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THE INFLUENCE OF GOOD CORPORATE GOVERNANCE, AND QUALITY OF AUDIT AGAINST THE INTEGRITY OF THE FINANCIAL STATEMENTS

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ABSTRACT

This study aimed to analyze the influence of corporate governance and quality audits that could affect the integrity of the financial statements on companies listed in the Indonesia Stock Exchange. The integrity of the financial statements is defined as the extent to which the financial statements show a true and honest information. Factors corporate governance and quality audit analyzed its impact on the integrity of the financial statements include the audit committees, independent directors, board size, institutional ownership , managerial ownership and the quality of KAP. This research was conducted with quantitative methods on the financial statements of manufacturing companies listed in Indonesia Stock Exchange during the period 2010-2013. The total sample is 24 companies determined through purposive sampling method. Results showed that not all consistent with the hypothesis and significant effect. However, audit committees, independent directors, board size, and quality of KAP shown to have a significant influence on increasing the integrity of the financial statements.

Keywords : Integrity of financial statements, corporate governance, audit quality.

INTRODUCTION

In measuring the integrity of financial reports that are generated not only rests on the issue of good corporate governance, but including the results of the audit against the financial reports. By him it is, audit demands expertise and professionalism. In this case, expertise is not only influenced by formal education but many other factors influencing, among other experiences.

Research conducted by Hardiningsih, that the quality of audit does not have an effect on the financial statements. While related to the independence of the auditor, that there are influences between the attitude of independence with integrity of financial reports (Arsiyanti, 2007). Similarly with the competencies possessed by the Auditors that there are influences between the competencies possessed by an auditor of the audit of the quality and integrity of the financial statements (beautiful, 2010).

Research conducted by the main (2004) mentioned that the existence of the audit committee does not have an impact on the

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problems related to accounting policies, internal oversight, and reporting systems as well as the extent of financial report information It was revealed that, while different results shown by research conducted by Andreas, et al. (2009) that the audit Committee had an influence. Associated with the disclosure of financial statements, research conducted by Siboro (2007), stating that good corporate governance have a relationship against the disclosure of financial reports.

While the results of different research shown by research conducted by Hartati (2006) mentions that in relation towards disclosure of information especially regarding financial reports financial reports engineering, good corporate governance does not have an impact on disclosure of information engineering and financial reports financial reports.

The existence of inconsistencies research results as outlined in the above aspects influenced to do research on this and try doing testing back independence, good corporate governance, and quality of audits to integrity financial statements.

MATERIAL AND METHODS

This research is research that shaped the study of the literature and are descriptive analysis and hypothesis testing. The design of the study was descriptive in nature with a quantitative approach that seeks to know how the independence of the auditor, auditor competence, good corporate governance, and quality of audits of corporate financial reports to integrity, then concluded whether differences occurred positive influence against the integrity of financial reporting information.

The study also are testing a hypothesis because of the descriptive nature of the results of the study will find out the cause or reason of influence the independence of the auditor, auditor competence, good corporate governance, and quality of audit against the the integrity of the financial statements of the company.

Populations and Samples

This research using population i.e. a public company listed on the Indonesia Capital Market (formerly the Jakarta Stock Exchange). The sample in this research are companies listed on the Indonesia Stock Exchange since the year 2010 up to the year 2013 are selected by using purposive sampling methods by as much as 24 companies so that the samples will be tested as much as 96 firm years. With the sample method selected upon the basis sample characteristics conformity with the sample selection criteria specified.

Data Collection

The data used in this research is secondary data in the form of the data of the financial statements of the company. The data obtained from the official website i.e. Indonesia stock exchange http://www.idx.co.id and Indonesian Capital Market Directory year 2010, 2011, 2012 and 2013. While the data on legal entities public accountant, audit, brand name, and the time

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that the relationship of the Public Accountant with the client retrieved from http://www.iapi.co.id. This is done considering the limitations of the researchers from the location of the presence of researchers with different objects that will be examined.

Data Analysis

Methods of data analysis used in this study is the analysis of multiple regression. Hypothesis testing that will be accomplished is by using descriptive statistical analysis techniques. Descriptive analysis is used to find out the average value, minimum, maximum and standard deviation of the variables examined. In addition, it conducted a test of the classical assumptions (normality, multikollinearity and heterokedastisitas).

RESULTS AND DISCUSSION

Test For Multicollinearity

Test results of multicollinearity by using SPSS appears that each independent variable terdiagnosa has no correlation exceeds the value of the tolerance = 10. The highest correlation occurs at KINDP and UDK registration-. 658%.

The results of the calculation of the value of tolerance "also shows no independent variable that has a value of tolerance less than 0.10, and the results of the calculation of the value of the Variance Inflation Factor (VIF) also shows the same thing, i.e. no one variable the independent has a value of more than 10 VIF. Good regression models should not happen the correlation between independent variables (the priest Ghozali, 2005). From the test results above it can be concluded that there is no multicollinearity between independent variables (table 1).

Test Heterokedastisitas

From the test results the test result histogram image shown heterokedastisitas on the graph the dependent variable Y scatterplot with, between the SRESID Y axis predicted and residual ZPRED X axis appear scattered dots above and below zero on the Y axis, Thus it can be concluded that the problem does not occur on the heterokedastisitas model (Figure 1)

Test For Normality

To see the normality of the data can be done by looking at the histogram or normal probability plot. Test results showed normality even though the spread a bit away but tend to follow the diagonal straight lines, so it can be drawn the conclusion that the residual is distributed normally (Figure 2).

Regression Test Results

Based on a summary of the results of the regression, linear regression equation obtained double as follows:

Y =-0.324 + 0, 101KAD + 0, 108KINDP + 0, 088UDK + 0, 132KINST + 0, 009KMANAJ + 0, 321KKAP

Test Result Value of Goodness of fit of the model

The value of the coefficient of determination (R2) showed numbers 0.746 or 74.6% 74.6%, meaning that variation of the

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ups and downs of the integrity of the financial statements variables as measured by an index capable of variable explained by the conservatism of the Audit Committee (H1a), Commissioner Independent (H1b), the size of the Board of Commissioners (H1c), institutional ownership (H1d), managerial ownership (H1e), quality of public accountant (H2). While the rest of 100-74.6 = 25.4% explained by variables other than the model.

The Test Of Hypothesis

Calculation based on multiple regression analysis shows the value of the coefficient B IE competencies are a positive effect through the auditor's knowledge of 0.184, and tstatistik values of 2,224. greater than the value of ttabel amounted to 1,661. It is also supported by the value of 0.029 significance smaller than the specified data error rate of 0.10, so H1 accepted and H0 is rejected. Thus it can be said that the research hypothesis stating the competence of an auditor in the form of knowledge provide a positive influence against the integrity of the financial statements.

The test results show acceptable H1a and Ho is rejected, because the positive coefficient B results of significant level 0 0.101.000 less than the degrees of fault data set of 0.10, and also the value of the tstatistik of 3,807. greater than the value of the ttabel of 1,661 which means there is a significant and positive influence on the Audit Committee against the integrity of the financial statements. Thus the existence of the audit committee, providing a positive influence against the integrity of the financial statements.

Calculation based on multiple regression analysis shows the value of the coefficient B is positive of 0.108 level significantly smaller than in standard 0055 error data set of 0.10, and also the value of 1.943 tstatistik. greater than the value of the ttabel of 1,661 which meant the test results show acceptable H1b and Ho is rejected. Thus it can be said that the existence of Independent Commissioners provide a positive influence against the integrity of the financial statements.

Calculation based on multiple regression analysis shows the value of the coefficient B is positive and significant levels of 0.088 smaller than 0.003 degrees of fault data set i.e. of 0.10, and also the value of the tstatistik of more 3,020 big on value ttabel i.e. of 1,661, the test results show acceptable H1c and Ho is rejected. Thus it can be stated that the smaller the size of the Board of Commissioners, it will provide a positive influence against the integrity of the financial statements.

Calculation based on multiple regression analysis shows the value of the coefficient B is positive and significant level of 0.132 0786 greater extent predetermined data error i.e. of 0.10, then arguably H1d rejected and Ho accepted. Thus the higher the institutional ownership, then it will not give significant effects against the integrity of the financial statements.

Calculation based on multiple regression analysis shows the value of the coefficient B is positive and significant levels

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of 0.009 0487 greater extent predetermined data error i.e. of 0.10, then arguably H1e rejected and Ho accepted. Thus the higher managerial ownership, then it will give significant effects against the integrity of the financial statements.

Multiple regression analysis calculation based on the results of the testing show H4 accepted and Ho is rejected, because the retrieved value tstatistik of 3.192. This value is greater than the value of ttabel. of 1,661, the coefficient B is positive of 0.321 and extent of significance smaller than 0.002 degrees of error data that has been specified in the amount of 0.10, this means that the quality of the Public Accountant of a positive and significant effect against the integrity of the financial statements. Thus the higher the quality of the Public Accountant, then it will provide a positive influence against the integrity of the financial statements.

DISCUSSION

The results of hypothesis testing 1 (1a) that States the audit committee of a positive effect against the integrity of the financial statements received. Based on the results of the regression test can be seen to influence direction symbolized by B is the positive test result and the significance of the regression results show that the audit committee is significant because the value of the regression results α 0.10 i.e. 0000<.

With the results of the regression, then H1a accepted, or in other words the audit committee of the positive and significant effect against the integrity of the financial statements. The findings of this study in accordance with the decision of the Chairman of BAPEPAM. The findings of this research also supports research results Jama'an (2008), Turley and age (2004) reported that the existence of a positive relationship between the existence of the audit committee with the quality of the financial statements. Price Waterhouse (1980) in the McMullen (1996) States that investors, analysts, and regulators consider the audit committee contribute to the quality of financial reporting.

The results of this study do not support the Hardiningsih research results (2010) and Friends (2003) which showed the absence of significant influence among the audit committee with the integrity of the financial statements.

The results of hypothesis testing 2 (1b) stating the positive effect the independent Commissioner against the integrity of the financial statements received. Based on the results of the regression test can be seen to influence direction symbolized by B is the positive test result and the significance of the regression results show that the independent Commissioner is significant because the value of the regression results α 0.10 i.e. 0055 <.

With the results of the regression H1b received or in other words the independent Commissioner is positive and significant effect against the integrity of the financial statements. The findings of this study supports the results of research conducted by Beasley (1996) who found the existence of a significant positive influence, that the inclusion of Board of Commissioners who come from outside the company can increase

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the effectiveness of the Council in keep an eye on management to prevent the occurrence of the cheating financial reporting and more effective than the presence of the audit committee. The results of this study do not support the results of the research conducted by Hardiningsih (2010).

The results of hypothesis testing 3 (1 c) that States the size of the Board of Commissioners of influential positive against the integrity of the financial statements received. Based on the results of the regression test then it can be seen the influence of direction symbolized by B is the positive test result and the significance of the regression results show that the size of the Board of Commissioners is positive and significant because the value of the regression results α 0.10 < i.e. 0.003.

With the results of the regression, then H1c received or in other words the size of the Board of Commissioners of the positive and significant effect against the integrity of the financial statements. The results of this study supports the results of the study Culler and Gregory (1999) in Sembiring (2006) and Wardhani (2007) which found that the more the number of members of the Board of Commissioners, then the function of the Board of Directors ' policy toward the monitoring can be performed with better and more effective so that companies avoid financial reporting fraud.

The findings of this study are inconsistent with Yermack's research (1996) and Jensen (1993) which States the existence of a tendency of the increasing number of members of the Board of Commissioners will result in poor performance of the firm due to the difficulty in communicating and coordinating the work of each Member of the Board itself so troublesome in taking decisions that are useful to the company.

The results of hypothesis testing 4 (1 d) stating the positive effect of institutional ownership against the integrity of the financial statements is rejected. Based on the results of the regression test can be seen that though the direction influences are symbolized by B is positive but the significance test results show that the results of the regression of institutional ownership was not significant because the value of α 0.10 > regression results i.e. 0786.

With the regression results, then the H3d is rejected or in other words the institutional ownership has no effect significantly to the integrity of the financial statements. The findings of this study supports previous research results conducted by Hardiningsih (2010), Susiana and Arleen Herawaty (2007) as well as research Bambang Agus Scout and Thebecker.com. Arief Ujiyantho (2007) which shows the believe is that ownership by the institution does not have an effect on the integrity of the financial statements. The results of this research were not in line with the results of the research of Jensen and Meckling (1976), Warfield et al. (1998), as well as Institution and Mas'ud (2003) who found the existence of significant influence.

The results of hypothesis testing 5 (1e) stating the negative effect of managerial ownership against the integrity of the financial

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statements is rejected. Based on the results of the regression test can be seen to influence direction symbolized by B is the positive test result and the significance of the regression results show that the managerial ownership was not significant because the value of α 0.10 > regression results i.e. 0487.

With the results of the regression, then H1e rejected or otherwise negatively affecting managerial ownership and significantly to the integrity of the financial statements. The findings of this study do not support the results of the previous research conducted by Hardiningsih (2010) and Friends (2003) which showed a negative influence on stock ownership by management against the integrity of the financial statements.

The results of hypothesis testing 6 (H2) stating the quality of influential positive public accountant against the integrity of the financial statements received. Based on the results of the regression test can be seen to influence direction symbolized by B is the positive test result and the significance of the regression results show that the quality of the public accountant was a positive and significant because the value of the regression results α < 0.10 i.e. 0.002. With the regression results, then the H4 received or the quality of the public accountant of influential positive and significantly to the integrity of the financial statements.

The findings of this study do not support the results of the research conducted by Friends (2003), Mirna Dyah Praptitoroni and Irena Januarti (2007) as well as Ida Arsiyanti (2007), Susiana and Arleen Herawaty (2007) which found that the absence of influence significantly between the quality of the HOOD against the integrity of the financial statements.

CONCLUSION

Based on the results of the analysis and testing of data on discussion in this study, it can be inferred that the generally good corporate governance variables, which consists of the variables of the audit Committee (H1a), independent Commissioner (H1b), the size of the Board Commissioner (H1c) has a positive and significant effect against the integrity of the financial statements so that the hypothesis of this research is acceptable while institutional ownership variables (H1d) and managerial ownership (h1e) each shows positive results and did not significantly to the integrity of the financial statements. Thus the second hypothesis was rejected or not accepted ... The results of this study in accordance with a decision of the Minister of STATE-OWNED ENTERPRISES Number 117/year 2000, and the STATE-OWNED ENTERPRISES Act Number 19/2003 that the establishment of the audit committee is a must which has an important role in corporate governance.

The variable quality of the KAP (H2) that showed positive results and significantly to the integrity of the financial statements so that the hypothesis of this research is acceptable. This research line is also in line with the opinion of the Russel (2000) which mentions that audit quality is the quality assurance function which will be used to

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compare the conditions of integrity of the financial statements.

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