The Effect of Corporate Governance Mechanism, Company Size and Leverage on the Integrity of Financial Statements.

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Abstrak– *This research is aimed to test the influence corporate governance mechanism, firm size and leverage to integrity of financial statement. Independent variable corporate governance mechanism in this research was measured with institutional ownership, managerial ownership, audit committee and independent commissioner. Firm size analyzed by natural logarithm of total assets and leverage analyzed by debt equity rasio. This research uses associative quantitative approach, which is measured using multiple linear regression based method use SPSS ver.24. The population of this research is food and beverage companies listed in Indonesian Stock Exchange (IDX) period among 2014-2018. The sample was determined based on the purposive sampling method. The data used in this study are secondary data. Data was collected by Indonesian Stock Exchange (IDX) official website: www.idx.co.id. Hypothesis testing are using logistic regression analysis. The results prove that institutional ownership and audit committee have a negative and insignificant effect on the integrity of financial statements, company size and leverage have a significant positive effect on the integrity of financial statements, managerial ownership and independent commissioners have no effect on the integrity of financial statements.*

Keywords : Corporate Governance Mechanism, Company Size, Leverage and Integrity Financial Statement

I. INTRODUCTION

1.1. Background of The Problem

As stated in the Financial Accounting Standards (2017), the purpose of financial statements is to provide information regarding the financial position, performance and changes in the financial position of an entity that is useful for most users of financial statements in making economic decisions. Financial reports also show what management has done (stewardship), or management's accountability for the resources entrusted to it.

The company publishes financial reports as management's responsibility for the management of owner's resources, because it can be used as a source of information that can be used as a means of knowing the company's development for financial report users. For this reason, financial statements must have high integrity. So far, there has not been a measure of the integrity of financial statements, although intuitively it can be divided into two, namely measured by conservatism and the existence of financial statement manipulation which is usually measured by earnings management (Monica and Cherrya, 2016).

In fact that has recently emerged, many legal cases carried out by companies involve manipulation of accounting data, especially in the processing of financial statements. So that there is no integrity of the information submitted, untrue and unfair for some users of financial statements. One example that has just happened to a domestic company is the Garuda Indonesia airline. It all started with the results of Garuda Indonesia's financial statements for the 2018 financial year. In these financial reports, the Garuda Indonesia Group recorded a net profit of USD809.85 thousand or the equivalent of IDR 11.33 billion (assuming an exchange rate of IDR 14,000 per US dollar). This figure jumped sharply compared to 2017 which suffered a loss of USD216.5 million.

However, this financial report caused a polemic, because two commissioners of Garuda Indonesia, Chairal Tanjung and Dony Oskaria (currently no longer in office), considered that Garuda Indonesia's 2018 financial statements were not in accordance with the Statement of Financial Accounting Standards (PSAK). The reason is, Garuda Indonesia has included the benefits of PT. Mahata Aero Teknologi which owes debt to the red plate airline. PT. Mahata Aero Teknologi itself has debts related to unpaid wifi installations.
(https://economy.okezone.com/read/2019/06/28/320/2072245/kronologi-kasus-laporan-keuangan-garuda-indonesia-hingga-kena-sanksi).

From the limitations that occur in the companies above, it is better if the concept of a Corporate Governance mechanism is applied so that corporate governance can be directed towards better company performance, so that the rights of shareholders to obtain correct, timely, and accurate information are fulfilled. In order to produce quality financial statement information integrity, the role of the board of commissioners in the company is needed to supervise and guarantee corporate governance.

Another indicator that can affect the integrity of financial statements is company size. Firm size represents the average of total net sales for the year in question over the following several years. A company with a large size is assumed to have a large number of assets and income levels so as to generate high profits. Conversely, if the sales are smaller than the variable costs and fixed costs, the company will suffer losses. Small-scale companies compared to large-scale companies tend to be less profitable. The supporting factors owned by small companies to produce goods are limited. But in reality, small companies are better able to withstand the economic crisis (Saputra et.al. 2014).

The economic crisis resulted in many companies using debt in maintaining the sustainability of their companies. The existence of debt in running the company is measured by financial ratios, namely leverage. The leverage ratio is used to measure how much the company's assets come from debt or capital, so that this ratio can determine the company's position and liabilities. Companies that have relatively high debt will apply conservative accounting so that the profits presented are relatively low.

II. LITERATURE REVIEW

2.1. Theoretical Basis

2.1.1. Agency Theory

In agency theory, agency relationships occur when one or more people (principal) employ another person (agent) to provide a service and delegate authority in making a decision to the agent. The relationship between the principal and the agent can lead to an imbalance of information (asymmetrical information) because the agent is in a position to have more information about the company than the principal. With the assumption that each individual acts to maximize his / her own interest, the information asymmetry it has will encourage the agent to hide some information that is not known to the principal. (Ismail, 2018). According to Jensen and Meckling (2016) there is an agency relationship when one party (the principal) contracts the other party (the agent) to perform a service that involves delegating authority to act on behalf of the agent in making decisions.

2.1.2. Integrity of Finansial Statements

The Indonesian Institute of Accountants (IAI, 2002) in PSAK No.1 states that the purpose of financial reports is to provide information about financial position, performance and cash flow that is useful for most users in order to make economic decisions and show management accountability for the use of resources. - resources entrusted to him (Rachman, 2016).

Basu (1997) in Rachman (2016) explains that conservatism does not mean that all income cash flows must be received before profits are recognized, but these cash flows must be verified first. In this case accountants are said to tend to require a high level of verification to recognize good news as profit rather than when admitting bad news as a loss.

2.1.3. Corporate Governance Mechanism

According to the Forum for Corporate Governance on Indonesia (FCGI), corporate governance is a set of regulations that govern the relationship between shareholders, company managers, creditors, government, employees, and other internal and external stakeholders relating to rights and their obligations or in other words a system that controls the company. (Effendi, 2016: 5). The corporate governance team of the Financial and Development Supervisory Agency (BPKP) explains corporate governance as a commitment, rules of the game, and the practice of conducting business in a healthy and ethical manner.

2.1.3.1. Institutional Ownership

Susiana and Herawaty (in Setiawan, 2016) state that the percentage of institutional shares is the sum of the shares of companies owned by institutions or institutions (insurance companies, banks, investment companies, and other institutional ownership) both domestically and abroad.

2.1.3.2. Managerial Ownership

Research by Jensen and Meckling (1976) states that managerial ownership is able to be a mechanism in overcoming agency conflicts from managers by aligning the interests of managers and shareholders. The better the company's performance will increase the proportion of share ownership by management. Total share ownership by management of all managed share capital.

2.1.3.3. Audit Committee

The Indonesian Audit Committee Association (IKAI) defines an audit committee as a committee that works professionally and independently which is formed by the board of commissioners, and, as such, its duty is to assist and strengthen the function of the board of commissioners (or board of supervisors) in carrying out the oversight function. on the process of financial reporting, risk management, auditing and implementation of corporate governance in companies.

2.1.3.4. Independent Commissioner

The definition of independent commissioner according to the provisions of Bapepam No.Kep-29 / PM / 2004 is: "Members of commissioners who come from outside the issuer or public company, do not own shares, either directly or indirectly through an issuer or public company, have no affiliation with the issuer or public companies, Commissioners, Directors or major shareholders of issuers or public companies and have no business relationship, either directly or indirectly, related to the business activities of the issuer or public company. "

2.1.4. Company Size

The size of the company according to Riyanto (in Khoiriyah, 2018) is the size of the company seen from the size of the equity, the value of sales or the value of assets and a company whose shares are very wide spread, any expansion of share capital will only have a small effect on the possibility of loss or displacement of control. from the dominant party to the company concerned.

2.1.5. Leverage

The definition of the leverage ratio is: "Measure how much the company is financed by debt. The use of debt that is too high will endanger the company because it will fall into the extreme leverage category, where the company is trapped in a high level of debt and it is difficult to release the debt burden. Therefore the company should have to balance how much debt is worth taking and which sources can be used to pay the debt. " Fahmi (in Utami, 2017).

2.2. Relationship Between Research Variables and Hypothesis Development

2.2.1. The Effect of Institutional Ownership on the Integrity of Financial Statements

Fajaryani's research (2015) shows that institutional ownership has a positive effect on the integrity of financial statements. The existence of institutional investors can optimize the supervisory function of management performance so as to minimize opportunistic actions by management acting for their own interests.

H1: Institutional ownership affects the integrity of financial statements.

2.2.2. The Effect of Institutional Ownership on the Integrity of Financial Statements

The tendency of financial reports produced by management will be more integrity, because within the company there are parties who directly monitor and protect parties outside of management in preparing financial statements. Research conducted by Verya (2017) shows Managerial ownership has a positive value. Managerial ownership variable has an influence on the integrity of financial statements.

H2: Managerial ownership affects the integrity of financial statements.

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

The Audit Committee has a positive value. The audit committee variable shows that the audit committee has an influence on the integrity of financial statements. Theoretically, if the high audit committee in the company is automatically high, the audit level in a company will also be high. There is a small possibility of fraud or data manipulation in a company, so the integrity of financial statements will be better and more stable (Verya, 2017)

H3: The Audit Committee has an effect on the integrity of financial statements.

2.2.4. The Effect of Independent Commissioners on the integrity of financial statements

Companies with a large proportion of independent commissioners have greater financial statement integrity. This is in line with what was stated by Nicolin and Sabeni (in Rachman, 2016) regarding independent commissioners who have an effect on the integrity of financial statements.

H4: Independent commissioners have an effect on the integrity of financial statements

2.2.5. The Effect of Company Size on the integrity of financial statements

Saputra et al. (2014) in his research explained that small-scale companies compared to large-scale companies tend to be less profitable. If the company's sales are smaller than the variable costs and fixed costs, the company will experience losses, while the company with a large size is

assumed to have a large number of assets and a large income level so that it produces high profits. For this reason, in this study a hypothesis can be formulated
H5: Company size affects the integrity of financial statements.

2.2.6. The Effect of *Leverage* on the integrity of financial statements

Companies with a high degree of leverage will have a tendency to disclose more extensive financial statements when compared to companies that have lower leverage. This is encouraged so that corporate bondholders have no doubts about the performance of company management and their rights as creditors can be fulfilled. Therefore, companies with high leverage prefer to improve the integrity of their financial statements in the eyes of stakeholders, especially creditors. Based on the description above, the hypothesis is:
H6: Leverage affects the integrity of financial statements.

III. RESEARCH METHODS

3.1. Research Strategic

The quantitative method was chosen in this study. Sugiyono (2016: 7) states that quantitative research methods can be interpreted as research methods based on the positivism philosophy, used to research on certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative / statistics in order to test the hypothesis that has been set.

3.2. Population and Sample

Food and Beverages companies listed on the Indonesia Stock Exchange for the period 2014–2018 are the population that will be used in this study. The sample selection in this study used a purposive sampling method, which is a type of sample selection based on personal considerations.

3.3. Operasionalization of Variables

3.3.1. Dependent Variable

Conservatism in this study is measured using a nominal scale, namely (1) conservative and (0) optimistic. The measurement of conservatism in this study is to use assumptions such as those based on research conducted by Saputra, et.al (2014). With the following assumptions:

1. Companies that use the average inventory method will be more conservative than those using the FIFO method.
2. Companies that use the declining balance depreciation method are relatively more conservative than those that use the straight-line method.
3. Companies that use the declining balance amortization method are more conservative than those that use the straight-line method.
4. Companies that recognize research costs as expenses in the current year will be more conservative than those that recognize research costs as assets.

From the four assumptions above, it can be concluded that if the company fulfills the four, three or two assumptions above, it is classified as conservative (1), whereas if the company only meets one or none of the above assumptions, the company is classified as optimistic (0).

3.3.2. Independent Variables

3.3.2.1. Institutional Ownership (X_1)

Murhadi in Saputra et al. (2014) explained that institutional ownership is the percentage of shares owned by institutional investors. Ownership of a company by an institution will encourage more effective supervision, because the institution is a professional who has the ability to evaluate the company's performance.

Institutional ownership can be calculated by:

$$INS = \frac{\boldsymbol{Number\ of\ Institutional - owned\ Shares}}{\boldsymbol{Number\ of\ shares\ outstanding}}\ \boldsymbol{x}\ \mathbf{100\%}$$

3.3.2.2. Managerial Ownership (X_2)

Managerial ownership is the proportion of shares owned by management who actively participate in making company decisions, including the board of directors and the board of commissioners (Fajaryani, 2015).

Managerial ownership can be calculated by:

$$MAN = \frac{\boldsymbol{Number\ of\ Shares\ owned\ by\ Management}}{\boldsymbol{Number\ of\ shares\ outstanding}}\ \boldsymbol{x}\ \mathbf{100\%}$$

3.3.2.3. Audit Committee (X_3)

The audit committee can be calculated by the number of audit committees in a company each year.

3.3.2.4. Independent Commissioner (X_4)

Independent commissioners are measured by dividing the number of independent commissioners from the total number of company commissioners (Setiawan, 2016).

$$INDC = \frac{\boldsymbol{Number\ of\ Independent\ Commissioners}}{\boldsymbol{Number\ of\ Commissioners}}\ \boldsymbol{x}\ \mathbf{100\%}$$

3.3.2.5. Company Size (X_5)

Anisma et al. (in Setiawan, 2016) explains that company size is the size of a company which can be seen from the total assets. The natural logarithm of the company's total assets can show that the larger the size or assets of a company, the greater the logarithm.

Company Size = Natural Logarithm of Total Assets (Ln Assets)

3.3.2.6. Leverage (X6)

Total Debt to Equity Ratio (Ratio of Debt to Equity) is a comparison between debt and equity in company funding and shows the company's own capital ability to fulfill all its obligations (Verya, 2017).

This ratio can be calculated by:

$$DER = \frac{\boldsymbol{Total\ Debt}}{\boldsymbol{Total\ Equity}}$$

3.4. Data Analysis Method

3.4.1. Descriptive Statistical Analysis

Descriptive statistical analysis is statistics that are used to analyze data by describing or describing the collected data as it is without intending to make generalized conclusions or generalizations. In descriptive statistics, it can be done to find the strength of the relationship between variables through prediction with regression analysis, and make comparisons by comparing the average sample or population data (Sugiyono, 2016: 147).

3.4.2. Logistic Regression

Logistic regression is a regression used to what extent the probability of the occurrence of the dependent variable can be predicted by the independent variable. The assumption of multivariate normal distribution cannot be fulfilled because the independent variable is a mixture of continuous (metric) and categorical (non-metric) variables. In this case, it can be analyzed with logistic regression because there is no need to assume data normality on the independent variables. This means that the explanation does not have to have a normal distribution, linear, or have the same variance in each group. (Ghozali, 2016).

The logistic regression model used for hypothesis testing is:

$$\mathbf{IFS = \alpha + \beta INS + \beta MAN + \beta ACOM + \beta INDC + \beta SIZE + \beta LEV + €}$$

Where:
IFS = Integrity of Financial Statements
α = Constant Coefficient, the value of Y when X = 0
β = The regression coefficient, which shows the rate of increase or decrease in the dependent variable (Y) which is based on the independent variable (X)
INS = Institutional Ownership
MAN = Managerial Ownership
ACOM = Audit Committee
INDC = Independent Commissioner
SIZE = Company Size (Firm Size)
LEV = Leverage
€= Error

3.4.2.1. Assessing Model Fit (Overall Model Fit)

The statistics used in this model are based on the likelihood function pasa. The likelihood L of the model is the probability that the hypothesized model describes the input data. To fulfill the null and alternative hypotheses, L is transformed into -2LogL. Likelihood reduction (-2LogL) shows a good regression model and a fit model with data (Imam Ghozali, 2016).

3.4.2.2 Coefficient of Determination (Nagelkerkr R Square)

Cox and Snell's is a measure that tries to mimic the R2 measure of multiple regression which is based on a likelihood estimation technique with a maximum value of less than 1 so it is difficult to interpret. Nagelker's R square is a modification of the Cox and Snell coefficients to ensure that the values vary from 0 to 1. This is done by dividing the Cox and Snell R Square values by their maximum values. So, if the value is small, it means that the ability of the independent variables to explain the variation in the dependent variable is very limited. A value close to 1 means that the independent variables provide almost all the information needed to predict the dependent variable. (Ghozali, 2018).

3.4.2.3 Assessing the Feasibility of a Regression Model

The eligibility of the regression model was assessed using the Hosmer and Lemeshow's Goodnes of Fit Test. Hosmer and Lemeshow's Goodnes of Fit Test tests the null hypothesis to fit empirical data or the difference model between the model and the data so that it can be said that the model is fit with the data. If the statistical value of Hosmer and Lemeshow's Goodnes of Fit Test is smaller, equal to 0.05, then the null hypothesis is rejected, which means that there is a significant difference between the model and its observation value. Conversely, if the statistical value of Hosmer and Lemeshow's Goodnes of Fit Test is greater than 0.05, then the hypothesis is accepted and it means that the model can predict the value of its observations and the model can be accepted. (Luthfiyati, 2016).

3.4.2.4 Parameter Estimation and Interpretation

The parameter estimate is seen from the regression coefficient. Regression coefficient shows the relationship between one variable and another. Testing is done by comparing the probability value (sig). if the significant number is less than 0.05, it means that H0 is rejected and H1 is accepted, this means that the independent variable has a significant effect on the related variable and vice versa (Ghozali, 2018).

3.4.3. Hypothesis Testing

Hypothesis testing in this study was tested using logistic regression analysis techniques.

1. Hypothesis Formulation

H0 : $\beta 1 \leq 0$: The independent variable has no positive effect on the dependent variable

Ha : $\beta 1 > 0$: The independent variable has a positive effect on the dependent variable

2. Determine the significant level α of 0.05
3. The conclusion of the hypothesis using the criteria for acceptance and rejection of the hypothesis is as follows:
   If the p-value (sig)> 0.05 then Ho is accepted and Ha is rejected.
   If the p-value (sig) ≤ 0.05 and the direction of the coefficient $\beta 1$ is positive, then Ho is rejected and Ha is accepted.

IV. ANALYSIS RESULTS AND DISCUSSION

4.1. Research Data Analysis Test Results

4.1.1. Descriptive Statistics Test Results

Table 4.1
Descriptive Statistics Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Integrity of Financial Statements	65	.31	45.47	5.1771	7.99494
Institutional Ownership	65	.33	.92	.7209	.17088
Managerial Ownership	65	.00	.35	.0388	.08109
Audit Committee	65	2.00	4.00	2.9231	.32150
Independent Commissioner	65	.00	.57	.3491	.11237
Company Size	65	26.53	32.20	28.7287	1.49263
Leverage	65	.16	3.03	.9691	.54094
Valid N (listwise)	65				

The standard deviation value is lower than the average value, meaning that the data for variable X tends to fluctuate lower between one company and another.

The standard deviation value is higher than the average value, meaning that the distribution of variable X data is quite fluctuating from one company to another.

Table 4.2
Test Result Category Table Frequency

Financial Report Integrity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Optimistic Company	10	15.4	15.4	15.4
	Conservative Company	55	84.6	84.6	100.0
	Total	65	100.0	100.0	

The integrity of the financial statements is divided into 2, namely companies that are optimistic and companies that are conservative. This variable is measured using a dummy, where conservative companies are given code 1, while optimistic companies are given code 0. The table above shows the number of research samples as many as 65. Of the 65 samples categorized as 1 are 55 or 84.6%. , and the rest were categorized as 0 as many as 10 samples or 15.4%.

4.1.2. Logistic Regression Test Results

4.1.2.1. Overall Model Test (Overall Fit Model)

Table 4.3
Overall Fit Model Test Results
Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	56.745	1.385
	2	55.820	1.674
	3	55.812	1.704
	4	55.812	1.705

a. Constant is included in the model.

b. Initial -2 Log Likelihood: 55.812

c. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Table 4.4
Overall Fit Model Test Results

Iteration History[a,b,c,d]

Iteration		-2 Log likelihood	Coefficients Constant	Institutional Ownership	Managerial Ownership	Audit Committee	Independent Commissioner	Company Size	Leverage
Step 1	1	44.617	-8.757	-1.512	1.453	.413	-1.182	.332	.874
	2	35.522	-18.156	-4.062	.508	.830	-1.472	.687	1.562
	3	31.202	-27.559	-8.188	-4.698	1.301	-1.346	1.089	2.026
	4	29.335	-39.048	-12.098	-11.944	1.724	-2.478	1.589	2.377
	5	28.693	-51.399	-15.229	-19.254	1.995	-4.662	2.127	2.735
	6	28.619	-57.475	-16.660	-22.646	2.123	-5.553	2.386	2.931
	7	28.618	-58.261	-16.830	-23.042	2.140	-5.616	2.418	2.959
	8	28.618	-58.272	-16.832	-23.047	2.140	-5.616	2.418	2.960
	9	28.618	-58.272	-16.832	-23.047	2.140	-5.616	2.418	2.960

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihood: 55.812

d. Estimation terminated at iteration number 9 because parameter estimates changed by less than .001.

The SPSS output table above shows that the initial -2 Log likelihood value is 55.812 and the final -2 Log likelihood value is 28.618. This value has decreased by 27.194, which means that the regression model is good or in other words the hypothesized model is fit.

4.1.2.2. Determination Coefficient Test (Nagelkerkr R Square)

Table 4.5
Determination Coefficient Test Results

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	28.618[a]	.342	.593

a. Estimation terminated at iteration number 9 because parameter estimates changed by less than .001.

Based on the table above, it shows that the Nagelkerke R Square value is 0.593. This means that the variability of the dependent variable in this study can be explained by the variability of the independent variable of 59.3% and the remaining 40.7% is explained by other variables not used in this study.

4.1.2.3. Regression Model Feasibility Test

Table 4.6
Goodness of Fit Test Results

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	2.191	7	.949

Based on the results of the SPSS output above, it shows the results of the Hosmer and Lemeshow test. The probability value of significance obtained shows the number 0.949 which means the value is above 0.05. There is no significant difference between the clarification predicted and the clarification of the observed predictions so that the regression model in this study is suitable for use in further research. In other words, this regression model is able to predict the value of the observations.

4.1.2.4. Test Estimated Parameters and Their Interpretation

Tabel 4.7
Regression Coefficient Test Results

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	Institutional Ownership	-16.832	9.635	3.052	1	.081	.000
	Managerial Ownership	-23.047	19.898	1.341	1	.247	.000
	Audit Committee	2.140	2.376	.812	1	.368	8.502
	Independent Commissioner	-5.616	11.211	.251	1	.616	.004
	Company Size	2.418	1.265	3.655	1	.056	11.229
	Leverage	2.960	1.265	5.470	1	.019	19.295
	Constant	-58.272	35.112	2.754	1	.097	.000

a. Variable(s) entered on step 1:Institutional Ownership, Managerial Ownership, Audit Committee, Independent Commissioner, Company Size, Leverage.

Sumber: Hasil Pengolahan Data dengan SPSS ver.24

From testing the regression coefficient, the logistic regression model is obtained as follows:

ILK = -58,272 – 16,832 INS – 23,047 MAN + 2,140 ACOM – 5,616 INDC + 2,418 SIZE + 2,960 LEV + ε

The interpretation of the regression equation in this study is:

A: The constant coefficient of the variable integrity of financial statements is -58,272 is negative, this means that the variable of financial statement integrity will be worth -58,272 if each independent variable in this study is worth 0.

X_1: The coefficient of the institutional ownership variable has a negative regression coefficient of -16.832, this means that if every 1% decrease in institutional ownership, assuming other variables have a value of 0, it will decrease the integrity of the financial statements by -16.832%.

X_2: The managerial ownership coefficient has a negative regression coefficient of -23.047, this means that if there is a 1% decrease in the managerial ownership variable, assuming the other variable is 0, it will have a decreased impact on the integrity of the financial statements by -23.047%.

X_3: The coefficient of the audit committee has a regression coefficient of 2.140 that is positive, this means that if there is a 1% increase in the audit committee variable with the assumption that the other variable has a value of 0, it will have an impact on the integrity of financial statements by 2.140%.

X_4: The coefficient for independent commissioners has a negative regression coefficient of -5.616, this means that if there is a 1% decrease in the independent commissioner variable with the assumption that the other variable is 0, it will have a decreased impact on the integrity of financial statements by -5.616%.

X_5: The company size coefficient has a regression coefficient of 2.418 which is positive, this means that if there is a 1% increase in the size of the company variable with the assumption that the other variable is 0, it will have an impact on the integrity of financial statements by 2.418%.

X_6: The leverage coefficient has a regression coefficient of 2.960 that is positive, this means that if there is a 1% increase in the leverage variable, assuming another variable is 0, it will have an impact on the integrity of the financial statements by 2.960%.

4.2. Hypothesis Test Results

In the first hypothesis in table 4.7, it can be seen that the coefficient value of institutional ownership (X1) is -16.832 (negative direction) with a significance level of 0.081, thus it means that institutional ownership has a negative effect, not significant or does not affect the integrity of financial statements. So that the first hypothesis of institutional ownership affects the integrity of financial statements, it is **rejected.**

The second hypothesis in this study states that managerial ownership has a negative and insignificant effect on the integrity of financial statements. Based on table 4.8, the value of managerial ownership coefficient (X2) is -23.047 (negative direction) with a significance level of 0.247, which means that the managerial ownership variable has no significant negative effect or does not affect the integrity of financial statements. In the second hypothesis, managerial ownership has an effect on the integrity of financial statements, is **rejected.**

Based on the research results in table 4.8, it shows that the audit committee variable is stated to have a positive and insignificant effect on the integrity of financial statements. The coefficient value of the audit committee is 2.140 (positive direction) with a significance level of 0.368. From the value obtained, the third hypothesis, namely the audit committee has an effect on the integrity of the financial statements, is **rejected**.

The fourth hypothesis in this study states that independent commissioners have a negative and insignificant effect on the integrity of financial statements. Based on table 4.8, it shows that the coefficient value of independent commissioners (X4) is -5.616 (negative direction) with a significance level of 0.616, which means that the independent commissioner variable has a negative, insignificant effect or is partially explained that it does not affect the integrity of financial statements. So the fourth hypothesis which states that independent commissioners have an effect on the integrity of financial statements is **rejected.**

Based on the research results in table 4.8, it shows that the audit committee variable is stated to have a significant positive effect on the integrity of financial statements. These results indicate the value of company size coefficient (X5) is 2.418 (positive direction) with a significance level of 0.056, which means that the firm size variable has a significant positive effect on the integrity of financial statements. The fifth hypothesis which states that company size affects the integrity of financial statements is **accepted.**

The final hypothesis in this study states that leverage has a positive and significant effect on the integrity of financial statements. Table 4.8 shows that the leverage coefficient (X6) is 2.960 (positive direction) with a significance level of 0.019, which means that the leverage variable has a significant positive effect on the integrity of financial statements. Thus, the sixth hypothesis which states that leverage affects the integrity of financial statements is **accepted.**

4.3. Discussion Analysis

4.3.1. The Effect of Institutional Ownership on the Integrity of Financial Statements

The negative and insignificant relationship on institutional ownership explains that it is in line with the level of integrity of financial statements. Where the lower the institutional ownership in the company, the lower the integrity of the financial statements, this is because with a high number of institutional shares in a company, the institutional party will have a position that is not too strong to control or control the company. The existence of institutional ownership makes managers less likely to have high voting rights. The reasons that support these results include high institutional ownership that limits managers to managing earnings and can reduce the integrity of financial statements.

The results of this study are reinforced by research conducted by Mais and Fadlan (2016) and Dewi and Made (2016) which state that institutional ownership has a negative effect on the integrity of financial statements. However, it is not in line with the research conducted by Saputra et. al. (2014) which states that institutional ownership has no effect on the integrity of financial statements.

4.3.2. The Effect of Managerial Ownership on the Integrity of Financial Statements

The negative regression coefficient results indicate that management is not doing its function properly. This can occur due to the manager's character who prioritizes personal interests and the opportunities given to him in managing the company. The results of financial reports are not well integrated.

The results of this study are not in line with research conducted by Akram et. al. (2017) and Rahiim and Soliyah (2014) which state that managerial ownership has a positive value so that it affects the integrity of financial statements. However, it is in line with the research of Nicolin and Sabeni (2013) which shows that managerial ownership has no effect on the integrity of financial statements.

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

The positive but insignificant relationship on the audit committee explains that the large number of audit committees is inversely related to the level of integrity of the financial statements. Where the more the number of audit committee members in the company, the lower the integrity of the financial statements, this is because the existence of the audit committee is less effective because the number of audit committees in the company has not been able to maximize its function in accounting practices.

This study supports the research conducted by Wulandari and I Ketut (2014) which states that the audit committee has no effect on the integrity of financial statements. However, it does not support Rachman's (2016) research which states that the audit committee has a positive effect on the integrity of financial reports.

4.3.4. The Effect of Independent Commissioners on the Integrity of Financial Statements

The insignificant value in this study indicates that the ineffectiveness is caused by the formation of independent commissioners which is only limited to compliance with regulations without being intended to uphold good corporate governance (GCG).

The results of this study are in line with research by Mudasetia and Nur (2017) and Fitriah (2018) which state that independent commissioners have a negative value and have no significant effect. In contrast to Verya (2017) which shows the results that independent commissioners have a positive effect on financial statements.

4.3.5. The Effect of Company Size on the Integrity of Financial Statements

Small-scale companies compared to large-scale companies tend to be less profitable. This means that any increase in the company size variable, with the assumption that other variables are constant, will increase the integrity of the financial statements.

The results of this study support the research of Saputra et. al. (2014) and Lubis (2018) which state that company size has a significant positive effect on the integrity of financial statements. However, it does not support Monica and Cherrya's (2017) research which states that company size has no effect on the integrity of financial statements.

4.3.6. The Effect of Leverage on the Integrity of Financial Statements

This study succeeded in proving that leverage affects the integrity of financial statements. This shows that the size of the leverage in a company is likely to interfere with the integrity of financial statements in the company.

This is not in line with research conducted by Utami (2017) and Akram et. al. (2017) which states that leverage has no effect on the integrity of financial statements.

V. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

1. Institutional ownership has an insignificant negative effect, explaining that it is directly proportional to the integrity of financial statements. The lower the number of greetings an institution has, the lower the integrity of the financial statements.
2. Managerial ownership has no significant effect. In this case it is stated that the management function is not implemented properly, thereby reducing the integrity of financial statements.
3. The audit committee also obtained results inversely proportional to the integrity of the financial statements because they had a positive but insignificant effect. It is suspected that the existence of the audit committee is only a reviewer of financial information, not directly involved in solving the problem.
4. Independent commissioner has no significant effect. This value indicates that the formation of independent commissioners is limited to compliance with regulations without the intention of enforcing good corporate governance.

5. Company size has a significant positive effect. The greater the size of the company, it is assumed that the greater the level of income and profit earned. This certainly affects the integrity of financial statements.
6. Leverage has a significant effect. The size of the leverage in the company will disturb the integrity of the financial statements. Because every company will be better and develop if the company has debt, to turn the company's initial capital. Therefore, leverage affects the integrity of financial statements.

5.2. Suggestions

The suggestions in this study are intended for future researchers who are interested in developing this study to provide different and better results. Some suggestions that can be recommended for further research:

1. For academics who will conduct similar research. This research can be developed using a larger sample of companies and a more diverse range of companies in other sectors so that it can be used as a comparison.
2. Adding variables outside of this study as factors that can affect the integrity of financial statements such as audit quality, tenure audits, and earnings management
3. Companies are expected to be able to maintain and take advantage of factors that affect the integrity of financial statements effectively and efficiently so that the company can grow and opportunities for investors and creditors to invest more of their shares.

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