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THE EFFECT OF CORPORATE GOVERNANCE MECHANISM, OWNERSHIP STRUCTURE, AND EXTERNAL AUDITOR TOWARD CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE WITH EARNING MANAGEMENT AS MODERATING VARIABLE

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ABSTRACT
The purpose of this study is to examine the moderating effect of earning management on corporate governance mechanism, ownership structure, and external auditor toward corporate social responsibility disclosure. This study finds that the increase of ownership structure (foreign ownership and institutional ownership) will increase corporate social responsibility disclosure. However corporate governance mechanism and external auditor is not affecting corporate social responsibility disclosure. Furthermore, this study provides additional empirical evidence for agency theory especially agency cost, that corporate governance mechanism, ownership structure, and Big Four audit firm do not have an effective role as agency cost to prevent or decrease earning management practice.

KEY WORDS
Corporate governance mechanism, ownership structure, external auditor, corporate social responsibility disclosure, earning management.

Corporate social responsibility (CSR) is a concept that gaining more attention from businesses, government and society. The Government of Indonesia also encourages the corporate social responsibility disclosures with the Law of Republic of Indonesia No. 40 of 2007 regarding Limited Liability Company and Government Regulation No. 47 of 2012 regarding Corporate Social Responsibility.

Currently, the company's CSR disclosure in Indonesia is regulated by the 4th Generation of Sustainability Reporting Guideline (G4). G4 Reporting Guideline is the result of a collaboration between the Global Reporting Initiative (GRI) and the National Center for Sustainability Reporting (NCSR), which is a CSR reporting guideline for the Southeast Asian region. However, this guideline has not been used by all companies in Indonesia. The uniformity of this guideline's usage is resulted in low report comparability. This low comparability will make it difficult for shareholders to assess the quality of company's sustainability reports that can influence their investment decisions.

The uniformity of this guideline's usage can be exploited by managers for opportunistic operations. Suyono et al. (2014) stated that CSR disclosure is used by managers for their personal interests. CSR disclosure supposed to be beneficial for the company, environmental sustainability, as well as the stakeholders. But if CSR disclosure is related with earnings management, the CSR disclosure' information will not be relevant for the shareholders.

In order to align shareholder and management interests, the companies use monitoring mechanisms such as corporate governance. Corporate governance can be divided into two aspects, which are ownership structure and corporate governance mechanism (Hadiprajitno, 2011). The ownership structure can be used to reduce agency conflict as it can improve the company's monitoring process. Corporate governance mechanisms are policies, guidelines, and control systems for managing organizations and reducing inefficiencies. In this study, the ownership structure variable is measured by institutional ownership and foreign ownership. Corporate governance mechanism variable is measured by the numbers of audit committee members, boards of directors' members, and independent board of commissioners members.

Another factor that can influence CSR disclosure is company's external auditors. Barakat et al (2015) found that external auditor has an impact on the quantity and the quality of financial and non financial data. Big Four audit firms need more disclosures because they follow internal procedures and monitoring aspect of international audit standards.

The separation between company ownership by shareholders and controlling by managements can cause an agency problem. Agency problem can induce financial report manipulation and earning management practice. Gras-gil et al (2016) found that company which is more commited to CSR is rarely involved with earning management. However it is in contrary with Muttakin, et al (2015) which found that managers try to cover their opportunistic behavior by enhancing their CSR disclosure. This happened to Enron, which was actively involved in CSR activities but they got exposed with the biggest USA's earning manipulation scandal in 2000.

Along with the fact that there was an increase of CSR disclosure in Indonesia, Enomoto et al (2015) and Cai et al (2008) stated that Indonesia is on a high level of earning management. Suyono et al (2014) found that earning management does not mediate corporate governance mechanism effects towards CSR disclosures. Mediating variable has a role to form a process and help to conceptualize and explain the effect of independent variable towards dependent variable (Sekaran and Bougie, 2013:75). However, mediating variable has a reverse role with earning management role in this research because earning management can change the relationship between corporate governance mechanism and CSR disclosures. Therefore, earning management is more suitable as a moderating variable, which is a variable that has a strong contingency effect towards the relationship of independent and dependent variable (Sekaran and Bougie, 2013:71).

LITERATURE REVIEW

Corporate Governance Mechanism. Corporate governance is a procedure used for monitoring managers' behaviour. National Comittee of Governance Policy (KNKG, 2006) defined corporate governance as a process and structure that are used by a company to give an additional value for the company in a long term for shareholders, with regard to another stakeholders interest, according to the applied laws and norms.

Ownership Structure. Ownership structure reflects the power and authority distribution between the shareholder for company operational activities (Manengkey, 2011). There are some types of shares ownership in a company, such as institutional ownership and foreign ownership. Institutional ownership is a share ownership owned by institutions, such as insurance company, bank, investation company, and other institutions. According to the Laws of Republic Indonesia No. 25 of 2007, foreign ownership is a foreign individual, foreign company, and foreign government that invest their capital in Indonesia territory.

External Auditor. External auditor is an audit profession that examines company, government, individual, or any organization' financial reports. External auditor is a member of audit firms that give services to the client. According to Barakat et al (2015), audit firm is a formal external monitoring mechanism to provide an institutional legitimation.

Earning Management. According to Scott (2015:445), earning management is a manager's choice for accounting regulation or real action that affect earnings in order to gain a certain earning reporting purpose. Earning management can be seen from two perspectives, which are financial report perspective and contract perspective. Based on financial report perspective, manager uses earning management to avoid loss on the financial report and to fulfill earning estimation from the analyst therefore they can avoid reputation damage and negative reaction from capital market. In other side, based on contract perspective, earning management can be used to protect company from unexpected events when the contract is rigid and incomplete.

Corporate Social Responsibility Disclosure. Corporate social responsibility is a business practice that involved in company initiative to give some benefit for society. According to World Business Council for Sustainable Development (WBCSD, 2000), corporate social responsibility is a sustain business commitment to behave ethically and contribute to economy development along with employees' life quality enhancement, local community, and society

CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This study combines some constructs to understand the effect of corporate governance mechanism, ownership structure, and external auditors toward corporate social responsibility disclosure with earning management as moderating variable. The constructs used in this research are corporate governance mechanism, ownership structure, external auditor, earning management, and corporate social responsibility disclosure.

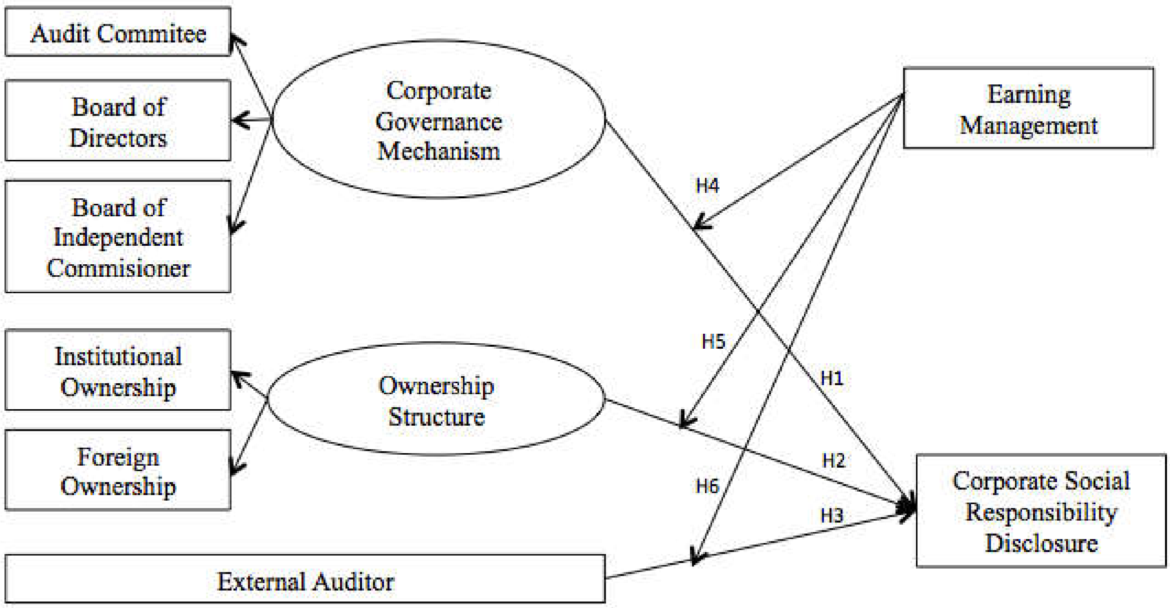

Figure 1. Research Model

The Effect of Corporate Governance Mechanism towards Corporate Social Responsibility Disclosure. Corporate governance mechanism in this study is measured with 3 variables, which are audit commitee, board of director, and board of independent commisioner. Tashakor (2014) found a positive effect of audit commitee size towards CSR disclosure. Therefore, the increase of audit commitee member make better monitoring process and broader corporate social responsibility disclosure. Akhtaruddin, et al (2009) stated that board of director's size positively affects level of voluntary disclosure. According to Pasaribu etc (2015), board of independent commisioner positively affects CSR disclosure. Based on that explaination, the first hypothesis is:

H1: Corporate governance mechanism has a positive influence towards corporate social responsibility disclosure.

The Effect of Ownership Structure towards Corporate Social Responsibility Disclosure. Ownership structure is measured with institutional ownership and foreign ownership. Chakroun and Matoussi (2012) stated that a company with bigger insitutional ownership is more capable to do the monitoring for management's performance. The other type of ownership that affecting CSR disclosure is foreign ownership. Khan et al. (2013) stated that foreign investor has a different value and knowledge because of their foreign market's influence. Therefore, a company with foreign ownership will disclose more information. Based on that explaination, the second hypothesis is:

H2: Ownership structure has a positive influence towards corporate social responsibility disclosure.

The Effect of External Auditor towards Corporate Social Responsibility Disclosure. Audit firm provides accounting guarantee for the shareholders and therefore the chosen audit firm will affect the quantity and quality of financial and non-financial data. External auditors' function is to provide the guarantee for the shareholder about companys' accounting matters so there is a bigger possibilites that a company applying CSR criteria is being monitored by international audit firms. (Barakat et al.: 2015). Uwuigbe and Egbide (2012) found a positive influence of international audit firms toward CSR disclosure. Based on that explaination, the third hypothesis is:

H3: External auditor has a positive influence towards corporate social responsibility disclosure.

Earning Management Moderated The Effect of Corporate Governance Mechanism toward Corporate Social Responsibility Disclosure. Earning management practice is conducted by the management in a way to manipulate company's financial report as an entrenchment toward the active monitoring activity by shareholders that can affect manager position and potentially damage company's reputation (Prior et al.: 2008). Therefore, the management has an initiative to compansate shareholders using CSR disclosure. Based on agency theory, manager has an opportunistic behaviour so they will use CSR activities to cover earning management practice. A weak corporate governance mechanism will increase earning management practice and CSR disclosure to cover the earning management practice. Based on that explaination, the forth hypothesis is:

H4: Earning management weaken the effect of corporate governance mechanism towards corporate social responsibility disclosure.

Earning Management Moderated The Effect of Ownership Structure toward Corporate Social Responsibility. Earning management practice is a consequence from agency relationship. Agency theory concept by Jensen and Meckling (1976) about the relationship between principal and agent explained that in the moment when principal or shareholdes appointed an agent or manager, then the agency relationship arises. Ownership structure is one of the important factors that determine monitoring level and disclosure level of a company. A low ownership structure will increase earning management practice and increased CSR disclosure to cover the earning management practice. Based on that explaination, the fifth hypothesis is:

H5: Earning management weaken the effect of ownership structure towards corporate social responsibility disclosure.

Earning Management Moderated The Effect of External Auditor toward Corporate Social Responsibility Disclosure. Financial reporting is considered by stakeholders as a reflection of the company's performance. However, an agency problem that happens because of interest conflict between shareholders and manager can motivate a misrepresentation of a company's performance. Kim et al. (2003) stated that Big Four audit firms have effective monitoring role for managers that have an insentif to manipulate earning. Kouaib and Jarboui (2014) along with Ismail et al. (2015) found a negative influence of *Big Four* audit firms toward earning management. The type of external auditor that audits a company can affect the earning management practice. Manager can increase CSR social responsibility disclosure in order to cover earning management. Based on that explanation, the sixth hypothesis is:

H6: Earning management weakens the effect of external auditor towards corporate social responsibility disclosure.

METHODS OF RESEARCH

Population and Sample. Population in this research was non-financial companies listed in Bursa Efek Indonesia (BEI) on 2013-2016. 2013 was chosen as the first research year because the measure of CSR disclosure in this research was in accordance with GRI G4 standards that started to apply in 2013. Non-financial companies was chosen as the research population because this sector had more influence to the environmemnt as the consequence of company' activites. Financial company was not involved in the sample because financial company had different assets' characteristics (Eng and Mak, Y., 2003; Qiu et al., 2016; Cabeza-Garcia et al., 2017). Sampling technique used in this research was judgement sampling. Based on pre-determined sampling criteria, table 4.1 was presented below.

Table 1 – Judgement Sampling Result

Criteria	2013	2014	2015	2016	Total
Non-financial companies that listed in Bursa Efek Indonesia (BEI)	456	457	490	512	1.915
Companies that not applied and disclosed CSR report using GRI standards in their annual report	408	408	408	456	(1.680)
Companies that not published complete and audited annual report	11	12	10	12	(45)
Data concerned with the variables used in the research is not completely available in the annual report	37	34	31	28	(130)
Total sample					60

Operational Variables and Variables Measurement.

Exogenous Variable:

1. Corporate Governance Mechanism (MTKP). Corporate governance mechanism construct was measured with 3 manifest variable, which is audit commitee, board of director, and board of independent commisioner.

Audit commitee was a group formed by board of commisioner to help the function and the duty of board of independent commisioner. Audit commitee was measured by the number of audit commitee member in every company (Suyono et al., 2014; Pasaribu and Kowanda, 2015).

KOMA = number of audit commitee member

Board of director was company' chairman chosen by the shareholder to represent their interest in the company in managing the company. Board of director was measured by the number of board of director member in the company (Suyono et al., 2014).

DD = number of board of director member

Board of independent commisioner consisted of commisioner that did not come from affiliated party. Board of independent commisioner was measured with the percentage of independent commisioner from total board of commisioner member (Suyono et al., 2014).

DKI= (Independen commisioner member)/(Total board of commisioner member)×100%

2. Ownership Structure (SK). This construct was measured with two manifest variables, which was institutional ownership and foreign ownership.

Institutional ownership was share ownership owned by institutional investors that covers financial institution, insurance, pension funds, mutual funds, foundations, and other institutions. Institutional ownership was measured with the percentage of total shares that owned by institutional investor from total outstanding shares (Suyono et al., 2014; Rustiarini, 2011).

$$KI = \frac{institutional\ investors'shares}{total\ outstanding\ shares} \times 100\%$$

Foreign ownership was total shares owned by foreign individuals or institution in Indonesian company. Foreign ownership was measured with the percentage of total shares owned by foreign investor from total outstanding shares (Khan et al., 2013; Rustiarini, 2011).

$$KA = \frac{foreign\ investors's\ shares}{total\ outstanding\ shares} \times 100\%$$

3. External Auditor (AE). External auditor was measured with the size of audit firms that audit company's annual report. Audit firm size was divided into Big Four audit firm or non-Big

Four audit firms. The Big Four audit firms in Indonesia are Tanudiredja, Wibisana & Partners (PWC), Siddharta & Widjadja (KPMG), Purwantono, Suherman & Surja (KY), and Osman, Bing, Satrio & Eny (Deloitte). Audit firm size was measured using dummy variable, 1 if the company was audited by Big Four audit firms and 0 if the companywas audited by Non Big Four audit firms (Barakat et al, 2015).

Endogenous Variable:

Endogenous variable in this research was corporate social responsibility disclosures which was a manifest variable that could be measured directly. The extent of CSR disclosure was measured using the Corporate Social Responsibility Disclosure Index (CSRDI) which refers to G4's Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). The technique of data measurement was done by content analysis by giving score for each item GRI G4 which was disclosed (Sahla and Aliyah; 2016). The assessment criteria were as follows:

- A score of 0 was given if there was absolutely no disclosure of the item.
- A score of 0.5 was given if there was disclosure but is not perfectly disclose.
- A score of 1 was given if disclosure was done very well.

In total, the overall category and sub category of GRI G-4 were 149 items. If the categories and sub-categories were fully or completely disclosed, then the maximum value that could be reached was 149.

Moderating Variable:

Earnings management as a moderating variable was a manifest variable that could be measured directly with a discretionary accrual. The models used to estimate discretionary accruals were the Kang and Sivaramakrishnan Models (1995), also called the Instrumental Variable (IV) approach. This model was used because several studies (Thomas and Zang, 2000; Yasa, 2007; Joni and Hartono, 2008) demonstrate that the use of Kang and Sivaramakrishnan models was a better method of measurement to detect earnings management. The IV approach formula was as follows:

$$AB_{i,t} = \emptyset_0 + \emptyset_1 \left(\delta_{1,i}\mathrm{REV}_{i,t}\right) + \emptyset_2 \left(\delta_{2,i}EXP_{i,t}\right) + \emptyset_3 \left(\delta_{3,i}\, GPPE_{i,t}\right) + \mu_{i,t}$$

With:

$$\delta_{1,i} = \frac{AR_{i,t-1}}{REV_{i,t-1}}$$

$$\delta_{2,i} = \frac{INV_{i,t-1} + OCA_{i,t-1} - CL_{i,t-1}}{EXP_{i,t-1}}$$

$$\delta_{3,i} = \frac{DEP_{i,t-1}}{GPPE_{i,t-1}}$$

Where: $AB_{i,t}$ - accrual balance for firm i in year t calculated by the formula $AR_{i,t} + INV_{i,t} + OCA_{i,t} - CL_{i,t} - DEP_{i,t}$; $AR_{i,t}$ - accounts receivable of company i in year t; $INV_{i,t}$ - inventories of company i in year t; $OCA_{i,t}$ - other current assets (except cash, accounts receivable, and inventories) i in year t; $CL_{i,t}$ - current liabilities (other than taxes and short-term portion of long-term debt) company i in year t; $DEP_{i,t}$ - depreciation and amortization of company i in year t; $REV_{i,t}$ - net sales of company i in year t; $EXP_{i,t}$ - operating costs (cost of goods sold, cost of sales and administration before depreciation); $GPPE_{i,t}$ - gross fixed assets of company i in year t; $\mu_{i,t}$ - discretionary accrual company i in year t.

DATA ANALYSIS METHOD

Data analysis in this research was using PLS (Partial Least Square) with the help of WarpPLS 5.0 software. Based on Sholihin and Ratmono (2013: 7), PLS was a causal modeling approach that aimed to maximize the variance of the latent variable of explanatory criterion by the latent variables of predictors.

Based on Hartono (2016:175), testing of moderation effects and main effects in the research was conducted by using moderation regression analysis through a method called hierarchical regression analysis. This method consisted of two regression equations, which contained only the main effects and the second contains the moderation effect. Here are two regression equations in this study:

$$CSRD = \alpha_1 + \beta_1 MTKP + \beta_2 SK + \beta_3 AE + \beta_4 ML + e_1 \quad (1)$$
$$CSRD = \alpha_2 + \beta_5 MTKP + \beta_6 SK + \beta_7 AE + \beta_8 ML + \beta_9 MTKP * ML + \beta_{10} SK * ML + \beta_{11} AE * ML + e_2 \quad (2)$$

Where: CSRD - Corporate Social Responsibility Disclosure Variables; MTKP - Corporate Governance Mechanism Variable; SK - Ownership Structure Variable; AE - External Auditor Variable; ML - Earning Management Variable; $\beta_{0....8}$ - Path coefficient; e - Error.

Based on Hartono (2011: 85), moderation regression test in linear regression could be done gradually using Baron and Kenney approach (1986), which tested the main effect (dependent independent effect) that must be significant, then tested the influence of moderation variable to the dependent variable that must be significant, then interaction influence of interaction variable and moderator variable must be significant, while the main effect became insignificant.

DATA ANALYSIS

Outer Model Evaluation:

Convergent Validity Test. The requirement to meet the convergent validity is the loading value (λ) above 0.55 (Pirouz, 2006:14) and p-value <0.05 (Sholihin and Ratmono, 2013:65). Table 5.1 shows that the model qualifies the convergence validity.

Table 1 – Outer Loadings

-	MTKP	SK	*P value*
KOMA	(0,768)	-0,276	<0,001
DD	(0,912)	0,053	<0,001
DKI	(0,654)	0,250	<0,001
KI	0,024	(0,832)	<0,001
KA	-0,024	(0,832)	<0,001

Source: WarpPLS 5.0 Output.

Discriminant Validity Test. The requirement of the discriminant validity is that the AVE roots shown in parentheses for each construct is greater than the correlation between constructs and other constructs in the model (Ghozali, 2008). Based on the results shown in Table 5.2, all constructs in the estimated model meet the criteria of discriminant validity.

Table 2 – Correlations and AVE roots

-	MTKP	SK
MTKP	(0,785)	0,233
SK	0,233	(0,832)

Source: WarpPLS 5.0 Output.

Reliability Test. Cronbach's alpha and composite reliability can be used in reliability test in PLS. Based on Table 5.3, Cronbach's alpha and Composite reliability values of MTKP and SK constructs are acceptable because they are greater than 0.6. Thus, it can be concluded that all constructs have good reliability. The value of the Full collinearity VIF which than 3.3 indicates that the model is free from multicolinearity problems.

Table 3 – Latent Variable Coefficients

-	MTKP	SK	ML*MTKP	ML*SK
Composite reliability	0,826	0,818	0,734	0,749
Cronbach's alpha	0,678	0,654	0,658	0,630
Avg. var. extrac.	0,617	0,692	0,698	0,699
Full collin. VIF	1,135	1,366	1,224	1,371

Source: WarpPLS 5.0 Output.

Outer Model Evaluation. The criteria for goodness of fit model is p-values for APC and ARS should be less than 0.05 or significant. In addition, AVIF as a multicolinearity indicator should be smaller than 5 (Sholihin and Ratmono, 2013: 61). Table 5.4 shows that the goodness of fit model criteria have met.

Table 4 – General SEM Analysis Results

Average path coefficient (APC) =0,120, P=0,034
Average R-squared (ARS) =0,145, P=0,006
Average block VIF (AVIF) =2,213, *acceptable if* <= 5, *ideally* <= 3,3

Source: WarpPLS 5.0 Output.

Hypothesis Testing. The method used for hypothesis testing is a one-tailed test. Table 5.5 presents the result of hypothesis testing.

Table 5 – Hypothesis Testing Result

Hypothesis	Path Coefficient (β)	*P Values*	Decision
(H1) MTKP → CSRD	0,02	0,43	Rejected
(H2) SK → CSRD	0,27	0,01	Accepted
(H3) AE → CSRD	0,17	0,08	Rejected
(H4) MTKP*ML → CSRD	0,12	0,16	Rejected
(H5) SK*ML → CSRD	0,31	0,99	Rejected
(H6) AE*ML → CSRD	0,16	0,09	Rejected

Source: WarpPLS 5.0 Output.

DISCUSSION OF RESULTS

The Effect of Corporate Governance Mechanism towards Corporate Social Responsibility Disclosure. The results of hypothesis one found that corporate governance mechanisms did not affect the disclosure of corporate social responsibility. The results of this study do not support previous research (Tashakor: 2014; Ho and Wong: 2001; Akhtaruddin et al: 2009; Pasaribu et al: 2015). The corporate governance mechanisms in this study are measured by the constructs of audit committees, boards of directors, and independent board of commissioners. The results of the study are consistent with research by Suyono et al (2015) which stated that corporate governance mechanisms do not affect CSR disclosure.

The minimum requirement of independent board of commissioners as determined by the Indonesian regulation is 30% of the board of commissioners. This has led to the independent board of commissioners having insufficient strength to dominate company regulations. Fuente et al (2016) stated that the independent board of commissioners has no role in the decision-making of the company's sustainability strategy. Suyono et al (2015) also found the indications that almost all Indonesian companies have audit committees in order to meet the requirements of the capital market authority, regardless to the complexity of the company.

The Effect of Ownership Structure towards Corporate Social Responsibility Disclosure. The hypothesis test showed that the ownership structure had a positive effect on the disclosure of corporate social responsibility. The results of this study are supported by research of Alhazaimeh et al (2014), Chakroun and Matoussi (2012), Khan et al (2013), and

Ghazali (2007). The ownership structure in this study was measured using institutional ownership and foreign ownership variables.

Large institutional ownership is more capable to monitor the performance of management. Thus, institutional ownership can improve the quality and quantity of voluntary disclosure to encourage companies to increase CSR disclosure. Based on Ghazali (2007), companies with foreign ownership are more 'visible' and more likely to be the subject of local government oversight. Disclosure of social information is used to avoid criticism that firms with foreign ownership only exploit resources from developing countries.

The Effect of External Auditor towards Corporate Social Responsibility Disclosure. The results of hypothesis testing found that the external auditor did not affect the disclosure of the company's CSR disclosure. The results of this study do not support the result found by Barakat et al (2015) and Uwuigbe and Egbide (2012). However, the results of this study are in line with Soliman (2013), Hossain and Hammami (2009), as well as Barako et al. (2006). This may be due to the external auditor's role that is limited to mandatory disclosure so that the external auditor does not have a strong influence in the disclosure of the company's voluntary information. Auditors in general will not ask their clients to report the data other than those required by accounting standards.

Earning Management Moderated The Effect of Corporate Governance Mechanism toward Corporate Social Responsibility Disclosure. The hypothesis testing showed insignificant results so that earnings management did not moderate the influence of governance mechanisms on corporate social responsibility disclosure. The results of this moderation test are also consistent with the results found by Guna and Herawaty (2010) along with Rahman and Ali (2006), who found that corporate governance mechanisms have no effect on earnings management. The board of directors is not effective in their monitoring role because of the management dominance that caused by the board of directors have inadequate knowledge of the company's problems.

The results do not support the agency theory which states that audit committees, boards of directors, and independent board of commissioners can reduce agency problem. However, the results of this study support the institutional theory that looks on the corporate governance mechanisms as a practice that occurs as a result of coercion from regulators that impose a number of practices in order to improve organizational effectiveness, or as a result of imitation processes (Yasser and Mamun, 2016).

Earning Management Moderated The Effect of Ownership Structure toward Corporate Social Responsibility. Hypothesis testing results showed that earnings management did not moderate the effect of ownership structure to corporate social responsibility disclosure. Sahin (2011) found that institutional investors have high portfolio turnover, high momentum strategy use, and high diversification. They cannot play an active role in monitoring company's management because they do not present in the company for a long term. Claessens and Fan (2002) also found that institutional investors have no active role in monitoring management activities.

Ji et al. (2015) also found that foreign ownership does not affect the quality of corporate earning. Based on the information asymmetry hypothesis in agency theory, distance can cause foreign investors to face difficulty to oversee the reporting process of the company's financial statements. The asymmetry information has resulted in foreign investors being unable to assist in monitoring earnings management practices that can be performed by managers.

Earning Management Moderated The Effect of External Auditor toward Corporate Social Responsibility Disclosure. The results showed that earnings management did not moderate the effect of external auditors to corporate social responsibility disclosure. The results of this moderation test are consistent with the results found by Ismail et al (2015) and Isaac et al (2011) who found no effect between external auditors and earnings management. They claimed that the existence of the Big Four auditor does not reduce the company's earnings manipulation activity. Bauwhede et al. (2003) argued that the tolerance of the external auditor to earnings management depends on the degree of the risk of the situation that causes the auditor to have less incentive to report the earnings management practices. This can be due to the low litigation of auditors and their fear of tax authorities.

In addition, external auditors tend to pay less attention to the practice of earning decreasing due to lower litigation risk associated with decreased earnings (Kim et al: 2003). This makes external auditors less effective in decreasing earnings management practices. The results of this study contribute to the agency theory, especially agency costs because the existence of Big Four audit firm does not act as an external mechanism that can prevent or reduce the practice of earnings management in the company.

CONCLUSION

The results of this study provide empirical evidence that CSR disclosure is not influenced by corporate governance mechanisms. This is due to the audit committee, the board of directors, and the independent board of commissioners who do not have sufficient power to influence the policies and practices of CSR within the company. The level of effectiveness of corporate governance mechanisms is also determined by experience, knowledge, training, and level of concern about environmental and social issues.

The results of this study also provide empirical evidence that the disclosure of CSR is influenced by the ownership structure. Foreign investors have different values and knowledge because of the influence of foreign markets and institutional investors that have a role in increasing the disclosure of CSR information. In contrast, external auditors do not affect the CSR disclosure because external auditors have no strong influence in the disclosure of the company's voluntary information.

In addition, the results of this study found that earnings management does not moderate the effect of corporate governance mechanisms, ownership structures, and external auditors on corporate social responsibility disclosure. These results provide additional empirical evidence for agency theory, especially agency costs, because corporate governance mechanisms, ownership structures, and the existence of Big Four audit firms does not play an effective role as agency cost because it cannot prevent or reduce the practice of earnings management in the company.

The sample in this study is non-financial companies listed on the BEI on 2013-2016 which are 60 samples in total. This is because there are few companies that have not reported their sustainability report in 2016 therefore the researcher cannot collect their corporate social responsibility disclosure data in that year and the sample must be eliminated. The next research may consider the timing of the study as some sustainability reports are published by the middle of the next year so that the number of samples obtained can be maximal.

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