Factors Affecting the Integrity of Financial Statements: Empirical Evidence from Indonesian Listed Mining Firms

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Info Article

Abstract

This study aimed to determine the effect of audit tenure, size of accounting public firm, and audit fee for the integrity of the financial statements. The method used in this study is quantitative with a causal associative type. The object of research is mining companies listed on the Indonesia Stock Exchange in the period 2016-2018. The population in this study were all companies listed on the Indonesia Stock Exchange as many as 496 companies and the samples obtained were 15 companies. Data analysis methods used were multicollinity test, overall model test , the feasibility test of the regression model, the coefficient of determination test, the logistic regression analysis test, the classification matrix test and the simultaneous test. The results showed that audit tenure, size of accounting public firm, and audit fee simultaneously had a significant effect on the integrity of financial statements. Partially audit fee have a significant effect on the integrity of financial statements. The effect of audit fee on the integrity of financial statements is positive as evidenced by the results of positive regression values. Meanwhile, audit tenure and size of accounting public firm partially no significant effect on the integrity of financial statements.

1. INTRODUCTION

Government Regulation No. 64 of 1999 states that to improve the efficiency and competitiveness of the national economy, it is necessary to provide facilities to obtain company annual financial information. Financial information can be used by the public and business world as a basis for decision making. Financial information can be obtained from financial statements issued by the company. Measurement of financial statement information integrity Financial Accounting Standards (SAK, 2004) establish the qualitative characteristics that accounting information must have in order to be used in the decision making process. Accounting information is said to be relevant if it can influence decisions by reinforcing or changing the expectations of decision makers, and the information is reliable if it can be trusted and causes the users of the information to depend on the information.

According to the Statement of Financial Accounting Concepts (SFAC) No. 2 the quality of information which ensures that information is reasonably error-free and can and honestly presents what is intended to be stated. Measuring the integrity of financial statements is intuitively measured by conservatism. Measurement of the integrity of financial statements is measured by accounting conservatism that is determined using the assumptions of the company method used, which include the depreciation method, depreciation and amortization methods, and recognition of research costs (Widya, 2005).

The purpose of financial statements is to provide information about the financial position, financial performance and cash flow of the entity that is useful for most users of the report in making economic decisions (PSAK No. 1, 2009). The financial statements prepared must be understood, relevant, reliable, consistent and comparable so that the information generated can show the actual condition of the company. Financial statements are the communication media used by companies to provide information to interested parties such as investors. As a communication medium, financial statements are used by interested parties as a reflection to see the condition of the company. Therefore, an independent party is needed, namely the auditor who acts to assess the reasonableness and reliability of the company's financial statements. This assessment is carried out to prove whether the financial statements have reflected the actual condition of the company, so that the right decisions can be taken by interested parties.

Companies employ auditors who have a reputation to guarantee investors about the integrity of the financial statements presented, this is done to reduce problems between agents and principals (Anderson, 2002). Financial statements which are the responsibility of management need to be audited by accounting public firm as an independent third party. This is important because if it is not audited, there is a possibility that the financial statements contain intentional or unintentional errors. Because of that the unaudited financial statements lack trustworthiness of their fairness by the parties concerned with these financial statements (Agoes, 2008).

The phenomenon that occurs at PT Timah (Persero) Tbk (TINS) where employees who are members of the Tin Employees Association (IKT) hold a speech in front of the Ministry of SOEs, which is essentially conveying demands that the board of directors immediately resign. This is because the directors of PT Timah (Persero) Tbk (TINS) have made a lot of mistakes and negligence while serving for three years since 2013. Timah's Board of Directors is accused of having manipulated financial statements and currently has made a lot of mistakes and omissions during his tenure of office since 2003. The Directors of PT Timah have done a lot of public lies through the media. For example: in the press release of the first half of 2015 financial statements which said that efficiency and strategy had produced positive performance. When in fact in the first half of 2015 the company suffered a loss of Rp 59 billion (Atiningsih and Suparwati, 2018).

From the case, there is role of the auditors failure who have audited the report of PT Timah (Persero) Tbk. The audit failure that occurred raises questions about the relationship between audit, accounting public firm, and the auditee (client) of the

objectivity and independence of the accounting public firm. Audit tenure is the period of engagement that exists between the accounting public firm and the same auditee. Anxiety about losing a large amount of fee will cause doubts for the auditor to produce good financial statement integrity. Thus, the auditor's independence will be affected by the duration of the relationship with the same auditee (Januarti, 2009).

Auditor independence will be lost if the auditor is involved in personal relationships with clients because it can affect their objectivity in conducting audits and giving opinions (Flint, 1988). The length of the audit engagement period (audit tenure) between the auditor and client is one of the threats to auditor independence. He argues that a long audit tenure can cause the auditor to be trapped in a situation where the auditor no longer makes assumptions that are incorrect and not an objective evaluation of current evidence. The size of the accounting public firm can be interpreted to produce better audit quality than a small accounting firm (DeAngelo, 1981). In addition, large-scale accounting public firms have a greater incentive to avoid criticizing reputational damage than small-scale accounting public firms. Large-scale accounting public firms are more likely to reveal existing problems because they are stronger at risk of litigation.

Rational managers will not choose high-quality auditors and pay high fee if the characteristics of the company are not good (Jacksonh and Pitman, 2001). This argument is based on the assumption that high quality auditors will be able to detect the characteristics of companies that are not good and convey them to the public. According to Lennox (1999) there is a positive relationship between audit quality and Size of Accounting Public Firm based on two things, the first is reputation reasons and the second is the reason for wealth (deep pocket) owned by large accounting public firm. this study proves conformity with the reputation hypothesis which argues that large accounting public firms have greater incentives to audit more accurately because they have more specific relationships with clients that will be lost if they provide inaccurate reports. in addition, because large accounting public firms have greater resources or wealth than smaller accounting public firms, they are threatened by larger third party lawsuits if they do not produce inaccurate audit reports.

The relationship of the variables to be studied is beneficial for investors in making decisions when investing and there is great confidence in the company's financial statements that have been audited without hesitation or suspicion about things that cause the untruthfulness of the financial statements. In investing, investors must be selective in choosing where to invest. One of the places of investment that investors are interested in is the mining sector, the reason is that investment in this sector still provides opportunities for maximum profits, because the mining sector holds control in the economic sector, such as fuel which is a basic need. With the increase in world crude oil prices, coal is now the world's main energy source. This has led to increased coal demand and increased company revenue.

The United Nations Conference on Trade and Development (UNCTAD), an organization under the auspices of the United Nations (UN), has released the latest report on world investment summarized in the 2015 World Investment Report. Annual report summarizing data on foreign investment (PMA) in each developing country in the world in 2014 showed that Eastern Asia (consisting of East Asia and Southeast Asia) is one of the largest foreign investment destinations in the world. Indonesia itself experienced an increase in foreign investment by 20 percent to US $ 22.6 billion from US $ 18.8 billion compared to the previous year. The growth of foreign investment in Indonesia is the second highest in East Asia, while in terms of foreign investment is the fourth largest . If focused only on the Southeast Asian region, Indonesia's PMA growth of 20 percent is the highest among other countries.

Based on the case above about PT Timah (Persero), Tbk. which is a Mining Company, researchers are interested in examining the factors that affect the integrity of financial statements in mining companies. The study was conducted in 2016-2018 because in that

year mining companies were in a declining condition, which in 2015 was the worst year for the mining sector (PwC, 2016).

The next following sections discuss prior studies on audit tenure, size of public accounting firm, audit firm, and integrity of financial statements. The research design and findings are presented in the third and fourth sections. Lastly, conclusions, including the study limitation and recommendation for future studies, can be found in the last section.

Audit Tenure and Integrity of Financial Statements

The issue that arises from the length of the audit tenure is the issue of auditor independence. Knapp (1991) shows that the length of the relationship between the auditee and the auditor can interfere with the independence and accuracy of the auditor to carry out auditing tasks. In the auditor-client relationship there is a tendency that over time, the auditor gradually adjusts to various management desires and then does not act completely independently.

Myers (2003) states that the longer relations between the accounting public firm-client relationship can have a detrimental effect on the independence of the accounting public firm because the accounting public firm objectivity on the client will decrease over time. allegedly damaged auditor independence due to the auditor's and client's tenure caused several countries, including Indonesia, issued a policy to make mandatory rotations. In addition, the research results of Wulandari, Hernawati, and Ermaya (2020) reveal that audit tenure has a positive effect on the integrity of financial statements. Meanwhile, according to Arista, Wahyudi, and Yusnaini (2018) audite tenure had negative and significant influence on integrity of financial statements. Based on the theoretical basis, previous research and frame of mind, the hypotheses to be tested are as follows:
H1: Audit tenure has a positive effect on the integrity of financial statements.

Size of Accounting Public Firm and Integrity of Financial Statements

The company will look for Accounting Public Firm with high credibility to increase the credibility of financial statements on the external side as users of financial statements. (Mayangsari, 2003) states that auditors from big-eight accountants are more accurate than auditors from non-big eight accountants. This shows that large accounting firms have a better reputation in public opinion.

Thus, the greater the size of the accounting public firm, the integrity of the audited financial statements of the company is also higher. this is because large accounting public firm have more incentives to avoid things that can damage their reputation compared to smaller accounting public firm (DeAngelo, 1981). In addition, the research results of Astria (2011) reveal that size of accounting public firm has a positive effect on the integrity of financial statements. Based on the theoretical basis, previous research and frame of mind, the hypotheses to be tested are as follows:
H2: Size of accounting public firm has positive effect on the integrity of financial statements.

Audit Fee and Integrity of Financial Statements

Agency theory is related to transaction cost theory where there is a debate about further agency theory about the contract process while the transaction cost theory on the contract is carried out between the Public Accountant and the client (auditee). Agency theory also considers a written and unwritten contract system that is composed of effective disciplines for different individuals, especially principals and agents in decision making.

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The main purpose of agency theory is to explain how parties to a contractual relationship can design contracts with agreements to minimize costs due to asymmetrical information and requirements for change. Agency costs in relation to economics are used to facilitate costs incurred by organizations as part of the process of issuing issues such as information asymmetry and differences in the goals and objectives of management and shareholders. Therefore, this agency theory tries to answer agency problems that occur because of interrelated parties who have different goals.

Research conducted (Susiana, 2007) auditor independence determined by the audit fee does not agree with the integrity of financial statements. Higher costs will improve auditor performance, because audit fee obtained in one year and estimated operating costs needed for the audit process can improve auditor performance. In addition, Pratiwi's (2015) research results reveal that audit fees have an effect on the integrity of financial statements. Based on the theoretical basis, previous research and frame of mind, the hypotheses to be tested are as follows:

H3: Audit fee has positive effect on the integrity of financial statements.
H4: Audit Tenure, Size of Accounting Public Firm, and Audit Fee have positive effect on the integrity of financial statements.

2. METHOD

This research is a quantitative study with an associative type (relationship), which is research that aims to determine the relationship of two or more variables. The population in this study are all companies are listed on the Stock Exchange. The sample used is the mining industry company registered during the period January 1, 2016 to December 31, 2018.

Table 1. Research Sample Criteria

No	Criteria
1	Mining companies whose financial data are related to complete research variables.
2	Mining companies during the 2016-2018 study period did not experience *delisting* from the Indonesia Stock Exchange.
3	Data of mining companies in the form of financial statements that have been audited by an independent auditor.

The method of collecting the data that is needed to help the investigation are methods of documentation , namely data collection techniques by using journals, books, and view and retrieve the data that is obtained from the financial statements submitted Indonesia Stock Exchange and on the floor announcement of Stock Indonesian securities which can be downloaded from the IDX website (Indonesia Stock Exchange).

Measurement of Audit tenure in this study refers to research conducted by Werastuti (2013), namely by using an interval scale in accordance with the length of the auditor's relationship from accounting public firm with the company. The size of the Public Accounting Firm shows auditors affiliated with big four public accounting firms and non big four public accounting firms. A public accounting firm affiliated with a big four public accounting firm is given a dummy code 1, and a non big four public accounting firm is given a dummy code 0 (Alfiani and Nurmala, 2020). Audit fee is a fee received by the auditor derived from fee payments by management (Hartadi, 2012). Descriptive analysis is intended to provide an overview or description of the data from the dependent variable is the integrity of the financial statements and the independent variables audit tenure, size of accounting public firm, and fee audit in the company mining industry in 2016 -2018.

In this study the first time an overall model fit of data will be assessed. Several statistical tests are used to assess this. The hypothesis for assessing this model is (Ghozali, 2012):

H0: The hypothesized model is fit with the data
Ha: The hypothesized model does not fit the data.

The feasibility of the regression model was assessed using the Hosmer and Lemeshow'sGoodness of Fit Test (Ghozali, 2012). Hosmer and Lemeshow's Goodness of Fit Test tests the null hypothesis that empirical data matches or matches the model (there is no difference between the model and the data so the model can be said to be fit). The decision of this model (Ghozali, 2012). The coefficient of determination essentially measures how far the model's ability to explain the variation of the dependent variable. According to (Ghozali, 2013). Testing the hypothesis in this study using logistic regresion as the dependent variable in the form of dummy variables (non-metric) and the independent variable in the form of a combination between a variable metric and non-metric so no need to use test for normality and test the assumptions of classical

3. RESULTS AND DISCUSSION

Reseach Result

Hypothesis testing in this study uses logistic regression , because the dependent variable is a dummy variable (non-metric) and the independent variable is a combination of metric and non-metric variables so there is no need to use the normality test and the classical assumption test (Ghozali, 2012). Descriptive statistics provide a description or description of data seen from the mean (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skeness (skewed distribution) (Ghozali, 2011).

The following is a descriptive picture of the overall sample company statistics which can be seen in Table 2.

Table 2. Descriptive statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Audit Tenure	1,00	3,00	1,844	,8245
KAP Size	,00	1,00	,666	,4767
Audit Fee	16,08	21,72	18,508	1,4701
Tntegrity	,00	1,00	,533	,5045

Table 2 shows the descriptive statistics of each study variable. Based on table 2, the results of the analysis using descriptive statistics on the integrity of financial statements (ILK) show a minimum value of 0, a maximum value of 1 and an average value of 0,5333 with a standard deviation of 0,50452. The results of the analysis using descriptive statistics on audit tenure have a minimum value of 1 and a maximum value of 3, and have an average value of 1,8444 with a standard deviation of 0,82450. For the Size of accounting public firm variable the minimum value is 0 and the maximum value is 1. Then the average value is 0,6667 with a standard deviation of 0,47673. The audit fee variable has a minimum value of 16,08 and a maximum value of 21,72. And the average value of 18,5084 with a standard deviation of 1,47017. The variable audit tenure, size of accounting public firm, audit fee and financial statement integrity have an average value greater than the standard deviation value. This shows that the data quality of the variable is good, because the average value greater than the standard deviation identifies that the standard error of the variable is small.

The results of table 3 show that there is no correlation matrix between variables greater than 0,9. Then there are no symptoms of serious multiconerinity between independent variables (Ghozali, 2012).

Table 3. Correlation matrix

	Constant	Audit Tenure	KAP Size	Audit Fee
Audit Tenure	-,019	1,000	-,133	-,106
KAP Size	-,249	-,133	1,000	,178
Audit Fee	-,987	-,106	,178	1,000

This test is done by comparing between -2Log Likelihood (-2LL) at the beginning (Block Number = 0) with the value of -2Log Likelihood (-2LL) at the end (Block Number = 1). The initial value of -2LL was 62,183, after being entered into the independent variable the final -2LL value had decreased to 47,687. Decreased -2 Log Likelihood (-2LL) shows a better regression model or in other words the model is hypothesized fit with the data (Ghozali, 2012). A constant of -17,858 means that if the value of all X variables is 0 then the integrity of the financial statements (Y) the value is -17,858.

Table 4. Assessing the Overall Model

Iteration	-2 Log likelihood	Coefficient
1	62,183	0,133
2	62,183	0,134

Table 5. Overall Model Fit

-2 Log likelihood	Coeffiecients			
	Constant	Audit Tenure	Ukuran KAP	Audit Fee
48,620	-12,638	-,093	,482	,682
47,716	-16,888	-,122	,737	,908
47,687	-17,818	-,126	,800	,956
47,687	-17,858	-,126	,803	,958
47,687	-17,858	-,126	,803	,958

Tests showed a *Chi-square value* of 3,1925 with a significance of 0,867. Based on these results because the significance value is greater than 0,05, the model can be concluded able to predict the value of the observation. The following table 6 shows the results of the *Hosmer and Lemeshow's Goodness of Fit Test.*

Table 6. The Feasibility of the Regression Model

Step	Chi-square	df	Sig.
1	3,192	7	,867

The magnitude of the coefficient of determination in the logistic regression model is indicated by the value of *Nagelkerke R Square. Nagelkerke R Square* is 0 , 368 which means that the variability of the dependent variable that can be explained by the independent variable is 36.8% while the remaining 63.2% is explained by other variables outside the research model such as auditor independence and audit quality in the research of Adriansano and Nuryantoro (2015), Following table 7 shows the value of *Nagelkerke R Square.*

Table 7. Coefficient of Determination

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
47,687	,275	,368

The logistic regression model that is formed is presented in the table below:

Table 8 Logistic Regression Coefficient

	B	S.E.	Wald	Sig.	Exp(B)	95% C.I. for EXP(B)	
						Lower	Upper
Audit Tenure	-,126	,444	,080	,777	,882	,369	2,106
KAP Size	,803	,790	1,033	,309	2,233	,475	10,508
Audit Fee	,958	,325	8,685	,003	2,608	1,379	4,932
Constant	-17,858	6,083	8,619	,003	,000		

The results of testing of the regression coefficients produce the following models:
ILK = -17,858 - 0,126 TENURE + 0,803 KAP + 0,958 FEE

The estimated value presented in the logistic regression equation above, cannot be interpreted directly as an ordinary linear regression model, but the estimated value of the logistic regression equation can be interpreted from the value of Exp (B) or commonly called the odds ratio. The interpretations for the value of Exp (B) obtained are as follows:
a) A constant value of -17,858 which means that if the audit tenure variable, size of accounting public firm, and audit fee are considered constant, the integrity value of the financial statements (ILK) is -17,858.
b) Exp (B) value for audit tenure is -0,126 which means that every 1 time increase in audit tenure, the opportunity for the integrity of the resulting financial statements will decrease by 0,126 if other variables are constant.
c) The value of Exp (B) for size of accounting public firm is 0,803 which means that every 1 time increase in size of accounting public firm, the opportunity for the integrity of the resulting financial statements will increase by 0,803 if other variables are constant.
d) 4. The value of Exp (B) for the audit fee is 0,958 which means that every 1 time increase in the audit fee, the opportunity for the integrity of the financial statements produced will increase by 0,958 if other variables are constant.

The classification results show the predictive power of the regression model to predict the possibility of the integrity of financial statements in a company. Next is the table view 9 along with an explanation.

Table 9. Classification Matrix

Observed			Predicted		
			Integritas Laporan Keuangan		Percentage Correct
			Optimis	Konservatif	
			14	7	66,7
Integritas LK	Optimis Konservatif		4	20	83,3
Overall Percentage					75,6

The predictive power of the regression model to predict the likelihood of the integrity of financial statements conducted by a company is 83,3%. This shows that by using the regression model used there are as many as 20 companies (83,3%) which are predicted to carry out financial statement integrity from a total of 24 companies that carry out financial statement integrity. The predictive power of the company model that does not conduct financial statement integrity is 66,7% which means that with the regression model used there are as many as 14 companies (66,7%) who are predicted not to conduct financial statement integrity from a total of 21 companies that do not conduct report integrity finance. The accuracy of the model in classifying the integrity of financial statements is 75,6%, meaning that of 45 observations there were 34 observations that were correctly classified by the logistic regression model. Based on the test results using SPSS version 23 produces the following *output*:

Table 10. Simultaneous Testing Results

	Chi-square	df	Sig.
Step	14,496	3	,002
Block	14,496	3	,002
Model	14,496	3	,002

Based on table 10 above shows the results that simultaneously the independent variable influences the independent variable. This can be seen from the significant value of 0,002 which is greater than α (0,05).

Discussion

The effect of audit tenure on the integrity of financial statements

The tenure variable shows a negative regression coefficient of -0,126. Probability shows greater than 0,05 which is 0,777. This means that the first hypothesis was not successfully supported or H1 was rejected and it can be concluded that the audit tenure did not have a significant effect on the integrity of the financial statements. This explains that the longer the KAP's engagement with the client does not change the integrity of the financial statements by the company.

Qoyyimah et al (2015), Astria (2011), and Nicolin (2013) supports the results of this study which states that there is no significant effect of audit tenure that reflects the independence of accounting public firm on the integrity of financial statements, indicating that the company does not view the longer accounting public firm engagement period as the basis for presenting financial statements to be not conservative. This is with the consideration that the change from conservative accounting to optimism will be avoided by companies to reduce the suspicion of investors or other financial users.

The effect of size of accounting public firm on the integrity of financial statements

Size of accounting public firm variable shows a positive regression coefficient of 0,803. Probability shows greater than 0,05 which is 0,309. This means that the second hypothesis was not successfully supported or H2 was rejected. This research did not succeed in proving that the size of accounting public firm had no effect on the integrity of financial statements in the company.

The results of this study are in line with the study of Qoyyimah et al (2015) and Kumala Sari (2012), where size of accounting public firm does not affect the integrity of financial statements. In its application, large or small accounting public firms have the same standards in accordance with the Preparation Standards of Public Accountants (SPAP) in carrying out their work in auditing financial statements. Financial statements with high or low integrity depend on the performance of the manager or can be from the accounting public firm. If viewed from the manager, even though audited by auditors who work at accounting public firm affiliated with the big four, if the manager presents financial statements that do not have integrity then it will not guarantee the financial statements also have integrity. Meanwhile, if viewed from the accounting public firm, it could be that the accounting public firm assigns less experienced staff to reduce litigation costs because auditing financial statements is a natural thing to do, so that the integrity of the expected financial statements is not achieved.

The effect of audit fee on the integrity of financial statements

The audit fee variable shows a positive regression coefficient of 0.958. The probability of showing is smaller than 0,05 which is 0,003. This means that the third hypothesis was successfully supported or H3 was accepted. This research successfully proved that audit fee affect the integrity of financial statements. This research successfully proved that audit fee affect the integrity of financial statements. This shows the greater costs (wages) received by the auditor can present financial statements with high integrity.

The results support the research of Yuniarti (2011) and Pratiwi (2015) which states that the higher the audit fee charged by the client company, the higher the quality of the audit produced because the audit fee obtained in one year and the estimated operational costs needed to carry out the audit process can increase the integrity of the financial statements produced by an independent auditor.

The effect of audit tenure, size of accounting public firm, and audit fee on the integrity of financial statements

The audit tenure, size of accounting public firm, and audit fee show values smaller than 0,05, which is 0,002. This means that the fourth hypothesis was successfully supported. This research successfully proved that audit tenure, size of accounting public firm, and audit fee are simultaneously influence the integrity of financial statements.

The result supports the agency theory where agency theory is a theory that describes the relationship between two individuals with different interests, namely the principal and agent (Jensen and Meckling, 1976). In this case the audit tenure, public firm size of accounting, and audit fees are forms of responsibility carried out by the agent and become factors that affect the integrity of the financial statements. Financial statements are the responsibility of the agent to the principal.

4. CONCLUSION

Based on the research that has been done in the first 5 companies mining listed on the Stock Exchange, with a span of period 2016 until 2018, it can be concluded that Audit tenure has no significant effect on the integrity of financial statements, so H1 is rejected. Size of Accounting Public Firm does not significantly influence the integrity of financial statements, so H2 is rejected. Audit fee has positive effect on the integrity of financial statements, so H3 is accepted. Audit tenure, size of accounting public firm and audit fee have positive effect on the integrity of financial statements, H4 is accepted.

In this study did not rule out the existence of limitations that cause the results of this study can not be generalized. Companies that are taken as samples are only from the mining companies group, so it cannot necessarily be generalized to manufacturing , financial or other sectors. This study has a limited sample that is 45 (fourty five) samples of company financial statement data that have been audited and listed on the Indonesia Stock Exchange (IDX). The calculation period also has a relatively short period (2016 - 2018) and only uses an annual financial report that has been audited from 15 companies only.

This research is expected to provide an overview of audit tenure, size of accounting public firm, and audit fee on the integrity of financial statements from the research results that have been described, the researcher proposes some suggestions for further researchers. It is hoped that further research will be carried out by taking samples from other sectors such as manufacturing, agriculture, finance and so on, so that a comparison of research results can be obtained which can lead to new scientific disciplines. The use of other models to measure the integrity of financial statements such as the conservatism index as a proxy for the integrity of financial statements is calculated using the market to book ratio. Adding other variables related to the integrity of financial statements such as auditor independence, quality, corporate governance structure , industry specialization, independent commissioners, audit committee, managerial ownership, institutional ownership, auditor specialization in client industry, leverage, and others.

above all difficulties. I dedicate this research to my husband who has been my partner in this research, son, and parents, who never stop giving a life full of love.

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