

INDEPENDENCE, CORPORATE GOVERNANCE AND AUDIT QUALITY ON THE INTEGRITY OF FINANCIAL STATEMENTS

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ABSTRACT

This study aims to determine whether independence, corporate governance mechanisms, and audit quality affect the integrity of financial statements in manufacturing companies listed on the Indonesia Stock Exchange. Data collection uses secondary data obtained through the official website IDX www.idx.co, using purposive sampling technique. The population is all manufacturing companies listed on the Indonesia Stock Exchange period totaling 148 companies, while the samples taken amounted to 31 companies and obtained data in the form of audited annual financial statements. The results showed that institutional ownership and audit quality had an effect on the integrity of financial statements while independence, managerial ownership, independent commissioners and audit committees did not affect the integrity of financial statements. external auditor able to bridge the opinion and the agency in managing the finances of the company. The auditor will ratify the agency's accountability report to the principal by providing an independent and professional assessment of the reliability and fairness of the company's financial statements. Agency theory explains that an auditor with high quality audits will have the ability to detect earnings management practices conducted by the management company.

Keywords: Independence, institutional ownership, managerial, ownership, independent, Audit

BACKGROUND INFORMATION

Financial reports are financial images of a company, therefore in the process of making financial statements must be made correctly and presented honestly to users of financial statements. Financial statements are used to assess financial position and company performance . In general, the purpose of financial statements is to provide information about financial position, financial performance and cash flow position of an entity that benefits a large number of users in economic decision making (Martin, 1998; Lina, 2018). In realizing the integrity of financial statements, in the IAS in 2009, the following qualitative char must be owned financial report is comprehensible, relevant, reliability, and can comparable right.

Statement of Financial Accounting Concept (SFAC) No. 1 in estimating the accountability of management performance which is the main concern is lab information. This becomes motivation and encouragement for management to make maximum efforts in carrying out the company's operational activities so that the results reported at the end of the financial year period can give an idea that the company is in a condition that healthy. But on the other hand, this regulation actually becomes a motivation and encouragement for management to commit *fraud* through financial report manipulation and profit management. As a result, financial statements become less reliable because the information presented does not reflect the actual state of the company and becomes irrelevant to those who use it as a basis for decision making because the resulting interpretation becomes inaccurate. This takes the object research manufacturing companies listed in Indonesia Stock Exchange (BEI) in the period of the study 2014-2016. Tempat selected on the basis that both the data and information needed easily available and relevant to the problem have been the main object of study. The selection of manufacturing companies is because these companies are the most listed companies on the Indonesia Stock Exchange (BEI), besides manufacturing companies are companies with higher business complexity than other types of companies. Therefore the researcher raises the research title:

"Effect of Independence, Mechanism of Corporate Governance , and Audit Quality on the Integrity of Financial Statements in Manufacturing Companies That Are Listed in Indonesian Stock Exchanges "

RESEARCH QUESTIONS

In accordance with the background of the research stated above, the researchers formulated the problems discussed in this study are:

1. Does independence affect the integrity of financial statements in manufacturing companies listed on the IDX?
2. Does institutional ownership affect the integrity of financial statements in manufacturing companies listed on the IDX?
3. Does managerial ownership affect the integrity of financial statements in manufacturing companies listed on the IDX?
4. Do independent commissioners influence the integrity of financial statements at manufacturing companies listed on the IDX?
5. Does the audit committee affect the integrity of financial statements in manufacturing companies listed on the IDX?
6. Does audit quality affect the integrity of financial statements at manufacturing companies listed on the IDX?

Objectives

1. To determine the effect of independence on the integrity of financial statements in manufacturing companies listed on the IDX.
2. To determine the effect of institutional ownership on the integrity of financial statements in manufacturing companies listed on the IDX.
3. To determine the effect of managerial ownership on the integrity of financial statements in manufacturing companies listed on the IDX.
4. To find out the influence of independent commissioners on the integrity of financial statements in manufacturing companies listed on the IDX.
5. To find out effect audit committee on the integrity of the financial statements at manufacturing companies in BEI.

6. To determine the effect of audit quality on the integrity of financial statements in manufacturing companies listed on the IDX.

Relevance

Several previous studies related to this study, suggest that audit quality has an effect on the integrity of financial statements while independence, institutional ownership, managerial ownership, audit committees, and independent commissioners do not affect the integrity of financial statements (Nopmanee, 2014). The results of independence, audit committees, and earnings management have a significant effect on the integrity of financial statements while independent commissioners, institutional ownership, and managerial ownership do not affect the integrity of financial statements. The results that institutional ownership, managerial ownership, and independent commissioners have a positive effect on the integrity of financial statements, while the audit committee does not affect the integrity of financial statements. Based on the phenomena that occur and the results of previous studies this is what drives the writer to conduct research. This research is a development of research conducted The period of observation in this study is different from previous studies.

THEORITICAL REVIEW

Agency Theory

Jensen and Meckling (1976), define agency theory as a relationship in which there is a contract where one or more people (*principals*) govern another person (*agent*) to do a service on behalf of the *principal* and authorize the *agent* to make the best decision for the *principal* . There are two types of agency relationships, namely between managers and *shareholders* and between managers and lenders (*bondholders*). Because of these different interests, each party seeks to increase profits for themselves (Zhou, 2011). A external auditor able to bridge the opinion and the agency in managing the finances of the company. The auditor will ratify the agency's accountability report to the principal by providing an independent and professional assessment of the reliability and fairness of

the company's financial statements. Agency theory explains that an auditor with high quality audits will have the ability to detect earnings management practices conducted by the management company (Michael, 1994)

Integrity of Financial Statements.

Financial statements are financial images of a company, in general the purpose of financial statements is to provide information about financial position, financial performance and cash flow position of an entity that benefits a large number of users in making economic decisions . Reliable or integrity financial statements can be assessed by using the principle of conservatism. conservatism as the principle of prudence in financial reporting where companies are in no hurry to recognize and measure assets and profits and immediately recognize losses and debts that have the possibility of occurring (Endra, 2018).

Independence

Independently that means mental attitude is free from influence, not controlled by the other party, and not depend on others. The independence also means their honesty in the auditor in considering the facts and their consideration objective, impartiality of the auditors themselves in formulating and opinion (Endra, 2018; Nopmanee, 2018).

Corporate Governance Mechanism

Corporate governance is an expansion of the concept that regulates the relationship between management and investors that allows *agency problems* . Jensen and Meckling, *agency problem* is a condition when a company manager (manager) does not work optimally in maximizing the wealth of the owner (investor), due to a *conflict of interest* which impacts on the emergence of *agency cost* . This is possible because with the excess information they have (*asymmetric information*) managers can act or make decisions that only benefit themselves but sacrifice the interests of the owner (Rahimah, 2014). The mechanism of *corporate governance* or corporate governance refers to a system that requires companies to be managed and controlled. The system crosses various relationships

between company shareholders, board of directors, and management. These relationships provide a framework to set corporate objectives and monitoring performance. Implementation of *good corporate governance* principles based Regulation of the Minister of SOE No. PER-01 / MBU / 2011 dated 1 August 2011 on the application of *good corporate governance* practices in Enterprises (SOEs) which states the terms and implementation guidelines of *good corporate governance* at the company. The principles of *good corporate governance* (Nathalie, 2015).

Audit Quality

Quality, relevant and trustworthy financial statements are produced by quality audits. Financial report users trust financial statements audited by auditors who are considered to be of higher quality than less qualified auditors, because they assume that in maintaining credibility, auditors will be more careful in conducting audit processes to detect misstatements or fraud. Great KAP can download audit quality is higher than small KAP. In the case of providing audit services, a KAP will receive substantial losses through a damaged reputation if it does not provide audit quality in accordance with the standards. Large KAP has a large number of employees, can audit more efficiently and effectively, has a flexible schedule, making it possible to complete audits on time, and have a strong drive to complete audits more quickly to maintain their reputation, so that the integrity of financial statements of KAP is very high. higher than small KAP (Violet, 2016).

Table 1 *Big Four* KAPs and Affiliates in Indonesia

<i>The Big Four</i>	Affiliation in Indonesia
Price Waterhouse Coopers (Pw C)	KAP Tanudiredja, Wibisana, and Partners
Deloitte Touche Tohmatsu	KAP Osman Bing Satrio and Eny Purwanto, Suherman, and Surja KAPs
Ernst and Young (EY)	
Klynveld Peat Marwick Goerdeler (KPMG)	KAP Sidharta Widjaja and Rekan

Source: Commission for Supervising Indonesian Business Competition

THEORETICAL FRAME

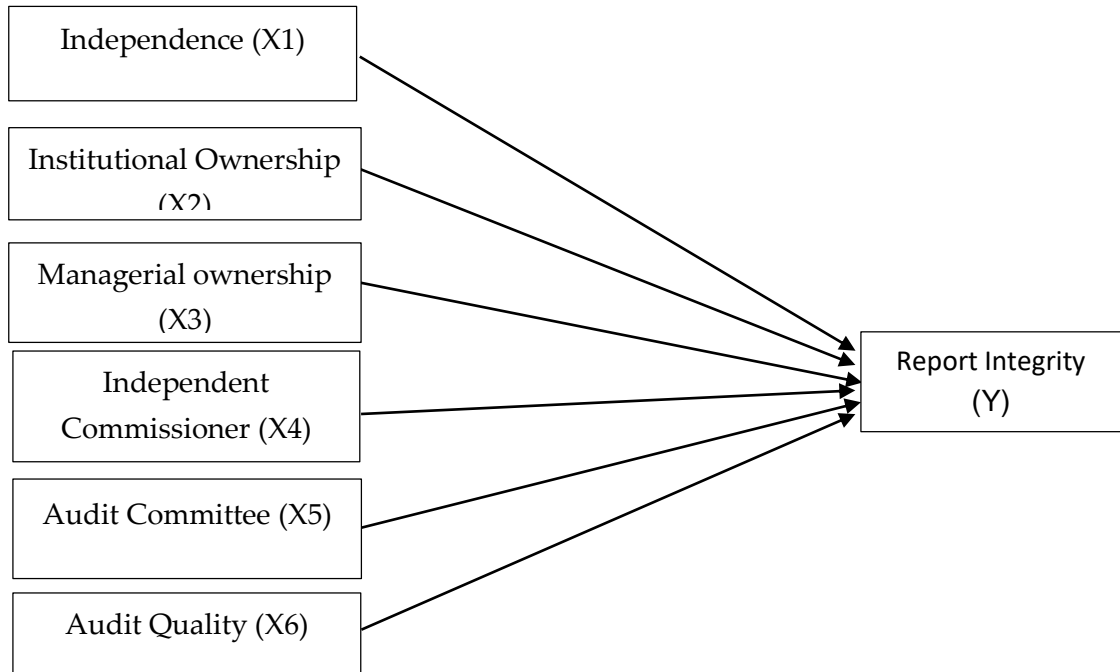


Figure 1. Theoretical Frame

Hypothesis Testing

The independence and integrity of financial statement

Independence is an auditing standard that is very important because it influences the credibility of management financial statements where the fairness opinion is made by an auditor. Independence measured by the auditor's working relationship with clients has a significant effect on the integrity of financial statements. Based on the description above, the alternative hypothesis raised is:

H1 : Independence has a positive effect on the integrity of financial statements.

Institutional Ownership and Integrity Report

Study concluded that institutional ownership has a positive influence on the integrity of financial statements . Similarly, research shows that

institutional ownership has a significant positive effect on the integrity of financial statements (M. Akhtaruddin, 2010; Abdalrahman, 2018). Based on the description above, the alternative hypothesis raised is:

H2: Owners Institutional positive effect on the integrity of financial statements

Managerial ownership and integrity of financial statements

The research between management ownership and the integrity of financial statements. Another study d committed shows the same thing that managerial ownership has a significant impact on the integrity of the financial statements (Endra, 2018). Based on the description above, the alternative hypothesis raised is:

H3: Managerial ownership had a positive influence financial statements.

Independent Commissioner and Integrity of Financial Statements

Independent commissioners can act as mediators in disputes that occur between internal managers, supervise management policies and provide input to management. Concluded that an independent commissioner has the effect positively to the integrity of financial statements, also showed that the proportion of independent commissioners significant positive effect restricted integrity of financial statements (Endra, 2018) . Based on the description above, the alternative hypothesis that is presented is:

H4: Independent commissioner positive spirit of the integrity of the financial statements.

The Audit Committee and the Integrity Reports

Based on the task of the audit committee as an independent supervisor of the financial statements produced by management, the role of the audit committee will be able to improve the integrity of financial statements. The research states that audit committees have a significant effect on the integrity of financial statements. , states that audit committee affect be significant to the integrity of financial statements. Based on the description above, the alternative hypothesis raised is:

H5: K Audit Committee of the positive effect restricted ap integrity of financial statements.

Audit Quality and Integrity Report

That audit quality is very influential in financial reporting, because the audit of financial statements aims to assess the fairness of financial statements where auditors are guided by Auditing Standards and Public Accountants' Code of Ethics (Riadh, 2010) . Based on the above description , the alternative hypothesis raised is:

H6: Audit quality has a positive effect terha dap integrity of financial statements.

RESEARCH METHODOLOGY

The approach used in this study is a quantitative approach. Quantitative approaches are used to examine certain samples. Data collection uses research instruments, data analysis is quantitative / statistical in order to test the hypotheses that have been set. To validate the answers while, the researchers used the descriptive research is research that aims member offered are detail-detail overview of the specifics of the situation, the social sphere or relationship to determine the effect of independence, *corporate governance* mechanisms (proxied by institutional ownership, managerial ownership, independent commissioner, audit committee) and audit quality on the integrity of financial statements.

Population and Samples

Population

Population is a generalization area consisting of objects or subjects that have certain characteristics set by researchers to be studied and then concluded. The population used in this study are all manufacturing companies listed on the Stock Eph oak Indonesia (BEI) in 2014- 2016 as many as 148 companies.

Sample

The sample is part of the number and characteristics possessed by the population. If research is large, and researchers are unlikely to study what is in the population, for example due to limited funds, energy, and time, the researcher uses samples taken from that population. Sampling must be done in such a way that the sample truly represents and can describe the actual state of the population. The sample used in this study was obtained by *purposive sampling method*, namely *sampling* techniques with particular consideration. The criteria used are as follows:

1. Manufacturing companies listed in Indonesia Stock Exchange period 2014- 2016.
2. Companies that have been delisted from the Indonesian Securities Company for the period of 2016-2016.
3. Companies that publish financial statements for the 2014-2016 period
4. Companies that have financial data regarding research variables are more accurate.

Data Type

In this study, the type of data used is quantitative data. Quantitative data are figures in the form of data, or qualitative data are ranked (*scoring*). Data in this study are financial statements of manufacturing companies listed on the IDX. 2014-2016 period .

DATA ANALYSIS AND RESULT

Used inferential statistics are statistical techniques used to analyze sample data and the results are applied to the population. Data analysis in this study was conducted using logistic regression analysis. Logistic regression analysis is used because the dependent variable is a *dummy* (*non-metric*) variable and the independent variable is a combination of *metric* and *non-metric* variables , so there is no need to use normality tests and class assumption.

The model used is:

$$Ln = b_0 + b_1IND + b_2INST + b_3MANJ + b_4KI + b_5KMA + b_6KA + e$$

Information :

CON = Financial Statement Integrity

b₀ = Constant

b₁- b₆ = Coefficient of each variable

IND = Independence

INST = Institutional Ownership

MANJ = Managerial ownership

KI = Independent Commissioner

KMA = Audit Committee

KA = Audit Quality

e = Standard error

RESULTS AND DISCUSSION

Description of Research Object

The population in this research is all manufacturing companies listed on the Indonesia Stock Exchange (BEI) and publish their annual reports on the Indonesia Stock Exchange (IDX) website consistently from 2014-2016. The criteria used in the sample research are:

1. Manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2016 period.
2. Companies experiencing delisting from the Indonesia Stock Exchange for the 2014-2016 period.
3. Companies that publish financial statements for the 2014-2016 period.

4. Companies that have complete financial data regarding research variables.

Based on data from the IDX in 2014-2016 the population of many manufacturing companies was 148 and based on the sample criteria above, in this study a sample of 31 companies was used .

Data description of the independence variable (X1)

To find out the independence of auditors who are elite samples , can be seen in table 2 below

Table 2 Description of the Auditor's Independence in the Go Public Manufacturing Company in the Indonesia Stock Exchange 2014-2016

No.	Stock code	Name Perusahaan	Independence of the Auditor		
			2014	2015	2016
1	ALDO	PT. Alkindo Naratam Tbk	0	0	0
2	ALMI	PT. Alumindo Light Metal Tbk	0	0	0
3	AMFG	PT. Assahimas Flat Glass Tbk	0	0	0
4	ALTO	PT. Tri Banyan Tirta Tbk	0	0	0
5	ASII	PT. Astra International Tbk	0	0	1
6	BRNA	PT. Berlina Tbk	0	0	1
7	BRPT	PT. Barito Pacific Tbk	0	1	0
8	BTON	PT. Beton Jaya Manunggal Tbk	0	1	1
9	CINT	PT. Chitose International Tbk	0	0	0
10	DAJK	PT. Dwi Aneka Kema Jaya Tbk	0	0	0
11	DPNS	PT. Duta Petiwi Nusantara Tbk	0	0	0
12	GDST	PT. Gunawan Dianjaya Steel Tbk	0	0	1
13	HDTX	PT. Panasia Indo Resources Tbk	1	1	0
14	INDF	PT. Indofood Tbk	0	0	0
15	JKSW	PT. Jakarta Kyoei Steel Tbk	0	0	0
16	JPRS	PT. Jaya Pari Steel Tbk	0	1	0
17	KETCH	PT. Kedaung Indah Can Tbk	0	0	0
18	LION	PT. Lion Metal Works Tbk	1	1	0
19	LMPI	PT. Langgeng Industry Tbk	0	0	0
20	MASA	PT. Multistrada Arah Sarana Tbk	0	0	1
21	MLIA	PT. Mulia Industirindo Tbk	0	0	0
22	PSDN	PT. Parasidha Aneka Niaga Tbk	0	0	0
23	SKBM	PT. Sekar Bumi Tbk	0	0	0

24	SMSM	PT. Congratulations Perfect Tbk	0	1	0
25	SRSN	PT. Indo Acidatama Tbk	0	1	0
26	SULI	PT. SLJ Global Tbk	0	0	0
27	TCID	PT. Mandom Indonesia Tbk	0	0	0
28	TPIA	PT. Chandra Asri Petrochemical Tbk	1	0	0
29	TRST	PT. Trias Sentosa Tbk	0	0	0
30	ULTJ	PT. Ultrajaya Milkindustri and Trading Company Tbk	1	1	0
31	YPAS	PT. Yanaprima Hastapersada Tbk	0	0	0

Source: Data processed in 2018

Based on table 4.1 I dependency has been determined previously it can be concluded that in 2014 there were 4 companies that used the same auditor for three years, 27 companies replaced their auditors for three years . In 2015 there were eight companies that an auditor the same for three years, 23 companies replace its auditor for three years. In 2016 there were 5 companies that used the same auditor for three years, 26 companies replaced their auditors for three years. This means that the average company is independent because more companies have replaced auditors for three years compared to companies that use the same auditor for three years.

Data description of institutional ownership variables (X2).

To find out institutional ownership which is the elite sample , can be seen in table 3 below :

Table 3 Description of Institutional Ownership in Go Public Manufacturing Companies on the Indonesia Stock Exchange 2014-2016

No.	Stock code	Company name	Institutional Ownership		
			2014	2015	2016
1	ALDO	PT. Alkindo Naratam Tbk	0.584055944	0.584055944	0.584055944
2	ALMI	PT. Alumindo // Light Metal Industry Tbk	0.762066714	0.764797997	0.764797997
3	AMFG	PT. Assahimas Flat Glass Tbk	0.848195853	0.848195853	0.848195853

4	ALTO	PT. Banyan Tirta Tbk	0.810110361	0.810142638	0.811398517
5	ASII	PT. Astra International Tbk	0.501148083	0.501148083	0.501148084
6	BRNA	PT. Berlina Tbk	0.51423913	0.530215771	0.545650807
7	BRPT	PT. Barito Pasisfic Tbk	0.673379706	0.686012565	0.688642391
8	BTON	PT. Beton Jaya Manunggal Tbk	0.818244444	0.818244444	0.818244444
9	CINT	PT. Chitose International Tbk	0.6965	0.6965	0.6965
10	DAJK	PT. Dwi Aneka Kema Jaya Tbk	0.5898308	0.5859308	0.585930
11	DPNS	PT. Duta Pertiwi Nusantara Tbk	0.596399899	0.598665067	0.598665067
12	GDST	PT. Gunawan Dianjaya Steel Tbk	0.980010902	0.980010902	0.106856024
13	HDTX	PT. Panasia Indo Resources Tbk	0.899135048	0.910423581	0.91042351
14	INDF	PT. Indofood Tbk	0.500670833	0.500670833	0.500670833
15	JKSW	PT. Jakarta Kyoei Steel Works Tbk	0.592313333	0.592313333	0.592313333
16	JPRS	PT. Jaya Pari Steel Tbk	0.68421	0.68421	0.68421
17	KETCH	PT. Kedaung Indah Can Tbk	0.830605362	0.830605362	0.830605362
18	LION	PT. Lion Metal Works Tbk	0.576976315	0.57696315	0.576976315
19	LMPI	PT. Langgeng Industry Tbk	0.832746009	0.832746014	0.832746014
20	MASA	PT. Multistada Arah Sarana Tbk	0.528175272	0.436199569	0.387457074
21	MLIA	PT. Mulia Industrindo Tbk	0.67247598	0.752376434	0.822827228
22	PSDN	PT. Parasidha Aneka Niaga Tbk	0.738560563	0.720917507	0.735782785
23	SKBM	PT. Sekar Bumi Tbk	0.814240634	0.804286262	0.804624634
24	SMSM	PT. Congratulations Perfect Tbk	0.581255836	0.581255836	0.581255836

25	SRSN	PT. Indo Acidatama Tbk	0.585339 358	0.585339358	0.680041669
26	SULI	PT. SLJ Global Tbk	0.566821801	0.616960015	0.270726735
27	TCID	PT. Mandom Indonesia Tbk	0.737739205	0.737739205	0.737739205
28	TPIA	PT. Chandra Asri Petrochemical Tbk	0.957387027	0.957794391	0.957794391
29	TRST	PT. Trias Sentosa Tbk	0.597165002	0.566894347	0.566903251
30	ULTJ	PT. Ultrajaya Milkindustry and Trading Company Tbk	0.465899949	0.445127073	0.370916508
31	YPAS	PT. Yanaprima Hastapersada Tbk	0.894686258	0.894686258	0.003517215

Source: Data processed in 2018

Based on Table 3 criteria for institutional ownership is predetermined, it can be concluded that in 2014 and 2015 there were 10 companies with an Ownership percentage of institutional share above 0 .80%, while the percentage of the stake to below 80% throughout much of 0. 21 companies. In 2016 there were 9 companies with a percentage of institutional share ownership above 0.80 %, while the percentage of share ownership was below 0.80 % as many as 22 companies.

This means that the average company has good financial statement integrity because more companies have institutional share entitlement up to 80% compared to companies that have a percentage of shares above 80%.

Description of data on managerial ownership (X3)

To find out managerial ownership which is the elite sample , can be seen in table 4 below:

Table 4 Description of Managerial Ownership in Go Public Manufacturing Companies on the Indonesia Stock Exchange 2014-2016.

No.	stock code	Company name	Managerial ownership		
			2014	2015	2016
1	ALDO	PT. Alkindo Naratama Tbk	0.195748965	0.187972867	0.143216784
2	ALMI	PT. Alumindo Light Metal Industry Tbk	0.016038961	0.016204545	0.016204545
3	AMFG	PT. Assahimas Flat Glass Tbk	4.60829E-05	4.60829E-05	4.60829E-05
4	ALTO	PT. Banyan Tirta Tbk	0.02240996	0.022409958	0.022409188
5	ASII	PT. Astra International Tbk	0.000369656	0.000369656	0.000401151
6	BRNA	PT. Berlina Tbk	0.116724203	0.101530962	0.074806916
7	BRPT	PT. Barito Pacific Tbk	0.015961518	0.015970114	0.016016676
8	BTON	PT. Beton Jaya Manunggal Tbk	0.095833333	0.095833333	0.095833333
9	CINT	PT. Chitose International Tbk	0.0035	0.0035	0.0035
10	DAJK	PT. Dwi Aneka Kema Jaya Tbk	0.0101692	0.074962833	0.074962833
11	DPNS	PT. Duta Pertiwi Nusantara Tbk	0.057108818	0.057108818	0.057108818
12	GDST	PT. Gunawan Dianjaya Steel Tbk	0.000134683	0.000136037	0.001009191
13	HDTX	PT. Pansia Indo Resources Tbk	0.023750939	0.028842752	0.028537321
14	INDF	PT. Indofood Tbk	0.00015717	0.00015717	0.00015717
15	JKSW	PT. Jakarta Kyoei Steel Works Tbk	0.013333333	0.013333333	0.013333333
16	JPRS	PT. Jaya Pari Steel Tbk	0.155346667	0.155346667	0.155346667
17	KETCH	PT. Kedaung Indah Can Tbk	0.002268696	0.002268696	0.002268696
18	LION	PT. Lion Metal Works Tbk	0.002489619	0.002489619	0.002489619
19	LMPI	PT. Langgeng Industry Tbk	0.000166842	0.000166842	0.000166842

20	MASA	PT. Multistrada Arah Sarana Tbk	0.156971777	0.158060752	0.15860524
21	MLIA	PT. Mulia Industrindo Tbk	0.00058254	0.00058254	0.00058254
22	PSDN	PT. Parasidha Aneka Niaga Tbk	0.203076243	0.205669993	0.203076243
23	SKBM	PT. Sekar Bumi Tbk	0.031235702	0.031003996	0.032281781
24	SMSM	PT. Congratulations Perfect Tbk	0.083417658	0.079962453	0.079962453
25	SRSN	PT. Indo Acidatama Tbk	0.087029756	0.087029756	0.220501155
26	SULI	PT. SLJ Global Tbk	0.170223702	0.173211745	0.433389998
27	TCID	PT. Mandom Indonesia Tbk	0.052023869	0.001357779	0.001422434
28	TPIA	PT. Chandra Asri Petrochemical Tbk	0.010332594	0.010351487	0.01034093
29	TRST	PT. Trias Sentosa Tbk	0.011871994	0.086081716	0.0713937
30	ULTJ	PT. Ultrajaya Milkindustry and Trading Company Tbk	0.17985566	0.179047266	0.114883973
31	YPAS	PT. Yanaprima Hastapersada Tbk	0.035172151	0.003517215	0.894686258

Source: Data processed in 2018

Based on Table 4 criteria for managerial ownership is predetermined, can in that in 2014 and 2015 the percentage butterfly stock managerial below 0.80% as many as 31 companies. In 2016 there was 1 company with a percentage of managerial share ownership above 0.80%, while the percentage of managerial share ownership was below 0.80% as many as 30 companies. This means that on average companies have good financial report integrity because more companies have managerial shares below 80% compared to companies that have managerial shares above 80%.

Data description of independent commissioner variables (X4)

To find out that the independent commissioners who are the elite sample, see table 5 below:

Table 5 Description of Independent Commissioners in Go Public Manufacturing Companies on the Indonesia Stock Exchange 2014-2016

No.	Stock code	Company name	Independent Commissioner		
			2014	2015	2016
1	ALDO	PT . Alkindo Naratama Tbk	0.33	0.33	0.33
2	ALMI	PT. Alumindo Light Metal Industry Tbk	0.50	0.50	0.50
3	AMFG	PT. Assahimas Flat Glass Tbk	0.33	0.33	0.33
4	ALTO	PT. Banyan Tirta Tbk	0.33	0.33	0.33
5	ASII	PT. Astra Intentional Tbk	0.36	0.36	0.33
6	BRNA	PT. Berlina Tbk	0.33	0.33	0.50
7	BRPT	PT. Barito Pacific Tbk	0.33	0.33	0.33
8	BTON	PT. Beton Jaya Manunggal Tbk	0.50	0.50	0.50
9	CINT	PT. Chitose International Tbk	0.50	0.50	0.50
10	DAJK	PT. Dwi Aneka Kemajaya Tbk	0.50	0.50	0.50
11	DPNS	PT. Duta Pertiwi Nusantara Tbk	0.33	0.33	0.33
12	GDST	PT. Gunawan Dianjaya Steel Tbk	0.33	0.33	0.33
13	HDTX	PT. Panasia Indo Resources Tbk	0.33	0.33	0.33
14	INDF	PT. Indofood Tbk	0.38	0.38	0.38
15	JKSW	PT. Jakarta Kyoei Steel Tbk	0.50	0.50	0.50
16	JPRS	PT. Jaya Pari Steel Tbk	0.50	0.33	0.33
17	KETCH	PT. Kedaung indah Can Tbk	0.33	0.33	0.33
18	LION	PT. Lion Metal Works Tbk	0.33	0.33	0.33
19	LMPI	PT. Langgeng Industry Tbk	0.50	0.50	0.50
20	MASA	PT. Multistrada Arah Sarana Tbk	0.40	0.40	0.40
21	MLIA	PT. Mulia Industrindo Tbk	0.40	0.40	0.40
22	PSDN	PT. Parasidha Aneka Niaga Tbk	0.33	0.33	0.33
23	SKBM	PT. Sekar Bumi Tbk	0.33	0.33	0.33
24	SMSM	PT. Congratulations Perfect Tbk	0.67	0.33	0.33
25	SRSN	PT. Indo Acidatama Tbk	0.38	0.38	0.30
26	SULI	PT. SLJ Global Tbk	0.33	0.50	0.50
27	TCID	PT. Mandom Indonesia Tbk	0.50	0.50	0.40
28	TPIA	PT. Chandra Astra Petrochemical Tbk	0.14	0.14	0.14
29	TRST	PT. Trias Sentosa Tbk	0.50	0.50	0.50

30	ULTJ	PT. Ultrajaya Milkindustry and Trading Company Tbk	0.33	0.33	0.33
31	YPAS	PT. Yanaprima Hastapersada Tbk	0.33	0.33	0.33

Source: Data processed in 2018

Based on table 5 independent commissioners have been predetermined, it can be concluded that in 2014-2016 the percentage of independent commissioners was above 0.30% as many as 30 companies while there was 1 company with a percentage of independent commissioners under 0.30%. This means that the average company has met the minimum number of independent national commissioner amount den determined that 30% of all members of the board of commissioners.

Data description of the audit committee variable (X5)

To find out the audit committee which is a sample of elite, can be seen in table 6 below

Table 6 Audit Committee Descriptions on Go Public Manufacturing Companies on the Indonesia Stock Exchange 2014-2016

No.	Stock code	Company name	Audit Committee		
			2014	2015	2016
1	ALDO	PT. Alkindo Naratama Tbk	0.67	0.67	0.67
2	ALMI	PT. Alumindo Light Metal Industry Tbk	0.67	0.67	0.67
3	AMFG	PT. Assahimas Flat Glass Tbk	0.75	0.75	0.67
4	ALTO	PT. Banyan Tirta Tbk	0.67	0.67	0.67
5	ASII	PT. Astra International Tbk	0.50	0.50	0.50
6	BRNA	PT. Berlina Tbk	0.67	0.67	0.67
7	BRPT	PT. Barito Pacific Tbk	0.67	0.67	0.67
8	BTON	PT. Beton Jaya Manunggal Tbk	0.67	0.67	0.67
9	CINT	PT. Chitose International Tbk	0.67	0.67	0.33
10	DAJK	PT. Dwi Aneka Kema Jaya Tbk	0.67	0.67	0.67
11	DPNS	PT. Duta Pertiwi Nusantara Tbk	0.67	0.67	0.67
12	GDST	PT. Gunawan Dianjaya Steel Tbk	0.67	0.67	0.67
13	HDTX	PT. Panasia Indo resources Tbk	0.67	0.67	0.67
14	INDF	PT. Indofood Tbk	0.67	0.33	0.33
15	JKSW	PT. Jakarta Kyoei Steel Works Tbk	0.67	0.67	0.67
16	JPRS	PT. Jaya Pari Steel Tbk	0.67	0.67	0.67
17	KETCH	PT. Kedaung Indah Can Tbk	0.67	0.67	0.67
18	LION	PT. Lion Metal Works Tbk	0.67	0.67	0.67

19	LMPI	PT. Langgeng Industry Tbk	0.67	0.67	0.67
20	MASA	PT. Multisrada Arah Sarana Tbk	0.33	0.67	0.67
21	MLIA	PT. Mulia Industrindo Tbk	0.67	0.67	0.67
22	PSDN	PT. Parasidha Aneka Niaga Tbk	0.67	0.67	0.67
23	SKBM	PT. Sekar Bumi Tb k	0.67	0.67	0.67
24	SMSM	PT. Congratulations Perfect T bk	0.33	0.67	0.67
25	SRSN	PT. Indo Acidatama Tbk	0.33	0.33	0.33
26	SULI	PT. SLJ Global Tbk	0.67	0.67	0.67
27	TCID	PT. Mandom Indonesia Tbk	0.40	0.50	0.67
28	TPIA	PT. Chandra Asri petrochemical Tbk	0.67	0.67	0.67
29	TRST	PT. Trias Sentosa Tbk	0.67	0.67	0.67
30	ULTJ	PT. Ultrajaya Milkisndusrty and Trading Company Tbk	0.67	0.67	0.67
31	YPAS	PT. Yanaprima hastapersada Tbk	0.67	0.67	0.67

Source: Data processed in 2018

Based on table 6 the audit committee has been predetermined, it can be concluded that in 2014-2016 the count of the audit committee was above 0.30% as many as 31 companies . The average audit committee percentage is above 0.30% and follows the Bapepam-LK No.IX.1.5 regulation which states that the minimum number of audit committees is 3 people.

Data description a bag of audit quality variables (X6)

To find out the Audit Quality which is the elite sample , can be seen in table 7 below:

Table 7 Description of Audit Quality at Go Public Manufacturing Companies on the Indonesia Stock Exchange 2014-2016

No.	Stock code	Company name	Audit Quality		
			2014	2015	2016
1	ALDO	PT. Alindo Naratama Tbk	0	0	0
2	ALMI	PT. Alumindo Light Metal Industry Tbk	0	0	0
3	AMFG	PT. Assahimas Flat Glass Tbk	1	1	1
4	ALTO	PT. Banyan Tirta Tbk	0	0	0
5	ASII	PT. Astra International bk	1	1	1
6	BRNA	PT. Berlina Tbk	1	0	0
7	BRPT	PT. Barito Pacific Tbk	1	1	1
8	BTON	PT. Beton Jaya Manunggal Tbk	0	0	0

9	CINT	PT. Chitose International Tbk	1	0	0
10	DAJK	PT. Dwi Aneka Kema Jaya Tbk	0	0	0
11	DPNS	PT. Duta Pertiwi Nusantara Tbk	0	0	0
12	GDST	PT. Gunawan Dianjaya Steel Tbk	0	0	0
13	HDTX	PT. Panasia Indo Resources Tbk	0	0	0
14	INDF	PT. Indofood Tbk	1	1	1
15	JKSW	PT. Jakarta Kyoei Steel Tbk	0	0	0
16	JPRS	PT. Jaya Pari Steel Tbk	0	0	0
17	KETCH	PT. Kedaung Indah Can Tbk	0	0	0
18	LION	PT. Lion Metal Works Tbk	0	0	0
19	LMPI	PT. Langgeng Industry Tbk	0	0	0
20	MASA	PT. Multistrada Arah Sarana Tbk	1	1	1
21	MLIA	PT. Mulia Industrundo Tbk	1	1	1
22	PSDN	PT. Parasidha Aneka Niaga Tbk	1	1	0
23	SKBM	PT. Sekar Bumi Tbk	0	0	0
24	SMSM	PT. Congratulations Perfect Tbk	1	1	1
25	SRSN	PT. Indo Acidatama Tbk	0	0	0
26	SULI	PT. SLJ Global Tbk	1	1	1
27	TCID	PT. Mandom Indonesia Tbk	1	1	1
28	TPIA	PT. Chandra Asri Petrochemical Tbk	1	1	0
29	TRST	PT. Trias Sentosa Tbk	1	1	1
30	ULTJ	PT. Ultrajaya Milk Industry and Trading Company Tbk	0	0	0
31	YPAS	PT. Yanaprima Hastapersada Tbk	0	1	0

Source: Data processed in 2018

Based on table 7 audit quality has been predetermined it can be concluded that in 2014 there were 14 companies using KAP *big four* and the remaining 17 companies using *non big four* KAP . In 2015 there were 13 companies using *big four* KAP and the remaining 18 companies used *non big four* KAP . In 2016 there were 10 companies using the *big four* KAP and the remaining 21 companies used *non big four* KAP . This means that the average company does not have good audit quality because more companies use *non big four* KAP compared to companies that use *big four* KAPs .

Data description of financial report integrity variable (Y).

To find out the integrity of financial statements that are the sample elite, can be seen in table 8 below:

Table 8 Description of the Integrity of Financial Statements in Go Public Manufacturing Companies on the Indonesia Stock Exchange 2014-2016

No.	Stock code	Company name	Integrity of Financial Statements		
			2014	2015	2016
1	ALDO	PT. Alkindo Naratama T bk	1	1	1
2	ALMI	PT. Alumindo Light Metal T bk	0	0	0
3	AMFG	PT. Assahimas Flat Glass T bk	0	0	0
4	ALTO	PT. Banyan Tirta T bk	0	0	0
5	ASII	PT. Astra Intenational T bk	1	1	1
6	BRNA	PT. Berlina T bk	0	0	0
7	BRPT	PT. Barito Pacific T bk	0	0	0
8	BTON	PT. Beton Jaya manunggal T bk	0	0	0
9	CINT	PT. Chitose International T bk	0	0	0
10	DAJK	PT. Dwi Aneka Kema Jaya T bk	0	0	0
11	DPNS	PT. Duta Pertiwi Nusantara T bk	0	0	0
12	GDST	PT. Gunawan Dianjaya Steel T bk	0	0	0
13	HDTX	PT. Panasia Indo resources T bk	0	0	0
14	INDF	PT. Indofood T bk	0	0	0
15	JKSW	PT. Jakarta Kyoei Stell Works T bk	0	0	0
16	JPRS	PT. Jaya Pari Steel T bk	0	0	0
17	KETCH	PT. Kedaung Indah Can T bk	0	0	0
18	LION	PT. Lion Metal Works T bk	1	1	1
19	LMPI	PT. Langgeng Industry T bk	0	0	0
20	MASA	PT. Multistrada Arah Sarana T bk	1	1	1
21	MLIA	PT. MULia Industrindo T bk	0	0	0
22	PSDN	PT. Aneka Niaga Parasidha T bk	1	1	1
23	SKBM	PT. Sekar Bumi T bk	0	0	0
24	SMSM	PT. congratulations Perfect T bk	0	0	0
25	SRSN	PT. Indo Acidatama T bk	0	0	0
26	SULI	PT. SLJ Global T bk	0	0	0
27	TCID	PT. Mandom Indonesia T bk	0	0	0
28	TPIA	PT. Chandra Asri Petrochemical T bk	0	0	0
29	TRST	PT. Trias Sentosa T bk	1	1	1
30	ULTJ	PT. Ultrajaya Milk industry and Trading Company Tbk	0	0	0
31	YPAS	PT. Yanaprima Hastapersada T bk	0	0	0

Source: Data processed in 2018

Based on table 8 the integrity of financial statements has been determined previously, it can be concluded that in the year 2014 to 2016 as many as six companies that pick i the integrity of the financial statements of the conservative and the remaining 23 companies classified optimistic in processing financial statements. Descriptive results of 2014-2016 are the same because there has not been a change in method in determining financial statements and still use the same method for 2014-2016. This means that the average company is classified as optimistic because more companies get code 0 compared to companies that get code1.

DISCUSSION

Research Data Analysis

Descriptive analysis provides a description or description of a data that is seen from the average value (mean), standard deviation, minimum , maximum and variance. Table 9 presents descriptive results for independent variables in the study can be seen as follows:

Based on table 9 the following results are obtained: Table 4.8 *Descriptive Statistics*

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
ILK	93	.00	1.00	24.00	.2581	.43994	.194
IND	93	.00	1.00	17.00	.1828	.38859	.151
INST	93	.00	8.95	70.32	.7562	.87640	.768
MANJ	93	.00	.89	6.47	.696	.11550	.13
KI	93	.14	.67	36.21	.3893	.09027	.008
KMA	93	.33	.75	58.57	.6297	.10206	.1010
KA	93	.00	1.00	37.00	.3978	.49211	.242
Valid N (listwise)	93						

Source: SPSS 22.0 For Windows

The integrity of the financial statements in this study was measured by index of *conservatism* , the minimum value integrity financial statements at 0 value to a maximum of 1, the value of the average (mean) of 0. 2581

as well as the standard value deviation of 0.43994. Variable integrity of the financial statements have the mean value is smaller than the standard deviation value so the data distribution for the financial report integrity variable in this study is uneven and there is a high difference between one data and the other data.

The average value of independence measured by the auditor is the client of the company sampled in this study is 0.1828 with a minimum value of 0 and a maximum value of 1. The standard deviation value of 0.38859 is greater than the average value of 0.1828, thus the spread of data for the independence variables in this study is uneven and there is a high difference between the data one with the other data.

The average audit committee measured by the number of audit committee members from outside the company compared to all audit committee members from the company sampled in this study is 0.6297 with a minimum value of 0.33 and a maximum value of 0.75. Standard deviation of the audit committee of 0.10206 more ketch l from an average of 0.6297. with such dissemination of data to managerial ownership is evenly and not there is a high difference between the data of the other data. The average audit quality of the company sampled in this study is 0.3978 with a minimum value of 0 and a maximum value of 1. The audit quality standard deviation is 0.49211 greater than the average of 0.3978. Thus the spread of data for managerial ownership variables is uneven and there is a high difference between the data one with the other data.

Inferential Analysis

1) Testing the first hypothesis (H1)

The first hypothesis states that the variable independence of experience been influenced restricted integrity of financial statements. The results of this test show that the independence variable has a positive coefficient of 0.047 with a significant level of 0.952, which means greater than a (5% = 0.05). H₀ at this means that H₁ is rejected, results of this test it can be concluded that the miscellany bell independence does not affect restricted integrity of financial statements.

1) Testing the second hypothesis (H2)

The second hypothesis states that institutional ownership influences the integrity of financial statements. The results of this test show that institutional ownership variables have a negative coefficient of 5.814 with a significant level of 0.007 which means it is smaller than a (5% = 0.05). It means H2 is accepted, based on the results of this test, it can be concluded that institutional ownership influences the integrity of financial statements (Nopmanee, 2014).

2) Testing the third hypothesis (H3)

The third hypothesis states that managerial ownership influences the integrity of financial statements (Riadh, 2010). The results of this test show that managerial ownership variables have a negative coefficient of 2.373 with a significant level of 0.366, which means greater than a (5% = 0.05). This means that H3 is rejected, based on the results of this test, it can be concluded that managerial ownership does not affect the integrity of financial statements.

3) Testing the fourth hypothesis (H4)

The fourth hypothesis states that independent commissioners influence the integrity of financial statements. The results of this test show that the independent commissioner variables have a negative coefficient of 1.959 with a significant level of 0.571 which means greater than a (5% = 0.05). This means that H4 is rejected, based on the results of this test, it can be concluded that independent commissioners have no effect on the integrity of financial statements (Abdalrahman, 2018; Riadh, 2010).

4) Testing the fifth hypothesis (H5)

The fifth hypothesis states that committee audits affect the integrity of financial statements. The results of this test show that the audit committee variable has a negative coefficient of 2.797 with a significant level of 0.273 which means it is greater than a (5% = 0.05). It means H5 is rejected, based on the results of this test, it can be concluded that the audit committee has no effect on the integrity of financial statements (Endra, 2018).

5) Sixth hypothesis testing (H6)

The sixth hypothesis states that audit quality affects the integrity of financial statements. The results of this test show that the audit quality variable has a positive coefficient of 1.722 with a significant level of 0.003 which means it is smaller than a (5% = 0.05). This means H6 in receiving, results of this test it can be concluded that quality integrity of financial statements (Violet, 2016; Riadh, 2010).

BENEFITS OF THE STUDY

Theoretical benefits

With this research, it is hoped that it can be useful to increase knowledge and insight especially regarding independence, *corporate governance* mechanisms, and audit quality towards the integrity of financial statements.

Practical benefits

The results of this study are expected to be useful as input for: auditors. It support the auditor to improve audit quality, and implement its independence, and for company management to apply the principles of *good corporate governance* in the company environment.

CONCLUSION

Based on the results of the research and discussion previously discussed, the conclusions can be formulated as follows:

1. Independence variable (X 1) does not affect the integrity of financial statements (Y) in manufacturing companies listed on the IDX.
2. Institutional ownership variable (X2) has a significant effect on the integrity of financial statements (Y) in manufacturing companies listed on the IDX.
3. Managerial ownership variable (X 3) does not affect the integrity of financial statements (Y) in manufacturing companies listed on the IDX.

4. The independent commissioner variable (X 4) does not affect the integrity of financial statements at manufacturing companies listed on the IDX.
5. Variable audit committee (X5) do not experience affected on the integrity of the financial statements of companies listed on the Stock Exchange.
6. Audit quality variable (X6) has a significant effect on the integrity of financial statements (Y) in manufacturing companies listed on the IDX.

SUGGESTIONS

Any suggestions that can be submitted by the authors in this study are as follows:

For the development of science:

- a. For further research, other factors need to be developed which explain the variable integrity of financial statements in addition to independence, corporate governance mechanisms, and audit quality.
- b. For further research, it is better to add variables that have a greater influence on the integrity of the financial statements and the samples used more, not just manufacturing companies but by combining other companies so that the results of the research can be generalized for all sectors of the company.

For Operational Or Practical:

- a. Stakeholders such as the government. Stakeholders such as the government and management of manufacturing companies going public should provide guidelines for implementing and overseeing performance and manufacturing companies.
- b. The management of a manufacturing company should consider the factors that affect the integrity of financial statements so that they can know what affects the integrity of financial statements.

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