AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANIPULATION PREVENTION: EVIDENCE FROM BASIC MATERIALS COMPANIES POST-PANDEMIC

THESIS

To Fullfill the Requirements
For Obtaining a Bachelor's Degree

YUNI SARA

STUDENT NUMBER. B1034221035

DEPARTMENT OF ACCOUNTING
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS TANJUNGPURA
PONTIANAK

2026

PERNYATAAN BEBAS PLAGIAT

Yang bertanda tangan di bawah ini;

Nama	:	Yuni Sara
NIM	:	B1034221035
Jurusan	:	Akuntansi
Program Studi	:	Akuntansi Internasional
Konsentrasi	:	Auditing
Judul Skripsi	:	Audit Committee Characteristics and Earnings Manipulation Prevention: Evidence from Basic Materials Companies Post-Pandemic

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Pontianak, 20 Mei 2026



Yuni Sara
NIM. B1034221035

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PERTANGGUNGJAWABAN SKRIPSI

Nama	:	Yuni Sara
NIM	:	B1034221035
Jurusan	:	Akuntansi
Program Studi	:	Akuntansi Internasional
Konsentrasi	:	Auditing
Tanggal Ujian	:	11 Juni 2026
Judul Skripsi	:	Audit Committee Characteristics and Earnings Manipulation Prevention: Evidence from Basic Materials Companies Post-Pandemic

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Yuni Sara

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LEMBAR YURIDIS

AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANIPULATION PREVENTION: EVIDENCE FROM BASIC MATERIALS COMPANIES POST-PANDEMIC

Penanggung Jawab Yuridis

Yuni Sara
B1034221035

Jurusan : Akuntansi
Program Studi : Akuntansi Internasional
Konsentrasi : Auditing
Tgl Ujian Skripsi dan Komprehensif : 11 Juni 2026

Majelis Penguji

No.	Majelis Penguji	Nama/NIP	Tgl/Bln/Thn	Tanda Tangan
1.	Ketua Penguji	Elok Heniwati, S.E., M.Si., Ak., CA., Ph.D. NIP. 197402122000122001	18/06/2026	
2.	Sekretaris Penguji	Gita Desyana, S.E., M.M., Ak. NIP. 197212252000122001	17/6/2026	
3.	Penguji 1	Dr. Khristina Yunita, S.E., M.Si., Ak., CA. NIP. 197906182002122003	06/07/2026	
4.	Penguji 2	Ayu Puspita Sari, S.Ak., M.Ak. NIP. 199603052022032007	17/06/2026	

Dinyatakan Telah Memenuhi Syarat dan Lulus
Dalam Ujian Skripsi dan Komprehensif

Pontianak, 06 JUL 2026
Koordinator Program Studi Akuntansi

Dr. Khristina Yunita, S.E., M.Si., Ak., CA.
NIP. 197906182002122003

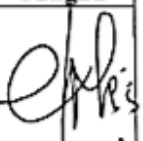
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LEMBAR PERSETUJUAN SKRIPSI DAN KOMPREHENSIF UJIAN PERTAMA

Dengan ini, Dosen Pembimbing Tugas Akhir (TA) mahasiswa:

Nama	:	Yuni Sara
NIM	:	B1034221035
Jurusan	:	Akuntansi
Program Studi	:	Akuntansi Kelas Internasional
Konsentrasi	:	Auditing
Judul Skripsi	:	*Audit Committee Characteristics and Earnings Manipulation Prevention: Evidence from Basic Materials Companies Post-Pandemic*

Menyatakan bahwa Tugas Akhir (TA) tersebut telah dikoreksi dan disetujui untuk diuji*

Dosen	Nama	Tgl/Bln/Thn	Tanda Tangan
Dosen Pembimbing Utama	Elok Heniwati, S.E., M.Si., Ak., CA., Ph.D. NIP. 197402122000122001	20 Mei 2026	
Dosen Pembimbing Kedua	Gita Desyana, S.E., M.M., Ak. NIP. 197212252000122001	20 Mei 2026	

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Pontianak, 23rd June 2026



Yuni Sara
NIM. B1034221035

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AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANIPULATION PREVENTION: EVIDENCE FROM BASIC MATERIALS COMPANIES POST-PANDEMIC

YUNI SARA
Faculty of Economics and Business
Universitas Tanjungpura

ABSTRACT

This research aims to analyze the effect of audit committee characteristis, specifically diligence, expertise, and tenure on earnings manipulation prevention, with company size, profitability, leverage as control variables. This research use Beneish M-Score to detecting the earnings manipulation posibility. Using a sample of 49 companies listed on IDX for the year 2022-2024. This research employs a quantitative approach using logistic regression analysis.

The results of the Omnibus Test (Sig. 0.011 < 0.05) confirm that the research model is robust and statistically valid. Empirical findings indicate that the expertise, tenure, and activity of the audit committee do not have a significant effect on earnings manipulation prevention (Sig. > 0.05). Similarly, the leverage variable was found to be insignificant. Conversely, the control variables of profitability and company size showed a significant positive influence on earnings manipulation prevention. These results suggest that earnings manipulation is primarily driven by market pressures and firm size rather than internal oversight mechanisms. This research concludes that the attributes of audit committees in the observed firms may reflect only symbolic compliance rather than substantive oversight in the face of strong economic pressures.

Keywords: Audit Committee, Earnings Manipulation, Beneish M-Score, Binary Logistics Regression, Basic Materials.

AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANIPULATION PREVENTION: EVIDENCE FROM BASIC MATERIALS COMPANIES POST-PANDEMIC

YUNI SARA
Fakultas Ekonomi dan Bisnis
Universitas Tanjungpura

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh karakteristik komite audit, khususnya kerajinan, Keahlian, dan masa jabatan, terhadap pencegahan manipulasi laba, dengan mengukur ukuran perusahaan, profitabilitas, dan leverage sebagai variabel kontrol. Penelitian ini menggunakan Beneish M-Score untuk mendeteksi kemungkinan terjadinya manipulasi laba. Sampel yang digunakan dalam penelitian adalah 49 perusahaan yang terdaftar di BEI secara khusus periode 2022-2024. Penelitian ini menggunakan pendekatan kuantitatif dengan analisis regresi logistik biner.

Hasil uji Omnibus (Sig. 0.011 < 0.05) menegaskan bahwa model penelitian ini adalah handal dan valid secara statistik. Temuan empiris menunjukkan bahwa kerajinan, keahlian, dan masa jabatan komite audit tidak memiliki pengaruh yang signifikan terhadap pencegahan manipulasi laba. Sebaliknya, variabel kontrol ukuran perusahaan dan profitabilitas menunjukkan pengaruh yang signifikan terhadap pencegahan manipulasi laba. Hal ini bermakna bahwa dorongan terjadinya manipulasi laba adalah adanya tekanan pasar dan ukuran perusahaan daripada mekanisme pengawasan internal. Dari hasil penelitian ini dapat disimpulkan bahwa karakteristik komite audit di perusahaan yang penulis amati hanya menunjukkan kepatuhan simbolis daripada pengawasan substantif dihadapan tekanan ekonomi yang kuat.

Kata Kunci: Komite Audit, Manipulasi Laba, Beneish M-Score, Binary Logistics Regression, Basic Materials.

SUMMARY

AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANIPULATION PREVENTION: EVIDENCE FROM BASIC MATERIALS COMPANIES POST-PANDEMIC

1. Background

Financial statements are the primary means of communication used by company management to convey information to stakeholders, including investors, creditors, and regulators. The urgency regarding financial reporting integrity in Indonesia reached a critical juncture following the disclosure of the massive corruption and operational manipulation scandal at PT Timah Tbk. This case, which resulted in estimated state and environmental losses exceeding IDR 271 trillion, serves as an irrefutable empirical baseline for the failure of internal oversight functions within the basic materials sector. Basic materials companies are companies that are highly exposed to global commodity price fluctuations and macroeconomic conditions (Putra et al., 2025). Research period is during the 2022-2024. This period was chosen because post-pandemic economic pressures remain strong but have begun to stabilize, combining the use of the Beneish M-Score method, a financial ratio-based detection tool. The research will conduct an analysis of how audit committees deal with economic pressures in preventing earnings manipulation.

2. Research Questions

Here's the questions of research:

1. Does the audit committee diligence contribute to the prevention of earnings manipulation in basic materials companies listed on the IDX?
2. Does the audit committee financial expertise contribute to the prevention of earnings manipulation in basic materials companies listed on the IDX?

3. Does the audit committee's tenure contribute to the prevention of earnings manipulation in basic materials companies listed on the IDX?

3. Research Objectives

Here's the objectives of the research:

1. To examine and analyze the contribution of audit committee diligence on earnings manipulation prevention.
2. To examine and analyze the contribution of audit committee financial expertise on earnings manipulation prevention.
3. To examine and analyze the contribution of audit committee tenure on earnings manipulation prevention.

4. Research Methods

This research was conducted using a quantitative explanatory approach with an empirical perspective. This research employs the Beneish M-Score model to identify the presence of earnings manipulation in basic materials companies. This research using purposive sampling, results final of using sample of 49 companies listed on the IDX for the year 2022-2024. This research employs a quantitative approach using logistics biner regression. Dependent variable is probability of earnings manipulation, calculated by using Beneish M-Score (dummy). By integrating control variables to maintain the objectivity of the results, this research model aims to determine whether the supervisory function of the audit committee effectively maintains the integrity of financial statements or merely serves as a formality to comply with regulatory requirements.

5. Findings and Discussion

The results The logistic regression analysis in this research finds that all audit committee characteristics encompassing diligence, expertise, and tenure, exert no significant effect on earnings manipulation prevention, an empirical finding that confirms the phenomenon of symbolic compliance,

where these attributes merely satisfy administrative formalities to comply with OJK regulations (POJK No. 55/POJK.04/2015). Theoretical discussion surrounding this finding indicates a failure of substantive oversight in reducing information asymmetry between principals and agents, thereby failing to constrict the opportunity dimension for management to execute accounting manipulations. Conversely, testing on control variables reveals that company size and profitability have a significant positive impact, proving that performance target pressures and operational serve as primary stimuli for fraudulent acts, while leverage is found to have no significant effect. This relational dynamic is cumulatively reflected in the relatively low Nagelkerke R Square value of 15.3%. Further reinforcing that financial statement manipulation is a complex, multidimensional phenomenon whose explanation extends far beyond the boundaries of an audit committee's administrative oversight model.

6. Conclusion and Recommendation

The research concludes that all audit commiitee characteristics encompassing diligence, expertise, and tenure has no significant effect on preventing earnings manipulation, confirming that companies oversight mechanisms remain largely symbolic and administrative. Instead the fraud is primary driven by performance pressures and the operational complexities, rather than external debt constraints. It is highly recommended for future researchers consider examining other financial models, consider expanding the types of companies, consider to extending the observation period (e.g., 4 – 10 years), and consider adding other factors that may contribute to earnings manipulation and incorporating qualitative aspects.

RINGKASAN

AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANIPULATION PREVENTION: EVIDENCE FROM BASIC MATERIALS COMPANIES POST-PANDEMIC

1. Latar Belakang

Laporan keuangan merupakan sarana komunikasi utama yang digunakan oleh manajemen perusahaan untuk menyampaikan informasi kepada para pemangku kepentingan, termasuk investor, kreditor, dan regulator. Urgensi terkait integritas pelaporan keuangan di Indonesia mencapai titik kritis setelah terungkapnya skandal korupsi besar-besaran dan manipulasi operasional di PT Timah Tbk. Kasus ini mengakibatkan kerugian negara dan lingkungan yang diperkirakan melebihi Rp 271 triliun, berfungsi sebagai dasar empiris yang tak terbantahkan atas kegagalan fungsi pengawasan internal di sektor bahan baku. Perusahaan bahan baku adalah perusahaan yang sangat terpapar fluktuasi harga komoditas global dan kondisi makroekonomi (Putra dkk., 2025). Periode penelitian adalah tahun 2022–2024. Periode ini dipilih karena tekanan ekonomi pasca-pandemi masih kuat namun mulai stabil, dengan menggabungkan penggunaan metode Beneish M-Score, sebuah alat deteksi berbasis rasio keuangan. Penelitian ini akan melakukan analisis mengenai bagaimana komite audit menangani tekanan ekonomi dalam mencegah manipulasi laba.

2. Rumusan Masalah

Berikut merupakan rumusan masalah penelitian:

1. Apakah kerajinan komite audit berperan dalam mencegah terjadinya manipulasi laba pada perusahaan basic materials yang terdaftar di BEI?
2. Apakah keahlian keuangan komite audit berperan dalam mencegah terjadinya manipulasi laba pada perusahaan basic materials yang terdaftar di BEI?

3. Apakah lama masa jabatan komite audit berperan dalam mencegah terjadinya manipulasi laba pada perusahaan basic materials yang terdaftar di BEI?

3. Research Objectives

Berikut merupakan tujuan dari penelitian ini dilakukan:

1. Untuk meneliti dan menganalisis peran dari kerajinan komite audit dalam pencegahan manipulasi laba.
2. Untuk meneliti dan menganalisis peran dari keahlian keuangan komite audit dalam pencegahan manipulasi laba.
3. Untuk meneliti dan menganalisis peran dari lama masa jabatan komite audit dalam pencegahan manipulasi laba.

4. Metode Penelitian

Penelitian ini dilakukan dengan menggunakan pendekatan eksplanatori kuantitatif berbasis perspektif empiris. Penelitian ini menggunakan model Beneish M-Score untuk mengidentifikasi adanya manipulasi laba pada perusahaan bahan baku. Penelitian ini menggunakan teknik purposive sampling, sehingga menghasilkan sampel sebanyak 49 perusahaan yang terdaftar di IDX untuk periode tahun 2022–2024. Penelitian ini menggunakan pendekatan kuantitatif dengan Regresi Logistik Biner. Variabel dependen adalah probabilitas manipulasi laba, yang dihitung dengan menggunakan Beneish M-Score (dummy). Dengan mengintegrasikan variabel kontrol untuk menjaga objektivitas hasil, model penelitian ini bertujuan untuk menentukan apakah fungsi pengawasan komite audit secara efektif menjaga integritas laporan keuangan atau hanya berfungsi sebagai formalitas untuk mematuhi persyaratan regulasi.

5. Hasil dan Pembahasan

Hasil Analisis regresi logistik dalam penelitian ini menunjukkan bahwa karakteristik komite audit yang mencakup ketekunan, keahlian, dan

lamanya masa jabatan, tidak berpengaruh signifikan terhadap pencegahan manipulasi laba, sebuah temuan empiris yang mengkonfirmasi fenomena kepatuhan simbolis, dimana atribut-atribut tersebut hanya memenuhi formalitas administratif untuk mematuhi peraturan OJK (POJK No. 55/POJK.04/2015). Pembahasan teoritis seputar temuan ini menunjukkan adanya kegagalan pengawasan substantif dalam mengurangi asimetri informasi antara prinsipal dan agen, sehingga gagal membatasi peluang bagi manajemen untuk melakukan manipulasi akuntansi. Sebaliknya, pengujian terhadap variabel kontrol menunjukkan bahwa ukuran perusahaan dan profitabilitas memiliki dampak positif yang signifikan, membuktikan bahwa tekanan target kinerja dan operasional berfungsi sebagai stimulus utama bagi tindakan penipuan, sementara leverage ditemukan tidak memiliki efek yang signifikan. Dinamika relasional ini secara kumulatif tercermin dalam nilai Nagelkerke R Square yang relatif rendah sebesar 15,3%. Hal ini semakin memperkuat bahwa manipulasi laporan keuangan merupakan fenomena yang kompleks dan multidimensi, dimana penjelasannya melampaui batas-batas model pengawasan administratif komite audit.

6. Kesimpulan dan Rekomendasi

Penelitian ini menunjukkan bahwa semua karakteristik komite audit yang mencakup ketekunan, keahlian, dan masa jabatan tidak memiliki pengaruh yang signifikan terhadap pencegahan manipulasi laba, yang menegaskan bahwa mekanisme pengawasan perusahaan sebagian besar masih bersifat simbolis dan administratif. Sebaliknya, penipuan terutama didorong oleh tekanan kinerja dan kompleksitas operasional, bukan oleh kendala utang eksternal. Sangat direkomendasikan agar peneliti di masa depan mempertimbangkan untuk mengkaji model keuangan lainnya, memperluas jenis perusahaan yang diteliti, memperpanjang periode pengamatan (misalnya, 4–10 tahun), serta mempertimbangkan penambahan faktor-faktor lain yang mungkin berkontribusi terhadap manipulasi laba dan memasukkan aspek kualitatif.

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CHAPTER I
INTRODUCTION

1.1. Introduction

Financial statements are the primary means of communication used by company management to convey information to stakeholders, including investors, creditors, and regulators. Through transparent and accurate disclosure of financial data, companies can build trust among stakeholders. Financial statements must present relevant and reliable information that accurately reflects the company's economic condition. However, Financial reports publicly published by companies are not entirely free from manipulation in their presentation (Febrianti & Kodirin, 2022). One example is the Enron case, which is considered the largest case of financial statement manipulation in history. As a result, Enron experienced a major bankruptcy, causing significant losses for investors and harming many employees. A similar incident occurred in the case of PT Timah Tbk, where there was a failure in the company’s internal oversight, which resulted in significant state losses.

The urgency regarding financial reporting integrity in Indonesia reached a critical juncture following the disclosure of the massive corruption and operational manipulation scandal at PT Timah Tbk. This case, which resulted in estimated state and environmental losses exceeding IDR 271 trillion, serves as an irrefutable empirical baseline for the failure of internal oversight functions within the basic materials sector. Integrity in financial reporting is important and forms the basis of investor and stakeholder confidence in the capital market. Every financial statement must be presented fairly and honesty (Hifnelda & Sasongko, 2021). This confidence is threatened by fraud, particularly earnings manipulation. weak integrity in financial reporting can lead to a decline in stakeholder trust (Putri et al., 2024).

This indicates that integrity in financial reporting is crucial for a company's reputation. Integrity in financial reporting can be reflected through the company's internal corporate governance activities (Sulistyawati & Rizqia, 2021).

In the 2022-2024 period, the global and national economies are in a phase of post-COVID-19 pandemic recovery. The challenge for companies in maintaining the integrity of their financial reports is increasing, especially in basic materials. Basic materials companies are companies that are highly exposed to global commodity price fluctuations and macroeconomic conditions (Putra et al., 2025). The post-pandemic period has impacted companies with a surge in raw material prices and uncertainty in market demand due to geopolitical tensions. These conditions can directly create performance pressure on company management to continue to provide financial reports with stable profit growth in the eyes of investors and creditors. As a result, this will create opportunities for management to manipulate earnings in order to cover up a decline in real performance or in an effort to meet certain financial targets. Basic materials companies, which are asset-heavy, provide management with room for accounting discretion. The management of depreciation costs, capitalization of expenses into assets, and complex inventory valuation are loopholes that are often exploited to hide actual profits.

Fraud committed by company management is common thing, usually occurring due to pressure from internal and external parties, the opportunity to commit fraud, and the ability to commit fraud (Soejonto & Petronila, 2019). Profit manipulation involves altering financial statements to conceal the company's actual performance, such as accelerating revenue recognition or deferring expenses, which can mislead stakeholders. Research conducted by Thaher et al (2022) shows that stability in financial reporting can also indicate that a company is manipulating profits. When a company is faced with global challenges,

it is very likely to manipulate its financial statements to present a positive image of the company. In addition, convincing investors by presenting the company's favorable financial condition can increase stakeholder confidence and maintain the company (Nor et al., 2021). The results of a fraud survey conducted by the Association of Certified Fraud Examiners (ACFE) Indonesian Chapter (2025) state that corruption is the type of fraud that causes the greatest losses to Indonesia, with a percentage of 47.6%, followed by asset misappropriation (40.2%) and financial reporting fraud (12.2%). Meanwhile, in the previous survey in 2019, corruption accounted for 69.9%, asset misappropriation for 20.9%, and financial reporting fraud for 9.2%. There has been a significant increase in financial reporting fraud. This shows that financial reports are vulnerable to manipulation. The losses caused by financial statement fraud are usually very large, with 23.7% of cases experiencing losses of Rp 1 billion to Rp 50 billion or more.

Corporate governance has a vital role in mitigating profit manipulation, with the audit committee acting as the main bastion of oversight. The audit committee is formed by the board of commissioners and is responsible for carrying out the duties and functions of the board of commissioners. In addition, as part of the internal oversight mechanism, the audit committee is tasked with monitoring the financial reporting process and ensuring its integrity. The expertise of audit committee members, which includes knowledge of accounting, auditing, and regulations, is considered a key predictor of prevention effectiveness. OJK Regulation No. 55/POJK.04/2015 requires public companies to have an audit committee with a minimum of three members from among independent commissioners and parties from outside the issuer/public company, including one financial expert, which is highly recommended. However, implementation varies, namely in terms of the level of activity of the audit committee, the financial

expertise background of the audit committee, and the term of office of the audit committee. The audit committee is expected to be able to detect errors in the recording of financial statements.

Research by Nurliasari dan Achmad (2020) states that the number of audit committee meetings has an effect on preventing fraud in financial reporting. Meanwhile, Ali (2024) in his research states that the number of meetings does not always prevent profit manipulation. This in line with the research by Melita et al., (2024) which states that the frequency of meetings has no effect on preventing manipulation in financial statements. Huang & Purwaningsih (2025) in their research show that the financial or accounting expertise possessed by the audit committee can identify and prevent profit manipulation. These findings are in line with research by Novia & Barlia, (2023), which shows that the more expert the audit committee is in finance, the less likely profit manipulation is to occur. Research conducted by Thaher et al (2022) shows that supervision by the board of commissioners in Indonesian companies is positively correlated with the prevention of profit manipulation, but does not specifically discuss post-pandemic pressures. Sakti et al (2024) conducted tests on 13 companies in the health sector and found indications that companies had manipulated profits consecutively from 2018 to 2022, or during the coronavirus pandemic, and even after the pandemic, many companies were still found to be manipulating profits. Other studies state that the age of the audit committee has a negative effect on earnings management, while the gender of the audit committee, the activity of the audit committee, the financial expertise of the audit committee, and the term of office of the audit committee have no effect on earnings management (Reynaldi et al., 2024). Finding from (Cahyathi et al., 2024) indicate that the length of time the audit committee oversees the management does not affect the earnings management practices implemented by the management.

Research is focused on Indonesian basic materials companies listed on the Indonesia Stock Exchange (IDX) during the 2022-2024 period. This period was chosen because post-pandemic economic pressures remain strong but have begun to stabilize, combining the use of the Beneish M-Score method, a financial ratio-based detection tool. The research will conduct an analysis of how audit committees deal with economic pressures in preventing earnings manipulation.

1.2. Problem Formulation

The integrity of financial reporting represents a manifestation of management's moral accountability to stakeholders. However, within the basic materials sector during the 2022-2024 period, economics pressures stemming from fluctuations in global commodity prices have created incentives for management to engage in earnings manipulation. This practice is detected using the Beneish M-Score, threatens information transparency and undermine public trust in the capital market.

The central issue of this study lies in the effectiveness of the audit committee as the frntline mechanism of internal oversight. Therefore, by integrating control variables to maintain the objectivity of the results, this study was designed to test whether the supervisory function has operated sustantively in maintaining the honesty of information, or has merely beccome an administrative formality.

1.3. Research Questions

1. Does the audit committee diligence contribute to the prevention of earnings manipulation in basic materials companies listed on the IDX?

2. Does the audit committee financial expertise contribute to the prevention of earnings manipulation in basic materials companies listed on the IDX?
3. Does the audit committee's tenure contribute to the prevention of earnings manipulation in basic materials companies listed on the IDX?

1.4. Research Objectives

Here's the objectives of the research:

1. To examine and analyze the contribution of audit committee diligence on earnings manipulation prevention.
2. To examine and analyze the contribution of audit committee financial expertise on earnings manipulation prevention.
3. To examine and analyze the contribution of audit committee tenure on earnings manipulation prevention.

1.5. Research Contribution

This study aims not only to contribute to the knowledge base, but also to provide tangible benefits and pratical solutions for various stakeholders in the Indonesian capital market.

1.5.1. Research Contribution Theorettically

This research is expected to enrich the field of accounting, specifically in auditing and corporate governance.

1. Strengthening Agency Theory through the dimension of quality. This study is reinforced by agency theory, which states that fraud prevention is most effectively achieved through superior supervisory resource capabilities, rather than simply through quantity or composition.
2. This research enriches the literature on the effectiveness of the Beneish M-Score as a tool for the early detection of earnings

manipulation. By linking this model to audit committee characteristics, it offers a new perspective.

3. This research establishes a framework for distinguishing between an audit committee's mere existence and its actual impact on financial quality. This serves as a foundation for future studies to evaluate governance quality not just by quantity but by functional capability.

1.5.2. Research Contribution Practically

1. For the OJK regulator, the results of this study can be used as a basis for evaluating GCG regulations, particularly those related to minimum criteria for audit committee expertise. The OJK can tighten the qualifications for prospective audit committee members to collectively improve market integrity.
2. For basic materials companies, this study provides important insights for commissioners and shareholders regarding priorities in improving supervision. Companies are advised to prioritize recruiting individuals with real audit/accounting certifications and experience to prevent the risk of manipulation in financial reporting.
3. For investors, the results of this study can be used as an additional non-financial analysis tool. Auditors can use the existence of an expert audit committee as a signal of high-quality good governance that can reduce the risk of long-term investment in data manipulation.