse. Based on the description above, it can be concluded that the second hypothesis in this study is:

H2: Audit committee independence has a significant positive effect on earnings quality.

Effect of the number of audit committee meetings on earnings quality

Conducting audit committee meetings in general aims to control the running of a company and discuss any problems that arise in the company. So by holding frequent

meetings or meetings from the audit committee, the principal can find out how management works and the problems that exist in a company. Therefore the frequency of frequent meetings will lead to good quality financial reports which affect the quality of earnings to be better. Based on this description, it can be concluded that the third hypothesis in this study is:

H3: The number of audit committee meetings has a significant positive effect on earnings quality.

METHOD

The research design used in this study is a quantitative descriptive study. This research was conducted at banking companies listed on the Indonesia Stock Exchange (IDX), by observing the research object which consisted of the variables studied, namely audit committee size (x1), audit committee independence (x2), number of audit committee meetings (x3) which is the independent variable. While earnings quality (y) is the dependent variable.

The population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) during 2019-2021, totaling 43 companies. Sampling was carried out by purposive sampling technique which met the criteria so that a total of 30 companies were obtained.

Data collection is done through documentation. The data source was obtained from the Indonesia Stock Exchange in the form of company financial reports. After all the data has been collected, then the normally distributed data is processed using multiple linear regression analysis. In the SPSS (Statistical For Social Science) program version 23. Then, hypothesis testing was carried out using the partial test/t test.

RESEARCH RESULTS AND DISCUSSION

From the results of the research conducted, the following results were obtained:

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0,154	0,042		-3,699	.000
Audit Committee Size	0,075	0,006	0,746	12,212	.000
Audit Committee Independence	0,294	0,04	0,455	7,321	.000
Number of Audit Committee Meetings	0,002	0,001	0,233	3,782	.009

- a. Dependent Variable: Profit Quality
Based on the test results above, it can be seen that audit committee size, audit committee independence, number of audit committee meetings have a positive effect on earnings quality with a probability level of less than 5%.

The Audit Committee Size variable (X1) has $t = 12.212$ with a significance level of 0.000 which is less than a significance level of 0.05 (5%). This shows that audit committee size has a significant positive effect on earnings quality. The results of this study are in line with those conducted by Rahma Radianti (2014) where in her research, it proved that audit committee size has a significant positive effect on earnings quality in companies. Thus the first hypothesis (H1) which states that audit committee size has a significant positive effect on earnings quality is accepted.

The Audit Committee Independence variable (X2) has a value of $t = 7.321$ with a significant level of 0.000 which is less than a significance level of 0.05 (5%). This shows that the independence of the audit committee has a significant positive effect on earnings quality.

The results of this study are in line with those conducted by Elianna (2015) in which her research proved that the independence of the audit committee has a significant positive effect on the earnings quality of the company. Thus the Second Hypothesis (H2) which states that Audit Committee Independence has a significant positive effect on Earnings Quality is accepted.

The variable Number of Audit Committee Meetings (X3) has a value of $t = 3.782$ with a significance level of 0.000 which is less than a significance level of 0.05 (5%). This shows that the number of audit committee meetings has a significant positive effect on earnings quality. The results of this study are in line with those conducted by Ricky Rilo and Herry Laksito (2017) where in their research, the number of audit committee meetings has a significant positive effect on the earnings quality of the company. Thus the third hypothesis (H3) which states that the number of audit committee meetings has a significant positive effect on earnings quality is accepted.

CONCLUSION

In this study it can be concluded that:

1. Size of the Audit Committee has a significant positive influence on earnings quality. This means that the larger the size of the Audit Committee, the better the quality of the company's earnings.
2. The independence of the Audit Committee has a significant positive effect on earnings quality. These results indicate that the higher the Independence of the Audit Committee, the better the quality of the company's earnings.
3. Number of Audit Committee Meetings has a significant positive effect on earnings quality. These results indicate that the more often the Audit Committee Meetings are held, the better the Profit Quality in the company.

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