THE EFFECT OF GOOD CORPORATE GOVERNANCE MECHANISM, PLANNING AND QUALITY AUDIT ON PROFIT MANAGEMENT

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Abstract: The purposes of the study were determine when there are the effect of good corporate governance mechanisms, tax planning and audit quality on earnings management. The research sample was 152 service companies in the infrastructure, utilities and transportation sectors 2017-2019. The method of research analysis with SPSS 22. The results of this study indicate that institutional ownership and tax planning have a significant effect on earnings management, managerial ownership, the board of commissioners, audit committees and audit quality have no significant effect on earnings management.

Keywords: Managerial Ownership, Institutional Ownership, Independent Commissioner, Audit Committee, Tax Planning, Audit Quality, Earnings Management

JEL codes: G3

Introduction

1. Preliminary

In the current era of globalization, the development of technology and information is growing very rapidly, requiring companies to be able to present useful information for information users such as investors and stakeholders. Financial statements are a source of information used in assessing the performance or level of health of the company. Thus, it is possible for managers to practice earnings management so that reports finance seen good and fulfil criteria for investors. On case PT Garuda Indonesia (Persero) Tbk, where PT Garuda Indonesia (Persero) Tbk, is known to include income for the next 15 years as revenue 2018. Value very big, that is around US$239.9 million or Rp3.47 trillion (exchange rate in report

14,481 per US dollar). The results of Garuda Indonesia's financial statements for the 2018 financial year. In the financial statements the, Garuda Indonesia Group book profit clean as big as USD809.85 thousand or equivalent IDR 11.33 billion (assuming an exchange rate of IDR 14,000 per US dollar). This figure jumped sharply compared to 2017 which suffered a loss of USD216.5 million. However report finance the cause polemic, because two commissioner Garuda Indonesia, namely Chairal Tanjung and Dony Oskaria (currently no longer in office), considers Garuda Indonesia's 2018 financial statements to be inconsistent with the Statement of Financial Accounting Standards (PSAK). The reason is, Garuda Indonesia is doing window dressing by taking advantage of PT Mahata Aero Teknologi, which has debt to airline plated Red the. PT Mahata Aero Technology alone have debt related to installation wifi which not yet paid Besides that, occur error audit which appear related accounts receivable Rp2.9 trillion for the cooperation with Wi-Fi installation with PT Mahata Aero Teknologi which was recorded as revenue in Garuda's financial statements last year and had an impact on the opinion generated.

The purpose of this study is to find answers to the questions: (1) Does managerial ownership have a significant effect on Earnings Management? (2) Does institutional ownership have a significant effect on Earnings Management? (3) Does the independent board of commissioners have a significant effect to Management Profit?
(4) is committee audit take effect significant to Management Profit?
(5) Does Tax Planning have a significant effect on Earnings Management? (6) Does Audit Quality have a significant effect on Earnings Management?

The researcher uses agency theory to determine the effect of the mechanism of good corporate governance, tax planning and audit quality on earnings management. Managerial ownership, institutional ownership, independent commissioners, audit committee, tax planning and audit quality as independent variables. Earnings management as the dependent variable.

2. Research and Development Background Hypothesis

Audia (2020) and Nuryana (2019) explain that ownership managerial, institutional ownership and the audit committee has no effect on earnings management. Research conducted by Kirana (2020) explains that the board of commissioners has a significant positive effect on earnings management. Research conducted by Mardjono (2020) explains that the size of the audit committee can reduce earnings management. Research conducted Susanto (2016) explain that type sex and education committee audits, meeting committee audits, board of directors, independent commissioners, managerial ownership, company size and losses affect management profit. Study which conducted Wahyudi (2020) explain Composition board of Commissioners negative effect on earnings management, other corporate governance mechanisms have no effect on earnings management. Research conducted by Alfiyasahra (2020) shows that the independent audit committee has a positive influence on earnings management. Research conducted by Bunaca (2019) explains that tax planning has no effect on earnings management but has a significant effect on company profits. Research conducted by Mulatsih (2019) explains that tax planning has a significant positive effect on management profit. Study which conducted Sulistianing (2019) explain that Planning tax positive but not significant effect on earnings management. Research conducted by Santana (2016) explains that tax planning has a positive effect on earnings management practices. Research conducted Nadhir (2019) explained that those audited by Big-4 or special accounting firms, do not guarantee discretionary accruals which more low, which means no ensure that management profit.

Research conducted by Ahmad (2016) explains that audit quality and earnings management are negatively related. Research conducted by Lestari (2019) explains that audit quality has no effect on earnings management. Research conducted by Annisa (2017) explains that audit quality has a positive and significant effect on earnings management. Research conducted by Alzoubi (2016) explains that there is a significant negative relationship between audit quality and earnings management.

H1: Managerial Ownership Has Significant Influence on Earnings Management

Managerial share ownership (MSO) is defined as the percentage of ordinary shares owned by all executive and non-executive directors. (Brailsford, 2002) in (Hapsoro, 2018). In Law No. 40 of 2007 concerning Limited Liability Companies states that if the commissioners and directors own shares in a company or in another company, the commissioners and directors must report the number of share ownership to the company (Hapsoro, 2018). Previous research on the effect of managerial ownership on earnings management conducted by (Audina, 2020), states that managerial ownership has a negative effect on earnings management.

H2: Institutional Ownership Has Significant Influence on Earnings Management

According to Jensen (1986), the higher the level of institutional ownership, the stronger the level of control carried out by external parties to the company so that the agency costs that occur within the company are decreasing. Previous research on the effect of institutional ownership on earnings management (Susanto, 2020), states that institutional ownership has a negative effect on earnings management.

H3: The Board of Commissioners Has Significant Influence on Earnings Management

according to Regulation Authority Service Finance Number 55/POJK.04/2015 chapter 1 Number 2, Commissioner independent is member Board Commissioner which originated from outside issuer or Company Public which fulfil requirements as meant in Regulation Authority Service Finance No. 33/POJK.04/2014 about Directors and Board of Directors Commissioners of Issuers or Public Companies (Financial Services Authority, 2015). Previous research on the effect of the board of commissioners on earnings management (Kirana, 2020) stated that the board of commissioners had a positive effect on management profit.

H4: The Audit Committee Has Significant Influence on Earnings Management

According to the Decree of the Chairman of Bapepam and LK No.Kep-643/BL/2012, it is stated that the Audit Committee is a committee which formed by and responsible answer to Board Commissioner in help doing duties and functions of the Board of Commissioners as well as mastering and having a background in accounting and finance. Previous research on the effect of the audit committee on earnings management (Mardjono, 2020), stated that the audit committee can reduce management profit.

H5: Tax Planning Has a Significant Influence on Earnings Management

Suandy (2016) Tax planning is the first step in tax management. Companies that can make good tax planning will have an impact on decreasing profits through their tax obligations. Previous research on the relationship between the effect of tax planning on earnings management (Sanata, 2016), states that tax planning has a positive effect on earnings management.

H6: The Effect of Audit Quality on Earnings Management

De Anggelo (1981: 186) defines audit quality as follows: Possible combination of tests by market in where auditor capable find and report suat violation in system accountancy client (the market-assessed joint probability that a given-auditor will both (a) discover a breach in the client's function

accounting system, and (b) report the breach). Research conducted by (Annisa, 2017) states that audit quality has a positive effect on earnings management.

3. Methodology, Data and Model Study

3.1 Methodology

This research is a quantitative study by conducting an empirical study on the Infrastructure, Utilities and Transportation Sector Service companies listed on the Indonesia Stock Exchange for the 2017-2019 period.

3.2 Analysis Data

The sampling technique in this study used the purposive sampling method, namely the sample determined by the researcher based on certain criteria to obtain a representative sample. From 168 population Service Sector infrastructure, Utilities and Transportation which Registered in Exchange Effect Indonesia Period 2017-2019, obtained a sample of 152 companies that have been selected according to the criteria for the purpose carried out study.

3.3 Model

The variables in this study are earnings management as the dependent variable, while managerial ownership, institutional ownership, independent commissioners, audit committees, tax planning and audit quality are independent variables. The definition of operationalization of variables can be seen in the following table:

No	Variable	Indicator	Measurement Scale
1	Earnings Management (Y)	$TAC = NIit - CFOit$ $\frac{TA_{it}}{A_{it-1}} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta Rev_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{\text{PPE}_{it}}{A_{it-1}}\right) + \varepsilon$ $NDA_{it} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{\text{PPE}_{it}}{A_{it-1}}\right)$ $DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$	Ratio
2	Managerial ownership (X1)	$\frac{\text{Jumlah Saham Manajerial}}{\text{Jumlah Saham Yang Beredar}}$ x 100%	Nominal

3	**Institutional Ownership (X2)**	$\frac{\textit{Jumlah Saham Institusional}}{\textit{Jumlah Saham Yang Beredar}} \times 100\%$	**Ratio**
4	**Independent Commissioner (X3)**	$\frac{\Sigma \textit{ Anggota Komisaris}}{\Sigma \textit{ Seluruh Anggota Komisaris}} \times 100\%$	**Ratio**
5	**Audit Committee (X4)**	**Audit Committee**	**Ratio**
6	**Tax Planning (X5)**	$TRR = \frac{\text{Net Income}_{it}}{\text{Pretax Income (EBIT)}_{it}}$	**Ratio**
No	**Variable**	**Indicator**	**Scale Measurement**
7	Audit Quality (X6)	- 1 if KAP Big Four - 0 if the KAP is non-Big Four	Nominal

Research Model:

$ML_{it} = + {}_1 KM_{it} + {}_2 KI_{it} + {}_3 KE_{it} + {}_4 YOU_{it} + {}_5 PP_{it} + {}_6 KA_{it} +$
Where: : Constant; 1, 2: Coefficient; : Error; i: Enterprise I; t: Year t

4. Results Study

4.1 Data Descriptive

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Kepemilikan Manajerial	152	,000	1,000	,81579	,388937
Kepemilikan Institusional	152	,001	,890	,31336	,233096
Komisaris Independen	152	,000	,865	,30805	,205512
Komite Audit	152	1,000	4,000	3,06579	,794610
Perencanaan Pajak	152	,007	,980	,50173	,250327
Kualitas Audit	152	,000	1,000	,32237	,468928
Manajemen Laba	152	-,337	,606	,11383	,145752
Valid N (Listwise)	152				

Based on table 4.1 of the managerial ownership variable (X1) the research shows that the smallest (minimum) value is 0 and the maximum value is 1, the standard deviation value is 0.39 smaller than the average value of 0.82. Institutional ownership (X2) in this study has a value range of 0.001 in the BPTR stock code to 0.890 in the SDMU stock code. The standard deviation value of 0.23 is smaller than the average value of 0.31. The independent commissioner (X3) of this study has a value range of 0 on the TMAS stock code to 0.865 on the PPRE stock code. The standard deviation value of 0.205 is smaller than the average value of 0.308. The audit committee (X4) of this study has a value range of 1 on the ASSA stock code to 4 on the META stock code. The standard deviation value of 0.795 is smaller than the average value of 3.065. The tax planning (X5) of this study has a value range of 0.007 on the GOLD stock code to 0.980 on the MBSS stock code. The standard deviation value of 0.250 is smaller than the average value of 0.501. The audit quality (X6) of this study has a value range of 0 to 1. The standard deviation value is 0.468, which is greater than the average value of 0.322. Earnings management

(Y) in this study has a value range of -0.337 on the BBRM stock code to 0.606 on the KARW stock code. The standard deviation value of 0.145 is smaller than the average value of 0.113.

4.2 Model Results Regression

The results of the normality test can be seen that the Sig value is 0.083. The value of 0.083 > 0.05 means that the residual data is normally distributed. The multicollinearity test results show that the VIF value is less than 10 and the tolerance value is more than 0.1, so there is no multicollinearity problem from the regression equation. The results of the autocorrelation test show that the Durbin-Watson Satt (d) value is 2,063, where the number of samples (n) is 152 and the number of independent variables (k) is 6. So the Durbin-Watson table shows the dL value.

= 1.6537, dU value = 1.8175 and 4-dU value = 2.1825. the results from the Durbin-Watson table above, the DW value is

2,063 more big from Mark dU as big as 1.8175 and Mark 4-dU as big as 2.1825 more big from Mark dU as big as 1.8175 which means that in this study there is no autocorrelation. The results of the heteroscedasticity test show that the probability value of the independent variable > 0.05, then H0 is accepted, meaning that it does not occur. heteroscedasticity.

4.3 Results Discussion

Variable	ML
	1
Constant	(0.052)
Sig.	0.429
Managerial Ownership (X1)	(0.002)
Sig.	0.953
Institutional Ownership (X2)	0.108
Sig.	0.036
Independent Commissioner (X3)	0.019
Sig.	0.737
Audit Committee (X4)	0.018
Sig.	0.231
Tax Planning (X5)	0.115
Sig.	0.016
Audit Quality (X6)	0.047
Sig.	0.063
R	0.291
adj. R2	0.047
F-Statistics	0.042

The table above shows that the coefficient of determination shown by Adjusted R2 is 0.047, so that the variables are Managerial Ownership, Institutional Ownership, Independent Commissioner, Audit Committee, Tax Planning and Quality audit could explain variable dependent that is (Management Profit) as big as 4.7 % with The remaining 95.3% is explained by other variables outside the scope of the study this.

Based on the results of the t test on the managerial ownership variable affecting the earnings management variable, it is proven that managerial ownership has no significant effect on earnings management. Theoretically, high managerial ownership will increase concern for the company, whereas low managerial ownership will result in less concern for the company. This indicates that managerial ownership is less contributing to controlling earnings management actions allegedly due to the bonus purpose promised by the company to management if they are able to produce financial reports that show good performance.

Based on the results of the t test on the variable of institutional ownership affecting earnings management variables, it is proven that institutional ownership has a significant effect on earnings management. According to agency theory, the results of this study prove that the high level of ownership

Institutional means that there is power by institutional investors in intervening in the process of preparing financial statements by managers. Institutional shareholders play an important role in improving corporate governance and accounting transparency and are consistent with institutional investors' view of monitoring and protecting the interests of minority shareholders. So that with the existence of institutional ownership, it can certainly improve effective monitoring of the management that will effect on the reduction of management policies in earnings management.

Based on results test t on variable commissioner independent influence variable management profit it is proven that independent commissioners have no effect on earnings management. Insignificant research results based on agency theory reveal that independent commissioners in a company have not capable reduce practice management profit in company because possibility there is management motivation which wrong, for example every company want to give information which best about prospect the future of the company to investors. The size of the board of commissioners is not the main determining factor of effectiveness supervision to management company However depends on Mark, norm and the trust received in an organization and the role of the board of commissioners in controlling activities (monitoring) against management

Based on the results of the t test on the audit committee variable affecting earnings management variables, it is proven that the audit committee has no effect on earnings management. The size of the audit committee cannot be used as an internal control tool to reduce the possibility of earnings management being carried out by the company's management. Agency theory argues that an independent audit committee provides effective oversight of management. The audit committee has a role in supervising the management (agent) so that no do action which could profitable herself alone so that could harmful company owner (principal). One of the characteristics of the audit committee that can improve the supervisory function is independence. Independent audit committee members will ensure higher quality financial reporting.

Based on the results of the t test on the tax planning variable affecting the earnings management variable, it is proven that tax planning has an effect on earnings management. The role of tax planning in the practice of earnings management can conceptually be explained by agency theory. In agency theory, in this case the government (fiscus) as the principal and management as the agent each have different interests in tax payments. The company (agent) tries to pay taxes as little as possible because paying taxes means reducing the company's economic capacity. Tax planning has a positive influence, the higher the tax planning, the greater the opportunity for the company to practice earnings management.

Based on results test t on variable quality audit influence variable management profit proved that audit quality has no effect on earnings management. The emergence of earnings management practices can be explained by agency theory. In agency theory, it can be assumed that the agent (auditor) has more information more many from principal because principal no could observe activity which conducted agent in keep going continuously. In condition asymmetric this need there is person third that is auditor as a party which considered capable of bridging the interests of the principal (shareholder) and the manager in managing the company's financial statements.

5. Conclusion

Managerial Ownership no take effect to Earnings Management. Managerial ownership is less contributing to controlling earnings management actions allegedly due to the bonus purpose promised by the company to management if they are able to produce financial reports that show good performance.

Influential Institutional Ownership to Earnings Management. The high level of Institutional Ownership means that there is power by institutional investors in intervening in the process of preparing financial statements by managers. The higher the level of institutional ownership, the higher the practice of earnings management in financial statements

Independent Board of Commissioners does not effect on Earnings Management. Independent commissioners can act as middleman in dispute which occur between para manager internal and supervise management policies and provide advice to management.

Committee audit no take effect to management profit. Thing this show that committee audits are still considered unable to prevent earnings manipulation by manager/management.

Tax planning has an effect on earnings management. This shows that the higher the tax planning, the greater the opportunity for the company to practice earnings management. Changes in corporate income tax rates can affect the behavior of companies in managing their finances by reducing the amount of taxable profit, so that companies can reduce the amount of taxes paid.

The results showed that audit quality had no effect on earnings management. This shows that the big four KAP auditors or the non big four auditors have difficulty in disclosing earnings management. so that the size of the KAP cannot guarantee that companies that use their services to audit financial statements do not carry out earnings management. So there is no difference between auditing financial statements at KAP Big Four and KAP Non Big Four

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