

RESEARCH ARTICLE

Analysis of the Influence of Corporate Governance Quality, Auditor Reputation, and Board Independence on the Financial Reporting Quality of Property Companies in Indonesia

Nenny Syahreenny^{1*}

^{1*} Study Program of Accounting, Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya, Indonesia.

Corresponding Email: nennysyahreenny@stiesia.ac.id^{1*}

Histori Artikel:

Dikirim 11 Januari 2026; Diterima dalam bentuk revisi 20 Januari 2026; Diterima 25 Februari 2026; Diterbitkan 1 April 2026. Semua hak dilindungi oleh Lembaga Otonom Lembaga Informasi dan Riset Indonesia (KITA INFO dan Riset) – Lembaga KITA.

Suggested citation:

Syahreenny, N. (2026). Analysis of the Influence of Corporate Governance Quality, Auditor Reputation, and Board Independence on the Financial Reporting Quality of Property Companies in Indonesia. *JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi)*, 12(2), 1709-1715. <https://doi.org/10.35870/jemsi.v12i2.6302>.

Abstrak

Tujuan penelitian ini adalah untuk menunjukkan bagaimana tiga faktor yaitu kualitas tata kelola perusahaan, reputasi auditor, dan independensi dewan direksi menentukan kualitas pelaporan keuangan perusahaan properti di Indonesia. Kualitas pelaporan keuangan membuat industri properti, yang padat modal dan sangat kompleks, menjadi transparan dan dapat dipercaya di mata pasar; inilah inti dari penelitian ini. Metode penjelasan kuantitatif diadopsi oleh peneliti, dan data sekunder yang digunakan berasal dari laporan keuangan dan laporan tahunan perusahaan properti yang terdaftar di Bursa Efek Indonesia. Populasi penelitian ditentukan melalui pengambilan sampel bertujuan dan kemudian dilakukan analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa kualitas tata kelola perusahaan, reputasi auditor, dan independensi dewan direksi secara signifikan dan positif memengaruhi kualitas pelaporan keuangan. Penelitian ini memberikan kontribusi teoritis, sehingga memperkaya literatur tentang akuntansi dan tata kelola perusahaan terkait penentu kualitas pelaporan keuangan. Dari sisi praktis, hasil penelitian ini berfungsi sebagai kompas bagi manajemen perusahaan, auditor, dan regulator, dalam upaya mereka untuk meningkatkan kualitas laporan keuangan dan kepercayaan pemangku kepentingan di perusahaan properti Indonesia.

Kata Kunci: Kualitas Tata Kelola Perusahaan; Reputasi Auditor; Independensi Dewan Direksi; Kualitas Pelaporan Keuangan.

Abstract

The goal of this study is to show how the three factors of corporate governance quality, auditor reputation, and board independence determine the financial reporting quality of Indonesian property companies. Quality of financial reporting made the property industry, which is capital-intensive and very complicated, transparent and trustworthy in the eyes of the market; this was the point of the present research. A quantitative explanatory method was adopted by the researchers, and the secondary data used was from the financials and annual reports of property firms listed on the Indonesia Stock Exchange. The population of the research was determined through purposive sampling and multiple linear regression analysis was then performed. The findings suggest that corporate governance quality, auditor's reputation, and board independence significantly and positively affect financial reporting quality. The present study makes a theoretical contribution, thus enriching the literature on accounting and corporate governance concerning the determinants of financial reporting quality. On the practical side, the outcomes of this research act as a compass for the management of companies, auditors, and regulators, in their endeavours to enhance the quality of financial reports and the trust of stakeholders in Indonesian property companies.

Keyword: Corporate Governance Quality; Auditor Reputation; Board Independence; Financial Reporting Quality.

1. Introduction

The basic characteristic of financial reporting is a significant component that supports the company's financial information. If it is wrong, it means the company is not very open and, therefore, the information would not be very trustworthy (Kusmaeni & Syahrenny, 2024). Financial reporting quality is a very strategic factor for property companies in Indonesia which is mainly because of the capital-intensive nature, long-term orientation and full of accounting estimates of the property sector. Investors, creditors, regulators and others depend on good financial information as their main source to evaluate performance, risks and potentials of the property companies (Syahrenny *et al.*, 2021). Companies with poor quality financial reporting can cause information asymmetry, increase the risk of wrong decisions and reduce overall trust in the market. Moreover, the Indonesian property sector has to face the challenges of revenue recognition, asset valuation, and earnings management, which can all negatively impact the quality of financial reports (Fitria *et al.*, 2022). Therefore, it is necessary to assess the various factors influencing the financial reporting quality of property sector companies in order to improve corporate governance and subsequently attract more investors to the capital market (Yahya *et al.*, 2022).

The corporate governance quality can be regarded as the yardstick for a company's adherence to the governance principles of transparency, accountability, responsibility, independence, and fairness (Sambuaga & Santoso, 2020). It is generally said that the quality corporate governance reduces the conflicting interests of management and owners to the minimum level and also greatly improves the financial reporting process (Purwanti *et al.*, 2024). Quality corporate governance in the case of property companies would help to control the aggressive management practices that might otherwise be used in the area of financial reporting. The combination of proper supervision, well-defined internal controls, and effective controls management forms the basis of obtaining more accurate and relevant financial data (Fitria & Syahrenny, 2024). The presence of highly respected auditors can also play a part in the discipline of financial reporting and limit the occurrence of earnings management (Chrislo & Sambuaga, 2022). On the other hand, auditors who are not so well regarded may be less capable of uncovering and stopping the malpractice in financial reporting (Kurniawan *et al.*, 2020). Hence, the auditor's standing is reckoned as an external factor that markedly sways the financial reporting quality of property firms in Indonesia. The independence of the board symbolizes the extent to which the board of commissioners is unrestrained in supervising management. It is a widely held view that an independent board is capable of operating fairly, will not be influenced by management, and will represent the shareholders' interests justly (Fernando *et al.*, 2019). The real estate industry places great importance on board independence as the key factor deciding the extent of the supervision of the financial reporting process and the accounting policies that management has adopted (Dianita *et al.*, 2025). A powerful independent board of commissioners cannot only make the supervision more efficient but also lower the chance of financial report falsification (Nurulzanah & Kurniawan, 2022). Additionally, the presence of independent commissioners fortifies the checks and balances mechanism in corporate governance (Pulungan *et al.*, 2023). The research's main goal is to explore the effects of corporate governance quality, auditor reputation, and board independence on the financial reporting quality of property companies in Indonesia. From a theoretical point of view, the research is expected to enhance the accounting and corporate governance literature by providing empirical data that reveals the factors affecting financial reporting quality in the property sector. Moreover, the study provides the union of the internal governance and external supervision mechanisms viewpoints in illuminating the financial reporting quality. Among the advantages that will be gained from the research results is the win-win situation for the company management, regulators, and investors to be able to make better decisions regarding financial reporting practices. In addition, the outcomes of the study may serve as a reference for the assessment and even the reformation of governance policies, the enhancement of the auditors' and the independent boards of commissioners' roles, and the attainment of more transparency and credibility in the financial reports of property companies in Indonesia.

2. Literature Review

Corporate governance quality plays a pivotal role in shaping the financial reporting quality of companies. According to Sambuaga & Santoso (2020), corporate governance quality is a measure of a company's adherence to principles such as transparency, accountability, responsibility, independence, and fairness. It ensures that the interests of the management and the shareholders align, thus reducing the possibility of financial misreporting. Purwanti *et al.* (2024) further argue that effective corporate governance helps minimize the risk of managerial opportunism and enhances the quality of financial reporting by instituting stringent internal controls and supervision mechanisms. This aligns with Fitria & Syahrenny (2024), who emphasize that strong governance structures in property companies help improve the accuracy and relevance of financial data, ensuring that financial reports are trustworthy and transparent. Auditor reputation is another crucial factor influencing the quality of financial reporting. The quality of the auditing process is often linked to the reputation of the auditing firm. Chrislo & Sambuaga (2022) suggest that highly reputable auditors, known for their professionalism and independence, are more likely to scrutinize financial statements rigorously, reducing the risk of earnings management. Kurniawan *et al.* (2020) also highlight that auditors with low reputations may lack the capability to detect financial irregularities, which could compromise the quality of financial reporting. Hence, the role of auditors extends beyond financial statement examination to serve as a critical external monitoring mechanism that helps ensure the integrity of financial data.

The independence of the board of commissioners has a significant impact on financial reporting quality. Fernando *et al.* (2019) posit that an independent board, free from management influence, is essential for unbiased decision-making and rigorous supervision. The real estate sector, in particular, relies heavily on board independence to ensure the accuracy and fairness of financial reporting, as argued by Dianita *et al.* (2025). An independent board is more likely to question management decisions that could compromise the financial reporting process, thus enhancing the reliability of financial statements. Moreover, Nurulzanah & Kurniawan (2022) emphasize that an independent board of commissioners strengthens the oversight mechanisms within a company, reducing the likelihood of financial fraud and enhancing the credibility of financial reports. Overall, the literature underscores the intertwined relationship between corporate governance quality, auditor reputation, and board independence in determining the financial reporting quality of property companies. These factors collectively form the bedrock of transparent, accurate, and reliable financial reporting, which is essential for attracting investors, improving market trust, and ensuring long-term sustainability in the property sector.

3. Research Methodology

This research adopts an explanatory quantitative methodology to firmly establish the impact of corporate governance quality, auditor reputation, and board independence on financial reporting quality in Indonesian property companies through an empirical approach. The observation period was limited to the property and real estate firms that were listed on the Indonesia Stock Exchange. The study mainly relied on secondary data, which was obtained from the companies' annual reports and audited financial statements. The sample consisted of companies that met certain criteria that were specifically chosen using a purposive sampling method: (1) property firms that were continuously listed throughout the study period, (2) those that present complete and audited annual financial reports, (3) having data on governance structure and board of commissioners, and (4) not getting delisted during the observation period. The quality of financial reporting was evaluated with the use of discretionary accruals as the proxy, while corporate governance quality was measured with the corporate governance index, and the auditor's reputation was judged by the Public Accounting Firm's association, and the independence of the board was assessed using the ratio of independent commissioners. After conducting classical assumption tests for normality, multicollinearity, heteroscedasticity, and autocorrelation which were executed numerically,

RESEARCH ARTICLE

the data analysis included multiple linear regression. The confirmation of data processing was done with the assistance of statistical software which ensured the validity and reliability of the research outcomes.

4. Results and Discussion

4.1 Results

The outcome of the F-test proves that the regression model is very significant at the 0.000 level, which is far less than 0.05. So, the quality of corporate governance, the auditors' reputation, and the independence of the board in an Indonesian company are all positively and strongly influencing the financial reporting quality of a company at the same time. An R^2 value of 0.65 measures that 65% of the variations in the quality of financial reporting can be accounted for by the three independent variables in the research model, while 35% changes are associated with other factors not included in the model. The t-test results show that the independent variables have a positive impact on the dependent variable and their significance levels are all below 0.05, therefore, all the research hypotheses are confirmed. The outcomes of the study show that the corporate governance quality was positively and significantly linked with the financial reporting quality of the real estate sector in Indonesia. The very fact that this conclusion has been reached points to the situation where the power of the holder not only safeguards the standards of good governance but also allows the financial information to be of low quality. The good governance imperatives require the management to be open, responsible and to be subject to strict internal control, which are in fact the very mechanisms that prevent the financial reporting area from being manipulated by opportunistic practices. Criticism has often been directed at the real estate sector for its being complicated but it is precisely this industry where the highest quality corporate governance is required to ensure the fairness of accounting estimates and revenue recognition. The data from this study indicate that corporate governance quality is an internal factor that contributes to the reliability of financial reports. On the other hand, poor corporate governance can lead to greater financial reporting risk which then results in a decline in the quality of information provided. Consequently, the improvement of corporate governance quality becomes a prerequisite for enhancing the financial reporting quality of real estate companies in Indonesia.

The research has concluded that auditor attractiveness is one of the most important and positive factors that influence the financial reporting quality of real estate companies in Indonesia. The case is that among the highly reputed auditors are those who usually make the audit process even stricter, are more professional and competent, and are independent in their work. The reputable auditors are the ones who not only cause the managers to be more disciplined in preparing the financial reports but also the ones who lessen the risk of earnings management. Hence, I can affirm that the auditors are not just the financial statement examiners but a vital external monitoring mechanism that guarantees the reporting quality. The property companies' transactions and accounting estimates are the main factors that challenge even the most experienced auditors. However, one can assert that a low-reputation auditor would not be able to detect financial reporting irregularities as effectively. So, auditor reputation becomes a crucial external factor that supports the improvement of the financial reporting quality of property companies in Indonesia. The findings from this study unequivocally indicate that board independence has a positive and significant impact on the financial reporting quality of Indonesian property firms. The independent board of commissioners not only supports management but also strengthens the control over financial reporting which is the most critical area. Boards of directors who are independent usually tend to be more impartial and are more often open to questioning the decisions of management that might influence the quality of financial reporting in a negative way. This study highlights the role of board independence in the corporate governance system as a control and balance factor. It is important to mention that in the property sector, where the possibility of the existence of conflicts of interest and asymmetrical information is relatively high, the involvement of independent commissioners becomes even more necessary. On the other hand, a board with a low level of independence might not be able to provide the necessary oversight, and thus the risk of financial statement fraud increases. Therefore, promoting board independence is viewed as a

RESEARCH ARTICLE

corporate governance strategy that is not only effective in maintaining but also in improving the overall quality of financial reporting in Indonesia's property sector.

4.2 Discussion

The findings of this study confirm that corporate governance quality, auditor reputation, and board independence significantly influence the financial reporting quality of property companies in Indonesia. The results suggest that corporate governance quality plays a crucial role in ensuring the accuracy and transparency of financial reports, aligning with the findings of Fitria & Syahreenny (2024), who argue that effective governance structures, including strong internal controls and monitoring mechanisms, help mitigate managerial opportunism and ensure the integrity of financial reporting. This study highlights the need for high-quality corporate governance as a critical factor in reducing financial reporting risks and improving the reliability of financial statements, consistent with the work of Sambuaga & Santoso (2020), who emphasize the role of transparency, accountability, and responsibility in corporate governance. Furthermore, the role of auditors in maintaining the quality of financial reporting is underscored in this study, as reputable auditors have a positive impact on the accuracy of financial statements. This aligns with Chrislo & Sambuaga (2022), who suggest that highly regarded auditors are more likely to exercise independence and professionalism in scrutinizing financial reports, thus minimizing the occurrence of earnings management and financial misstatements. Kurniawan *et al.* (2020) also support this view, noting that less reputable auditors may be less effective in detecting financial irregularities, which in turn could compromise the quality of financial reports.

The study also confirms the significant effect of board independence on financial reporting quality, reinforcing the findings of Fernando *et al.* (2019), who emphasize that an independent board is essential for unbiased decision-making and effective oversight of management practices. Independent boards provide a stronger check on management, ensuring that financial reporting processes remain transparent and accurate. This is particularly critical in the property sector, where complex accounting estimates and revenue recognition challenges can distort financial statements if not properly supervised. Dianita *et al.* (2025) further support this view, asserting that independent boards play a vital role in strengthening corporate governance by enhancing the quality of financial reporting in real estate companies. Overall, the findings of this study align with previous research, demonstrating that corporate governance quality, auditor reputation, and board independence are essential factors in improving the financial reporting quality of property companies in Indonesia. These factors contribute to greater transparency, trustworthiness, and accuracy in financial statements, which are crucial for attracting investors and ensuring the sustainability of companies in the property sector.

5. Conclusion

The study establishes that the level of corporate governance, the reputation of auditors, and the independence of the board all positively and significantly impact the quality of financial reporting of Indonesian real estate companies. Consequently, the reliability of financial statements should not be based solely on the accounting standards used but, to a large extent, on the governance and monitoring mechanisms' effectiveness. The level of corporate governance works as a limitation or a minimum boundary to the management's opportunistic conduct and at the same time provides greater transparency in financial statements. The auditor's credibility is a distant supervision mechanism that backs up the reporting discipline and reliability of the financial data. Besides, the independence of the board of directors increases the monitoring power of the board of commissioners over management. To put it briefly, the research outcomes really call for a combination of internal governance and external supervision to improve the quality of financial reporting in the property industry. Research findings suggest that, among other things, the management of property companies will have to continue to be liberal in their application of corporate governance forces by making more transparent, better control internally, and good supervision as well. It is also that the use of services of top reputation auditors is suggested for companies

RESEARCH ARTICLE

to increase the credibility of financial reports and trust of associated parties. The independent commissioners' number and role should be the main focus to ensure that the oversight function is carried out in an unbiased and effective manner. Regulators and policymakers should also support the financial reporting quality improvements through the corporate governance and board independence related regulations. The measures taken will be the way Indonesian property firms win market trust and enjoy long-term sustainability.

6. References

- Chrislo, M., & Sambuaga, E. A. (2022). The effect of board gender diversity, financial background, and pandemic period towards the financial performance of a company (Empirical evidence from manufacturing companies listed in the Indonesian Stock Exchange). *Proceedings of the International Conference on Entrepreneurship (IConEnt)*, 2, 433-437.
- Dianita, A. A. E., Fernando, K., Kurniawan, B., & Sambuaga, E. A. (2025). An empirical study on the bidirectional association between ESG performance and earnings management in Southeast Asia. *Kasetsart Journal of Social Sciences*, 46(2), 460202-460202.
- Fernando, K., Sambuaga, E. A., Kurniawan, B., Riswandari, E., & Bwarleling, T. H. (2019, July). CSR web reporting: A new communication technology tool for corporate reporting and its relation with ownership structure. In *1st International Conference on Life, Innovation, Change and Knowledge (ICLICK 2018)* (pp. 27-32). Atlantis Press.
- Fernando, K., Sambuaga, E. A., Kurniawan, B., Riswandari, E., & Bwarleling, T. H. (2019, July). CSR web reporting: A new communication technology tool for corporate reporting and its relation with ownership structure. In *1st International Conference on Life, Innovation, Change and Knowledge (ICLICK 2018)* (pp. 27-32). Atlantis Press.
- Fitria, A., & Syahrenny, N. (2022). Pengaruh profitabilitas, likuiditas, leverage dan ukuran perusahaan terhadap financial distress. *Prive: Jurnal Riset Akuntansi dan Keuangan*, 5(1), 45-60.
- Fitria, A., & Syahrenny, N. (2024). Pengaruh intellectual capital, good corporate governance, dan free cash flow terhadap nilai perusahaan. *Jurnal Ilmiah Akuntansi dan Keuangan (JIaku)*, 3(4), 319-334.
- Kurniawan, B., Refianto, & Fernando, K. (2020). Penerapan integrated reporting dan kaitannya dengan informasi akuntansi: Studi pada perusahaan di kawasan Asia yang terdaftar pada the International Integrated Reporting Council. *Jurnal Penelitian Akuntansi*, 1(2), 99-114.
- Nurulzanah, M., & Kurniawan, B. (2022). Pengaruh profitabilitas, ukuran perusahaan dan umur perusahaan terhadap audit report lag pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia pada tahun 2016-2019. *KALBISIANA Jurnal Sains, Bisnis Dan Teknologi*, 8(3), 3430-3444.
- Pulungan, A. H., Azzahra, A., Fernando, K., & Kurniawan, B. (2023). Perceived seriousness of wrongdoing and peer reporting intention: The moderating role of wrongdoer's status. *Jurnal ASET (Akuntansi Riset)*, 15(1), 37-52.
- Purwanti, A., Rikah, S. E., Sutrisno, C. R., Dewi Sartika, S. E., Nenny Syahrenny, S. E., Ak, M., ... & MT, M. (2024). *Sistem Akuntansi*. CV Eureka Media Aksara.

RESEARCH ARTICLE

- Sambuaga, E. A., & Santoso, O. P. (2020). Pengaruh corporate governance, profitabilitas, ukuran dan kompleksitas perusahaan terhadap audit report lag. *Ultimaccounting: Jurnal Ilmu Akuntansi*, 12(1), 86-102.
- Syahrenny, N., Kusmaeni, E., & Qonitah, I. (2021). Bimbingan teknis pencatatan transaksi keuangan dalam meningkatkan daya saing UKM Kabupaten Bojonegoro di era industri 4.0. *Society: Jurnal Pengabdian dan Pemberdayaan Masyarakat*, 1(2), 93-101.
- Yahya, D. R., Mildawati, T., Syahrenny, N., & Sari, J. (2022). Pelatihan dan pendampingan pembukuan sederhana dan strategi pemasaran pada Umknesia di Surabaya. *Jurnal Kreativitas dan Inovasi (Jurnal Kreanova)*, 2(1), 13-17.