International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 10, Issue 12, 2020

Effect of Corporate Social Responsibility (CSR) Disclosure to Earnings Management with Effectiveness of the Audit Committee as a Moderation Variable

Rizqi Mamluatul Mubarokah[a], **Dian Agustia**[b], [a,b]Faculty Economic and Bussiness, Airlangga University Surabaya, Email: [b*]dian.agustia@feb.unair.ac.id

This study was conducted to examine the relationship of CSR disclosure to management with audit as a moderation variable. The population in this study consists of companies listed on the Stock Exchange in 2014-2016. Sample determination was conducted using the purposive sampling method. Analytical techniques used in this research are the linear regression and Moderated Regression Analysis (MRA). Data collection was conducted using documentation, while the secondary data was processed with SPSS 20 software. The results of this study found that CSR disclosure has a negative effect on earnings management, while audit committee effectiveness does not moderate the relationship between CSR disclosure and earnings management.

Key words: *CSR disclosure, earnings management, audit committee effectiveness.*

Introduction

Research Background

The practice of earnings management has become a common phenomenon in the business world, exemplified by the 2015 Toshiba case. Companies that globally sell innovative products globally had stood for approximately 140 years, but in May 2015, Toshiba shocked the world with an internal accounting scandal. Investigations into the company led to a revision of its earnings calculated over the last 3 years. Further investigations revealed that Toshiba experienced difficulties in achieving its profit targets since 2008 with the global crisis. A report by independent accountants and lawyers said that Toshiba's operating profit had been exaggerated by ¥ 151.8 billion or about US $ 1.22 billion (liputan6.com).

The practice of earnings management also occurs several times in the Indonesian capital market. PT Sekawan Intipratama Tbk (SIAP) is required by the Indonesia Stock Exchange (BEI) to revise its financial statements because the company presents its September 2015 financial statements that do not comply with the financial statements of June 2015. Based on existing data, the presentation of the June 2015 financial statements used the Statement of Financial Accounting Standards (PSAK) in 2013. Total assets of the company Rp are 4.973.895.848.000, or approximately Rp 4.9 trillion in the report. However, in September 2015 the company changed the presentation of its financial statements using PSAK 2009 without providing information on the changes. The total assets were therefore changed to Rp 307.935.822.000, or about Rp 307 billion (finance.detik.com). Practice earnings management often occurs as companies also have a special purpose in running business. This is possible because of the opportunity, power and knowledge to regulate profits.

Earnings management is a way of choosing accounting policies by management to maximise the profit utility and increase the market value of the company (Scott, 2006: 344). Some of the motivations of earnings management include: (1) bonus motivation, in which a manager is given a bonus on company profits and will then try to arrange a net profit; (2) the Debt Covenant hypothesis, or the requirement of a debt agreement to be fulfilled, then when the high profit of the company is expected to fulfil the terms of the debt agreement; (3) meeting investors' earning expectations and maintaining company reputation, in which a company with earnings greater than investor expectations will increase share prices significantly as investors predict the company will have a better future, and (4) IPO (Initial Public Offering), involving a company going public and being encouraged to perform earnings management, leading to expectations of higher profits that can raise the company's stock price (Scott, 2011: 426).

According to Agustia (2013), earnings management is "the existence of information asymmetries and external parties (investors) that tend to pay more attention to corporate earnings information as performance parameters can encourage management to manipulate earnings information." In accordance with the Agency Theory, the existence of a conflict of interest between the agent and the principal can lead to earnings management. According to Jensen and Meckling (1976), the Agency Theory gives an idea of the relationship that arises because of the contract between the principal and non-principal parties, the former showing trust of the latter agent in providing a job. A conflict of interest can occur if the non-principal agent tends to prosper and thus expects a high level of compensation, while principal also expects high returns on stocks.

The Corporate Social Responsibility (CSR) disclosure in annual reporting can be used to reduce earnings management. Litt & Sharma (2013) found that companies with environmental initiatives show lower earnings management. According to the World Business Council for Sustainable Development (WBCSD), CSR is a form of corporate ethical action aimed at improving the economy, along with the improvement of the quality of life of employees, their families and the surrounding community. People are now beginning to realise the social impact that the company has on its operations: the company attempts to achieve maximum profit while sometimes ignoring the rights of people who do not contribute directly to the company. Therefore, people are starting to demand companies to pay attention to the social impacts that they generate and work to address those impacts. A new accounting concept then replaced the traditional accounting concept due to various demands. In traditional accounting, the corporate focus is limited to stockholders and bondholders who directly contribute to the company, while others are often overlooked.

In addition to the public demand for the company to disclose its CSR, the main motivation of the company in implementing CSR is to create a positive image for the general public. The company realises that the implementation and disclosure of CSR will provide a positive value in terms of financial aspects, brand image, and sustainability of the company. This is supported by Deegan's (2004) Legitimacy Theory, which explains that a company will continue to work to ensure that it operates within the framework and norms that exist in the society and environment in which the company is located. The company also ensures that its activities are well received by outsiders as non-violating norms or rules.

A conflict of interest between shareholders and managers causes shareholders to develop a set of mechanisms to monitor and motivate managers to align their interests with shareholders. This set of mechanisms is called Corporate Governance. Special organ in the implementation of Good Corporate Governance (GCG) are: Independent Commissioner, Independent Director, Audit Committee and Corporate Secretary. Companies need good GCG organs to minimise opportunistic behaviour of managers such as earnings management. One of the most important items in GCG implementation is the audit committee. The audit committee will be responsible for reviewing a company's compliance with applicable laws and regulations. Effective audit committees encourage companies to increase disclosure of voluntary information and may require directors and management to minimise earnings management. This encourages authors to make the effectiveness of the audit committee as a moderating variable in the study.

Another reason to increase the effectiveness of the audit committee as a moderating variable is based on Safari's research (2017), which shows that compliance with good committee and audit committee principles is associated with lower earnings management. Shaissta and Salleh (2016) also explain that board effectiveness and audit committees relate to earnings management both before and after the Malaysian Code revision of Good Corporate Governance

(2007). Research on the influence of CSR disclosure to earnings management is based on research by Litt & Sharma (2013), Hsu & Chen (2017), Kim et al. (2012) and Arief and Ardiyanto (2014). Hsu & Chen's (2017) study shows that family firms with relatively small incomes tend to distract attention from earnings management practices through CSR disclosure, compared to non-family companies, although family ownership rates have moderate effects.

Kim et al. (2012) suggest that companies with CSR involvement are less likely to engage in aggressive earnings management through discretionary accruals and/or RAEM (Real Activities Earnings Management). While the strength of CSR is significantly related to RAEM and AAER (Accounting and Auditing Enforcement Releases), accrual-based earnings management appears to be caused more by CSR issues. However, research by Arief and Ardiyanto (2014) found that independent variables of CSR disclosure to earnings management dependent variable (DAC) had positive and insignificant influences.

Based on the description of the background and the inconsistency in the results of previous research, the author has conducted the current study entitled "The Influence of CSR Disclosure on Earnings Management with Audit Committee Effectiveness as Moderation Variable." Based on the description of the phenomenon and the number of debates about the previous studies, this research aims to influence CSR Disclosure to earnings management with the effectiveness of the audit committee as a moderation variable. Based on the background of the above problems, this study aims to investigate the following: (1) is CSR Disclosure related to earnings management? and (2) does the effectiveness of the audit committee moderate the relationship between CSR Disclosure and earnings management?

Based on the background and statement of the research, the purpose of this study is to therefore obtain empirical evidence of the influence of CSR disclosure to earnings management and empirical evidence that the effectiveness of the audit committee moderates CSR disclosure relationships to earnings management.

Theory and Hypotheses Development

Theoretical Basis

Agency Theory

Separation of functions between the owner of the company and its managers resulted in the agency theory. The agency theory explains the relationships that occur in modern competing practices, namely the agency relationship between the principal acting as the owner of the company and the agent who acts as the manager of the company. According to Jensen and Meckling (1976), agency theory provides an illustration of the relationship that arises as a result of contracts between principals and other parties in which the principal gives confidence to the agent of a job.

Legitimacy Theory

According to Deegan (2004), Legitimacy Theory asserts that companies continue to work to ensure that they operate within the framework and norms that exist in the society or environment in which the company is located. The theory notes that companies seek to ensure that corporate activity is accepted by outsiders as legitimate. Meanwhile, Ghozali and Chairiri (2007) state that the underlying theory of legitimacy is the "social contract" that occurs between the company and the society in which the company operates. This social contract, which is the survival and growth of the organisation, is based on a socially acceptable outcome (Wibowo and Faradiza, 2014).

Earnings Management

According to Scott (2006: 344), earnings management involves action managers who choose accounting policies to achieve some specific objectives and accounting policy in question is the use of accrual in preparing financial statements. Schipper (1989: 2) states that "earnings management is defined as a purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain." Based on this definition, it can be concluded that earnings management is an intervention with a specific goal in the external financial reporting process to gain personal advantage as opposed to facilitate the neutral operation of the process.

Corporate Social Responsibility (CSR) Disclosure

CSR Disclosure involves communication about CSR activities in the form of information contained in a company's annual report to address the community and stakeholders. Corporate CSR disclosures in the annual report are expected to meet the information needs of stakeholders and the public so that the company will gain support in its efforts to achieve goals. (Sari, et al.: 2016). Tanudjaja (2006) describes CSR as the industry commitment in accountability that impacts operations in social, economic and environmental dimensions, and that maintains that impact to contribute benefits to the community and surrounding environment.

Effectiveness of the Audit Committee

Effective audit committees minimise agency problems by reducing information asymmetry between owners and management while protecting stakeholders. The main result of the existence of an effective audit committee is reliable financial information. This will maximise the long-term profit and achieve a company's ultimate goals (Hamel and Elkhatib, 2013). An effective audit committee is one of the pillars of good corporate governance (Venkataraman, 2005). The effectiveness of the audit committee means the ability of the audit committee to fulfil its duties and supervisory responsibilities (DeZoort et al., 2002). In organising an effective audit committee, consideration should be given to appropriate delegations, responsibilities and powers written in the charter (Braiotta, 2004). If the audit committee functions effectively, the control of the company will subsequently be better (Andi, 2007).

Hypotheses Development
Effect of Disclosure CSR on Earnings Management

According to Jensen and Meckling (1976), the occurrence of separation of duties and functions between the owner (principal) and the agent to cause information inconsistency between parties is called an information gap or information asymmetry. The existence of this information asymmetry can cause stakeholders with no direct role in the company to receive misstatements of information, leading to agency conflicts. According to Scholtens and Kang (2012), CSR can reduce agency problems, especially agency conflicts between shareholders who impose control over minority shareholders. As a consequence, CSR can reduce the drive to earn earnings management.

Kim et al. (2012) suggest that CSR is a report of the results of corporate social responsibility activities for investors, customers and other stakeholders who demand more transparency for all business aspects. In decision-making, investors and users of corporate reports refer to the financial statements and use annual reports. The company exerts its efforts and resources in selecting and implementing CSR practices to meet the ethical expectations of shareholders in the surrounding and wider communities. Companies that implement this CSR tend to limit the existence of lab management and try to provide investors with more transparent and reliable financial information. In addition, companies do not want tarnished reputations by doing poor earnings management.

Scholtens & Kang (2012) found that Asian firms with good CSR tend to lose performance standards with relatively less profit management. Investor protection is also negatively related to earnings management. Based on this literature, the hypothesis built in the research is as follows:

H1: CSR Disclosure negatively affects earnings management

Effect of Audit Committee Effectiveness on Disclosure CSR Relations and Earnings management

Research results on the influence of CSR Disclosure on inconsistent earnings management indicate the existence of other factors that can affect the relationship between the two variables. These results encourage researchers to use the effectiveness of the audit committee as a moderating variable. The effectiveness of the audit committee owned by the company is related to the quality of revenue that will be reported by the company. An effective audit committee can minimise agency problems by reducing information asymmetry between owner and management while protecting stakeholders. The main result of the existence of an effective audit committee is reliable financial information, which can ultimately maximise the long-term profit and assist in achieving organisational goals (Kamel and Elkhatib, 2013).

Audit committees in assisting independent commissioners may require directors and management to provide more transparent financial statement information and encourage them to disclose voluntary disclosure information, such as CSR. Through this task, the audit committee should be able to review CSR corporate disclosure. This mechanism is also expected to incentivise high disclosure CSR, leading to weaker opportunistic management actions.

Cho & Chun (2015) explain that socially responsible companies are negatively related to RAEM. The second finding is that the relationship between CSR and RAEM is moderated by Corporate Governance as measured by a composite Corporate Governance index. In addition, the Safari study (2017) shows that compliance with the principles of good committees and audit committees is associated with lower earnings management. Shaissta and Salleh (2016) explain that board effectiveness and audit committees relate to earnings management both before and after the Malaysian Code revision of Good Corporate Governance (2007). Based on the above description, the second hypothesis developed in this study is:

H2: The effectiveness of the audit committee moderates CSR disclosure relationships to earnings management.

Research Methodology

Research Methodology

The approach used in this research is quantitative. According to Anshori and Iswati (2009: 13), quantitative research is a structured study that quantifies data to be generalised.

Measurement and Variable Operational Definitions

This study uses earnings management as a dependent variable, CSR Disclosure as an independent variable and the effectiveness of the audit committee as a moderating variable. The operational definition in this research is as follows:

Earnings Management

Earnings management is led by an action manager who chooses accounting policies to achieve some specific objectives and accounting policy in question is the use of accrual in preparing financial statements (Scott, 2006: 344). This variable is proxied by discretionary accruals (DA). Steps in calculating discretionary accruals are:

1. Total accruals (TA) TAit = NIit – CFOit
2. The calculation of total accruals presents the estimated total value of accruals in the equation as follows:

$$TAit / Ait\text{-}1 = \alpha\ (1 / Ait\text{-}1) + \beta 1\ (\Delta REVit - \Delta RECit) / Ait\text{-}1 + \beta 2\ (PPEit / Ait\text{-}1) + \varepsilon it$$

3. Non discretionary accruals (NDA) calculations using the above regression coefficients (α, ß1, ß2)

$$NDAit = \alpha\ (1 / Ait\text{-}1) + \beta 1\ (\Delta REVit - \Delta RECit) / Ait\text{-}1 + \beta 2\ (PPEit / Ait\text{-}1)$$

4. discretionary accruals (DA) DAit = TAit / Ait-1 – NDAit

Keterangan:

TAit : Total Accruals of firm i in period t
NIit : Net profit of firm i in period t
CFOit : Cash flows from operating activities of firm i in period t DAit : Discretionary accrual of company i in period t
Ait-1 : Total assets of firm i in period t-1
ΔREVit : Changes in net sales of company i in period t
ΔRECit : Change of receivables of company i in period t
PPEit : Property, Plant, and Equipment company i in period t e : error term
NDAit : Nondiscretionary accruals of firm i in period t

CSR Disclosure

CSR Disclosure is the way in which companies communicate regarding CSR activities involving information in the annual report that addresses the community and stakeholders (Sari, et al.: 2016). This variable is measured using the Corporate Social Responsibility Disclosure Index (CSRDI) with a tabulation technique following the Global Reporting Initiatives (GRI) G4 guideline. The CSRDI calculation formula in Sayekti & Wondabio (2007) is as follows:

Keterngan:
CSRDIit =
∑ Xi,j
ni,j
CSRDIi,t = Corporate Social Responsibility Disclosure Index of company i in year t
Xi,t = number of items disclosed by company i in year t
ni,j = total item in GRI Guidelines

Audit Committee Effectiveness

The effectiveness of an audit committee is a qualification assigned to audit committee members because it has protected stakeholders with authority and resources, and ensures reliable financial reporting, good internal control and risk management through appropriate oversight. (Dezoort et al., 2002). This variable is measured using a checklist of research conducted by (Hermawan, 2011). The study used criteria consisting of 11 points which are grouped into three categories, including the activities of the audit committee, the size of the audit committee and the membership competence of the audit committee. The calculation of the score for each question is 1, 2 or 3. Therefore, this study uses the threshold of 22 (11 questions multiplied by value 2) to convert the total score to the dummy variable value. The dummy variable (1.0) receives a value of 1 if effectiveness score of the company commissioner i in year t is greater than or equal to 22.

Type and Sources of Data

The types of data used in the research are quantitative and qualitative, while the data source used is secondary data. Secondary data involves manufacturing company data found in annual and financial reports for the period 2014-2016. Data in the form of annual reports and financial statements were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) and from the official websites of each company.

Population and Sample

The population used in this study is manufacturing companies listed on the Stock Exchange and listed as issuers for the period 2014-2016. Manufacturing companies are selected because of disclosure of CSR and fairly complex transaction activities, providing good opportunities to apply earnings management. The criteria used in determining the sample research by purposive sampling are as follows:

Table 1: Sample Selection Criteria

No	Criteria	Amount
1	Manufacturing companies listed on the BEI in 2014-2016	136
2	Companies with financial ftatements other than December	(1)
3	Companies that did not publish their financial and annual reports respectively during the year of study	(11)
4	Companies not reporting their CSR activities	(8)
Selected company		116

Sumber: Processed Data, 2018

Data Analysis Techniques

This research uses linear regression analysis technique and Moderated Regression Analysis (MRA). This linear regression analysis is used in measuring the dependent variable relationship, in this case earnings management, with the independent variable, which is CSR Disclosure. The Moderated Regression Analysis (MRA) is used to measure the correlation between the dependent and independent variables with the moderation variable of audit committee effectiveness. The regression model in this research is formulated as follows:

Model 1 : $DA = \alpha + \beta 1CSRDI + \varepsilon$
Model 2 : $DA = \alpha + \beta 1CSRDI + \beta 2EKA + \beta 3CSRDI * EKA + \varepsilon$

Regarding the above models, DA represents earnings management, as measured using the modified Jones model. CSRDI represents the Corporate Social Responsibility Index, and EKA represents the effectiveness of the audit committee.

Result and Discussion

Statistic Description

Table 2: Statistic Description

	N	Minimum	Maximum	Mean	Std. Deviation
CSRDI	348	,010989011	,263736264	,08017557164	,052574224496
DA	348	,000052098	3,712289000	,08490557699	,233691670050
EKA	348	0	1	,64	,480

The DA proxy that explains earnings management has a minimum value of 0.000052098, a maximum value of 3.712289, an average of 0.0849, and a standard deviation of 0.23369. The CSRDI Proxy, which describes Corporate Social Responsibility Disclosure, has minimum value of 0.01989011, a maximum value of 0.263736264, an average of 0.0817557164, and a standard deviation equal to 0.5257. The EKA proxy, which explains the effectiveness of the Audit Committee, has a minimum value of 0, a maximum value of 1, an average of 0.64, and a standard deviation of 0.480.

Analysis of Classical Assumption Test Results

Normality testing is conducted using the Kolgomorov-Smirnov method. The residual will be normally distributed if the probability number is significant> 0.05, whereas insignificant values of <0.05 are not normally distributed. Based on this normality test, the values of both model 1 and model 2 produced values of <0.05. This suggests that the data is not normally distributed, meaning that data that has the highest residual value must be eliminated by removing the 9 outliers. The value of significance after the normality of the data was 0.11 for model 1 and 0.353 for model 2, where the value> 0.05 means that the data has been normally distributed. Multicollinearities occur when the tolerance value is ≤ 0.10 or VIF ≥ 10. Multicollinearity test results show that there is no multicollinearity among independent variables in this study because the value of tolerance = 1 and VIF = 1. Testing autocorrelation in this study was then conducted using the Durbin-Watson method. The Durbin-Watson value was 2.057 for model 1 and 2.041 for model 2. As the latter lies between the dU value and the 4-dU value, the regression model does not contain autocorrelation. The heteroscedasticity test in this study used glejser test which will pass when the significance value of glejser test> 0.05. Test results show that both models have a significant value of >0.05. It can therefore be concluded that both models are free from symptoms of heteroscedasticity.

Proof of Hypothesis

Table 3: Test Result of Test Statistic t

Model	Variable	Koefisien	T	SIG
1	(constanta)	0,276	13,120	0,000
	CSRDI	-0,159	-2,153	0,032
2	(constanta)	0,250	7,350	0,000
	CSRDI	-0,003	-0,02	0,984
	EKA	0,028	0,621	0,535
	CSRDI*EKA	-0,182	-1,076	0,283

The hypothesis will be accepted if the significance level of t test is <0.05, meaning that the independent variables affect the dependent variable in this study. Table 3 shows that the CSRDI variable in model 1 has a 0.032 significance level to the earnings management variable (DA) with the regression coefficient of -0.159 and the value of t -2.153. This value indicates that the CSR Disclosure variable has a significant influence on the earnings management variable. The effectiveness of the audit committee has a significance level of 0.283 to CSRDI and the DA relationship with a regression coefficient of -0.182 and a value of t -1.076. These values indicate that the effectiveness of the audit committee is not able to moderate the CSR Disclosure or earnings management relationship.

Discussion of Hypotheses
Effect of Disclosure CSR on Earnings Management

Based on the results of statistical analysis, CSR Disclosure has a significant negative effect on earnings management with a significance value of 0.03, which is less than the required level of 0.05. The value of CSR Disclosure variable coefficient is -0.159 where the minus sign in the coefficient indicates that the low level of CSR disclosure in annual reporting can either increase or decrease earnings management.

Corporate Social Responsibility (CSR) aims to protect and improve the welfare of the community as a whole. Reporting CSR practices is required by companies as a form of accountability information for corporate CSR activities. Scolten & Kang (2012) state that companies committed to conducting CSR will reduce earnings management actions when compared to companies that are less committed to CSR.

These results are in line with the theory of legitimacy, which explains that companies need the legitimacy of society both around the company and with a wider range. Companies require support from a community that is conducive in order to operate at optimal levels. This support can be obtained by the company carrying out social responsibility activities, which can then be disclosed in the annual report.

According to Jensen and Meckling (1976), the separation of duties and functions between the owner (principal) and the agent may cause information discrepancies among related parties. The existence of this information asymmetry can lead to conflicts of agencies. According to Scholtens and Kang (2012), CSR can reduce such agency issues, especially agency conflicts between controlling shareholders and minority shareholders. As a consequence, CSR can reduce the drive to earn earnings management. Menurut Kim et al. (2012), The company spends time and resources in selecting and implementing CSR practices to meet the ethical expectaions of shareholders in the community. These companies tend to limit the use of profit management so as to provide investors with more transparent and reliable financial information.

The results of this study are in line with the research of Chih et.al (2008), which is socially responsible and will not conceal the realisation of undesirable income, and will thereby not conduct management gains. Research from Litt & Sharma (2013) also found that companies with environmental initiatives show lower earnings management as proxied by total absolute discretionary accruals and increase revenue. Firms that practice environmental responsibility report better financial performance due to real economic performance rather than through earnings management techniques.

However, Arief and Ardiato (2014) found that the independent variables of the CSR disclosure to the management dependent variable (DAC) have a positive yet insignificant impact. These results indicate that it does not guarantee that the greater the disclosure of CSR information undertaken by the company, the more extensive the opportunity for management to undertake management.

Effect of Audit Committee Effectiveness on Disclosure CSR Relations and Earnings management

Based on statistical results of moderator effectiveness of audit committees on disclosure CSR relationship to earnings management, it can be explained that the EKA moderation variable has a significance level of 0.283, which is less than the required significance level of 0.05. It can therefore be concluded that the effectiveness of the audit committee cannot moderate the relationship between CSR Disclosure and earnings management.

Variable EJA moderations have no significant effect but do have a coefficient value -0.182. This means that the existence of an effective audit committee will not hinder management in conducting opportunistic behaviours such as earnings management. In applying such opportunistic behaviours, managers should not be aware of an audit committee that oversees its performance. This can be due to the desire more than the manager to make earnings management and is supported by the agency theory. This theory explains that the agent or manager in applying opportunistic behaviour tends to be selfish, or conducts business to fulfil personal desires. Opportunistic behaviour suggests that managers will set aside their common interests or investors only to seek personal gain.

The audit committee has a separate task in assisting the board of commissioners to fulfil its responsibilities by providing a view of accounting issues, financial statements and explanations, internal control systems and auditors. The reasons for these insignificant results are also due to the composition and structure of audit committees that are less in line with the required competencies associated with the establishment of good corporate governance. This is evidenced by the data obtained by the researchers, which illustrates that as much as 22.7% of firms conduct audit committee meetings less than four times, while regulations from OJK No. 55 / POJK.04 / 2015 state that the audit committee holds meetings on a regular basis once every three months. In addition, as many as 27% of firms have an audit committee meeting attendance rate of less than 70%, so not all audit committees follow routine meetings. And lastly, as many as 15.5% of companies do not have an audit committee with an accounting or financial education background. This is also not in accordance with OJK regulations, which requires at least one audit committee with an accounting background. With the description can be said that the existence of audit committee may not be able to minimise earnings management practices.

The research initially supports Abata and Migiro's study (2016), which states that the independence of the board, the independence of the audit committee and the size of the audit committee are not positively correlated with earnings management. Saftiana et al. (2017) found the same thing, claiming that institutional ownership, managerial ownership, frequency of board meetings, frequency of audit committee meetings and firm size are not significantly related to earnings management. This result does not support the Shaista and Shaleh's (2016) or Safari's (2017) research, which found that the audit committee has a relationship with earnings management.

Conclusion

Based on the results of analysis and discussion that has been described in the previous chapter, it can be concluded that Corporate Social Responsibility Disclosure negatively affects earnings management. This negative value indicates that the lower CSR expressed by the firm can lead to increased opportunistic management (earnings management) actions of the company. The results of this study are in accordance with prior research conducted by Chih et al. (2008) and Litt & Sharma (2013). It can also be concluded that the effectiveness of the audit committee does not moderate the relationship between CSR Disclosure or earnings management. The presence or absence of an audit committee has no effect on management to take opportunistic action. The results of this study are in line with research conducted by Abata and Migiro (2016) and Saftiana et al. (2017), though is not supported by Shaista and Shaleh (2016) or Safari (2017).

Limitations of Research

A limitation of this research is the sample used, which was limited to manufacturing companies listed on the BEI tahun 2014-2016. The second was the use of GRI-G4 as a proxy for the CSR Disclosure variable which was only valid for 3 years. Finally, the r square value was too low, so the variables studied could only explain the dependent variable of approximately 1%.

References

Abata, M.A. And Stephen O. M. (2016). Corporate governance and management of earnings: empirical evidence from selected Nigerian-listed companies. http://dx.doi.org/10.21511/imfi.13(2-1).2016.07

Agustia, D. (2013). Pengaruh Faktor Good Corporate Governance, Free Cash Flow, dan Leverage Terhadap Manajemen Laba. Jurnal Akuntansi Dan Keuangan, 15(1), 27–42. https://doi.org/10.9744/jak.15.1.27-42

Anshori, Muslich dan Sri Iswati. 2009. Metodologi Penelitian Kuantitatif. Surabaya: Airlangga University Press.

Arief, A. dan Moh. Didik A. (2014). Pengaruh Pengungkapan Corporate Social Responsibility Terhadap Manajemen Laba (Studi Kasus Pada Perusahaan Non Keuangan dan Jasa yang Terdaftar di BEI tahun 2010-2012). Vol. 3. Hlm: 1-9.

Braiotta, L. JR. (2004). The Audit Committee Handbook. Fourth Edition, Wiley, New York

Chih, H.L, C.H. Shen and F.C. Kang. 2008. "Corporate Social Responsibility, Investor Protection and Earnings Management: Some International Evidence" dalam Journal of Business Ethics. Vol. 79. pp. 179-198

Cho, E., & Chun, S. (2015). Corporate social responsibility , real activities earnings management , and corporate governance : evidence from Korea, (August 2015). https://doi.org/10.1080/16081625.2015.1047005

Dechow, Patricia M., G. Solan Richard , and P. Sweeney Amy. 1996. "Causes and Consequences of Earning Manipulation : An Analysis of Firms Subject to Enforcement Actions by the SEC." COntemporary Accounting Research 13(1) 1-36.

Deegan, C. 2004. Financial Accounting Theory. McGraw-Hill Book Company: Sydney

Dezoort, F. T., Hermanson, D. R., & Reed, S. A. (2002). Audit Committee Effectiveness : A Synthesis of the Empirical Audit Committee Literature.

Ghozali, I. dan A. Chairi. 2011. Aplikasi Analisis Multivariat dengan Program IBM SPSS 19.

Semarang: Badan Penerbitan Universitas Diponegoro.

Hermawan, A. A. (2011). The Influence of Effective Board of Commissioners and Audit Committee on the Informativeness of Earnings: Evidence from Indonesian Listed Firms.

Asia Pacific Journal of Accounting and Finance, 2(1), 1–34. Retrieved from accounting.feb.ui.ac.id/apjaf/pub/pub3/3. paper 1_ancella.pdf

Hsu, F. J., & Chen, Y. (2017). corporate social responsibility Human behavior analysis under financial information science Evidence from corporate social responsibility. https://doi.org/10.1108/LHT-11-2016-0130

Jensen, M.C., & Meckling W.H. 1976. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure.

Jones, Jennifer. 1991. "Earnings Management During Import Relief Investigation." Journal of Accounting Research 29 (2) 193-228.

Kim, Y., Park, M. S., & Wier, B. (2012). Is Earnings Quality Associated with Corporate Social Responsibility?, 87(3), 761–796. https://doi.org/10.2308/accr-10209

Lako, A. 2011. Dekonstruksi CSR dan Reformasi Paradigma Bisnis dan Akuntansi. Jakarta: Erlangga.

Litt, B., & Sharma, D. S. and V. (2013). Environmental initiatives and earnings management, 29, 76–106. https://doi.org/10.1108/MAJ-05-2013-0867

Safari, Maryam. (2017). Board and audit committee effectiveness in the Post- ASX Corporate Governance Principles and Recommendations era. https://doi.org/10.1108/MF-07-2015-0185

Salleh,Wan Masliza W.M.S.W.N.M.Z.N. (2016). Board and Audit Committee effectiveness, Ethnic diversification and Earnings Management: A Study of the Malaysian Manufacturing Sector. http://dx.doi.org/10.1108/CG-06-2015-0085

Samsi, H., Mustafa, M., & Pontoh, G. T. (2014). The effect of corporate governance on the relationship between corporate social responsibility disclosure and corporate value, 4(1), 1–14. https://doi.org/10.14414/tiar.14.040101

Santoso, Singgih. 2014. Statistik Multivariat. Edisi Revisi. Jakarta: PT Alex Media Komputindo.

Saftiana, Y., Mukhtaruddin , K. W. Putri, and I. S. Ferina. (2017). Corporate governance quality, firm size and earnings management: empirical study in Indonesia Stock Exchange”. Vol. 14(4). Hal:105-120.

Sayekti, Y., & Wondabio, L. S. (2007). PENGARUH CSR DISCLOSURE TERHADAP EARNING RESPONSE COEFFICIENT, 1–35.

Schipper, Katherine. 1989. Commentary on Earning Management. Accounting Horizon, 91-102.

Scholtens, B., & Kang, F. (2012). Corporate Social Responsibility and Earnings Management: Evidence from Asian Economies. https://doi.org/10.1002/csr.1286

Scott, William R. 2006. Financial Accounting Theory. 4th Edition. Canada: Person Prentice Hall.

--------------------- 2011. Financial Accounting Theory. Sixth Edition. Canada: Person Prentice Hall. Sugiyono. 2004. Metode Penelitian Bisnis. Bandung: Penerbit CV. Alfabeta.

Suharto, E. (2010). CSR &Comdev: Investasi Kreatif Perusahaan di Era Globalisasi. Bandung: Alfabeta.

Sun, N., Salama, A., Hussauney, K., & Habbash, M. (2010). Corporate environmental disclosure

, corporate governance and earnings management, 25(7), 679–700. https://doi.org/10.1108/02686901011061351

Sunarsih. (2017). Pengaruh Manajemen Laba Terhadap Pengungkapan Corporate Social Responsibility (CSR) Dengan Mekanisme Corporate Governance Sebagai Variabel Moderasi Pada Perusahaan Yang Terdaftar di Jakarta Islamic Index (JII), 17, 33–48.

Sweeney, A. P. 1994. Debt Convenant Violations and Manager Accounting Responses.

Journal of Accounting and Economics, Vol. 17. Hal: 281-308.

Sari W. A., Siti R. H., dan Nila F. (2016). Pengaruh Pengungkapan Corporate Social Responsibility Terhadap Kinerja Keuangan Dan Nilai Perusahaan. Jurnal Administrasi Bisnis (JAB). Vol 39. Hal: 74-83.

Tanudjaja, Bing Bedjo. 2006 Perkembangan Corporate Social Responsibility di Indonesia.

Nirmana.

Tjager, I.N., F.A. Alijoyo, H.R. Djemat, dan B. Sembodo, 2003. Corporate Governance: Tantangan dan Kesempatan bagi Komunitas Bisnis Indonesia. Pearson Education Prentice Hall, 2003.

Watts, R, L., dan Zimmerman, J, L. 1986. Positive Accounting Theory. New York: Prentice Hall. Wethwer, Wiliam B. dan David Chandler. 2011. Strategic Corporate Social Responsibility

Stakeholder in a Global Environment. 2nd edition. America: Saga Publications, Inc.

Wibowo dan Faradiza. 2014. Dampak Pengungkapan Sustainability Report Terhadap Kinerja Keuangan dan Pasar Perusahaan. Makalah disampaikan pada Simposium Nasional Akuntansi, 17.

www.globalreporting.org www.finance.detik.com www.liputan6.com