

## **ABSTRACT**

*Earnings management is defined as a non-ethical act because it provides misleading information to users of financial statements. Sharia banks should apply the value of honesty and ethics in disclosing corporate entity reports and putting the interests of all stakeholders. However, sharia banks were found to be conducting profit management irregularities using accrual discretion of Loss Loan Provision (LLP). A corporate governance mechanism consisting of independent parties is a solution in minimizing profit management practices. This study aims to analyze the effect of the characteristics of corporate governance structures from independent parties on the practice of deviations in earnings management of Sharia Commercial Banks (SCB) in Indonesia.*

*This research type of panel data is estimated using a fixed-effect model with a Seemingly Unrelated Regression (SUR) method. The data used is secondary data from 12 BUS in Indonesia with an annual observation period from 2014 to 2020. The dependent variable is earnings management that is a proxy through the absolute discretionary level of LLP, while independent variables consist of Sharia Supervisory Board (SSB) size, SSB competency, SSB dual-position, and independent commissioner. The moderating variable, the audit committee used to measure the interaction between the audit committee and the independent commissioner. The study used variable controls consisting of firms' size and earnings before tax rates.*

*The results of the study can be concluded that the competence of SSB, interaction of audit committee with an independent commissioner, EBT had a negative and significant effect on the discretionary level of LLP, while the dual position of SSB and firm size showed a positive and significant influence on the discretionary level of LLP. SSB size variables and independent commissioners had no significant effect on discretionary LLP. This research variable proved that DPS, independent commissioners, and audit committees are independent parties that can influence simultaneously in reducing the discretionary level of LLP sharia commercial banks in Indonesia.*

*Keywords: Earnings management, SSB, independent commissioner, audit committee, SUR.*