

ABSTRACT

The integrity of financial statements is the presentation of a fair, honest, and shows unbiased information. Financial statements as a medium of information used by users in making decisions must be presented with integrity and can be relied upon so as not to mislead users in making decisions. The presentation of financial statements with integrity is associated with the principle of prudence as a prudent reaction in the face of uncertainty that risks in the business environment are sufficiently considered.

This study aims to determine the effect of corporate governance mechanisms, audit quality, auditor switching and financial distress on integrity in transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018. The population used in this study were all transportation companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018. The sample selection technique used purposive sampling and 109 samples were observed. Data in this study were analyzed with descriptive statistics and logistic regression using the SPSS 25 application.

The result showed that corporate governance mechanisms (institutional ownership, independent commissioner, and audit committee) simultaneously influence the integrity of financial statements. Partially, institutional ownership, independent commissioner, and auditor switching has a significant negative effect on integrity of financial statements.

It is recommended to further researchers to be able to look at the variable integrity of financial statements by adding variables other than those in this study, as well as on the same object and others. For companies, it is expected to be able to use specialist auditors in audit assignments to produce quality audits. For investors, it is expected to be able to use and consider institutional ownership, amount of independent commissioners and auditor switching in the company as information before investing.

Keywords: *financial distress, integrity of financial statements, audit quality, corporate governance mechanism, and auditor switching.*