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THE EFFECT OF INDEPENDENT COMMISSIONERS, AUDIT COMMITTEES AND FINANCIAL DISTRESS ON THE INTEGRITY OF FINANCIAL STATEMENTS

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ABSTRACT

This study aims to determine the Influence of Commissioners Independent, Audit Committee, and Financial Distress to Report Integrity On Mining Companies Listed on the Indonesia Stock Exchange (IDX) Period 2017-2021. This research uses a statistical analysis type of research Descriptive with a quantitative approach. The data used is in the form of data Secondary taken indirectly from the company. Technique Sampling is by purposive sampling, where the sampling is taken Samples are carried out on certain considerations as well as criteria. The study Performed using panel data regression with the help of programs Computer Eviews version 9. The results of this study show that partially the commissioner Independent and audit committees have a significant effect on the integrity of reports Finance. And for financial distress the result has no effect on Integrity of financial statements. While simultaneously, independent commissioners, Audit committee, and financial distress together have a significant effect To the integrity of financial statements.

1. INTRODUCTION

Several stocks in mining companies are predicted to have a good chance in 2021. During 2020, mining company index stocks made the best achievement compared to other company indexes, which increased by 24.65%. The Central Statistics Agency (BPS) wrote that the number of exports in the previous month amounted to US $ 22.03 billion, growing 6.89% from last month of 53.35% and October of the previous year. The Central Statistics Agency (BPS) also wrote that import capabilities grew 0.36% compared to last month, reaching US $ 16.29 billion. During the year, imports grew 51.06%. With a very small increase in imports than exports, this caused the previous month's trade balance to record the largest surplus of up to US % 5.73 billion. However, in May 2020, the value of exports and imports decreased. In April 2020, the export value reached US$ 12.19 billion and in May 2020 it was US$ 10.5 billion.

Financial Statements are one of the most important parts to build and develop a company (Wijaya, 2022). Financial statements that have integrity mean that the financial statements are honest, appropriate and guaranteed from falsification of financial statement data when the financial statements are made. The existence of cases that occurred in the financial statements resulted in a decrease in public trust, resulting in a significant decrease in stock value towards companies that experienced scandals (Ayem &; Yuliana, 2019). The following is one example of a case of error in recording financial statement data, quoting from Kontan.co.id, Thursday (16/4/20200), Timah management made a significant revision. If previously TINS's net profit as of December 31, 2018 amounted to Rp 531.35 billion, now the value is revised to Rp 132.29 billion. The revision caused TINS' net profit in 2018 to decrease by 73.67 percent when compared to 2017's gain of Rp 502.43 billion. Before the revision, TINS' net profit in 2018 rose 5.76 percent compared to 2017. If the recording error does not occur, maybe TINS's stock price ahead of the announcement of the 2018 financial statements will also not jump significantly. For the record, TINS's 2018 financial report was announced on the Indonesia Stock Exchange (IDX) website on March 8, 2019. According to Kontan's records, TINS's stock price had soared 158.87 percent between the period of November 28, 2018 to February 25, 2019. TINS' stock price on November 28 closed at Rp 620. TINS' share price gradually rose to the level of Rp 1,605 per share, on February 25, 2019. The surge in TINS's share price at that time was accompanied by a significant increase in its stock trading volume (www.kompas.com).

Independent commissioners in a company are part of the board of commissioners whose job is to evaluate the company thoroughly (Ayem &; Yuliana, 2019). The existence of an independent commissioner in the company is useful for making balanced economic decisions, more precisely to safeguard minority shareholders and other related parties (Savero, 2017). From the calculation of the proportion of independent commissioners, it is known that PT Indo Tambangraya Megah (ITMG), PT Astrindo Nusantara Infrastruktur (BIPI), and PT Timah (TINS) have a proportion of independent commissioners of less than 30%. This is not in accordance with the regulations of the Financial Services Authority (OJK) which requires issuers or public companies to have a proportion of independent commissioners of at least 30% of the total members of the board of commissioners.

Part of one of the companies involved in producing financial statements that have integrity is the audit committee (Rani, 2017). They can reduce the efforts of management parties in manipulating financial statements, as well as accounting procedures that can result in losses for external shareholders in maintaining the integrity of financial statements (Christiana et al., 2021). Based on the results of the audit committee calculation, it was found that PT Citatah (CTTH) in 2017 and 2018 had a total audit committee of 2 people, this number is not in accordance with the Financial Services Authority Regulation No.33 / POJK.04 / 2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies) which requires Issuers or Public Companies to have an audit committee of at least 3 people.

Financial distress is defined as an early sign of bankruptcy, resulting from declining financial conditions in a company (Sulastri &; Anna, 2018). *Financial Distress* can occur due to internal and external factors of the company. Internal factors are in the form of cash flow difficulties, such a large amount of debt, and losses incurred in the company's operational activities. As for external factors in the form of increasing loan interest rates (Yustika et al., 2019). Based on the calculation of accounting conservatism, it was found that companies that experienced *financial distress* for 5 consecutive years were PT Bumi Resources Minerals (BRM), PT Atlas Resources (ARII), PT Darma Henwa (DEWA), PT Astrindo Nusantara Infrastruktur (BIPI), and PT Citatah (CTTH).

Based on the background described above, the problem formulation can be formulated as follows: (1.) Does the independent commissioner affect the integrity of the financial statements of mining companies listed on the Indonesia Stock Exchange for the 2017-2021 period? (2.) Does the Audit Committee affect the Integrity of Financial Statements in mining companies listed on the Indonesia Stock Exchange for the 2017-2021 period? (3.) Does Financial *Distress* affect the Integrity of Financial Statements in mining companies listed on the Indonesia Stock Exchange for the 2017-2021 period? (4.) Does the Independent Commissioner, Audit Committee, and *Financial Distress* affect the Integrity of the Financial Statements of mining companies listed on the Indonesia Stock Exchange for the period 2017-2021?

2. LITERATURE REVIEW

Signal theory describes the company's actions that should be taken in signaling to users of financial statements. These signals can be in the form of information about something that has been implemented by the manager in order to carry out the wishes of the owner (SAGALA &; A.W, 2020). With an adequate number of independent commissioners and audit committees, as well as good financial *distress* conditions, the company can signal both to investors and other external parties by signaling that the company's financial statements have high integrity because independent commissioners are responsible for monitoring the company's performance and also represent the interests of minority shareholders and the duties of the audit committee Participate in supporting the Board of Commissioners when conducting supervision.

Financial Statement Integrity

Good financial statements are financial statements with integrity when compiling them. Financial statements that are presented with integrity can guarantee the rights of shareholders, because shareholders can understand the real situation of the company, not from financial statements that have been falsified and also plunged (Sofia, 2018). Financial statements with integrity can be said to be financial statements that explain the actual situation of the company transparently. Auditors have many opportunities to be prosecuted if auditors handle audits on financial statements that lack integrity (Wijaya, 2022). Financial statements can be said to have integrity if the quality of reliability can be met and is in line with *generally accepted accounting principles*. Reliability is composed of 3 parts, as follows: 1) Verifiability *2) Representational faithfulness* and 3) Neutrality (Haq et al., 2017).

In this study, the measurement of financial statement integrity uses conservatism based on the Givoly and Hayn (2000) method in (Indrasari et al., 2016) :

$$\boxed{\mathbf{CON\_ACC = NI_{it} - CFO_{it}}}$$

Information:

CON_ACC : Level of accounting conservatism;
NIit : Profit before *extraordinary items* + depreciation of company I in year T;
CFOit : Operating cash flow of the company i in year t.

If the profit obtained is very small compared to operating cash flow, then there are symptoms of the implementation of the principle of conservatism. There is a tendency for accrual accounts throughout the year. If negative accruals arise (net income is very little compared to operating cash flows) that do not change during the year or the calculation CON_ACC lower than zero, then there are symptoms of conservatism. Meanwhile, the use of profit before *extraordinary items* which intends to remove components that cause an increase in profit increases in a certain period of time that cannot appear in other periods of time (Givoly and Hayn, 2000) in (Indrasari et al., 2016).

Independent Commissioner

Independent commissioners are board of commissioners who are not connected to other board of commissioners, members of the board of directors and controlling shareholders who do not have management, financial, shareholder or family ties with other board of commissioners, members of the board of directors or controlling shareholders that may result in changes in their performance in being independent (POJK No.33/POJK.04/2014) (Novianti &; Isynuwardhana, 2021). The role of the Independent Commissioner is to be a balancer when making decisions, more precisely when trying to protect minority shareholders and other related parties (Christiana et al., 2021). With the determination of the total independent commissioners in the company, which is as low as 30% of the total commissioners or at least 1 person, which can increase the effectiveness of independent commissioners (Wijaya, 2022). In this study, the number of independent commissioners is measured based on the division of the total independent commissioners by the total board of commissioners (Indrasari et al., 2016) :

KI = TOTAL INDEPENDENT COMMISSIONERS X 100% TOTAL BOARD OF COMMISSIONERS

Audit Committee

The audit committee is a committee created by the board of commissioners which also has responsibility for the board of commissioners, in order to support the implementation of the roles and functions of the audit committee, led by 1 independent commissioner (Financial Services Authority Regulation Number 55/POJK.04/2015 of 2015 concerning the Establishment and Work Guidelines of the Audit Committee., 2015) (Christiana et al., 2021). In addition to having an important role in supervision, the audit committee also plays a role in determining the effectiveness of internal supervision related to the formation of the company's financial statements (Sofia, 2018). The Financial Services Authority requires all issuers and public companies to establish an audit committee of at least 3 members consisting of independent commissioners and external parties (Christiana et al., 2021). The more independent the audit committee, the more it can prevent falsification of financial statements, until the resulting financial statements have integrity. Therefore, the high percentage (%) of the audit committee results in a higher level of integrity of a financial statement (Anggraeni et al., 2020). Thus, the measurement of the audit committee in this study is calculated by looking at how many audit committees there are in a company per year (Indrasari et al., 2016).

Financial Distress

Financial Distres is a problematic financial situation within the company which is an indication of declining company performance which is usually followed by bankruptcy (Nurbaiti et al., 2021). *Financial distress* begins when the company is unable to meet the payment time, or when cash flow projections indicate that the company will not be able to meet its obligations (Haq et al., 2017). In this study, *financial distress* was measured using the *Z-Score method* with 4 types of financial ratios proposed by Altman. The Z-Score discriminant function that has been set by Altman for non-manufacturing companies uses the following formula (Indrasari et al., 2016):

$$Z = 6{,}56X1 + 3{,}26X2 + 6{,}72X3 + 1{,}05X4$$

Information:
Z : Bankruptcy Index;
X1 : Working Capital (Current Assets – Current Debt) / Total Assets;
X2 : Retained Earnings / Total Assets;

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X3 : Profit Before Interest and Tax / Total Assets;
X4 : Market Value of Equity / Total Liabilities

According to Altman (2006: 248), there are 3 categories for the Z value discrimination zone that can describe whether the company faces failure or not in the future. The 3 categories of discrimination zones are, the safe zone if Z > 2.60, the *gray zone if* the Z value > 1.1 < 2.60, while those included in the *distress* zone or bankruptcy are Z < 1.1 (Indrasari et al., 2016).

The Influence of Independent Commissioners on the Integrity of Financial Statements

Based on Signal Theory, if the number of independent commissioners is adequate, or as low as the proportion of independent commissioners is 30% of the total board of commissioners, then this makes the company give a good signal to users of financial statements that the company's financial statements have high integrity, because the proportion of independent commissioners is adequate. The greater the proportion, the higher the integrity of the financial statements. Because one of the duties of an independent commissioner is to supervise the preparation of financial statements. The results of research conducted by (Savero, 2017) stated that independent commissioners have a significant effect on the integrity of financial statements. This research is reinforced by the results of research from (Ayem &; Yuliana, 2019) which states that independent commissioners have a significant effect on the integrity of financial statements. As explained above, the researcher proposed the following hypothesis:
H1: Independent Commissioners have a significant effect on the Integrity of Financial Statements in mining companies listed on the Indonesia Stock Exchange.

The Effect of the Audit Committee on the Integrity of Financial Statements

Based on Signal Theory, as well as independent commissioners, if the number of audit committees is adequate, or as low as having a total of 3 audit committees, then this makes the company give a good signal to users of financial statements that the company's financial statements have high integrity, due to the adequate number of audit committees. The more the number of audit committees in a company, the higher the inegrity of financial statements. Because the task of the audit committee is to assist the board of commissioners in carrying out its work, one of which supervises the preparation of financial statements. The results of research conducted by (Savero, 2017) stated that the audit committee proved to have a significant effect on the integrity of financial statements. This research is also supported by research from (Sofia, 2018) which states that the audit committee has a positive effect on the integrity of financial statements. As explained above, the researcher proposed the following hypothesis:
H2: Audit Committee has a significant effect on the Integrity of Financial Statements in Mining companies listed on the Indonesia Stock Exchange.

The Effect of *Financial Distress* on the Integrity of Financial Statements

Based on Signal Theory, if the company is in the safe zone, or has a *Z-Score* value of > 2.60, then the company gives a good signal to users of financial statements, that financial statements have high integrity. This is because if the company is in a safe zone, there is very little chance of manipulation of financial statement data. Because the financial statements are already in good condition. The results of research conducted by (Nurbaiti et al., 2021) stated that financial *distress* has no influence on the integrity of financial statements. This research is supported by research from (Setyarini, 2019) which states that *financial distress* partially does not affect the integrity of financial statements. As explained above, the researcher proposed the following hypothesis:
H3 = *Financial Distress* does not affect the Integrity of Financial Statements in mining companies listed on the Indonesia Stock Exchange.

The Effect of Independent Commissioners, Audit Committee and Financial Distress on the Integrity of Financial Statements

Based on signal theory, if independent commissioners have a proportion of commissioners as low as 30% of the total board of commissioners, the number of audit committees is at least 3 people in a company, and financial *distess* are in the safe zone, or a *Z-Score* value of > 2.60, then it can be said that the company can give a good signal to users of financial statements that the company has financial statements that high integrity. The higher the proportion of independent commissioners and the greater the number of audit committees in the company, and financial *distress* is in the safe zone or has a *Z-Score* value of > 2.60, the better the signal given by the company to the company regarding financial statements with integrity. The results of research conducted by (Indrasari et al., 2016) which stated that simultaneously the

variables of independent commissioner, audit committee and *financial distress* together have an influence on the integrity of financial statements. As explained above, the researcher proposed the following hypothesis:
H4 = Independent Commissioner, Audit Committee, and *Financial Distress* have a significant effect on the Integrity of Financial Statements in Mining companies listed on the Indonesia Stock Exchange.

3. METHOD

This study uses a type of descriptive statistical analysis research with a quantitative approach. The approach used in this study is a quantitative approach, because the data of the Independent Commissioner, Audit Committee, Financial Distress, and Financial Statement Integrity obtained from this study is in the form of quantitative data. The population targeted in this study is mining companies listed on the Indonesia Stock Exchange (IDX) during the 2017-2021 period. The population of this study amounted to 49 companies. And the samples obtained were as many as 21 companies with sampling techniques using purposive sampling techniques, namely sampling with certain criteria

4. RESULT AND DISCUSSION

Table 1. Statistik Deskriptif Test

	Financial Statement Integrity	**Independent Commissioner**	**Audit Committee**	***Financial Distress***
Mean	-737084.8	0.411524	3.352381	3.401619
Maximum	5006131.	0.670000	5.000000	48.19000
Minimum	-8139803.	0.200000	2.000000	-5.400000
Std. Dev.	1959958.	0.101031	0.588037	6.575742

From the results of the descriptive statistical analysis above, it can be seen that the average value of financial statement integrity shows a value that is much smaller than the deviation value. This indicates that the integrity data of financial statements in mining companies varies greatly. The variable integrity of financial statements is calculated using the formula conservatism (CON_ACC = NIit - CFOit). If the result of the calculation of conservatism is less than 0 for several years, then there are symptoms of conservatism in the company. From the descriptive data above, the value of financial statement integrity is more dominant in having a negative value. This is because the value of operating cash flows in some companies is negative. The factor is due to the high payment of income tax burden paid by the company.

The independent commissioner variable has an average value of the independent commissioner indicating a value greater than his deviation value. This indicates that the data of independent commissioners on mining companies does not vary. Independent commissioners are calculated by dividing the total number of independent commissioners by the total board of commissioners contained in the company during each year. The more the number of independent commissioners in a company, the better the company's performance, because one of the duties of an independent commissioner is to supervise the company's performance. Data on independent commissioner variables in each company for 5 years have relatively little change. Changes are usually caused by the death of an independent commissioner member or the resignation of an independent commissioner member. In addition to reductions, changes may also occur due to an increase in the number of independent commissioners. Additions or subtractions that occur are not more than 3 members. This is why independent commissioners' data does not vary.

The audit committee variable has an average value of the audit committee showing a value greater than its deviation value. This indicates that audit committee data on mining companies does not vary. The audit committee is calculated by looking at the number of audit committees contained in a company each year. Similar to independent commissioners, the more the number of audit committees in a company, the better the company's performance. The Financial Services Authority requires all issuers and public companies to have an audit committee of at least 3 people, consisting of independent commissioners and external parties. The variable data of the audit committee in each company during each year is relatively the same. This is because the company only follows the regulations of the Financial Services Authority which requires each company to have an audit committee of at least 3 people. Therefore, almost all companies the number of audit committees each year has never changed.

The variable *financial distress has an average value of* financial distress showing a value smaller than its deviation value. This indicates that *financial distress* data on mining companies varies widely. *Financial distress* is calculated using the *Z-score* formula (Z= 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4). If the Z-score result > 2.60 then the company is in the safe zone, and if the Z-score result > 1.1 < 2.60 then the company is in the gray zone, while if the *Z-score result < 1.1 then the company is in the distress zone.*

Table 2. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	**Statistic**	**d.f.**	**Prob.**
Cross-section F	6.519909	(20,81)	0.0000
Cross-section Chi-square	100.725900	20	0.0000

Based on the table above, it can be seen that the *Probability Cross-section Chi-square* value obtained from the results of the chow test is 0.0000 or can be said to be smaller than the significance level of 5% (0.05). So it can be concluded that H0 is rejected, then the model to be used is the *Fixed Effect Model* (FEM). Because the model used is the *Fixed Effect Model* (FEM), the test will continue on the hausman test.

Table 3. Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	3.054304	3	0.3833

Based on the table above, it can be seen that the *random Probability Cross-section* value obtained from the hausman test results is 0.3833 or can be said to be greater than the significance level of 5% (0.05). So it can be concluded that H0 is accepted, then the model to be used is the *Random Effect Model* (REM)

Table 4. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	**Time**	**Both**
Breusch-Pagan	49.24961	0.026588	49.27620
	(0.0000)	(0.8705)	(0.0000)

Based on the table above, it can be seen that the value of Both obtained from the results of the *lagrange multiplier* test is 0.0000 or smaller than the significance level of 5% (0.05). So it can be concluded that H0 is rejected, then the best model used in the regression analysis of this research panel data is the *Random Effect Model* (REM).

Table 5. Uji F Test

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 07/15/22 Time: 23:19
Sample: 2017 2021
Periods included: 5
Cross-sections included: 21
Total panel (balanced) observations: 105
Swamy and Arora estimator of component variances

R-squared	0.126268	Mean dependent var	-277882.9
Adjusted R-squared	0.100316	S.D. dependent var	1416038.
S.E. of regression	1343136.	Sum squared resid	1.82E+14
F-statistic	4.865361	Durbin-Watson stat	1.848681
Prob(F-statistic)	0.003344		

Based on the table above, it can be seen that the value of Prob (*F-statistic*) is 0.003344 < a significance value of 0.05%, then H0 is rejected, this means that the variables of independent commissioner, audit committee, and *financial distress* have a significant effect on the variable of financial statement integrity.

Table 6. T-Test

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 07/15/22 Time: 23:19
Sample: 2017 2021
Periods included: 5
Cross-sections included: 21
Total panel (balanced) observations: 105
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4616437.	1447535.	3.189170	0.0019
X1	-4539632.	1824624.	-2.487982	0.0145
X2	-1033140.	335703.5	-3.077535	0.0027
X3	-6431.507	29567.75	-0.217518	0.8282

Based on the table above, it can be seen that the *Probability value of the independent* variable, namely the independent commissioner (X1) of 0.0145 < a significance value of 0.05%, then H0 is rejected. Audit committee (X2) of 0.0027 < significance value of 0.05%, then H0 is rejected. And *financial distress* (X3) of 0.8282 > a significance value of 0.05%, then H0 is accepted. So it can be concluded that the variables of independent commissioners and audit committees have a significant effect on the variables of financial statement integrity. While *the financial distress* variable does not affect the integrity of financial statements.

Based on table 5 above, it can be seen that the *Adjusted R-squared* value is 0.100316. This means that independent variables such as independent commissioners, audit committees*, and financial distress* are only able to explain or influence the dependent variables, namely the integrity of financial statements by 10.03% as a whole, and the remaining 89.97% are influenced by other variables outside the research variables.

The Influence of Independent Commissioners on the Integrity of Financial Statements

Based on the results of a partial hypothesis test using the *Random Effect Model* (REM) method, the independent commissioner variable has a Tcalculate (T-Statistic) value > Ttable (-2.487982 > -1.98373) then H0 is rejected, meaning that the independent commissioner variable affects the integrity of the financial statements. *The value of Prob* (F-Statistic*) < 0.05 (0.0145* < 0.05), this means that the independent commissioner variable has significance to the integrity of the financial statements. The value of the independent commissioner coefficient has a negative value of -4539632, which means that the independent commissioner is considered less effective in carrying out supervisory duties in preparing financial statements with integrity. Therefore, the increasing number of independent commissioners in a company is likely to cause conflicts in providing different opinions so that it will have an impact on decreasing the integrity of financial statements (Wijaya, 2022). It can be concluded that independent commissioners have a significant effect on the integrity of financial statements. This is supported by research (Savero, 2017) which states that partially independent commissioners have proven to have a significant effect on the integrity of financial statements. The positive direction of the coefficient indicates that there is a tendency for the existence of independent commissioners to be effective in conducting supervision in corporate governance, which can lead to a higher level of financial statement integrity.

The Effect of the Audit Committee on the Integrity of Financial Statements

Based on the results of a partial hypothesis test with the *Random Effect Model* (REM) method, the audit committee variable has a Tcalculate (T-Statistic) value > Ttable (-3.077535 > -1.98373) then H0 is rejected, meaning that the audit committee variable affects the integrity of the financial statements. *The value of Prob* (F-Statistic*) < 0.05 (0.0027* < 0.05), this means that the audit committee variables have significance to the integrity of the financial statements. The audit committee coefficient value has a negative value of -1033140, which means that the increasing number of audit committees in a company, does not guarantee a financial statement has high integrity, due to the ineffective performance of the audit committee in supervising the preparation of financial statements. This could be because the existence of an audit committee in a company is only a requirement instructed by the Financial Services Authority (OJK). So it can be concluded that the audit committee has a significant effect on the integrity of financial statements. This is supported by research (Savero, 2017) which states that the audit committee has a significant effect on the integrity of financial statements. The positive direction of the coefficient shows that the existence of the audit committee is not only limited to compliance with regulations, but also accompanied by effective performance.

Pengaruh Variabel *Financial Distress* Terhadap Integritas Laporan Keuangan

Based on the results of a partial hypothesis test with the *Random Effect Model (REM) method, the financial distress variable* has a Tcalculate (T-Statistic) value < Ttable (-0.217518 < -1.98373) then H0 is accepted, meaning that *the financial distress* variable does not affect the integrity of the financial statements. The *value of Prob* (F-Statistic*) > 0.05 (*0.8282 > 0.05), this means that the variable financial distress *has no significance to the integrity of the financial statements.* So it can be concluded that *financial distress* does not affect the integrity of financial statements. The value of the financial distress coefficient *has a negative value* of -6431,507, which means, even though the company is in the distress zone, this does not affect the integrity of the company's financial statements. This is supported by research (Setyarini, 2019) which states that financial distress partially does not affect *the integrity of financial statements, and research (Nurbaiti et al., 2021)* which states that financial distress has no influence on the integrity of financial statements. Because every company is obliged to report its financial statements reliably and relevantly in accordance with the qualitative characteristics that have been regulated in PSAK No.1, so that even though the company is facing financial *distress conditions*, companies are still required to present good financial statements and in accordance with regulations.

The Effect of Independent Commissioner, Audit Committee, and *Financial Distress* Variables on Financial Statement Integrity

Based on the results of simultaneous hypothesis testing with the *Random Effect Model (REM) method, the variables of independent commissioner, audit committee, and financial distress* have Fcalculate (F-Statistic) values > Ftable (4.865361 > 2.69), H0 is rejected, meaning that simultaneously the variables of independent commissioner, audit committee, and *financial distress* affect the integrity *of* financial statements. *The value of Prob* (F-Statistic*) < 0.05 (0.003344* < 0.05), this means that simultaneously the variables of independent commissioner, audit committee, and financial distress have a significant effect on the integrity of financial statements. It can be concluded that the greater the number of independent commissioners, audit committees, and the better the company's financial condition (financial *distress* is in the safe zone), the higher the integrity of the company's financial statements. This research is supported by research (Indrasari et al., 2016) which states that simultaneously the variables of independent commissioner, audit committee, and *financial distress* together have an influence on the integrity of financial statements.

5. CONCLUSION

From the theory of The Contract view of Business Firm's Duties to Consumer, Nissan Motor Indonesia was proven to violate business ethics because it did not fulfill the moral responsibilities of manufacturers, namely Duty to Comply, Duty to Disclosure, Duty to Misrepresent, and Duty Not to Coerce. From a legal point of view, Nissan Motor Indonesia violates the Consumer Protection Law article 9 paragraph (1) letter k and Article 10 letter c besides that Nissan Motor Indonesia does not seem to have good etiquette in solving problemsn cases. In terms of advertising, Nissan Motor Indonesia can be said to have violated. To display numbers in advertisements used to substantiate claims, Nissan should be able to provide complete and transparent additional information about the factorsthat affect whether or not fuel use is efficient. From this case, producers and consumers are expected to understand and respect each other in marketing products and choosing or using products. Consumersmust play an active role in finding information from the product or vehicle to be used before making their choice

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