

ABSTRACT

This study aims to analyze the function of audit committees, including the appointment of public accounting firms (KAP), in overseeing earnings management practices in non-financial companies listed on the Indonesia Stock Exchange in 2022-2023. The control variables used in this study include company size, profitability, leverage, free cash flow, and cash flow from operations. This study utilizes agency theory to generate testable hypotheses, and these hypotheses provide empirical findings.

The population of this study comprised all companies in Indonesia, except the financial sector, that included the research variables used in this study and were listed on the Indonesia Stock Exchange in 2022-2023. A sample of 568 companies was obtained using a purposive sampling technique. The data were analyzed using the Structural Equation Model (SEM) approach with the Partial Least Squares (PLS) method in SmartPLS 4.1.1.4 software.

The results of this study indicate that the effectiveness of the audit committee has a significant positive effect on earnings management, while audit firm quality has no significant effect. This finding suggests that although audit committees are theoretically expected to strengthen oversight, in practice their effectiveness tends to be suboptimal and does not succeed in curbing earnings management. Similarly, audit firm quality has not been proven effective in constraining earnings management. The implication of this study is the need to enhance the supervisory role of audit committees and to appoint truly high-quality audit firms in order to improve financial reporting transparency and credibility..

Keywords: *Audit Committee Effectiveness, Audit Firm Quality, Earnings Management*

