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The Impact of Board Gender Diversity and Audit Committee Meetings on Earnings Management: The Moderating Role of External Audit Quality

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ABSTRACT

Purpose: This study examines the impact of board gender diversity and audit committee meetings on earnings management, and tests the moderating role of external audit quality.
Research Method: Utilizing a causal-explanatory design and panel data regression, 606 observations were extracted from manufacturing companies listed on the Indonesia Stock Exchange (2021–2025) selected via purposive sampling.
Results and Discussion: Empirically, board gender diversity and audit committee meetings positively affect earnings management, indicating tokenism and ceremonial compliance. However, Big Four external auditors significantly moderate this relationship by weakening these dysfunctional internal mechanisms, acting as an effective last line of defense.
Implications: Regulators must shift from enforcing structural demographic quotas to empowering substantive oversight. Investors should prioritize firms audited by reputable auditors. Future research is encouraged to expand across diverse sectors using multidimensional metrics.
Originality: This study uniquely integrates Resource Dependence Theory and Agency Theory, demonstrating that internal governance in emerging markets cannot operate in isolation and strictly requires synergy with high-quality external audits.

Keywords: earnings management; board gender diversity; audit committee meeting; audit quality; Big Four.

1. Introduction

Earnings management is a crucial issue in corporate governance that continues to be a major focus of attention for both academics and accounting practitioners. Opportunistic earnings management practices can distort the integrity of financial statements, undermine investor confidence, and mislead stakeholders in their economic decision-making (Maharti *et al.,* 2022). This phenomenon was underscored by the collapse of several global corporations, such as Enron, WorldCom, and Toshiba, which demonstrated that weaknesses in internal control systems significantly contributed to widespread earnings manipulation (Nurullah *et al.,* 2023). In Indonesia, the urgency of this oversight is reflected in the financial statement manipulation scandals at PT Garuda Indonesia and PT Hanson International, which revealed structural weaknesses in detecting manipulative behavior by management (Sari & Juliarsa, 2025). On the other hand, there is a view that earnings assessment is a key indicator of managerial effectiveness that is highly valued by shareholders (Mlawu *et al.,* 2025). Some researchers

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even argue that earnings management can be efficient if it enhances the informational value of earnings communicated to investors to ensure the company's future performance (Brahmono & Purwaningsih, 2022).

To mitigate harmful earnings management practices, internal governance mechanisms—particularly board gender diversity and audit committee activity through audit committee meetings—play a vital role. A gender-diverse board, through the representation of women, is considered capable of enhancing the efficiency of oversight over managerial policies (Nadhifah & Cahya, 2025). This gender diversity enables a more objective decision-making process through a broader spectrum of perspectives, in which directors oversee daily operations to ensure that performance aligns with stakeholder expectations (Marantika *et al.,* 2021). Theoretically, Resource Dependence Theory explains that gender diversity on the board expands a company's access to critical external resources, minimizes groupthink, and strengthens its adaptive capacity in the face of environmental uncertainty (Talbot *et al.,* 2023). Complementing the board's role is the frequency of audit committee meetings, which has been empirically shown to reflect the committee's diligence in limiting management's ability to manipulate financial statements—whether through discretionary accrual policies or the manipulation of actual business activities (Maesaroh & Putri, 2023). Nevertheless, the effectiveness of these internal functions does not stand alone but interacts with external mechanisms such as the quality of external audits. Based on Agency Theory, high-quality external auditors, such as the Big Four Public Accounting Firms (PAFs), act as effective independent monitoring agents in reducing information asymmetry between principals and agents (Mirosea *et al.,* 2023).

The state-of-the-art developments in prior research on the interaction between board gender diversity, audit committee meetings, and earnings management still reveal fragmented findings. Empirical studies in developed markets, such as Meca & Ballesta (2009) in Europe, found strong evidence that gender diversity on the board of commissioners significantly curbs earnings management practices. In line with this, Kouaib & Almulhim (2019) revealed that the presence of female directors is negatively correlated with real and accrual earnings management. However, they also noted that the presence of non-European directors is positively correlated with such earnings management activities. Conversely, research in the context of emerging markets conducted by Mnif and Cherif (2021) reached a different conclusion, finding that board diversity is not always effective in curbing earnings management if other complementary governance mechanisms do not support it. This inconsistency has sparked a debate over whether female representation on the board and the frequency of audit committee meetings function purely as strict oversight tools or are influenced by the institutional characteristics of the environment in which the company operates.

In addition to inconsistencies in direct effects, the literature on the moderating role of external audit quality also leaves room for academic debate. Some studies confirm that external audit quality enhances the effectiveness of internal governance in curbing earnings management, while others fail to find evidence of a significant moderating effect. This theoretical and empirical gap arises because most previous studies have treated internal and external governance in isolation and have overlooked how a country's institutional environment can diversify the impact of such regulations. The Indonesian capital market has unique characteristics marked by a concentrated ownership structure and a developing legal enforcement system, which are fundamentally different from the capital market landscape in Europe or other developed countries. Therefore, there is an urgent need to re-examine the extent to which the quality of external audits can act as a contingency variable that moderates the effects of board gender diversity and audit committee meetings on earnings management practices.

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Based on this gap analysis, this study formulates research questions regarding how board gender diversity and audit committee meetings influence earnings management, and how external audit quality moderates these relationships among companies listed on the Indonesia Stock Exchange (IDX). Thus, the primary objective of this study is to test and analyze the interactions among these governance mechanisms empirically. The novelty of this study lies in the simultaneous integration of Resource Dependence Theory and Agency Theory to position the quality of external audits (Big Four vs. Non-Big Four accounting firms) as a moderating variable in highlighting the oversight functions of board gender diversity and audit committee meeting frequency within the specific institutional environment of Indonesia's emerging market. This study is expected to make a theoretical contribution by enriching the literature on financial accounting and corporate governance, while also providing practical recommendations for regulators (such as the Financial Services Authority) and practitioners in formulating more robust corporate governance standards.

To provide a systematic overview, this article is organized into five main sections. Following this introduction, Section Two will present a literature review, theoretical framework, and hypothesis development. Section Three will explain the research methods, including the operational definitions of variables, the population, the sample, and data analysis techniques. Section Four presents the results of the empirical analysis, statistical tests, and an in-depth discussion of the research findings. Finally, Section Five summarizes the study's conclusions, its limitations, and suggestions for future research.

2. Literature Review and Hypothesis Development

2.1 Literature Review

2.1.1 *Agency Theory*

The Agency Theory developed by Jensen & Meckling (1976) serves as a fundamental foundation for understanding the dynamics of earnings management practices. This theory assumes an inherent conflict of interest between the principal (shareholders) and the agent (management) that arises from the separation of ownership and control functions within a corporation. Management, as the party responsible for the company's day-to-day operations, possesses superior asymmetric access to information compared to shareholders. This situation creates incentives and opportunities for managers to exercise discretion in financial reporting—such as through earnings management—to maximize their personal utility. In the context of this study, internal governance mechanisms—proxied by board gender diversity (BGD) and the intensity of audit committee activity as measured by audit committee meetings (ACM)—serve as internal monitoring instruments to reduce agency costs. Meanwhile, external audits serve as an independent external control mechanism that reinforces the credibility and validity of such reporting (Suri *et al.,* 2023).

2.1.2 *Resource Dependence Theory*

As a functional complement to agency theory, Resource Dependence Theory (Pfeffer & Salancik, 1978) positions the board of directors and the board of commissioners as essential strategic instruments in managing a company's dependence on its external environment. This theory posits that a heterogeneous (diverse) board composition provides the corporation with broader access to critical capabilities, knowledge, and strategic networks. In the context of board gender diversity, gender representation and diversity on the board are believed to broaden the spectrum of perspectives,

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leadership styles, and the board's ethical sensitivity. This comprehensive perspective significantly enhances the board's collective capacity to critically evaluate managerial policies, mitigate groupthink, and detect anomalies in financial reporting (Anggraini *et al.,* 2021).

2.1.3 *Earnings Management*

Earnings management is defined as deliberate intervention by management in the process of preparing external financial reports to achieve specific personal gains or to mislead the market's perception of the company's actual performance. (Healy & Wahlen, 1999) assert that this practice involves the use of managerial judgment in structuring transactions to mislead stakeholders regarding the company's fundamental economic performance or to influence contractual outcomes that depend on reported accounting figures. Empirically, the contemporary corporate governance literature (Kouaib & Almulhim, 2019) classifies these manipulation practices as being executed through two main channels: discretionary accruals (exploiting loopholes in estimation flexibility and methods permitted by accounting standards) and real activities manipulation (altering the timing or volume of a company's actual operational, investment, or financing activities).

2.1.4 *Board Gender Diversity*

Board gender diversity represents the level of heterogeneity in board characteristics based on gender, specifically regarding the proportion of female directors or commissioners within a company's board structure. Previous literature highlights that gender diversity has been shown to contribute positively to improving the quality of corporate governance and the effectiveness of oversight (Anggraini *et al.,* 2021). The presence of women in the boardroom brings a stronger ethical orientation and a more cautious level of risk aversion compared to all-male boards. These psychological and professional characteristics have been empirically proven to improve the transparency of financial reporting and curb managers' tendency to engage in aggressive earnings manipulation.

2.1.5 *Audit Committee Meeting*

Audit committee meetings serve as a crucial proxy reflecting the audit committee's level of activity, commitment, and diligence in carrying out its oversight functions regarding financial reporting and internal control systems. Although its independence and financial competence theoretically influence the effectiveness of an audit committee, the frequency of annual meetings serves as a key indicator of how proactive this body is in detecting financial irregularities. Previous research, such as that by Latifah & Marsono (2022), confirms that a high frequency of audit committee meetings allows for stricter monitoring of managerial accounting policies, thereby making the committee significantly more capable of identifying material misstatements and limiting manipulation through opportunistic accruals.

2.1.6 *Quality of External Audits*

External audit quality refers to the probability or ability of an independent auditor to detect and report violations or manipulations within a client's accounting system. In this study, the quality of external audits is proxied by a Public Accounting Firm's (PAF) affiliation with the Big Four network (Deloitte, PwC, EY, KPMG). Big Four PAFs are believed to have more rigorous audit methodologies, stronger independence, and greater investment in human resources to maintain their global reputation. High audit quality serves as the last line of defense that limits the scope for managerial opportunism, while

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also having the potential to amplify and synergize with a company's internal governance mechanisms in mitigating earnings management (Suri *et al.,* 2023).

2.2 Hypothesis Development

2.2.1 *The Effect of Board Gender Diversity on Earnings Management*

Empirical studies show that the representation of women on corporate boards has a significant impact on improving the quality of corporate oversight. Research by Khatri (2024) found that gender-diverse boards tend to be more proactive and independent in monitoring management policies. In line with Resource Dependence Theory, gender diversity brings a wider variety of expertise, experience, and ethical perspectives to board discussions. Khan *et al.,* (2022), in their study across 11 countries, as well as Zalata *et al.,* (2022), consistently demonstrated that the presence and proportion of female directors are strongly correlated with improved accrual quality and reduce the likelihood of financial statement manipulation. Based on these findings, boards with high levels of gender diversity are believed to possess greater analytical acuity and ethical sensitivity in preventing managerial opportunism.

H1: *Board gender diversity has a negative effect on earnings management.*

2.2.2 *The Effect of Audit Committee Meetings on Earnings Management*

As a governance body specifically mandated to safeguard the integrity of financial reporting, the audit committee's active involvement is crucial in addressing agency problems. A study by Effendi (2023) revealed that the intensity of audit committee oversight—as represented by a high frequency of audit committee meetings—successfully limits managers' ability to engage in discretionary accruals. These findings are supported by Astuti *et al.,* (2021) and Maesaroh & Putri (2023), who found that audit committee diligence—as reflected in meeting frequency in Indonesia—is directly correlated with improved earnings quality. Building on this body of literature, audit committees that proactively hold regular meetings are projected to have a more up-to-date understanding of reporting risks, thereby enabling them to detect potential fraud at an earlier stage.

H2: *Audit committee meetings have a negative effect on earnings management.*

2.2.3 *The Moderating Effect of External Audit Quality on the Relationship Between Board Gender Diversity and Earnings Management*

The effectiveness of oversight by a gender-diverse board is inextricably linked to its interaction with independent external auditors. High-quality auditors (such as the Big Four accounting firms) not only exert additional pressure on management to comply with accounting standards but also provide more reliable data and risk assessments to the board of commissioners. Research by Ni Made Sintia Utari (2022) and Hassan *et al.,* (2023) unequivocally concludes that the combination of strong corporate governance through board diversity and rigorous oversight by Big Four auditors creates comprehensive synergy, thereby closing loopholes that management might otherwise exploit to manipulate earnings. Based on these arguments and empirical evidence, it is hypothesized that the quality of external audits will amplify (strengthen) the oversight performance of boards with gender diversity.

H3: *The quality of external audits amplifies the negative effect of board gender diversity on earnings management.*

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2.2.4 The Moderating Effect of External Audit Quality on the Relationship Between Audit Committee Meetings and Earnings Management

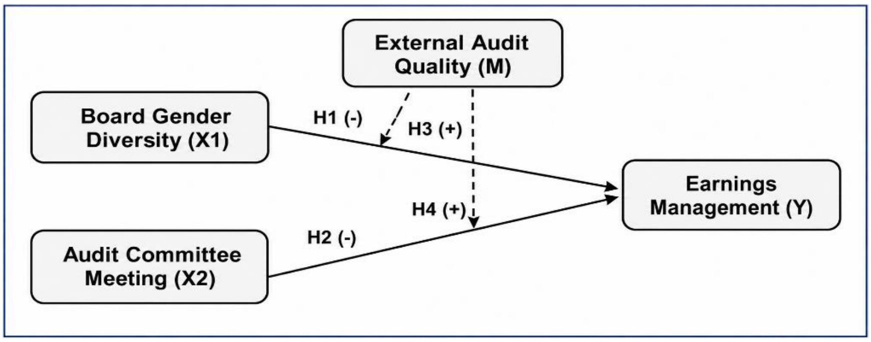
There is a close, complementary relationship between the audit committee, as the internal oversight body, and external auditors, as the independent oversight body. Big Four auditors, who apply strict auditing standards, often perform more effectively when working in synergy with an audit committee that proactively convenes meetings (Sari & Trilestari, 2023). Research by Abbott *et al.,* (2004) and Dhaliwal *et al.,* (2006) indicates that the effectiveness of audit committee activities in improving accrual quality is significantly greater in companies audited by Big Four accounting firms. This synergy arises because audit committees that meet frequently can respond promptly to external auditors' findings through precise corrective actions. Therefore, it is proposed that external audits act as the primary catalyst for the effectiveness of audit committee meeting frequency.

H4: *The quality of external audits amplifies the negative effect of audit committee meetings on earnings management.*

2.3 Research Conceptual Framework

Based on the literature review, the theoretical framework (Agency Theory and Resource Dependence Theory), and the hypotheses outlined above, this study models the direct relationship between internal governance oversight mechanisms (board gender diversity and audit committee meetings) and earnings management practices. This research model also includes external audit quality as a moderating variable, which is theoretically believed to amplify the negative effects of these two internal governance mechanisms on earnings management.

Figure 1. Research Conceptual Framework



Source: *Researchers (2026)*

⟶ Direct Effects (H1 & H2)
- - -> Moderation Effects (H3 & H4) that point directly to the center of the direct effect line.

3. Research Method

This study employs a quantitative approach with a causal explanatory design (Sekaran & Bougie, 2016) to conduct an econometric analysis of the effect of internal governance on earnings management, with external audit quality serving as a moderating variable. To focus the analysis on the sensitivity of oversight, the tests were specifically isolated to the variables Board Gender Diversity and Audit Committee Meetings to ensure the purity of the interaction effects (interaction terms) without bias from

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other control variables. The data analyzed consist of secondary data collected through documentation techniques from audited annual financial statements and corporate governance reports downloaded directly from the official website of the Indonesia Stock Exchange (IDX) as well as the websites of the respective sample companies.

The population in this study includes all manufacturing sector companies listed on the IDX during the 2021–2025 period. The manufacturing sector was deliberately chosen because it has a high level of complexity in accrual structures and inventory management, making it inherently more susceptible to profit manipulation than other sectors (Roychowdhury, 2006). Sampling was conducted using the purposive sampling technique (Sekaran & Bougie, 2016) by establishing the following five selection criteria:

- The company remained listed on the Indonesia Stock Exchange (IDX) throughout the 2021–2025 observation period.
  The company publishes a comprehensive annual report and corporate governance report.
- The company has complete data regarding the gender composition of its board and a record of the frequency of audit committee meetings.
- The company was not subject to delisting during the observation period.
- The company did not report a net loss for two consecutive years, in order to eliminate structural biases arising from earnings management incentives in companies experiencing financial distress (Kothari *et al.*, 2005).

Table 1. Variables and Measurements

Variable	Code	Indicators / Measurement	Primary References
Earnings Management (Y)	EM	Discretionary accruals are calculated using the Modified Jones Model (the difference between net income and operating cash flow, regressed against changes in revenue, accounts receivable, and fixed assets).	(Kouaib & Almulhim, 2019)
Board Gender Diversity (X1)	BGD	Dummy variable: Takes the value 1 if there is a female member on the board (director/supervisory board member), and 0 if the board consists entirely of men.	(Khan *et al.*, 2022; Khatri, 2024)
Audit Committee Meeting (X2)	ACM	The total number of audit committee meetings held during the one-year observation period.	(Maesaroh & Putri, 2023)
Quality of External Audits (M)	KAE	Dummy variable: Takes the value 1 if the company is audited by a Big Four accounting firm (Deloitte, PwC, EY, KPMG), and 0 if a non-Big Four accounting firm audits it.	(Suri *et al.*, 2023; Sari & Trilestari, 2023)

Source: *Various Previous Studies (2026)*

This study applies panel data regression techniques using Stata software, in line with panel econometrics theory (Wooldridge, 2020), to control for interfirm heterogeneity (unobserved heterogeneity), with the optimal model specification chosen from the Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM)—as determined through the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test (Gujarati & Porter, 2015). Before testing for interaction effects via Moderated Regression Analysis (MRA) based on statistical testing guidelines (Ghozali, 2018), data suitability was first validated through a series of classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation) to ensure compliance with the Best

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Linear Unbiased Estimator (BLUE) criteria, where all hypothesis tests are formulated into the following empirical equations:

$$EM = a\ \beta_1\ BGD + \beta_2\ ACM + \beta_3\ KAE\ \beta_4\ (BGD \times KAE) + \beta_5\ (ACM \times KAE) + e \qquad (1)$$

4. Results and Discussion

4.1 Analysis Results

The descriptive statistics (N = 606) show an average Earnings Management score of -0.625 (SD = 5.389), indicating dynamic variations in accrual adjustments among the companies in the sample. From the perspective of internal governance, the average Board Gender Diversity of 0.294 (29.4%) reflects the representation of women, which—theoretically (Resource Dependence Theory)—serves a strategic function in broadening the board's cognitive perspectives and minimizing decision-making bias. Furthermore, the average number of Audit Committee Meetings—6.833 times per year—demonstrates the committee's diligence in reducing information asymmetry, consistent with the tenets of Agency Theory. This internal oversight function is synergized with External Audit Quality (average 0.274), meaning that 27.4% of companies have engaged a Big Four accounting firm as the last line of defense to limit management's scope for opportunistic behavior.

Table 2. Descriptive Statistics

Variable	N	Mean	Std. Dev	Min	Max
Earnings Management	606	-0.625	5.389	-36.353	13.435
Board Gender Diversity	606	0.294	0.424	0.000	1.000
Audit Committee Meeting	606	6.833	10.155	0.000	80.000
Quality of External Audits	606	0.274	0.446	0.000	1.000

Source: *Stata output, processed data (2026)*

Table 3. Pearson Correlation Matrix

Variable	EM	BGD	ACM	KAE
Manajemen Laba (EM)	1.000			
Board Gender Diversity (BGD)	-0.035	1.000		
Audit Committee Meeting (ACM)	-0.013	-0.412*	1.000	
Quality of External Audits (KAE)	-0.052	-0.058	-0.005	1.000

Source: *Stata output, processed data (2026)*

The Pearson correlation matrix shows that all variables have a negative relationship with Earnings Management (EM), with coefficients of -0.035 (Board Gender Diversity/BGD), -0.013 (Audit Committee Meetings/ACM), and -0.052 (External Audit Quality/KA). This negative relationship is theoretically consistent with Resource Dependence Theory (Pfeffer & Salancik, 1978) and Agency Theory (Jensen & Meckling, 1976), in which female representation, committee activity, and the reputation of external auditors serve as monitoring mechanisms to reduce information asymmetry. Although the correlations with EM are relatively weak, the highest correlation coefficient among the independent variables was observed between BGD and ACM at -0.412. This figure is well below the 0.80 threshold, confirming that the regression model is free from multicollinearity issues.

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Table 4. Results of the Multicollinearity Test

Variable	VIF
Board Gender Diversity	1.21
Audit Committee Meeting	1.21
Quality of External Audits	1.00
Mean VIF	1.14

Source: *Stata output, processed data (2026)*

The multicollinearity test results show that the Variance Inflation Factor (VIF) for the Board Gender Diversity variable is 1.21, for Audit Committee Meetings it is 1.21, and for External Audit Quality it is 1.00, with a Mean VIF of 1.14. Based on the econometric theory of Gujarati and Porter (2015) and Ghozali's (2018) guidelines for statistical testing, a linear regression model is considered free from serious multicollinearity issues if the VIF values for each variable are below the threshold of 10. Thus, the results of this test prove that there is no intercorrelation or strong linear relationship among the oversight variables in the model; consequently, the classical assumptions are met, and all variables are deemed highly suitable for estimation in the subsequent regression analysis.

Table 5. Regression Results on the Effects of BGD and ACM on Earnings Management

Variable	Coefficient (β)	Std. Error	t-statistic	Sig.
Board Gender Diversity (BGD)	0.573	0.028	20.740	0.000***
Audit Committee Meeting (ACM)	0.003	0.0003	12.390	0.000***
Constant	-0.625	0.156	-4.010	0.000***
Model Validity (Model Fit)				
Number of Observations (N)	606			
R^2	0.494			
Adjusted R^2	0.493			
F-statistik	294.670			
Prob > F	0.000			
Description: *** significant in α = 1% (p < 0,01); ** significant in α = 5% (p < 0,05)				

Source: *Stata output, processed data (2026)*

The regression model was deemed to fit well (Prob > F = 0.000) with an Adjusted R^2 of 0.493. Partially, BGD had a positive and significant effect on EM ($\beta = 0.573$; $p < 0.01$), rejecting H1 and contradicting Resource Dependence Theory (Pfeffer & Salancik, 1978). This anomaly indicates tokenism in Indonesia, where women's representation is limited to fulfilling regulatory formalities without substantive voice. Furthermore, ACM also has a positive and significant effect on EM ($\beta = 0.003$; $p < 0.01$), rejecting H2 and contradicting Agency Theory (Jensen & Meckling, 1976). These results suggest that the frequency of audit committee meetings tends to be reactive or merely a form of ceremonial compliance, which is ineffective in monitoring and reducing managerial opportunism.

The moderation regression model showed an excellent fit (Prob > F = 0.000), with an increase in the Adjusted R^2 to 0.563. The interaction test results showed that External Audit Quality (EAQ) significantly moderates the positive effect of BGD ($\beta = -0.005$; $p < 0.01$) and mitigates the negative effect of ACM dysfunction ($\beta = -0.051$; $p < 0.05$) on EM. Theoretically, these findings are consistent with Agency Theory (Jensen & Meckling, 1976), in which Big Four accounting firms have been shown to act effectively as the last line of defense. The presence of high-quality independent auditors enhances

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oversight and compensates for weaknesses in a company's internal governance, thereby significantly reducing the scope for earnings management opportunism.

Table 6. Results of the Moderation Test of Audit Quality on Earnings Management

Variable	Coefficient (β)	Std. Error	t-statistic	Sig.
Board Gender Diversity (BGD)	0.521	0.028	18.610	0.000***
Audit Committee Meeting (ACM)	0.003	0.0003	12.180	0.000***
Quality of External Audits (KAE)	0.113	0.018	6.250	0.000***
BGD × KAE	-0.005	0.001	-6.100	0.000***
ACM × KAE	-0.051	0.025	-2.030	0.043**
Constant	-0.613	0.155	-3.950	0.000***
Model Validity (Model Fit)				
Number of Observations (N)	606			
R^2	0.567			
Adjusted R^2	0.563			
F-statistic	157.120			
Prob > F	0.000			
Description: *** significant in α = 1% ($p < 0.01$); ** significant in α = 5% ($p < 0.05$)				

Source: *Stata output, processed data (2026)*

4.2 Discussion

4.2.1 *The Effect of Board Gender Diversity on Earnings Management*

Based on the regression results in Table 5, the Board Gender Diversity (BGD) variable shows a positive coefficient of 0.573 with a significance level of 0.000. This empirical finding rejects Hypothesis 1, which originally expected that gender diversity would reduce the probability of earnings management. Essentially, these results reveal that the higher the proportion of women on the board, the higher the level of earnings management observed in the sample firms. Previous descriptive statistics showed that the average representation of women was 29.4%. However, this high level of representation apparently failed to translate into effective oversight to reduce management's discretion in financial reporting. Theoretically, this finding directly contradicts Resource Dependence Theory (Pfeffer & Salancik, 1978), which assumes that gender diversity broadens perspectives and enhances supervisory independence. This anomaly provides strong evidence of tokenism within the institutional environment of the Indonesian capital market. The appointment of women to boards of commissioners or directors is likely limited to fulfilling regulatory formalities (structural quotas) for the sake of social legitimacy, without granting substantive authority (voice) to critique and prevent managerial opportunism. These results contrast with the findings of Meca & Ballesta (2009) and Khan *et al.,* (2022) in developed countries, but align with the study by Mnif and Cherif (2021) on emerging markets, where board diversity has proven unable to stand alone as a governance instrument without being supported by other solid governance systems.

4.2.2 *The Effect of Audit Committee Meetings on Earnings Management*

The test of the Audit Committee Meeting (ACM) variable in Table 5 shows a positive coefficient of 0.003 with a significance level of 0.000. This result convincingly rejects Hypothesis 2. In fact, the data reveal

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that the frequency of audit committee meetings (which occur on average 6.833 times per year) is directly proportional to an increase in earnings management practices. Rather than serving as a preventive measure, this positive correlation suggests that the frequency of meetings held by audit committees at manufacturing firms in Indonesia is more reactive in nature. When firms face fundamental risks that trigger high levels of accrual manipulation by management, audit committees respond by holding more emergency meetings to address the resulting reporting chaos. This anomalous finding contradicts Agency Theory (Jensen & Meckling, 1976), which positions audit committee meetings as a reflection of diligence aimed at reducing information asymmetry. This empirical evidence confirms that a high frequency of meetings often amounts to nothing more than ceremonial compliance with Financial Services Authority (OJK) regulations, without any substantive oversight. These results contradict the findings of Astuti *et al.,* (2021) and Maesaroh & Putri (2023), who believe in the effectiveness of audit committees, while affirming that without adequate fraud detection capabilities, audit committees fail to close the loophole of flexibility in accounting standards (discretionary accruals) exploited by agents.

4.2.3 *The Moderating Role of External Audit Quality on the Relationship Between BGD and Earnings Management*

In response to internal control dysfunction, the results of the Moderated Regression Analysis (MRA) in Table 6 reveal an interaction coefficient (BGD × KA) of -0.005, which is significant at $p < 0.01$. This value definitively confirms the acceptance of Hypothesis 3. This finding demonstrates that the External Audit Quality (KA) intervention—represented by the Big Four Public Accounting Firms (KAP)—can effectively weaken or mitigate the positive (dysfunctional) impact of Board Gender Diversity on Earnings Management. The presence of these globally affiliated auditors compensates for the weakness of women's voices on the board by providing rigorous review methodology and independent, impartial reporting risk assessments. Conceptually, this phenomenon reinforces the validity of Agency Theory in explaining the dynamics of external control. The presence of Big Four accounting firms has proven capable of assuming the role of the last line of defense, plugging the gaps created by structural tokenism on the board of directors. These research findings fully support the arguments of Ni Made Sintia Utari (2022) and Hassan *et al.,* (2023), who assert that high-quality auditors exert asymmetric pressure on managers. Independent auditors compel management to comply with generally accepted accounting principles, thereby drastically reducing the probability that executives will engage in profit manipulation that harms shareholders, regardless of internal demographic diversity.

4.2.4 *The Moderating Role of External Audit Quality on the Relationship Between ACM and Earnings Management*

Consistent with the previous interaction, Table 6 shows that testing the moderating effect for the interaction (ACM × KA) yielded a coefficient of -0.051 with a significance level of 0.043. These results empirically support Hypothesis 4. In narrative terms, the data indicate that the quality of external audits modifies the direction of the relationship regarding audit committee activities, shifting from an initially ineffective (positive) relationship to oversight that can sharply curb earnings management. In other words, among manufacturing firms audited by Big Four accounting firms, the frequency of audit committee meetings has become a substantive forum for implementing corrective actions and preventing the spread of manipulative reporting practices.

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This strategic finding elegantly weaves a complementary thread within Agency Theory between internal and external oversight mechanisms. Synergy arises because Big Four-caliber external auditors provide accurate, measurable, and material audit findings to the audit committee for discussion during their meetings. These findings reinforce the classic literature by Abbott *et al.,* (2004) and Dhaliwal *et al.,* (2006), which concluded that the effectiveness of audit committees is amplified (multiplier effect) when highly reputable audit firms supervise them. Thus, this study comprehensively demonstrates that the quality of external audits is an indispensable catalyst that transforms audit committees from bodies that merely go through the motions into oversight bodies with strong resilience in safeguarding the integrity of corporate reporting.

5. Concluding Remarks and Recommendation

This study is motivated by the urgent need to mitigate earnings management practices and the inconsistencies in the literature regarding the effectiveness of internal governance. Based on this gap, this study aims to examine the impact of board gender diversity and audit committee meetings on earnings management, as well as to investigate the moderating role of external audit quality. Using a causal explanatory approach with panel data regression analysis, this study analyzed 606 observations from manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2025. Empirical test results demonstrate that board gender diversity and audit committee meetings, when considered separately, actually have a positive and significant impact on the probability of earnings management. Nevertheless, in addressing the research question regarding external interventions, the quality of external audits (Big Four accounting firms) was found to significantly moderate this relationship by weakening and correcting the dysfunctional effects of these two internal governance mechanisms on earnings management.

The novelty (originality) of this study lies in the simultaneous integration of Resource Dependence Theory and Agency Theory to confirm that internal governance mechanisms cannot operate in isolation within the institutional environment of emerging markets. Theoretically, this study demonstrates that achieving gender diversity on the board and the frequency of audit committee meetings are highly susceptible to tokenism and ceremonial compliance if not synergized with independent external oversight. Practically, these findings provide essential insights for shareholders that the presence of a reputable external auditor is necessary to safeguard the integrity of corporate financial statements. From a policy implications perspective, this study recommends that regulators evaluate the standardization of corporate governance to shift from merely meeting structural quantitative quotas (regulatory compliance) toward strengthening more substantive oversight authority and functions.

A major limitation of this study is that the scope of observation is exclusively limited to companies in the manufacturing sector; consequently, the analysis results are subject to generalizability limitations when applied to other industrial sectors with different business complexities. Furthermore, the measurement of oversight instruments still relies on basic proxies, namely binary dummy variables for gender diversity and audit quality, as well as an absolute frequency proxy for audit committee meetings. Therefore, future research is strongly encouraged to expand the scope of observation across industrial sectors to produce comparative analyses. It is also recommended that future researchers explore more comprehensive multidimensional metrics, such as the educational qualifications of female

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directors, the tenure of audit committee members, and the level of industry specialization of public accounting firms, to map governance dynamics more deeply and holistically.

Statement of Use of Generative AI

During the preparation of this work, the author used generative artificial intelligence tools to support the scientific writing process. Grammarly was used to check grammar, refine writing style, and improve clarity in scientific writing. All interpretations, analyses, and conclusions presented in this study are the sole responsibility of the author.

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