Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, Vol 16 (No.2) 2026, 265-277

https://jurnal.unimus.ac.id/index.php/MAX

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Audit Committee Characteristics and Earnings Management: The Moderating Role of Audit Quality

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Info Article

History Article:
Submitted: June 28, 2026
Revised: July 10, 2026
Accepted: August 31, 2026

Keywords:
Meeting Frequency, Gender Diversity, Audit Quality, Earnings Management, Audit Committee Size

Abstract

One issue that still frequently arises in businesses is earnings management, which can lower the quality of financial statement data. This investigation analyzes how audit committee size, the presence of female members, and meeting frequency influence earnings management. It also examines how audit quality, as an external check, affects the influence of committee size, gender diversity, and meeting frequency on earnings management. A quantitative methodology was utilized. The study focused on companies listed on the Indonesian Stock Exchange (IDX) that operate in the non-cyclical consumer goods industry during 2022 to 2024. The study selected a purposive sample of 73 companies. The study used panel data regression in EViews 12. The findings indicate that audit committee size and gender composition do not significantly prevent earnings management, whereas more frequent audit committee meetings play a significant role in reducing it. High-quality external audits strengthen the effectiveness of larger audit committees in limiting earnings management, but weaken the positive effect of gender diversity and the negative effect of meeting frequency. Overall, reducing earnings management requires not only an effective audit committee but also proactive oversight and strong external audit quality.

JEL Classification: M41, M42, G34

How to Cite: Rachmadani, B. & Istiqomah, D. F. (2026). Audit Committee Characteristics and Earnings Management: The Moderating Role of Audit Quality. *Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, 16(2), 265-277.*

DOI: *10.26714/mki.16.2.2026.265-277*

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Introduction

Earnings management is when managers influence how financial reports are prepared. This strategy can worsen the knowledge gap between management and shareholders and deteriorate the quality of financial reports (Tita et al., 2022). Examples of earnings management tactics include manipulating accrual accounts, postponing expense recognition, recognizing revenue too early, and selecting accounting techniques that boost current-period earnings (Larasati & Az'mi, 2023).

In Indonesia, earnings management is still a problem. Numerous controversies involving accounting rule violations have occurred in the financial reporting industry in recent years, such as inappropriate revenue recognition, presentation of financial statements that must be restated Pridehan et al. (2024), alleged inflation of income Azhari et al. (2025), and tax avoidance practices through the manipulation of related-party transactions. Strengthening corporate governance mechanisms is one approach to mitigating earnings management. The audit committee is a corporate governance element designed to improve supervision of financial reporting and auditing procedures (Balios et al., 2022). Accordingly, this study looks at how audit committee size, gender diversity, and meeting frequency affect earnings management and whether audit quality, as an external governance instrument, strengthens or weakens these relationships.

Audit committee size is thought to have a major effect on the efficacy of the supervision process (Arista & Serly, 2023). A sufficiently large audit committee promotes oversight of the accounting process, improves committee member competency, and permits a more equitable division of oversight responsibilities (Balios et al., 2022). In today's corporate governance landscape, gender on the audit committee is just as crucial as size. Research by Salsabila (2021) suggests that female audit committees naturally exhibit greater diligence and a stronger commitment to regulatory adherence. Consequently, integrating women into the audit committee significantly elevates the standard of internal oversight, thereby diminishing the likelihood of manipulative accounting practices. Despite the audit committee's important and competent duty, it cannot operate efficiently if its members do not actively participate in meetings. Regular meetings can increase the supervisory role and lessen the likelihood of earnings management, as stated by agency theory (Taleb et al., 2025).

From an agency theory perspective, effective monitoring can be achieved when a capable audit committee works alongside competent external auditors. This combination enables closer oversight of management and may reduce the potential for earnings manipulation (Alruwaili, 2024; Bouaziz et al., 2025; Nurmawati & Zaitul, 2025). High-quality auditing can also improve coordination between the audit committee and external auditors, which may increase the effectiveness of gender diversity within the audit committee in limiting earnings management (Salem et al., 2023). Moreover, regular audit committee meetings can contribute to more effective reviews and monitoring of financial reporting. High-quality auditors can identify potential discrepancies and earnings management practices in financial statements more effectively, thereby strengthening the audit committee's overall monitoring role (Alruwaili, 2024).

This study builds on Bawuah (2024) by examining audit quality as a moderating variable to investigate the association between audit committee features and earnings management. Unlike Bawuah's (2024) study, the present research examines companies in the non-cyclical consumer sector listed on the Indonesia Stock Exchange (IDX), providing empirical evidence from the Indonesian corporate and institutional governance environment. Another distinction lies in how earnings management is measured. This study applies the Kothari model (2005), whereas Bawuah (2024) employs the Modified Jones model (1995). Therefore, this research contributes to the existing literature by applying a different approach to measuring earnings management and by examining the relationship in a different sectoral and institutional setting.

This investigation specifically targets manufacturing enterprises operating within the non-cyclical consumer goods industry, which generally have complex operational activities, such as inventory management, large product distribution, and intensive marketing policies. This complexity creates opportunities for management to adjust certain accounting components, such as estimating inventory reserves, recognizing

revenue, or setting operating expenses. This accounting discretion can be used to influence reported profit, increasing the potential for earnings management. Based on these characteristics, this sector is considered to have a relatively high potential risk of earnings management and is interesting to study. It can be compared to the reference research conducted by Bawuah (2024), which focuses on non-financial companies in Ghana.

The Kothari framework (2005) offers a distinct advantage over the Modified Jones Model (1995) by integrating Return on Assets (ROA) to control for corporate performance. This inclusion yields highly accurate calculations of discretionary accruals while significantly reducing the estimation biases often caused by differing operational success levels across various enterprises (Amara et al., 2025). By adopting this superior metric for detecting earnings management, the current study can more reliably elucidate the complex dynamics between audit committee traits, external audit excellence, and earnings management behaviors.

This study contributes to the existing literature on corporate governance and earnings management by examining the moderating role of audit quality in the effectiveness of internal monitoring mechanisms. The findings also provide empirical evidence that effective internal control depends on both the audit committee's active role and the quality of external auditing. From a practical perspective, these findings help managers, shareholders, and policymakers strengthen corporate governance practices and improve financial transparency, which helps reduce earnings management.

Literature Review

The Effect of Audit Committee Size on Earnings Management

The OJK (2015) strictly regulates audit committees under Decree No. 55/POJK.04/2015, "The audit committee must consist of a minimum of three members." Furthermore, the structural magnitude of this audit committee profoundly impacts the integrity and reliability of the corporate data disclosed to the public (Rinta, 2021). Jensen and Meckling's (1976) agency theory states that management is supposed to answer to the company's owners. As a result, management will make every effort to maintain the accuracy of the financial statements. Management may implement opportunistic earnings management strategies if the financial statements' performance declines. By improving oversight, a larger audit committee can reduce information imbalances (Rinta, 2021). According to Kaoje's (2023) research, more committee members lead to more effective monitoring, which reduces managers' propensity to engage in earnings management. Findings presented by Galal (2022), Adimudra (2025), and Waley (2025) demonstrate a strong negative correlation between audit committee size and earnings management. Thus, the following is the study's hypothesis:

H1: *Audit Committee Size hurts Earnings Management*.

The Effect of Audit Committee Gender Diversity on Earnings Management

A diverse gender composition introduces a wide variety of perspectives, professional experiences, and cognitive approaches to overseeing corporate financial disclosures. According to Agency Theory, including women on audit committees is thought to lead to more careful and thorough monitoring. This can reduce earnings management by improving monitoring of management (Salsabila & Taqwa, 2021). Increased gender diversity in audit committees is therefore thought to improve monitoring, which can reduce the degree of corporate earnings management (Ali, 2024). This premise is echoed in Amara (2025), which highlights that female representation on audit committees directly alters a firm's propensity to manage earnings. Correspondingly, empirical findings by Bouaziz (2025) and Waley (2025) confirm that the gender ratio within these committees serves as a crucial deterrent against earnings management. Driven by these scholarly observations, the following hypothesis is formulated:

H2: *Audit Committee Gender Diversity hurts Earnings Management.*

The Effect of Audit Committee Meeting Frequency on Earnings Management

Within a robust corporate governance ecosystem, the audit committee's primary mandate is to rigorously evaluate financial disclosures, scrutinize audit outcomes, and ensure regulatory compliance. To carry out

these critical duties effectively, the committee must meet regularly (Arista & Serly, 2023). How often the audit committee meets indicates how actively they oversee the quality of financial statements and management actions (Astuti et al., 2021). This can reduce information asymmetry between audit committee members and management (Yaramah & Dianingsih, 2025). Agency Theory asserts that a more active audit committee can reduce management's manipulative efforts through tighter, more regular supervision (Ghafran et al., 2022). Supporting this view, Ratiningsih (2023) found that a high frequency of audit committee sessions curtails a manager's inclination to engage in profit management. In this case, Arista and Serly (2023); Alruwaili (2024) consistently demonstrate that regular committee gatherings significantly restrict the avenues available for earnings management. Consequently, this study proposes the following hypothesis:
H3: *Audit Committee Meeting Frequency hurts Earnings Management.*

Audit Quality moderates the effect of Audit Committee Size on Earnings Management.
The effectiveness of audit committee oversight depends substantially on the quality of external auditing. This auditing superiority is measured by the external examiner's ability to detect and disclose material irregularities in financial reports. Theoretically, a larger audit committee backed by excellent external auditors becomes highly effective at deterring earnings management (Bratten et al., 2022). Audit committee size and audit quality are among the factors that may influence managerial behavior, including decisions related to reported profits (Bawuah, 2024).

According to agency theory, a strong audit committee and qualified external auditors can improve management oversight and lessen the possibility of profit manipulation (Nurmawati & Zaitul, 2025). This aligns with Alruwaili's (2024) findings, which show that high-quality auditing strengthens the negative correlation between audit committee size and earnings management. Similarly, Bouaziz (2025) found that external audit quality determines how well a larger audit committee limits earnings management, based on an examination of 1.208 firm-year observations from France between 2014 and 2021. Thus, the following is the study's hypothesis:
H4: *Audit Quality strengthens the negative effect of Audit Committee Size on Earnings Management.*

Audit Quality moderates the effect of Audit Committee Gender Diversity on Earnings Management
Reducing earnings management depends largely on the caliber of external auditors. This is because highly skilled auditors are better at spotting financial statement fraud (Bouaziz et al., 2025). According to agency theory, audit quality reflects the effectiveness of external monitoring, while gender diversity within the audit committee may contribute to higher ethical standards and broader strategic considerations. Women's involvement in the audit committee can be more effective in limiting accounting manipulation when supported by high-quality external auditing that promotes stronger collaboration. Conversely, inadequate audit practices may reduce the committee's monitoring capacity, thereby limiting the role of gender diversity in mitigating earnings management (Salem et al., 2023).

By showing that audit quality may improve audit committee effectiveness, Bawuah (2024) provides more evidence for the connection between audit committee traits and earnings management. Furthermore, Bouaziz (2025) found that, especially in the context of gender diversity, external audit quality might attenuate the link between earnings management and the effectiveness of audit committee operations. Thus, the following is the study's hypothesis:
H5: *Audit quality strengthens the negative effect of Audit Committee Gender Diversity on Earnings Management.*

Audit Quality moderates the effect of Audit Committee Meetings on Earnings Management.
Within the corporate governance framework, internal oversight mechanisms are significantly fortified by external evaluations, primarily through superior audit quality. Agency theory posits that an actively convening audit committee demonstrates greater proficiency in assessing financial disclosures; however, this capability is amplified when paired with high-quality external auditors (Ratiningsih & Nugrahanti, 2023).

To more effectively curb earnings management, a quality audit will better identify inconsistencies or earnings management in the financial statements under the internal committee's supervision (Alruwaili, 2024).

Empirical evidence presented by Bawuah (2024) and Bouaziz (2025) illustrates that a highly functioning audit committee, characterized by regular meetings, effectively curtails earnings management. Furthermore, their capacity to restrict such practices is significantly bolstered when leading firms are audited by the Big 4. Thus, the following is the study's hypothesis:

H6: *Audit Quality strengthens the negative effect of Audit Committee Meeting Frequency on Earnings Management.*

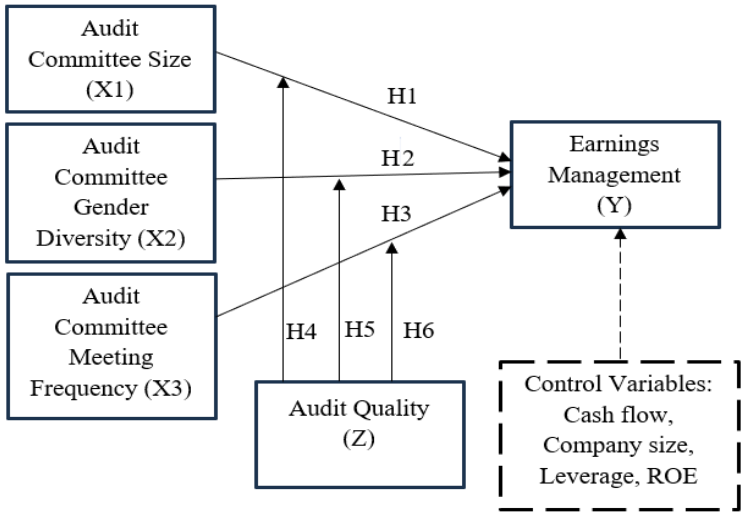


Figure 1. Conceptual Framework

Method

This quantitative causal research investigates the relationship between independent and dependent variables. The study population comprises companies listed on the IDX that operate in the non-cyclical consumer sector during 2022–2024. Data for the analysis were obtained from the companies' annual reports and official financial statements. The sample was selected through purposive sampling based on predetermined criteria. The initial population included 132 companies. Because they failed to provide consistent and accurate financial accounts throughout the 2022–2024 observation period, 21 companies were subsequently removed from the sample.

Additionally, 36 companies did not meet the criteria because they incurred losses during the study period, and 2 companies were excluded because they presented financial statements in a currency other than the rupiah. As a result, 73 companies met all research criteria. This analysis used 219 firm-year observations during three years, from 2022 to 2024. To quantify earnings management, discretionary accruals were calculated by applying the Kothari Model (2005). This framework advances the Modified Jones Model by incorporating Return on Assets (ROA) into its equation. This model is considered more robust than the Modified Jones Model because it can distinguish accruals that arise from manager manipulation from accruals that arise naturally as the company grows rapidly (high ROA). The earnings management formula can be described as follows:

1. Calculating total accruals (TAC)
   TACit =NI_{it} - CFO_{it}
2. Estimating Accrual parameters: Data are estimated using linear regression to obtain the coefficient value (α):

$$\frac{TAC_{it}}{A_{it-1}} = \alpha_1\left(\frac{1}{A_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{A_{it-1}}\right) + \alpha_4 ROA_{it} + \epsilon_{it}$$

3. Calculating Non-Discretionary Accruals (NDA):

$$NDA_{it} = \widehat{\alpha_1}\left(\frac{1}{A_{it-1}}\right) + \widehat{\alpha_2}\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}}\right) + \widehat{\alpha_3}\left(\frac{PPE_{it}}{A_{it-1}}\right) + \widehat{\alpha_4}(ROA_{it})$$

4. Calculating Discretionary Accruals (DA):

$$DA_{it} = \left(\frac{TAC_{it}}{A_{it-1}}\right) - NDA_{it}$$

Description:

TACit = Total accruals of company i in year t
Niit = Net income of company i in year t
CFOit = Operating cash flow of company i in year t
Ait-1 = Total assets of company i in the previous year
DREVit = Change in revenue/sales of company i
DRECit = Change in trade receivables of company i
PPEit = Property, Plant, and Equipment (fixed assets) of company i in year t
ROAit = Return on assets of company i in year t
Dait = Discretionary Accruals of company i in year t
NDAit = Non-discretionary accruals of company i in year t

Audit committee size refers to its total membership count (Bawuah, 2024). Concurrently, gender heterogeneity is measured by the proportion of females on the audit committee relative to its total size (Chatterjee & Rakshit, 2023). Furthermore, convening regular sessions is a core duty of the committee. Its operational diligence is typically gauged by tracking the total number of official gatherings conducted annually. A dummy variable is used to quantify audit quality. A score of 1 is assigned to corporations whose audits are conducted by a 'Big Four' firm, while those evaluated by non-Big Four agencies are given a score of 0 (Bawuah, 2024).

Table 1. Variable Measurement

Variable	Measurement of Variables	Source
Earnings Management (EM)	Discretionary Accruals Kothari Model (2005)	(Bouaziz et al., 2025)
Audit Committee Size (ACS)	*AC SIZE* = Total of audit committee members	(Bawuah, 2024)
Audit Committee *Gender Diversity* (GDA)	*GEND AC* = Number of female members of the audit committee ÷ Total Audit Committee	(Bawuah, 2024)
Audit committee Meeting Frequency (ACM)	*AC MEET* = number of meetings organized by the audit committee	(Bawuah, 2024)
Audit Quality (AQ)	The dummy variable is 1 if audited by KAP (KPMG, EY, PWC, Deloitte), and 0 if not.	(Bawuah, 2024)
Cash flow (CF)	Cash flow = $\frac{Total\ operating\ cash\ flow}{Total\ Asset\ t-1}$	(Bawuah, 2024)
Company size (CS)	Company size = $ln\ ln\ (Total\ Assets)$	(Bawuah, 2024)
Leverage (LEV)	Leverage = $\frac{Total\ Utang}{Total\ Assets}$	(Bawuah, 2024)
ROE	ROE = $\frac{Net\ Income}{Total\ Ekuitas}$	(Bawuah, 2024)

Source: Research Data, 2026

This research was analyzed using descriptive statistical tests to describe or explain the dataset, highlighting the mean, standard deviation, and both maximum and minimum extremes (Ghozali, 2017). The optimal regression framework was identified by executing the Chow, Hausman, and Lagrange Multiplier tests. Furthermore, diagnostic evaluations were conducted to assess the suitability of the regression models. Specifically, multicollinearity was examined using the Variance Inflation Factor (VIF), particularly given the inclusion of several control and interaction variables in the REM models (Riswan & Dunan, 2019). Adjusted R-squared (coefficient of determination) was computed to determine how well the independent factors predicted the dependent result. This was done to scrutinize the formulated hypothesis. Moderated Regression Analysis (MRA) was utilized, leading to the construction of the following statistical equation:

$$EM = \alpha + \beta_1 ACS + \beta_2 GDA + \beta_3 ACM + \beta_4 AQ + \beta_5 (ACS \times AQ) + \beta_6 (GDA \times AQ) + \beta_7 (ACM \times AQ) + \beta_8 CF + \beta_9 CS + \beta_{10} LEV + \beta_{11} ROE + e$$

Where EM, represents earnings management; α represents a constant; $\beta 1 - \beta 6$ represents the regression coefficient of each variable; ACS represents audit committee size; GDA represents audit committee gender diversity; ACMrepresents audit committee meetings; AQ represents audit quality; CF represents cash flow; CS represents company size; LEV represents leverage; ROE represents Return on Equity; ε represents the error term.

Result and Discussion

Based on the descriptive statistical evaluation, the baseline characteristics such as the lowest and highest figures, the mean, and the standard deviation for each variable in the study are clearly delineated.

Table 2. Descriptive Statistics

	EM	ACS	GDA	ACM	AQ	CF	CS	LEV	ROE
Mean	0.047	3.036	0.200	5.771	0.461	0.086	28.757	0.410	0.155
Median	0.042	3.000	0.200	4.000	0.000	0.093	28.992	0.391	0.119
Maximum	1.940	5.000	1.000	43.000	1.000	0.546	32.937	2.641	1.567
Minimum	-0.367	2.000	0.000	0.000	0.000	-1.842	24.380	0.022	-0.156
Std. Dev.	0.159	0.285	0.227	4.683	0.499	0.178	1.904	0.312	0.192
Observations	219	219	219	219	219	219	219	219	219

Source: EViews 2026 Data Processing Results

As illustrated in Table 2, the complete dataset encompasses 219 firm-year observations. For the primary dependent variable, earnings management (EM), the statistical output reveals a mean of 0.047, a median of 0.042, alongside a standard deviation of 0.159. These figures collectively indicate that the enterprises within this sample engage in a relatively minimal degree of profit alteration, averaging around 4.7%. When the standard deviation exceeds the mean, the degree of earnings management varies greatly amongst businesses. Earnings management values range from -0.367 to 1.940. Under prevailing corporate governance regulations in Indonesia, a substantial majority of the sampled entities maintain a three-person audit committee, reflected in an Audit Committee Size (ACS) average of 3.036. Within this investigation, committee memberships range from a minimum of two to a maximum of five individuals. The calculated standard deviation of 0.285, which falls below the mean, indicates a highly homogeneous dataset regarding audit committee size. This uniformity implies that most enterprises adhere to the baseline legal mandates for committee staffing, resulting in negligible discrepancies in membership numbers across the observed firms.

Statistical analysis of the gender diversity (GDA) metric reveals a spectrum from 0 to 1, with a mean score of 0.200 and a standard deviation of 0.227. This average underscores the persistently scarce representation of female professionals serving on these supervisory audit committees. Moreover, a peak value of 1 demonstrates that a select few organizations have established entirely female-led audit committees. In contrast, a minimum score of 0 reveals the complete absence of female personnel in several other firms. This disparity perfectly captures the varying degrees to which modern enterprises embrace and implement gender-diverse supervisory audit committees.

Ranging from zero to as many as forty-three sessions per year, the frequency of audit committee meetings (ACM) averages 5.771. The comparatively high standard deviation of 4.683 shows notable variations in meeting frequency among organizations. The mean value of Audit Quality (QA) was 0.461, meaning that Big Four auditors were used in about 46.1% of the observations. In contrast, non-Big Four auditors were utilized in the remaining observations.

Table 3. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.058219	1045.411	NA
ACS	0.010535	574.3977	1.065873
GDA	0.000584	2.105900	1.070243
ACM	0.000131	13.60236	1.161732
AQ	0.000405	3.353021	1.806651
CF	0.002191	1.543380	1.246643
CS	3.10E-05	462.9379	2.012779
LEV	0.000668	3.184497	1.163062
ROE	0.001893	2.070329	1.252804

Source: EViews 2026 Data Processing Results

Based on the results in Table 3, the analysis examined the centered VIF values for each research variable. If the VIF value is below 10, then the multicollinearity test is considered acceptable (Ghozali, 2017). The test results indicate that the centered VIF values for all variables range from 1.065 to 2.012. Specifically, the Centered VIF values were 1.065 for ACS, 1.070 for GDA, 1.161 for ACM, 1.806 for AQ, 1.246 for CF, 2.012 for CS, 1.163 for LEV, and 1.252 for ROE. All these values are under 10, indicating no sign of multicollinearity in the research model. The low VIF values show that the relationships among the independent variables, the moderating variable, and the control variables are acceptable. Therefore, all variables in the model can be used together in the regression analysis to assess their effect on earnings management, and multicollinearity is not likely to distort the model results.

Table 4. Model Selection Results

Uji	Prob.	Hasil
Chow (CEM vs FEM)	0.0000 < 0.05	FEM
Hausman (FEM vs REM)	0.4120 > 0.05	REM
Lagrange Multiplier (REM vs CEM)	0.0010 < 0.05	REM

Source: Research Data, 2026

Table 4 shows that REM is the best model after going through three tests. The random-effects model uses the Generalized Least Squares (GLS) method (Riswan & Dunan, 2019).

Table 5. Hypothesis Analysis Results

Hypothesis		**Path Coefficients**	**t-value**	**Sig.**
AC SIZE → EM	H1	-0.076631	-0.485868	0.3138
AC GENDER → EM	H2	0.016884	1.782884	0.0380
AC MEET → EM	H3	-0.018400	-6.759285	0.0000
AC SIZE → EM ↑ AQ	H4	-0.086277	-5.824020	0.0000
AC GENDER → EM ↑ AQ	H5	-0.111086	-6.127950	0.0000
AC MEET → EM ↑ AQ	H6	0.031547	6.806118	0.0000

Source: EViews 2026 Data Processing Results

Table 6. Coefficient of Determination Test Results

R-Squared	0.420228
Adjusted R-Squared	0.389418

Source: EViews 2026 Data Processing Results

As detailed in Table 6, the Adjusted R-squared coefficient stands at 0.389418. This metric indicates that approximately 38.94% of the fluctuations in the dependent variable can be explained by the combined influence of the independent, moderating, and control variables. Consequently, the remaining 61.06% of the variance stems from external elements omitted from the current analytical framework.

Discussion

Audit Committee size hurts Earnings Management

Statistically, these findings show that the size of a firm's audit committee does not significantly affect its earnings management behavior. Conversely, agency theory posits that expanding a committee's membership should inherently improve monitoring through task delegation and the integration of a broader range of expertise (Arista & Serly, 2023). The study's findings, however, contradict this idea. According to the research sample data, three audit committees are present in 210 of 219 observations. This requirement shows that most businesses meet only the minimum requirements stipulated by OJK Regulation Number 55/POJK.04/2015, which sets a baseline of three individuals for any audit committee. Because the empirical data exhibit highly homogeneous features across the sample, committee size fails to adequately explain the distinct fluctuations in earnings management levels among different corporations. Consequently, the insignificance of this variable suggests that many enterprises structure their audit committees merely to fulfill statutory obligations, rather than genuinely seeking to strengthen the rigor of their internal oversight mechanisms.

These empirical outcomes align closely with prior investigations by Sandhyanasti (2025), Mambuhu (2023), Almarayeh (2022), and Arista (2023), all of which concluded that the sheer volume of committee members has no meaningful influence on earnings management tactics. Conversely, the current results contradict evidence from Bawuah (2024), Kaoje (2023), and Alruwaili (2024), who showed that the committee's structural composition is essential in constraining an organization's ability to manipulate reported financial outcomes.

Gender Diversity of the Audit Committee hurts Earnings Management

The rejection of this hypothesis can primarily be traced to the prevalence of tokenism within the governance frameworks of the selected enterprises. Tokenism is a symbolic act or attempt to include minority or underrepresented groups; the goal is to create the illusion of diversity, equality, or inclusiveness in the public without actually providing equal power or opportunity. Based on the available data, most companies with female representation include exactly one woman out of three audit committee members, resulting in a consistent ratio of 0.33. This pattern is evident and consistent throughout the 2022-2024 period in the large companies included in the research sample. Because women are the only minority on audit committees, their numbers and quality are limited. As a result, they struggle to have a voice amidst male dominance and are often pressured to fit in, so their ideas are not truly considered in strategic decision-making. Amara (2025) also relates her findings to Critical Mass Theory, which argues that female inclusion must reach a certain proportion to exert a more tangible influence in oversight and decision-making.

Moreover, these deductions resonate with earlier scholarship by Mambuhu (2023) and Salsabila (2021), confirming that including female members on the audit committee does not affect earnings management practices. Nevertheless, these insights clash with the assertions made by Bouaziz (2025) and Ali (2024), who maintained that robust gender heterogeneity within the committee strongly deters earnings management maneuvers.

Audit Committee Meeting Frequency Hurts Earnings Management

Viewed through the lens of agency theory, a high rate of committee gatherings reflects robust coordination in overseeing managerial actions. This diligence actively suppresses earnings management techniques by bridging the agency gap born from divergent interests between corporate executives (the agents) and business owners (the principals) (Bawuah, 2024). Meeting sessions serve as the primary conduit for dialogues bridging the committee, the executive team, and independent auditors. Through meetings, the audit committee can learn about issues discovered during the external auditors' financial statement audit process,

such as earnings management procedures. This way, the audit committee can take remedial action by asking management to follow up on external auditors' findings and prepare financial statements free from earnings management (Alruwaili, 2024).

These empirical results are consistent with the scholarship of Bawuah (2024), Ratiningsih (2023), Alruwaili (2024), and Arista (2023), which show that meeting frequency negatively impacts earnings management. The total volume of conducted meetings determines how well the audit committee performs its oversight responsibilities regarding financial reporting. The number of meeting activities indicates an audit committee's meeting frequency. This allows the audit committee to coordinate more frequently on matters within its purview as the company's supervisor. Conversely, these outcomes contradict the conclusions reached by Kaoje (2023) and Ali (2024), whose work identified a positive link between earnings management and audit committee meeting frequency. Excessive meeting activity suggests that management's unethical financial reporting practices have been covered up.

Audit Quality strengthens the negative effect of Audit Committee Size on Earnings Management

Based on the Moderated Regression Analysis (MRA) outcomes displayed in Table 5, the interaction yields a regression coefficient of -0.086277 alongside a t-statistic of -5.824020. Furthermore, the probability value stands at 0.0000, which falls below the stringent 0.05 threshold. These statistical findings indicate Absolute Moderation. Theoretically, a larger audit committee is frequently linked to possible coordination issues and poorer member communication. However, several structural limitations that typically occur in larger committees can be mitigated when audit quality is included as a substantial moderating influence. As a rigorous control lever, superior audit quality cultivates organizational discipline, harmonizes conflicting objectives, and strengthens audit committee proficiency in scrutinizing financial disclosures. Such an environment effectively shrinks the information gap between managing agents and principal shareholders. Ultimately, these insights suggest that coupling a sufficiently large audit committee with strong external auditing strengthens the firm's overall monitoring capacity, thereby significantly limiting managers' leeway to artificially inflate profits for opportunistic gains.

The study's findings corroborate Alruwaili's empirical conclusions (2024) and Bouaziz (2025), which confirm that the oversight function of internal governance mechanisms is situational and requires interaction with external contingent factors, such as audit quality, to operate optimally. Conversely, these outcomes contradict the assertions presented by Bawuah (2024), who theorized that the structural size of the audit committee can unilaterally deter earnings management without necessitating the moderating support of external governance variables.

Audit Quality strengthens the negative effect of Audit Committee Gender Diversity on Earnings Management

Higher quality audits reduce the positive link between having more women on the audit committee and the tendency to manage earnings. This conclusion comes from the positive coefficient of 0.016884, which shows that having more women on the audit committee is linked to a positive effect (the variable's direct effect before considering the moderating interaction) and indicates that the weakening is suppressive or reverses direction. However, when interacted with audit quality, the interaction coefficient turns negative (-0.111086), so when audit quality is high, the combination moves in a negative direction, meaning it reduces earnings management actions. This finding strengthens the indication of the existence of the Absolute Moderation phenomenon in the research model.

This study demonstrated that, from an agency theory perspective, the collaboration between gender diversity in audit committees (internal) and audit quality (external) serves as a highly effective monitoring tool. Women’s initial presence on the audit committee has not been sufficient to independently reduce information asymmetry, as indicated by the positive direction of the main coefficient. This is thought to be due to minority representation (tokenism) or the limited reach of internal supervision. Studies show that the average level of gender diversity on audit committees is 0.200989, which is about 20.10%. This shows that the number of women on the audit committees of the companies that were studied is still quite small. Having

only women involved is not enough to make the audit committee more effective in overseeing operations and preventing companies from falsely boosting their profits. However, the situation changes when experienced external auditors, like those from the KAP Big 4, are involved in the oversight process. In this case, external auditors help audit committees with female members serve as trustworthy and impartial watchdog groups. Thus, high-quality external auditors can reduce information asymmetry and produce transparent reports.

These conclusions support the prior work of Bouaziz (2025), who likewise found that external audit quality is a vital moderator in the relationship between female audit committee representation and earnings management. In stark contrast, these results differ from Bawuah's (2024) findings, which argued that external audit excellence neither amplifies nor diminishes the link between committee gender diversity and the propensity for earnings management.

Audit quality strengthens the negative effect of Audit Committee Meeting Frequency on Earnings Management

The statistical evidence shows that the negative influence of audit committee meeting frequency on earnings management is significantly diminished when high-quality external audits are present. This combination satisfies the requirements of pure moderation, as the interaction effect is statistically significant, but the main moderating effect is not. An intriguing finding from the sample data is that meeting frequency varies significantly, ranging from four to forty-three times annually. However, a significant rise in meeting frequency is not accompanied by a corresponding decline in earnings management. This finding implies that the number of meetings held is no longer the only metric used to evaluate the efficacy of supervision when businesses employ top-notch auditors. Excellent auditors can assess how well the audit committee's oversight function is carried out, including monitoring meeting outcomes and the effectiveness of the resulting controls. This result lends credence to the substitution effect theory put forth by Bouaziz (2025), which states that when one governance tool is of exceptionally high quality, the demand for supervisory intensity from other tools tends to diminish.

These conclusions substantiate the research generated by Bawuah (2024) and Bouaziz (2025), who found that audit quality functions as an outside check that can affect how much audit committee traits help prevent earnings manipulation. However, these results differ from Alruwaili (2024), who found that audit quality does not significantly affect how audit committee features relate to earnings manipulation.

Conclusions and Recommendations

This research investigates the extent to which audit committee size, female representation, and meeting regularity influence earnings management. It also evaluates how the strength of independent auditing moderates these interrelated mechanisms. The analytical sample focuses on primary consumer staples corporations officially listed on the IDX (Indonesian stock market) from 2022 to 2024. The empirical findings show that audit committee size, along with the presence of women on the committee, has an insignificant effect on earnings management. In contrast, the frequency of formal meetings plays a significant deterrent role.

Additionally, the analysis reveals that the restrictive capability of a larger audit committee on earnings management intensifies amid subpar auditing standards. Conversely, elite audit quality dampens both the restraining power of frequent committee meetings and the positive influence of female leadership on earnings management at the firm level. These complex interactions highlight a paradigm shift in how combined internal and external oversight mechanisms govern financial reporting integrity.

Drawing from these empirical deductions, it is highly recommended that corporations elevate their external auditing standards to foster stronger synergy between internal governance and external scrutiny. Furthermore, organizations can optimize supervisory resources by strategically adjusting audit committee meeting schedules to align with the rigor of their chosen external auditors. This study includes only

businesses in the non-cyclical consumer goods industry, uses a three-year observation period, and uses the "Big Four" and "non-Big Four" accounting firm classifications to gauge audit quality. Future studies are advised to broaden sector coverage and the observation period, consider different audit quality indicators, and include additional elements to understand better the effectiveness of corporate governance procedures in preventing earnings management.

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