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Determinants of financial statements integrity

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ABSTRACT

This research aims to find out the influence of corporate governance measured by institutional ownership, managerial ownership, audit committee, and independent commissioner, as well as the influence of accounting firm specialization and audit tenure on the integrity of financial statements. The population of this research was the service companies in the infrastructure, utilities, and transportation sectors listed at IDX during the period 2015-2018. The sampling was done using purposive sampling method which collected 21 companies. The data analysis method used was multiple linear regression. The research findings reveal that institutional ownership, managerial ownership, independent commissioner, and accounting firm specialization have positive influences on the integrity of financial statements, while audit committee and audit tenure do not have significant influences on the integrity of financial statements.

Introduction

According to the Statement of Financial Accounting Standards Number 1, financial statement is defined as a structured presentation of the financial position and performance of an entity that aims to provide the information on the entity's financial position, performance, and changes in financial position in a certain period. Throughout transactional an economy still exist and uses the money as legal tender, the role of accounting is always crucial for the accounting record of all business events of a financial nature (Sumartono et al., 2020). Such information is employed by varied parties such as creditors, investors, employees, the government, and other users for the purpose of economic decision making. Given that financial statements have crucial functions, the financial statements with high integrity are of great importance. Saksakotama and Cahyonowati (2014) explain that the integrity of financial statements is a measure to which extent the financial statements show the honest and true information that will not mislead the users.

Basically, the absence of good corporate governance is the main factor that causes the abuse of authority by directors or other high-rank officials in the company. Companies that do not have good corporate governance are likely to trigger the management to present financial statements that are inclined to bring positive effects on the company's economy to avoid poor credibility in public. This brings harm to the users of the financial statements as the information presented is not the real one. The companies that apply good corporate governance indicate better integrity of their financial statements. Good corporate governance is a business governance which is based on the professional ethics in doing business or work. In principle, the main objective of good corporate governance is to create value added for all stakeholders. This research aims to analyze the influence of corporate governance on the integrity of financial statements of the companies in Indonesia.

Ownership by institutions can provide supervision over the performance of managers, while managerial share ownership can provide motivation to managers to optimize their performance to compose the financial statements with integrity. A study by Dewi and Putra (2016) revealed that institutional and managerial ownerships had positive significant influences on the integrity of financial statements. Meanwhile, the studies by Mudasetia and Solikhah (2017) as well as by Fajaryani (2015) found that institutional ownership had a negative influence on the integrity of financial statements.

Another variable is audit committee. The presence of an audit committee in a company is expected to supervise and monitor the audit of financial statements in order to minimize the likelihood of manipulation to achieve higher integrity of the financial statements. Yulinda (2016) revealed that audit committee had a positively significant effect on the integrity of financial statements, while Indrasari (2017) found that audit committee had a negative effect on the integrity of financial statements.

Independent commissioner functions to assess the company overall performance and balance the process of decision making for the protection of the minority shareholders and other related parties by improving the integrity of financial statements. Dewi and Putra (2016) showed that independent commissioner had a positive influence on the integrity of financial statements.

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In addition to the four variables aforementioned, this research also uses two other variables, namely industry-specialist accounting firm and audit tenure. Based on the prior studies, inconsistent results were still found in the influence of both variables on the integrity of financial statements, so this research attempts to investigate more on those variables' influences on financial statements integrity.

Literature Review

Agency Theory

Jensen and Meckling (1976) mention that agency theory explains the contract relationship between the owner who hires others or an agent to delegate the authority, duties, and decision-making to the agent. In this theory, the owner delegates his authority to the managers to work for the owner's interest. In this case, the managers are responsible for providing reports on their performance and they are inclined to provide financial statements showing good performance. Nicolin and Sabeni (2013) explain that the purpose of agency theory is to meet the interests of the owner and the manager in a contract so that there will be no conflict of interests that tends to satisfy each individual benefit and causes detriment to other parties. Agency problems that arise due to conflicts of interest can be reduced by supervisory mechanism using corporate governance mechanism. The application of corporate governance mechanism can reduce agency problems and will improve the integrity of financial statements. As a result, the financial statements that have high integrity can benefit the company and can increase the confidence of the external parties in using the financial statements for decision making.

Integrity of Financial Statements

Financial statements have an important role because based on that, the financial position, performance, and changes of an entity can be observed, and the information will be useful for the users in making the economic decisions. At the same time, it shows the management responsibility for the use of the resources entrusted by the owner. Yulinda (2016) defines integrity of financial statements as the extent to which the financial statements are presented in an honest and true way, in which all information on financial position, performance, and cash flow should be true as they are to be accountable to the stakeholders. Financial information has reliable quality if the information is not misleading, does not contain material error, and should be reliable for the users as a faithful presentation. Meanwhile, relevant financial information is the information that is useful for the users in the decision-making process.

Institutional Ownership

Institutional ownership is the ownership of company shares by an institution. Setiawan (2015) states that institutional ownership shows the influence of institutional shareholders on the management performance, like in relation to financial reporting. Institutional investors play an active role in conducting a supervision over the management performance to encourage the managers to focus more on the company performance thereby reducing opportunistic and selfish behaviors (Suciana & Setiawan, 2013). This means that high level of institutional ownership can improve the integrity of financial statements because the management performance can be monitored so that the manipulations that may be carried out can be anticipated.

Managerial Ownership

Dewi and Putra (2016) define managerial ownership as the ownership of company shares by internal parties or management who are also the managers of the company. Share ownership by high-rank management will be likely to make the managers more responsible and accountable in preparing and presenting the financial statements. Thus, the likelihood to manipulate the information in the financial statements can be avoided as they are fully aware of the consequences. Therefore, managerial ownership plays a role in limiting irregular behaviors which might be done by the company management and is one of the mechanisms that can be applied to improve the integrity of financial statements.

Audit Committee

According to the Financial Services Authority Regulation No. 55/Pojk.04/2015, audit committee is a committee formed by board of commissioners to assist the board tasks and functions. In reporting financial statements, an audit committee is in charge of supervising and monitoring the audit of the financial statements to ensure that the audit has fulfilled the standards and financial policy, to reexamine the financial statements whether or not in addition to fitting the standards also being consistent with other information known by the members of the audit committee, and to assess the service quality and fairness of the fees proposed by the external auditor. The existence

of audit committee can serve to reduce the likelihood of manipulation that might occur in reporting Nicolin and Sabeni (2013) thus increasing the integrity of financial statements.

Independent Commissioner

Independent commissioner is a member of commissioner board who is not affiliated with the management, other commissioner board, and shareholders, also free from business relationship or other relationships that might affect his potential to act independently. Istiantoro et al. (2017) opine that independent commissioner in a firm serves to protect and supervise the parties from outside of the company management and gives suggestions to the management. Thus, independent commissioner is a good position to conduct a monitoring function in a company. Each firm listed at the IDX should own an independent commissioner proportionally equivalent to the number of shares owned by the minority shareholders or the shareholders who are not in the controlling position. In this rule, the requirement for the minimal number of commissioners is 30% of the number of entire members of the commissioner board. The existence of independent commissioners within a company has the function to protect and supervise the parties outside the company management, to mediate the disputes that occur between the internal managers, and to oversee the management policies as well as to provide advice to the management. Consequently, independent commissioners are in a good position to carry out the monitoring in order to realize a company with good corporate governance which produces high integrity financial reports.

Industry-Specialist Accounting Firms

In conducting an audit process, an auditor needs to understand the client's business in order to be able to identify all activities and events in the company. Industry-specialist accounting firm is an accounting firm with the expertise and experiences in a particular industrial sector. The industry-specialist accounting firm has many clients within the same industry which in turn allows the firm to increase the knowledge and experiences in the industry. The auditor with specialty is able to detect errors better and enhance the efficiency and quality of the assessment on financial statements. Nugrahanti (2014) explains that the more frequent the accounting firm handles the companies in similar industrial field, the more specialized the firm will be in the field of the industry to where the group of the companies belongs. The auditors in an industry-specialist accounting firm have not only knowledge of audit and accounting but also better knowledge of the conditions of the industry thus able to provide high quality audit and detect errors or frauds committed by the company. The longer the period of specialization the auditor has, the better he is believed to detect errors, increase efficiency, and improve the integrity of financial reports. The length of the auditor's work experience affects the fraud risk assessment for companies with different cultural characteristics (Hamdani et al., 2020).

Audit Tenure

Audit tenure is a term of audit engagement between an auditor and his client. A long-term relationship between an accounting firm and its clients potentially induces the proximity between the firm and the clients, which in turn affects the auditor independence as it is well-known that the decreased level of independence will affect the auditor objectivity in assessing a client company. An auditor may fail in detecting misrepresentation of financial statements due to the decreased objectivity. This will be likely to reduce the audit quality which in turn also decreases the integrity of financial statements. In addition, an auditor may be inclined to side with the management in the hope that the firm will remain using the auditor service in the future. The longer the period of an auditor work with a particular company, the lower the level of his objectivity in auditing, so the integrity of the financial statements might decrease.

Influence of Institutional Ownership on Integrity of Financial Statements

Institutional ownership is the percentage of voting rights held by an institution. Such a percentage of shares may affect the process of preparing financial statements which likely to lead to the accrual in accordance with the management's interest (Suciana & Setiawan, 2013). According to Saksakotama and Cahyonowati (2014), institutional ownership can promote the monitoring on the managers' acts in anticipating possible manipulations. The supervision by institutional shareholders can encourage the managers to focus on the company performance so as to reduce their selfish acts / behaviors. This indicates that higher level of institutional ownership can promote the integrity of financial statements as the management performance is supervised thus minimizing the possible frauds. This premise is corroborated by the studies of Dewi and Putra (2016) and Fajaryani (2015) revealing that institutional ownership has a positive effect on the integrity of financial statements. Thus, hypothesis 1 is proposed as follows.

H_1: Institutional ownership has a positive influence on the integrity of financial statements.

Influence of Managerial Ownership on Integrity of Financial Statements

Managerial ownership shows that there are multiple roles of a manager – not only as a manager but also as a shareholder (Setiawan, 2015). The multiple roles make the manager have a large responsibility. To put it simply, managerial ownership plays a role in restricting deviant behavior of the company management, and it is one of the mechanisms that can be applied to improve the integrity of financial statements (Putra & Muid, 2012). Higher percentage of managerial ownership can potentially boost the integrity of financial statements as the company performance by the management is not only for the company's interest but also for the management's interest itself. Thus, the managers will have a responsibility to prepare the financial statements in a faithful way to achieve the integrity of financial statements. A research study by Dewi and Putra (2016) shows that managerial ownership has a positive influence on the integrity of financial statements. The hypothesis is then proposed as follows.
H_2: Managerial ownership has a positive influence on the integrity of financial statements.

Influence of Audit Committee on Integrity of Financial Statements

Audit committee is a committee formed by the board of directors whose task is to carry out an independent supervision over the financial reporting and external audit. Based on the Financial Services Authority (OJK) regulation, each go-public company is required to have an audit committee (Dewi & Putra, 2016). In financial reporting, the audit committee is in charge of monitoring and supervising the audit of financial statements, ensuring that the audit has fulfilled the standards and financial policy as well as re-examining whether or not the financial statements comply with the standards and financial policy (Putra & Muid, 2012). By such supervision, it is expected that the likelihood of opportunistic actions and manipulations can be eliminated. Thus, audit committee can be an attempt to promote the integrity of financial statements. The studies by Nicolin and Sabeni (2013) and Putra and Muid (2012) found that the quantity of audit committee had a significantly positive effect on the integrity of financial statements. The hypothesis is then proposed as follows.
H_3: Audit committee has a positive effect on the integrity on financial statements.

Influence of Independent Commissioner on Integrity of Financial Statements

Independent commissioner is a body in a firm whose members are independent board of commissioners from outside of the company. The function of independent commissioner is to assess the company performance in a broad and comprehensive manner and to balance the decision-making, especially for the protection of minority shareholders and related parties (Istiantoro et al., 2017). In agency theory, the benefit of having an independent commissioner is that it can increase the transparency of management performance, thereby minimizing the possibility of any deviance by the management. Thus, independent commissioner is expected to be able to conduct supervision over the company's management effectively so as to increase the integrity of financial statements. This premise is corroborated by the study of Yulinda (2016) revealing that the quantity of independent commissioner has a positive effect on the integrity of financial statements. The hypothesis is then proposed as follows.
H_4: Independent commissioner has a positive influence on the integrity of financial statements.

Influence of Industry-specialist Accounting Firm on Integrity of Financial Statements

An accounting firm will have wider experiences and knowledge when frequently dealing with similar industry. By having such wider experiences, the auditors will have more understanding and knowledge of audit risks, business risks, and internal controls of the companies from the same industry. It is believed that the auditor who is a specialist is able to detect errors better, to boost efficiency, and to improve the assessment on financial statements, thus winning the owners' trusts (Nugrahanti, 2014). This is in line with the study by Fajaryani (2015) stating that industry-specialist accounting firm has a positive effect on the integrity of financial statements. The hypothesis is then proposed as follows.
H_5: Accounting firm specialization has a positive effect on the integrity of financial statements.

Influence of Audit Tenure on Integrity of Financial Statements

Audit tenure is a term of audit engagement between an auditor and a company Putra and Muid (2012) state that a longer relationship between an auditee and an auditor is more likely to disrupt the auditor independence and accuracy in conducting audit task. To put it simply, a longer audit engagement will allow the auditor to adjust to the management's wishes, so there is a concern that the auditor will be unable to act independently and objectively in assessing the company's financial statements. Therefore, auditor rotation is of great importance to maintain the integrity of financial statements through independence and audit quality. The research finding that supports this premise is a study by Oyedokun (2016)who has found that audit tenure has a negatively significant influence on the integrity of financial statements.

H_6: Audit tenure has a negative influence on the integrity of financial statements.

Research Method

The population of this research was the service companies in infrastructure, utilities, and transportation sectors listed at the Indonesian Stock Exchange for the period 2015 – 2018. The sampling method used was non-probability method using purposive sampling technique. The criteria for this sampling method were: the companies were engaged in the sectors of infrastructure, utilities, and transportation listed t the Indonesian Stock Exchange during the year of 2015-2018, and these companies whose financial statements issued in 2015-2018 provided the information needed by this study. Based on these criteria, 21 companies were collected. Since the observation period lasted for four years, there were total 84 data processed.

Definitions and Variable Measurements

Financial statement integrity

The integrity of financial statements is a measure to which extent a financial statement is presented in a faithful way. In this research study, financial statement integrity was measured by conservatism index. This index serving as the proxy of financial statement integrity was measured by adopting Beaver and Ryan models, using market to book value ratio which reflected the relative market value toward a firm's book value. This index was measured using the following formula (Hardiningsih, 2008).

$$\text{ILKit} = \frac{Stock\ Market\ Price}{Share\ Book\ Value}$$

where:
ILKit : Financial Statement Integrity of Company *i* in year t

Institutional ownership

Institutional ownership shows the influence of institutional shareholders on the management performance related to the company financial reporting (Setiawan, 2015). Institutional ownership is measured by calculating the percentage of the number of shares owned by the institution or bodies such as insurance companies, banks, investment companies to the total outstanding shares of the company (Nicolin & Sabeni, 2013).

$$Institutional\ Ownership = \frac{Shares\ owned\ by\ the\ institution}{Total\ shares\ outstanding} \times 100\%$$

Managerial ownership

Managerial ownership is the share proportion owned by the management that also plays a role in the operational activities and decision-making process (Nicolin & Sabeni, 2013). The management in this context includes directors and commissioners. In this research, managerial ownership was determined by calculating the percentage of the total number of shares owned by the management.

$$Managerial\ Ownership = \frac{Shares\ owned\ by\ managerial}{Total\ shares\ outstanding} \times 100\%$$

Audit committee

According to the Financial Services Authority Regulation No 55/Pojk.04/2015 regarding the establishment and guidelines for the work implementation of audit committee, audit committee is a committee formed by the commissioner board to assist the board's tasks and functions. A company is required to have at least three persons coming from the independent commissioner, and not from the emitent. The variable of audit committee in this research was measured by calculating the number of audit committee members in a company (Nicolin & Sabeni, 2013).

Independent commissioner

An independent commissioner is a commissioner who does not own shares but is appointed to be independent commissioner as his capabilities – knowledge and experience – in the given area has been recognized, and he can provide input to the commissioner board in each decision-making (Givoly & Hayn, 2000). The supervision by the independent commissioner is much better and free of any personal interest. The proportion of commissioner board can be measured using the following formula:

$$Independent\ Commissioner = \frac{The\ number\ of\ members\ of\ commissioner\ independent\ board}{the\ number\ of\ members\ of\ commissioner\ board}$$

Industry-specialist accounting firm

Industry-specialist Accounting Firm is an auditor that has better capability and knowledge compared to the auditor with no specialization. This variable refers to the study by Nizar (2017) revealing that auditor specialization proxied with the formula of industry-specialist auditor. Score 1 was given to the specialist auditor, and score of 0 was for non-specialist auditor. An accounting firm is categorized as a specialist if it has audited 15% or more of the emitents in the same industry. The percentage of industry-specialist accounting firm was calculated using the following formula:

$$Industry - specialist\ accounting\ firm = \frac{the\ number\ of\ the\ clients\ in\ sector\ of\ industry\ \mathrm{X}}{the\ number\ of\ emitents\ in\ industry\ \mathrm{X}} \times 100\%$$

Audit Tenure

Audit tenure is a term of audit engagement between an auditor and a client company. The measurement of audit tenure was conducted by calculating the amount of engagement years between the auditor and the client. The first engagement year started from score 1 and continued as the engagement year increased (Amrullah dan Wirama, 2016).

Data Analysis Method

Descriptive statistics is the statistics that provide definition or describe the characteristics of the data. The statistics inform the maximum score, minimum score, average, and deviation standard of each variable.

Hypothesis

The hypotheses in this research were tested by employing the following regression equation:

$$\mathrm{Y} = \alpha + \beta 1\ \mathrm{INST} + \beta 2\ \mathrm{MANJ} + \beta 3\ \mathrm{KOM} + \beta 4\ \mathrm{KI} + \beta 5\ \mathrm{SIK} + \beta 6\ \mathrm{AT} + \varepsilon$$

where:
Y = Integrity level of of financial statements
α = Constant
β1, β2, ..., β6 = Regression coefficient
INST = Institutional ownership
MANJ = Managerial ownership
KOM = Audit committee
KI = Independent commissioner
SIK = Industry-specialist accounting firm
AT = Audit tenure
ε = Error

Results and Discussion

Table 1 shows the calculation of the number of samples used in this research.

Table 1. The Results of Sample Selection Based on Purposive Sampling Method

No	Information	Amount
1	The service companies engaged in the sector of infrastructure, utilities, and transportation listed at the IDX during the year 2015-2018.	50
2	The service companies engaged in the sector of infrastructure, utilities, and transportation whose financial statements in the period of 2015-2018 provide the information needed in this research.	(29)
The number of the sample companies		21

Results of Descriptive Statistics

Table 2 indicates the results of descriptive statistics of each variable.

Table 2. Results of Descriptive Statistics

Variable	n	Minimum	Maximum	Mean	Std. Deviation
Institutional ownership	84	.1858	.9676	.6286	.2059
Managerial Ownership	84	.0000	.6641	.0788	.1625
Audit Committee	84	3.00	6.00	3.1904	.6106
Independent Commissioner	84	.25	.67	.3934	.0940
Audit Tenure	84	1.00	4.00	2.3214	1.121
Financial statement integrity	84	.1397	17.7141	2.2170	3.179

Since the variable of industry-specialist accounting firm in this research used dummy variable, the descriptive analysis of the test result is presented separately. Table 3 shows the results of the descriptive statistical analysis on industry-specialist accounting firm variable.

Table 3. Results of Descriptive Statistics of Industry-specialist Accounting

Dummy variable	Frequency	Percent	Valid Percent	Cumulative Percent
0	46	54.8	54.8	54.8
1	38	45.2	45.2	100
Total	84	100	100	

where:
0 = The company uses the service of specialist auditor
1 = The company does not use the service of specialist auditor

Hypothesis Testing Multiple Linear

Based on the results in Table 4, the regression model obtained is as follows.

$$Y = 0.429 + 3.577INST + 1.010MANJ + 0.795KOM + 1.194KI + 0.580SIK - 0.061AT + e$$

Table 4. Results of Multiple Linear Regression Analysis Test

Coefficients[a] Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.429	1.065		.403	.688
Institutional Ownership	3.577	.685	.444	5.218	.000
Managerial Ownership	1.010	.267	.338	3.777	.000
Audit Committee	.795	.694	.100	1.145	.256
Independent Commissioner	1.194	.513	.211	2.328	.023
Industry-specialist accounting firm	.580	.260	.190	2.231	.029
Audit Tenure	-.061	.461	-.011	-.133	.894

Discussion

Institutional ownership has a positive influence on the integrity of financial statements. The presence of institutional ownership in a company can reduce agency conflicts that possibly emerge because of the agency relations. Institutional investors, such as insurance companies, banks, or other institutions can restrict the managers' opportunistic behavior through effective supervisory functions thus achieving the integrity of financial statements. In addition, institutional investors are experienced investors, so they cannot be easily deceived by the manipulations committed by managers. This research finding is in line with the studies conducted by Fajaryani (2015) and Pradika and Hoesada (2018).

Managerial ownership has a positive and significant influence on the integrity of financial statements. Managerial ownership is the share ownership by the internal parties that directly manage the company. This means that the managers who invest their shares in the company tend to be more active and encourage the management to always make the best decisions for the company so that it can align with the interests of agents and principals. This research finding corroborates the prior studies performed by Indrasari et al. (2017), Dewi and Putra (2016), and Yulinda (2016) revealing that higher percentage of managerial ownership will result in the integrity of financial statements.

Audit committee does not have a positive and significant influence on the integrity of financial statements. As it is known that the presence of audit committee is a must as postulated in POJK No. 55/POJK.04/2015 regarding

the establishment and guidelines for the work implementation of audit committee. This regulation may lead to a situation where the audit committee will be less effective because it is only a complement to meeting the applicable regulations. If the existence of audit committee is unable to facilitate the communication between the makers of the financial statements and to ensure the financial statements compliance with the standards, or if the functions of audit committee as the supervisor and reviewer of financial statements making and as the facilitator in communicating matters related to auditing to the board of directors do not work properly, the audit committee will be unable to prevent frauds in financial reporting and unable to improve the integrity of financial statements. This research finding supports the prior studies by Dewi and Putra (2016) as well as by Mudasetia and Solikhah (2017) showing that there is no influence between audit committee and the integrity of financial statements.

Independent commissioner has a positive and significant influence on the integrity of financial statements. Independent commissioner is the commissioner coming from outside of the management which functions to supervise the accounting process to enhance the reliability of financial statements. Independent commissioner is a good position to do monitoring function in order to achieve good corporate governance (GCG) and to minimize the fraud risks. This research finding is in line with the studies carried out by Yulinda (2016) and Dewi and Putra (2016) stating that if the number of the independent commissioners is larger, the integrity of financial statements will be achieved.

Industry-specialist accounting firm has a positive and significant influence on the integrity of financial statements. The companies audited by an industry-specialist accounting firm will be more likely to improve the quality of the audit as the accounting firm is more experienced in conducting audits in that sector. Thus, better audit quality will lead to the integrity of financial statements. This research finding supports the study of Fajaryani (2015) revealing that auditors with industry specialization has a positive and significant influence on the integrity of financial statements.

The sixth hypothesis is not supported due to a few reasons. Despite longer term of the audit engagement with the client, auditors will remain to maintain their independence for the sake of the good name of their firms as the firms that audit the service companies in the sector of infrastructure, utilities, and transportation are the firms that have been listed and verified by the Financial Services Authority (OJK), even some of them are the Big Four. Therefore, the auditors always try to work professionally. Thus, longer term of the audit engagement between the auditor and the client is not the standard for the financial statement integrity measurement. This research finding is in line with the prior studies done by Qoyyimah et al. (2015), and Amrulloh et al. (2016), revealing that audit tenure does not have a significant influence on the integrity of financial statements.

Conclusion

Based on the results of hypothesis testing, the conclusion can be drawn as follows. Institutional ownership, managerial ownership, independent commissioner, and industry-specialist accounting firm have positive and significant influences on the integrity of financial statements. However, audit committee and audit tenure do not show significant influences on the integrity of financial statements.

For investors, institutional and managerial ownership can be considered when making decisions to invest in a company. As it is known that institutional ownership plays a role in carrying out the supervision over the management performance so that the likelihood of manipulations in financial information can be anticipated thus the integrity of financial statements achieved. Meanwhile, managerial ownership can encourage the managers to be more responsible in preparing financial reports and prevent them from manipulating the financial information because it is not only for the interest of the company but also for their own interest as the shareholders. Thus, these double roles can lead to optimal management performance.

Companies should pay attention to the composition of independent commissioner in order that they can carry out their functions in an optimal way and serve as the balancer in the decision making especially to protect the minority shareholders and related parties, thus the financial statements with integrity can be realized. In addition, it is suggested that companies use the auditor service which has specialization in the sector as the specialist auditor is able to detect errors better, improve efficiency, and enhance the assessment on the client's financial statements. Due to more experiences, a specialist auditor has better ability and understanding of the area being audited, thus improving the integrity of financial statements.

A few suggestions are provided for future studies. It is suggested that the future research extends the research period because this research period was only four years. Also, the future studies can add more independent variables, such as audit fee, firm size, leverage, and other variables potentially considered to affect the financial statement integrity because the independent variables used in this research were limited to only six variables. More companies should be added as the research sample. For instance, the companies from other sectors such as manufacturing, mining, finance, etc. in order to investigate the financial statement integrity of every sector of industries because this study could collect only 21 companies.

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