

Analysis of the Implementation of the Fourth Line of Defense in Improving the Quality of Financial Reports

Siti Maghfiroh^{1,*}, & Christina Tri Setyorini¹

¹Accounting Department, Faculty of Economics and Business, Soedirman University

Abstract

Three lines of defense are a unit in the organization that is covered by organizational governance. So good governance is a reflection of the *three lines of defense*. The Three Lines of Defense was felt to be insufficient. This has prompted the emergence of the Four Lines of Defense concept which is considered to be able to guarantee a more effective risk management and internal control process. To achieve organizational goals reflected in financial reports, there are 4 pillars of defense (four lines of defense) that the company must carry out. The 3 pillars of defense (control, risk management, and internal audit) will be reflected in good corporate governance, while the fourth pillar of defense is the external auditor. This study aims to analyze the relationship between the 4 pillars of defense in improving the quality of financial reports. Good corporate governance will enhance the quality of financial reports if there is a strong role from external auditors.

This study's population is the mining companies listed on the Indonesia Stock Exchange. The sample of this study is financial statements from 2018-2020 within 66 companies listed on the Indonesia Stock Exchange. The data used in this study were secondary, for the sample uses a purposive sampling method. The hypothesis testing uses SPSS Version 23 for Windows.

The results of this study indicate: (1) Good Corporate Governance has a positive effect on the quality of financial statements. In this study, the indicators of Good Corporate Governance are institutional ownership, managerial ownership, and independent commissioners. This means that the larger the percentage of institutional ownership, managerial ownership, and independent commissioners reduce the quality of financial statements (improve profit management). (2) Audit quality influences the relationship between good corporate governance and the quality of financial reports. Companies are required to benefit stakeholders, because stakeholders have the right to obtain information about the company as a basis for decision-making. Therefore, the company is obliged to report quality financial statements, to produce the content of quality financial statements, it is necessary to have a third party to validate the financial statements so that they are by the circumstances in the company, namely independent auditors (public accounting firms).

Keywords: Fourth line of defense; Good Corporate Governance; Audit Quality & Quality of Financial Report

1.0 Introduction

The era of globalization results in every economic event or financial transaction that occurs as the company's responsibility as an organization, which is stated in the company's financial statements. Financial statements are critical in business that connect company management

* Corresponding author. E-mail address: siti.maghfiroh@unsoed.ac.id

and investors about the company's financial condition. Financial statements are a source of financial information provided by the company to the public, especially investors and creditors. According to Irawati and Fakhruddin (2016), financial statements are a medium for companies to convey financial information regarding management accountability to meet the needs of both internal and external parties for decision-making by company conditions. According to Chambers and Pendman (1984), the value of financial statement information is highly dependent on financial statements, financial statements are highly dependent on the timeliness of reporting, the faster a company publishes its reports will provide an abnormal positive return. This is by the provision that "Annual financial statements must be submitted in the form of Audited Financial Statements, no later than the end of the third month (the third day after the date of the annual financial statements)," the Jakarta board of directors. The presentation of financial statements indicates that there are problems in the organization that ultimately hinder the submission of financial statements (Kontan.co.id, 2019). Obstacles to the timely presentation of financial statements make the quality of financial statements doubtful and result in market participants losing confidence in the company.

Accountable Financial Statements and timely submission of financial statements to all stakeholders will be beneficial to every stakeholder. Therefore, financial statements must be presented by applicable conditions, accounting principles, and standards. Currently, there are still many companies that present information in financial statements with poor quality, where the submission of information is not by the circumstances and is unfair to some users of financial statements (Nurjannah and Pratomo, 2014). As found by the Financial Services Authority (OJK), violations in the financial statements of PT Garuda Indonesia (Persero) for the 2018 financial year involved the Board of Directors and Commissioners of Garuda Indonesia, public accountants, and Public Accounting Firms (KAP). In its financial statements, PT. Garuda Indonesia recorded the value of cooperation with PT Mahata Aero Technology (Mahata) of US\$ 239 million or equivalent to Rp. 3.5 trillion, which is still in the form of receivables but has been recognized as income. This resulted in Garuda Airlines posting a net profit of US\$ 5 million in 2018, which should have been a loss of US\$ 213 million in 2017. In addition, two Garuda commissioners, Chairal Tanjung and Doni Oskaria, refused to sign the financial statements but did not explain them in the airline's annual report. Garuda Indonesia has violated several laws and regulations in this regard, including Article 69, Law Number 8 of 1995 concerning Capital Market (PM Law), Bapepam Regulation and LK Number VIII.G.7, Concerning the Presentation and Disclosure of Financial Statements of Issuers and Public Companies, Interpretation of Financial Accounting Standards (ISAK) 8, Determination of Whether an Agreement Contains Leases, and Statement of Financial Accounting Standards (PSAK) 30 concerning Leases. 2019.

Quality financial reports are greatly influenced by how the organization manages the organization in realizing its goals. In the *"Three Lines of Defense"* approach or Three Lines/Layers of Defense, namely; the concept of *three lines of defense*, there are three lines of defense, namely the first line of defense, the second line of defense, and the third line of defense. The first line of defense is carried out by management and all employees, this line is responsible for carrying out business process control. Responsibilities The management in the organization starting from the highest leadership to the lowest manager is responsible for the first line related to how to manage the organization's management. The second line of defense carries out the compliance function carried out by the internal compliance unit, responsible for monitoring the implementation of business processes on the first line of defense that is implemented. The third Defense Line carries out the audit and review function of the implementation of internal control (IIA, 2013). For public companies in Indonesia, the context of the implementation of the 3LD

model must be seen from the perspective of the form of governance structure in Indonesia which adheres to the *'two-board system'*, namely the existence of the company's directors who have executive *accountability* and the board of commissioners who have *oversight accountability*. In line with Bapepam's regulations, the board of directors has an internal audit unit as part of the company's control and the board of commissioners has an audit committee as part of their accountability implementation mechanism. So it can be said that *the Three lines of defense* are a unit in the organization that is covered by organizational governance. So good governance is a reflection of the *three lines of defense*. Good Corporate Governance (GCG) is one of the factors that affect the quality of financial reports. Good governance is a system used to direct and manage company activities. The system has a great influence in determining business goals and efforts to achieve goals in the company (Emirzon, Joni, 2006). This concept is widely adopted by various organizations to build risk management capabilities across all ranks and business processes of the organization, often known as Enterprise Risk Management (ERM).

Agency theory requires a separation between ownership and control of the company. In GCG, the principal supervises the agent (as the controller of the company) in managing the organization (Jensen and Meckling, 1976). GCG is a technique to ensure that management acts in the best interests of stakeholders, by he justifications given. In the era of information disclosure, the issue of transparency and accountability is a non-negotiable thing. Transparency and disclosure are some of the GCG principles, to be able to enforce GCG principles in the company, especially transparency and accountability, financial statements must always present complete and accurate accounting information. According to research by Mursidah and Khairina (2018), GCG improves the quality of financial reporting. According to research by Rohmah and Priantinah (2018), GCG has an impact on the accuracy of financial statements of companies listed on the IDX between 2013 and 2015. Irawati and Fakhrudin (2016) in their research found that GCG affects the accuracy of financial statements. Meanwhile, Tussiana and Lastanti (2016) found that GCG does not affect the accuracy of financial statements. Institute of Internal Auditors Research Foundation (IIARF). Many studies on the effectiveness of the internal audit function have been conducted. This eventually led to the publication of the Three Lines of Defense system in 2013, which can be applied to internal control processes in various organizations.

In addition to the effectiveness of GCG implementation, the role of independent parties as a third party outside the company is to ensure that the financial statements produced by the company have a high level of trust and confidence. It is also in line with the stakeholder theory that the company is expected to maintain relationships with stakeholders within the company, especially those who have the authority to carry out the company's activities. This is in line with the Fourth of Defence This concept emerged, because the Three Lines of Defense was felt to be insufficient. This has prompted the emergence of the Four Lines of Defense concept which is considered to be able to guarantee a more effective risk management and internal control process. Financial Services is a critical industry because the collapse of this industry can pose systemic risks for a country. This is also in per the theory of the agency, that to provide confidence for the principal on the results of the agent's performance reflected in the financial statements, an independent party is needed to assess the financial statements, namely external auditors which are reflected in the quality of their audits. Audit quality according to Watkins et al. (2004) is how thorough the audit is by audit standards. The higher the audit quality, the higher the quality of financial statements. So it can be said that with strong GCG supported by good audit quality, it will improve the quality of financial reports. In contrast to the previous research, the research uses the concept of a fourth of defence, where the fourth

line is a reinforcement for Lines 1, 2, and 3 which are reflected in GCG. So in this study, audit quality is a moderating variable to strengthen the influence of GCG on the quality of financial statements. This study aims to prove the influence of Good Corporate Governance (GCG) and Audit Quality Interaction on improving the quality of financial statements.

2.0 Theory And Hypothesis Development

2.1 Theory

Freeman's Stakeholder Theory approach was the first study to include stakeholders (1984). Since then, the concept of Stakeholder Theory has been used as a grand theory in various research. This theory, often referred to as stakeholder theory, is a collection of policies and practices related to stakeholders, values, compliance with legal and regulatory requirements, respect for society and the environment, and the business world that contributes to sustainable development. According to stakeholder theory (Ghozali and Chairi (2007)), a company cannot only pursue its own interests but must also consider the interests of its stakeholders (shareholders, creditors, consumers, suppliers, governments, communities, analysts, and others). Therefore, the support provided to the company by stakeholders has a significant impact on its ability to survive. Stakeholder theory, according to Deegan (2004), affirms that every stakeholder has the right to learn about business operations that can influence their decision-making. In addition, stakeholders have the option of not using the data and cannot directly affect the business.

Agency Theory, according to Jensen and Meckling (1976), is an agreement between a shareholder (principal) and an employee (agent), who manages the company on the orders of the principal. According to Jensen and Smith (1984), agency theory is a theory that describes the contract between principal and agent. An agent is a party that has been authorized by the principal to act in the principal's power in a capacity as a decision-maker and to carry out all the company's operations on behalf of the principal. According to Kodrat (2009),

Three lines of defense, the Three Lines model can help organizations identify the best structures and processes to help achieve goals and facilitate strong governance and risk management. This model can be applied to all organizations and has been optimized in a way that adopts a principles-based approach and adapts the model to the objectives and environment of the organization, focuses on the contribution of risk management in helping to achieve goals and value creation, and also on matters related to "defense" and value protection, the relationships between them, implementing measures to ensure that activities and objectives are aligned with the main interests of stakeholders (The Institute of Internal Auditors Indonesia, 2020). Three Lines of Defense was felt to be insufficient, so it developed into the concept of Four Lines of Defense. The concept of Four lines of defense is a development of the three lines of defense. This model is considered to be able to guarantee a more effective risk management and internal control process. Where in the concept of four lines of defense adds external auditors as the 4th line of defense. The fourth line is independent of the organization itself, with external assurers being required to comply with the Code of Ethics. External assurance may include an assessment of internal controls in the first three lines of defense

2.2 Hypothesis Development

2.2.1 *The Influence of Good Corporate Governance on the Quality of Financial Statements*

Based on the theory of agency, which states that an agency relationship is a contract between shareholders (principal) that is given to another person, namely the manager (agent), trust related to the management of the company to advance the interests of the principal, among others: giving agents some decision-making authority (Jensen and Meckling, 1976). The Agent is responsible for realizing good organizational governance to achieve organizational goals according to what is desired by the principal. Good governance is a system used to direct and manage company activities. The system has a great influence in determining business goals and efforts to achieve goals in the company (Emirzon, Joni, 2006). Good corporate governance is the most important aspect in providing progress in the performance of a company, making the company credible in the eyes of investors, if the company is not based on good governance practices, the company's performance will be poor in running its business.

As several previous studies have shown, GCG and the caliber of financial statements are interrelated. According to Rohmah and Priantinah's research in 2017, GCG had an impact on the accuracy of financial statements in companies listed on the IDX between 2013 and 2015. This study proves that GCG can provide significant results on the quality of financial statements. In a subsequent study, Irawati and Fakhruddin (2016) divided GCG into four categories: audit quality, audit committee, independent commissioner, and institutional ownership, which shows how each of these factors affects the accuracy of financial statements. Institutional ownership, however, has no real impact on the accuracy of financial statements. Savitri's research (2016) explained that the results of his research are the full independence of the moderator in the role of the relationship between institutional ownership, when it comes to the relationship between the audit committee and the integrity of financial statements, independence does not play a moderation effect. In contrast, the independent commissioner on the integrity of the financial statements does so.

The integrity of financial statements is not significantly affected by corporate governance, according to previous research by Tussiana and Lastanti (2016). Therefore, several problems related to corporate governance were found that resulted in the revelation of the fact that a good GCG mechanism has not been implemented. The research hypothesis is as follows, given the previously stated explanation:

H1 : Good corporate governance (GCG) affects the quality of financial statements

2.2.2 *The Effect of Audit Quality on the Effectiveness of Good Corporate Governance in Improving the Quality of Financial Reports*

According to stakeholder theory, businesses must stay in touch with their stakeholders, especially those who have the power to run the company's operations (Freeman, 1984). Reporting on a company's performance reflected in its financial statements is one way for a company to maintain ties with shareholders. The disclosure of financial statements can determine stakeholders on the basis of decision-making and can also assess how managers work in managing a company.

According to Negoro (2011), the Public Accountant Professional Standards (SPAP) defines a high-quality audit if it meets all applicable audit standards and whether the auditor conducts an audit or not. Professionalism, independence, the use of judgment in conducting audits, and the preparation of audit reports are part of auditing standards. As the four-lines-of-defense model intends to enhance coordination between external parties and internal auditors, greater communication is at the basis of its success. Communication works by reducing, if not eliminating, asymmetric information among the parties involved, provided, of course, that the treatment of information is such as to make risk control systems more effective

Based on previous research by Onuorah, Chi-Chi, and Friday (2016), the findings of the study show that audit quality affects stakeholder decision-making as well as the quality of financial reports produced by businesses. The integrity of financial accounts resulting from the effective implementation of GCG is significantly harmed by poor audit quality, This shows that conservatism will be lower and the integrity of financial statements will be higher if audited by the big four KAP. According to Alrshah's (2015) research, the credibility of audited financial statements is positively and significantly affected if it results from an organization with good GCG and is strengthened by the quality of its auditors. The interaction between auditor rotation, KAP size, and audit committee characteristics affects the level of confidence in financial statements. The research hypothesis is as follows:

H2 : Audit quality affects the effectiveness of GCG in Improving the quality of the company's financial statements

3.0 Research methods

This type of research uses quantitative analysis research methods and secondary data. According to Sugiyono (2018), the quantitative research method is research used to research certain populations and samples based on positivism using research instruments and data analysis using theories that exist in hypothesis testing. Secondary data is used to collect all the necessary data, secondary data is obtained from the annual financial statements of companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020. The objects in this study are GCG, audit quality, and financial quality. the report is obtained from the annual report of mining companies listed on the Indonesia Stock Exchange (IDX) in 2018 – 2020. The population in this study is mining companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020. The total population of mining companies listed on the Indonesia Stock Exchange is 45 companies and the number of samples from 2018 – 2020 is 102 companies. The data in this study uses secondary data. In secondary data, where data is obtained from the internet, books, journals, and theses. In addition, all data is also sourced from the financial statements and annual reports of mining companies that have been published on the Indonesia Stock Exchange (IDX) through the www.idx.co.id website or the official website of each mining company. For the period 2018-2020.

To test the hypothesis, the T-test is a test conducted to test how much influence each independent variable individually (partially) has on the dependent variable. This test is carried out by comparing the t counts with the t table or by looking at the significance columns on each t count

4.0 Results

4.1 Population and Sample Overview

This study discusses good corporate governance and audit quality to the quality of the company's financial statements. The population in this study is mining sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020 which totals 47 companies. The companies used as samples in this study were taken using the purposive sampling method. Based on this method, the number of companies that met the selection criteria was 33 companies.

4.2 Data analysis

4.2.1 Statistical Descriptive Analysis

Descriptive statistical analysis is used to provide information about the description or description of variables related to research. The independent variables used in this study are good corporate governance and audit quality, while the dependent variables used are the quality of the company's financial statements. Based on Appendix 9, the results of the descriptive statistical analysis of the variables of good corporate governance, audit quality, and financial report quality are presented in table 1 as follows:

Table 1: Descriptive statistics of good corporate governance variables, audit quality, and quality of corporate financial statements

	N	Minimum	Maximum	Mean	Std. Deviation
Good Corporate Governance(X1)	66	7267.00	149685.00	95480.4242	30844.52948
Audit Quality (X2)	66	139409.00	166606.00	149768.3485	12025.00535
Quality of Financial Statements (Y)	66	-5139594964	2119665546	372283504.3	1150505487

Source: SPSS 23 Output Results

4.2.2 Results of the Classic Assumption Test

Classical assumption tests have been carried out consisting of: normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The normality test aims to test whether in the regression model, disruptive or residual variables are normally distributed. A nonparametric statistical test called Kolmogorov-Smirnov is used in this test, data is declared to be normally distributed. Heteroskedasticity testing using the Glesjer Test. When conducting the glacier test, the unstandardized residual value is calculated first. In addition, the value is unsold. The absolute result of the unstandardized residual will be used as a dependent variable, with independent variables of GCG and audit quality, with the results showing that the data is not have heteroskedasticity. The Autocorrelation test was carried out to determine whether there was an autocorrelation between errors that occurred between the tested periods in the regression model with the results showing that the data is not have autocorrelation. The multicollinearity test is a commonly used test to find out if there is a difference between independent variables. The results of the multicollinearity test conducted using SPSS 23, that the data is not have multicollinearity

4.3 Hypothesis Testing Results

The results of hypothesis testing using moderated regression analysis can be presented as follows:

Table 2: Multiple Linear Regression Analysis Results

Variable	Coefficient	t_{hitung}	Sig.
Good Corporate Governance (X1)	9790,208	2,228	0,029

Source: SPSS 23 Output Results

Table 3: Results of Moderation Regression Analysis

Variable	Coefficient	t_{hitung}	Sig.
Good Corporate Governance (X1). Audit Quality (X2)	8769,60	2,357	0,01

Source: SPSS 23 Output Results

The t-test aims to see the influence of independent variables on partially or individually bound variables. The t-test is carried out by comparing by looking at the p-value. If the p-value < 0.05, then accept the alternative hypothesis and reject the null hypothesis. Based on Tables 2 and 3, the results of the multiple regression analysis test can be obtained from the hypothesis testing.

4.3.1 The Influence of Good Corporate Governance on Report Quality Corporate Finance

The results of the t-table show that the significance value is 0.029, meaning that the hypothesis that Good Corporate Governance affects the quality of financial statements, is accepted. With a constant of 9790,208, there is a positive influence of Good Corporate Governance on the Quality of Financial Statements (with proxy earning management), meaning that the better Good Corporate Governance, the higher the earning management. It is by the stakeholder theory that all stakeholders have the right to obtain information about the company's activities that can influence their decision-making (Deegan, 2004). Through the stakeholder theory, the Company is responsible for reporting everything related to the company's activities as a form of the company's responsibility to stakeholders for all information about the company's activities. For a company to be able to present a quality report, it must be supported by good corporate governance (GCG). However, the results of this study show that GCG has a positive effect on the quality of financial statements with the proxy for the quality of financial statements being profit management, which means that the higher the GCG, the higher the profit management, this shows the lower the quality of the financial statements of the companies studied.

In this study, the indicators of Good Corporate Governance are institutional ownership, managerial ownership, and independent commissioners. This means that the larger the percentage of institutional ownership, managerial ownership, and independent commissioners reduce the quality of financial statements (improve profit management). In connection with the agency theory of Jensen and Meckling (1976) which states that an agency relationship is a contract between shareholders (principals) who entrust the management of the company to another person, namely the manager (agent). The agent is the party authorized by the principal

to carry out all activities on behalf of the principal as a decision-maker in his capacity, resulting in asymmetric information between the principal and the agent. The agent as a party authorized by the principal should maximize the prosperity of the principal, by providing quality financial reports that the principal can use as a basis for decision-making and to assess the agent's performance. The agent as a party authorized by the principal is required to have good performance by the principal. However, with the asymmetrical information owned by the agent, the agent tends to carry out profit management to improve its performance. So that if the agent has shares (managerial ownership) it is not able to reduce the profit management behavior of the agent, because the agent is interested in assessing its performance through profit management. In addition, institutional ownership has also not been able to lower profit management or improve the quality of financial statements, due to the tendency of professional shareholders to invest in stocks because there is idle capital to invest in other companies. This makes the company manager not focus on his investment in other companies and focus more on his company because it is following the agent's theory of how to improve performance in his company by his contract with the principal. This has not been able to give them control over the profit management behavior that occurs in the company in which they invest, resulting in low-quality financial statements. The third GCG indicator, namely independent commissioners, has also not been able to improve the quality of financial reports (high-profit management), this is because independent commissioners usually come from practitioners outside the company or academics outside the company. This causes their focus on supervising the organization to be not optimal, so the possibility of management (Agent) doing profit management is still high. With the flexibility of management in carrying out high-profit management without strict control from independent commissioners, the quality of financial statements is declining.

4.3.2 The Effect of Audit Quality on The Effectiveness of GCG in Improve the Quality of The Company's Financial Report

The results of Table t show a significance value of 0.01, meaning that the hypothesis that Audit Quality affects the effectiveness of GCG in improving the quality of financial statements, is accepted. With a constant of 8769.60, there is a positive influence of Audit Quality on the effectiveness of GCG in improving the Quality of Financial Statements

In line with the stakeholder theory that companies are required to benefit stakeholders (Ghozali and Chairi, 2007), because stakeholders have the right to obtain information about the company as a basis for decision-making. Therefore, the company is obliged to report quality financial statements, to produce the content of quality financial statements, it is necessary to have a third party to validate the financial statements so that they are by the circumstances in the company, namely independent auditors (public accounting firms). Validation provided by a public accounting firm can provide confidence for stakeholders to make decisions, so the quality of the audit from KAP is very decisive in making a decision. This is in line with the agency theory that an agency relationship is a contract between shareholders (principal) who entrust the management of the company to another person, namely the manager (agent) under the interests of the principal (Jensen and Meckling, 1976). Agents as parties authorized by the principal are responsible for maximizing the prosperity of the principal through good organizational governance (GCG) and quality external audits. This accountability is realized by providing quality financial reports that can be used by principals as a basis for decision-making and to assess agent performance. For this reason, in addition to achieving good organizational governance (GCG) to produce quality financial reports, an independent party is also needed who can strengthen stakeholder trust in the organization by

providing confidence that the organization's financial statements are of quality, in this case, the auditor through the quality of the audit. Auditors must be responsible for issuing statements related to the audit of a company's financial statements by conducting quality audits so that the audit results that have been submitted have good quality to be used as a reference by stakeholders in decision-making

5. Conclusions, Implications, and Limitations

5.1. Conclusion

The conclusions that can be drawn from the results of the research analysis carried out are:

- 1) Good corporate governance affects the quality of financial statements.
- 2) Audit quality affects the effectiveness of GCG in improving the quality of financial statements.

5.2. Implications

Based on the conclusions that have been submitted, the implications of this study are as follows:

- 1) The quality of a company's financial statements in the mining sector can be influenced by several factors, including good corporate governance and audit quality. The results of this study can be used as a consideration for companies, especially for managers to determine their decisions in terms of reporting financial statements to the public.
- 2) Following the results of this study, stakeholders can increase their vigilance in controlling the company's run.

References

- Alrshah, AM (2015). Empirical Analysis of the Reliability of Audited Financial Statements: The Role of Auditor Quality Mediation. *International Journal of Finance and Accounting Vol.4(3)*, 172-179.
- Chambers, A. E., & Penman, S. H. (1984). Timeliness of reporting and Price Reaction Stocks against Earnings Announcements. *Journal of Accounting Research*, 204-220.
- Deegan, C. (2004). *Financial Accounting Theory*. Sydney: McGraw-Hill.
- Freeman, R. E. (1984). *Strategic Management: Stakeholder Approach*. Cambridge: Cambridge University Press.
- Ghozali, I., & Chariri, A. (2007). *Accounting Theory*. Semarang: Publishing Agency Diponegoro University.
- Irawati, L., & Fakhrudin, I. (2016). The Influence and Quality of Corporate Audit Governance on the integrity of financial statements. *compartment*, 14(1) , 90-106.
- Jensen, M. C., & Meckling, W. (1976). Corporate theory: Agency costs, managerial behavior and ownership structures. *Journal of Financial Economics Vol.3*, 305-360.
- Kodrat, DS (2009). *Distribution Management*. Yogyakarta: Graha Ilmu.
- Mursidah, & Khairina. (2018). The Effect of the Implementation of Good Corporate Governance on the Quality of Financial Statements (A Study on AJB Bumiputera KC Lhokseumawe Insurance Company and Pt Taspen Kc Lhokseumawe). *Journal of Accounting and Finance Vol.6(1)* , 41-48.
- Negoro, Y. (2011). *The effect of aufit time limits and due professional care on audit quality*. Yogyakarta: Faculty of Economics, Atma Jaya University.

- Nurjannah, L., & Pratomo, D. (2014). The Influence of the Audit Committee, Independent Commissioners, and Audit Quality on the Integrity of Financial Statements (On Manufacturing Companies Listed on the Indonesia Stock Exchange in 2012). *E-Proceedings Management*, 1(3), 99-105.
- Rohmah, AN, & Priantinah D. (2018). The influence of company size, company age, financial leverage, and good corporate governance on the quality of financial statements. *Profita Journal: Accounting Science Review Vol. 6, No.2*, 12.
- Savitri, E. (2016). Corporate Governance Mechanism and the Effect of Independence Moderation on Financial Reporting Integrity. *Investment Management Financial Innovation Vol.13(4)*, 68-74.
- Sugiyono. (2013). *Quantitative, Qualitative and R&D Research Methods*. Bandung: Alfabeta CV.
- Tussiana, AA, & Lastanti, HS (2016). The influence of independence, audit quality, auditor industry specialization and corporate governance on the integrity of financial statements. *Accounting, Auditing & Information Research Media Vol.16 No.1*, 69-78.