JURNAL AKUNTANSI MANAJEMEN DAN EKONOMI

JURNAL AKUNTANSI, MANAJEMEN DAN EKONOMI
Vol.22, No. 3, pp. 1 - 7
Published online in http://jos.unsoed.ac.id/index.php/jame
ISSN: 1410-9336 / E-ISSN: 2620-8482

Influence Of Corporate Governance, Factors Of Auditors, And Gender Diversification On Integrity Of Financial Statements

Riski Etika Suhendra[1], **Majidah**[2]

[1,2,3,4]*Department of Accounting, Faculty of Economics dan Business, Telkom University, Indonesia*

Abstract

This research aims to determine the influence of corporate governance, audit quality, industry specialisation of auditors, and gender diversification on the integrity of financial statements, both simultaneously and partially. The population in this research is the entire sub-sector property and real estate company listed on the Indonesia Stock Exchange in 2016-2018. The sample determination in this study used purposive sampling and obtained 96 samples. Data analysis uses descriptive statistical analysis and logistic regression analysis. The results showed that corporate governance, audit quality, industry specialization of auditors, and gender diversification are the simultaneous effect on the integrity of financial statements. Partially, the industry's specialty of auditors has a negative effect on the infidelity of financial statements, while corporate governance, audit quality, and gender diversification have no effect on the integrity of financial statements

Keywords

Integrity of Financial Statements, Corporate Governance, Audit Quality, Industry Specialization of Auditors, Gender Diversification

INTRODUCTION

The accounting information contained in the financial statements contains information for decision making. Therefore, financial statements are required to present true, honest and effective information which does not harm the user's financial statements. Therefore, financial statements must be integrity. The integrity of financial statements is a measure of management in the quality of information presented free from bias, honest and not misleading to its users.

The case of deviation on financial statement occurred at PT. MYRX which is subject to OJK sanctions on the case of manipulation of financial statements. The company presents the financial report 2016 overstated with a material value of Rp. 613 billion, the report is assessed in violation of PSAK 44 about accounting of real estate activity. Where the company recognizes revenues using the full accrual method and does not reveal the binding agreement on sale and purchase lot ready to build worth Rp. 732 billion (Wicaksono, 2019). Such conditions reflect unintegrity financial statements.

Integrity of financial statements issues can also be characterized in companies that do the financial report restatement. Companies in sub-sector property and real estate which gets financial reports restatement tend to fluctuate and in the year 2018 there is a triples increase with 9 companies that do the financial report restatement. When compared to the number of companies in sub-sector property and real estate, the number of companies that perform the representation is relatively small by 16%. Nevertheless, if left alone will mislead users of financial statements in decision making. Some research related to the integrity of financial statements and the factors that can affect them are explained in the next paragraph.

Corporate governance is a pattern of relationships, systems and processes used by the company to provide added value to shareholders. According to research conducted Nurdiniah & Pradika (2017) by using the mechanism of corporate governance that describes the company's good control impact on the financial statements of integrity. Meanwhile, according to Tussiana & Lastanti (2016) that corporate governance has no effect on the integrity of financial statements.

Audit quality is the ability of an auditor to ensure there is no misserved in financial

Correspondence to : riski.etikare@gmail.com

Received: Feb, 11, 2020
Revised: April, 12, 2020
Accepted: July, 3, 2020

statements. Qualified auditors will encourage the company to present a financial report with integrity. The results of the research conducted by Nurjannah & Pratomo (2014) said that the quality of the audit will affect the financial statements that are presented free of mismanagement with caution in the face of uncertainty. Unlike the results of research conducted by Hardiningsih (2010) stating that the quality of audit has no effect on the integrity of financial statements.

The specialty of the auditor industry is an audit factor conducted to provide quality audits by having more knowledge of the client industry, detecting presentation errors so that the audits are accurately provided. This is in line with research of Fajaryani (2015) stating that the industry's specialization of the auditor demonstrated a specialist auditor having adequate experience to promote the integrity of financial statements through its audit results. Inversely proportional to the research of Tussiana & Lastanti (2016) stating that the specialist of industrial auditors has no effect on the integrity of financial statements.

Gender diversification is a gender role in presenting financial statements. The existence of gender diversification in the company can bring new perception in decision making. With the correct decision making, the company's performance will be better and affect the presentation of the financial statements that are presented in real or integrity. According to the research done Majidah & Muslih (2019) which states the proportion of women in decision making is cautious and careful than men who tend to be pragmatic that encourages the integrity of financial statements through decision. This is inversely proportional to the research of Abbott, Parker, & Presley (2012) stating that female directors have an effect on financial restatement identifying unintegrity reports.

Financial Statements

Financial statements are the final product of an accounting process that generates the financial information of an entity at a certain period and reflects the financial performance (Sujarweni, 2017:1 ; Hery, 2015:3). Financial statements are presented to provide useful information to users of financial statements, especially as a basis of consideration in decision making.

The purpose of the financial statements according to Kieso, Waygandt, & Warfield (2008:5) is to provide information relating to financial position, performance, as well as changes in financial position of a company that is beneficial to a large number of users report Financial decision making. The financial statements presented for this purpose meet the needs of a shared user financial statement.

Integrity of Financial Statements

Financial information in general does not escape the risk of presenting financial statements that are deemed not to reflect the actual picture, which is intentional or not. Therefore, financial information is required for integrity, so the information is not misleading in the decision-making. High-Integrity reports must meet two key characteristics in a financial statement. According to SFAC No. 2 in FASB (1980) on Qualitative Characteristic Of Accounting Information, there are two things that are the primary qualities in financial statements, namely relevance (relevance) and reliability.

The integrity of the financial statements in this study is being proxed with conservatism. The principle of conservatism is used on the grounds of the conservatism which presents the understate financial statements, which have a less risk than the overstate financial statements (Fajaryani, 2015).

Conservatism is measured using accrual measures based on the model Givolyn and Hayn (2002). Here are the formulas used for measuring these variables:

$$CONNACC = \mathrm{Nlit} - \mathrm{CFOit}$$

Description:
CON_ACC = rate of accounting conservatism
Nlit = Profit before extraordinary items + depreciation of company i in year t
CFOit = Cash flows from the operating activities of the company i in year t

The conservatism in this study used dummy (1) conservatism and (0) optimistic (non-conservative). The company can be said to be unconservative when CONNACC value above zero (positive). However, the company is said to be conservative when the CONNACC value is below zero (negative). Because the profit presented on the financial statements is smaller than the cash flow available for operating activities (Indrasari, 2016).

Corporate Governance

Corporate governance disclosure is the instrument used to disclose the company's information. The company uses the annual report as a means to establish corporate governance. Calculation of corporate governance disclosure Indexs if disclosed is given a score of 1 and if not disclosed was given a score of 0 (Juan L, 2008 in Majidah & Habiebah, 2019). Calculations use the ratio as follows:

$$CGD = \frac{Score\ annual\ report\ corporate\ governance}{Maximum\ total\ score}$$

Audit Quality

Audit quality can be measured by earnings surprise Benchmark (Pasiwi & Majidah, 2016). Earnings surprise benchmark used is between μ – σ and μ + σ, where μ is the average Earnings/total assets and σ is its deviation. The quality of audits in this study is measured using dummy variables,
If the μ-σ < ROA is < μ + σ It is a value of 1 and this indicates quality of audits
If ROA > μ + σ or ROA < μ – σ then the value 0 and it shows audit is not quality

Industry Specialization of Auditors

Specialisation in the auditor industry can be measured using market share approach method. According to Gul, Fung, & Jaggi (2009) in Karman, Abdib, & Ardinac (2017) This method assumes that specialization in auditors is the result of the experience of conducting audits of large business volumes within an industry. Calculation of specialty industry auditors as follows:

$$SPES = \frac{\Sigma\ klien\ KAP\ industri}{\Sigma\ emiten\ industri}\ x\ \frac{\bar{x}\ aset\ klien\ KAP\ industri}{\bar{x}\ aset\ semua\ emiten\ industri}$$

The industry specialisation of auditors is measured using dummy variables, if the KAP controls 15% market share or more (specialist), it is coded 1. If the KAP mastered less than 15% market share (non-specialist), it was given code 0 (Karman, Abdib, & Ardinac, 2017).

Gender Diversification

Gender diversification is a diversity that exists in the company's organs based on gender. Gender diversification variables are measured using dummy variables, which if the board of directors has a female board of directors getting a value of 1 and if the board of directors does not have a female board get a value of 0.

METHODS

The purpose of research in this research is a descriptive purpose. According to Sugiyono (2017:8) The research method is the way it is used to obtain information and data on various matters relating to the issues to be researched. Based on the method, this study included quantitative research. Quantitative research is a type of research that can be achieved (acquired) using statistical procedures or other means of quantifying (measuring) (Sujarweni, 2015:12).

Population, Sample, Techniques

The population in this research is a sub-sector property and real estate company listed on the Indonesia Stock Exchange in 2016-2018.

The number of samples used in this study was 96 samples, consisting of 32 companies with time period research for 3 (four) years, i.e. from 2016 up to 2018. The research also involves years before the research period, which is necessary to measure the value of audit quality variables.

The data analysis technique in this research is logistic regression. According to Sugiyono (2017:207-209)descriptive statistics are statistics used to analyze the data by describing or describing data that has been collected as it is without intent to make any applicable conclusions for public or generalization.

Hypothesis Testing

The F-Statistic test essentially shows the influence of free variables simultaneously on the bound variables. Simultaneous testing can be seen using the Omnibus of Test Model Coefficient testing when:

a) The sig value of F statistics < 0.05 then H0 rejected and Ha accepted.

b) The sig value of F Statistical > 0.05 then H0 accepted and Ha rejected.

RESULTS AND DISCUSSION

This research uses logistic regression analysis with IBM SPSS 23 software to test the impact of independent variables on dependent variables, both simultaneously and partially. The logistical regression analysis is used because the dependent variables in this study are non-metric (nominal). The following test results in logistic regression analysis.

Table 1. Goodnes Fit Test
Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	5.872	7	.555

Source : Output SPSS 23 (2020)

Table 1 shows Chi-Square value of 5,872 with significance probability of 0555. The probability value of significance is greater than α = 0.05, then the 0 hypothesis (H0) cannot be rejected and the regression model is eligible for use in subsequent analysis steps.

Table 2. Overall Model Fit

Block Number	-2 Log likelihood
0	117,623
1	106,968

Table 2 shows that of the feasibility test result obtained-2Log Likelihood (LL) Block number = 0 of 117.623 and at 2Log Likelihood (LL) Block number = 1 of 106.968, so the value of-2LogL block number = 0 >-2LogL block number = 1, it can be It was concluded that overall, the logistic regression model used in this study was a model that fit with data, so this regression model could be used for subsequent analysis.

Tabel 3 Coefficient of Determination
Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	106.968[a]	.105	.149

Source : Output SPSS 23 (2020)

Table 3 show that the number of Nagelkerke R Square obtained is 0.149. This means that the combination of corporate governance, audit quality, industry auditor specialization, and gender diversification can explain the variation of the dependent variable which is the integrity of the financial statements of 14.9% while the remaining 85.1% Other factors not involved in the study.

Table 4. Simultaneous Testing
Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	10.655	4	.031
	Block	10.655	4	.031
	Model	10.655	4	.031

Source : Output SPSS 23 (2020)

In table 4 shows simultaneous hypothesis testing conducted on this study resulting in significance value of 0.031 or smaller than α = 0.05. From these results, it can be concluded that corporate governance, audit quality, industry auditor specialization, and gender diversification simultaneously affect dependent variables, namely the integrity of financial statements.

Table 5. Partial Testing Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	CG	.251	3.170	.006	1	.937	1.285
	KA	-.153	.478	.102	1	.750	.859
	SPES	-1.635	.561	8.504	1	.004	.195
	DG	.530	.495	1.149	1	.284	1.699
	Constant	-.781	2.737	.081	1	.775	.458

a. Variable(s) entered on step 1: CG, KA, SPES, DG.

Source : Output SPSS 23 (2020)

Based on the results of logistic regression testing in the 5 table, the following logistics model equation is obtained:

$$LN\frac{ILK}{1-ILK} = -0{,}781 + 0{,}251\,(CG) - 0{,}153(KA) - 1{,}635\,(SPES) + 0{,}530(DG)$$

The value of constants (C) of – 0.781 with a probability level of 0775 more than α = 0.05. That is, if assumed the entire independent variable equals constant or 0, then the value of the dependent variable, i.e. the integrity of financial statements can not be interpreted because it is insignificant and can not be interpreted.

The value of corporate governance regression coefficient (β1) amounted to 0.251 with a probability rate of 0.937 more than α = 0.05, meaning that corporate governance has no effect on the integrity of financial statements.

The value of the audit coefficient of quality audits (β2) amounted to – 0.153 with a probability level of 0.750 more than α = 0.05, meaning the quality of audits has no effect on the integrity of financial statements.

The value of the auditors ' industry specialisation coefficient (β3) of – 1.635 with a probability level of 0.004 less than α = 0.05, means the industry specialisation of auditors negatively affects the integrity of financial statements.

Effect of Corporate Governance on Integrity of Financial Statements

Corporate governance regression coefficient of 0.251 with probability level 0.937 more than α = 0.05, means corporate governance has no effect on the integrity of financial statements. The results of this research do not support the research hypothesis that demonstrates significant positive corporate governance towards the integrity of financial statements. In other words, the research does not support research results from Nurdiniah & Pradika (2017) which shows that corporate governance significantly positively affects the integrity of financial statements.

Corporate governance above average and below average is dominated by unintegrity financial statements. This is because the company only complies with existing regulations to disclose corporate governance without regard to the integrity of the company's financial statements.company.

Effect of Audit Quality on Integrity of Financial Statements

A regression coefficient of audit quality – 0.153 with a probability level of 0.750 more than α = 0.05, meaning the quality of audits has no effect on the integrity of financial statements. The results of this study do not support the research hypothesis that says the audit quality has a significant positive impact on the integrity of financial statements. In other words, this research does not support research results from Nurjannah & Pratomo (2014) which shows that the quality of audits significantly positively affect the integrity of financial statements.

Quality audits and not-for-quality audits are dominated by unintegrity financial statements. This can be due to the quality of audits measured by earning surprise benchmarks only for auditors to detect the existence of profit management practices of Windows dressing or taking a bath, but not related to encouraging the company in fixing Financial statements.

Effect of Industry Specialization of Auditors on Integrity of Financial Statements

The regression coefficient of industry specialisation for auditors – 1.635 with a probability level of 0.004 less than α = 0.05, means the industry's specialisation of auditors negatively affects the integrity of financial statements. The results of the research were influential despite its negative direction so that it did not answer the research hypothesis that says the industry's specialty auditors have significant positive impact on the integrity of financial statements. In other words, the study did not support the research results of Fajaryani (2015) which suggests that the industry's specialty of auditors significantly positively affects the integrity of financial statements.

Companies audited by specialist and non-specialist auditors of the majority of their financial statements are not integrity. This signifies a specialist auditor who has a deeper understanding of the client's industry is not necessarily able to make an accurate audit to encourage the company to present its integrity financial statements.

Effect of Gender Diversification on Integrity of Financial Statements

Gender diversified regression coefficient of 0.530 with a probability rate of 0.284 more than α = 0.05 means that gender diversification has no effect on the integrity of financial statements. The results of this study do not support the research hypothesis that says the industry specialisation of Auditors has a significant positive impact on the integrity of financial statements. In other words, this research does not support the results of the Majidah & Muslih (2019), stating the proportion of women in decision making is careful and careful than men who tend to be pragmatic.

Gender diversification and non-diversification are dominated by the integrity of the below average financial statements. The existence of gender diversity in a company is unable to raise performance with the correct decision making impacting the presentation of the integrity of the financial statements.

CONCLUSION

The majority of the company (69.79%) Property and real estate sector listed on IDX in 2016-2018 presents unintegrity financial statements. Corporate governance of the property and real estate sector registered at IDX in 2016-2018 shows the average value of 0.87 (87%) The majority have a relatively good corporate governance disclosure. Majority of the company (57.29%) In property and real estate sectors registered at IDX in 2016-2018 have an unqualified audit.

The majority of the company (60.41%) In property and real estate sector registered at IDX in 2016-2018 have non-specialist auditors.The majority of the company (57.30%) Property and real estate sector listed on IDX in 2016-2018 have gender diversification.

Corporate governance, quality of audit, industry specialization of auditors, and gender diversification in a significant way to the integrity of financial statements in property sector companies and real estate listed on IDX year 2016-2018. Corporate governance has no significant nfluence on the integrity of financial statements. The quality of audit has no significant influence on the integrity of financial statements.

The industry specialisation of Auditors has a significant influence on the integrity of financial statements. Gender diversification has no significant influence on the integrity of financial statements.

REFERENCES

Abbott, L. J., Parker, S., & Presley, T. J. (2012). Female Board Presence and the Likelihood of Financial Restatement. *Accounting Horizons, 26*(4), 607-629.

Fajaryani, A. (2015). Analisis Faktor-Faktor Yang Mempengaruhi Integritas Laporan Keuangan. *JURNAL NOMINAL, 4*(1), 67-82.

FASB. (1980). Concepts No. 2 - Qualitative Characteristics of Accounting Information. *FASB Concepts Statements*.

Givoly, & Hayn, C. (2002). Rising Conservatisme : Implications for Financial Analysis. *Financial Analysts Journal*, 57-74.

Hardiningsih, P. (2010, Februari). Pengaruh Independensi, Corporate Governance, Dan Kualitas Audit Terhadap Integritas Laporan Keuangan. *Kajian Akuntansi, 2*(1), 61-76.

Indrasari, A., Yuliandhari, W. S., & Triyanto, D. N. (2016). Pengaruh Komisaris Independen, Komite Audit, Dan Financial Distress Terhadap Integritas Laporan Keuangan. *Jurnal Akuntansi, XX*(1), 117-133.

Karman, I. W., Abdib, I. N., & Ardina, C. (2017). Pengaruh Jenis, Spesialisasi Industri Auditor, Audittenure, Ukuran Perusahaan terhadap Going Concern Reporting. *Journal of Applied Accounting and Taxation, 2*(2), 134-142.

Kieso, D. E., Waygandt, J. J., & Warfield, T. D. (2008). *Akuntansi Intermediate Jilid 1.* Jakarta: Erlangga.

Majidah, M., & Habiebah, I. U. (2019). Apakah Corporate Governance Disclosure, Intellectual Capital, dan Karakteristik Perusahaan Merupakan Faktor Determinan Perusahaan? *Jurnal Riset Akuntansi dan Keuangan, 7*(1), 161-168.

Majidah, M., & Muslih, M. (2019). Sustainability Report: Women directors, competencies of commissioners and corporate characteristics. *Advances in Economics, Business and Management Research, 65*, 613-616.

Nurdiniah, D., & Pradika, E. (2017). Effect of Good Corporate Governance, KAP Reputation, Its Size and Leverage on Integrity of Financial Statements. *International Journal of Economics and Financial Issues, 7*(4), 174-181.

Nurjannah, L., & Pratomo, D. (2014, Desember). Pengaruh Komite Audit, Komisaris Independen Dan Kualitas Audit Terhadap Integritas Laporan Keuangan. *e-Proceeding of Management, 1*(3), 99-105.

Pasiwi, B. G., Majidah, M., & Mahardika, D. P. (2016). Analisis Determinan Kualitas Audit. *e-Proceeding of Management, 3*(2), 1682-1690.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif dan R&D.* Bandung: Alfabeta.

Sujarweni, V. W. (2015). *Metodologi Penelitian Bisnis Ekonomi.* Yogyakarta: Pustaka Baru Press.

Sujarweni, V. W. (2017). *Analisis Laporan Keuangan : Teori, Aplikasi, dan Hasil Penelitian.* Yogyakarta: Pustaka Baru Press.

Tussiana, A. A., & Lastanti, H. S. (2016, April). Pengaruh Independensi, Kualitas Audit, Spesialisasi Industri Auditor Dan Corporate Governance Terhadap Integritas Laporan Keuangan. *Media Riset Akuntansi, Auditing & Informasi, 16*(1), 69-78.

Wicaksono, A. (2019, Agustus 8). *CNN Indonesia*. Retrieved Oktober 25, 2019, from www.cnnindonesia.com: https://www.cnnindonesia.com/ekonomi/20190809145515-92-419879/sulap-lapkeu-mantan-dirut-hanson-international-didenda-rp5-m

Yulinda, N. (2016, Februari). Pengaruh Komisaris Independen, Komite Audit, Leverage, Pergantian Auditor, Dan Spesialisasi Industri Auditor Terhadap Integritas Laporan Keuangan. *JOM Fekon, 3*(1), 419-433.