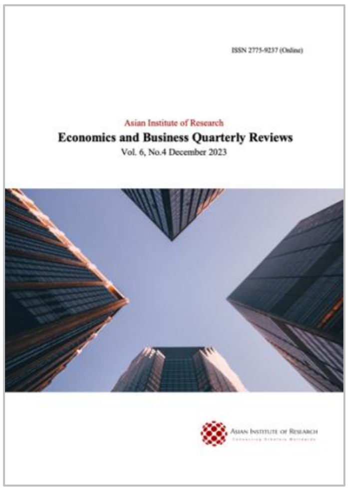

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Factors Influencing the Integrity of Financial Statements

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Abstract
This research was aimed to determine the effects of independent commissioners, managerial ownership, institutional ownership, and audit committee, on the integrity of financial statements in manufacturing companies listed on the Indonesian stock exchange. The analysis model used is panel data regression analysis and data processing using Eviews9. The sample in this research is 33 manufacturing companies in various industry sectors and the consumer goods industry sector in the 2017-2019 research year. The type of data in this study is secondary data with a sample selection method that is purposive sampling method. The results of this study indicate that the variables of independent commissioners, institutional ownership, and audit committee affect the integrity of financial statements, while managerial ownership variables do not affect the integrity of financial statements.

Keywords: Integrity of Financial Statements, Independent Commissioners, Managerial Ownership, Institutional Ownership, Audit Committee

1. Introduction

Financial reports are the result of the accounting cycle process which starts from recording, grouping, summarizing to preparing financial reports. Financial reports present information related to the company's financial performance. This information is very useful for interested parties, both internal and external parties, for decision making. One important piece of information is the company's profit achievement in a certain time period which is useful for investors to assess the success of their investment decisions. Prospective investors can use this information as a basis for making decisions about whether to invest or not.

Financial reports will be of maximum benefit if they meet quality requirements. Quality financial reports are financial reports that contain important elements in running a business and meeting the needs of interested parties. Several requirements for the quality of financial reports include accuracy. Accurate means that the information presented in the financial statements does not contain errors or manipulation that could be misleading. Apart from that, financial reports must be transparent. All relevant and material information must be disclosed clearly, so that external stakeholders can properly understand the company's financial and operational conditions. For this reason, companies are required to uphold ethics, morals and rules in order to present financial reports while upholding integrity. However, there is some evidence that cannot be denied that there are efforts that conflict with integrity by manipulating the presentation of financial statements.

Some evidence of financial report manipulation occurred in several companies such as Enron, Tyco, Global Crossing, and Worldcom in America. Similar manipulation was carried out in Indonesia by PT Kimia Farma. PT Kimia Farma Tbk. The company is suspected of manipulating financial reports in 2001 by inflating net profits in the 2001 financial reports. The inflated amount was Rp. 32,668 billion. The latest case occurred at PT Garuda in 2020. PT. Garuda Indonesia, Indonesia's national airline, was revealed to have manipulated financial reports by recording commission payments to Airbus aircraft sales agents that did not actually exist. This phenomenon is actually sufficient to prove that manipulation of financial data can occur as a failure of the integrity of financial reports to meet the information needs of financial report users. For this reason, the factors determining the integrity of financial report presentation are interesting to study.

Several reasons why companies manipulate financial reports, even though this kind of action is illegal and unethical. Some of these reasons include, firstly, to improve the company's image. Companies may want to create the impression that they are more successful and more profitable than they actually are in order to attract investors, shareholders, and potential business partners. The second reason is to avoid bankruptcy. When a company is in a bad financial situation, management may try to cover up the problem by manipulating financial statements to make them appear healthier than they actually are. This could help them obtain additional loans or delay potential bankruptcy. The third reason to increase share value. Manipulation of financial reports can also be done to raise the company's share price on the stock market. This can benefit management who own company shares or stock options. The fourth reason is to avoid regulations or taxes: Some companies may try to avoid regulations or taxes by manipulating financial statements. This could include avoiding taxes or meeting looser regulatory requirements. The fifth reason is bonuses and performance incentives. Executive management within a company can receive bonuses and incentives based on the company's financial performance. Therefore, they may have a personal incentive to manipulate financial reports to improve performance and obtain greater rewards. The sixth reason is pressure from shareholders or investment. Sometimes, large shareholders or investors who have influence in a company can put pressure on management to create financial reports that meet their expectations. The seventh reason is market instability. In times of economic instability or volatile markets, companies may feel the need to manipulate financial statements to remain strong and stable.

Several studies have examined several factors that might influence the integrity of a company's financial reports. One of them is Good Corporate Governance (GCG). GCG is a system and practice implemented within a company to ensure that the company is run in accordance with transparency, accountability, integrity and compliance with applicable laws and regulations. With high transparency, financial reports become easier to understand by stakeholders, such as shareholders, investors and regulators. This transparency also helps avoid fraudulent practices or manipulation of financial reports (Abed et al. 2022; Kassem, 2019). Company management accountability includes management's responsibility for the financial reports presented. In a good GCG environment, management is expected to be able to ensure that financial reports accurately reflect the company's performance and financial position. GCG also promotes strong internal control (Sudjono, 2023; Sunaryo et al. 2023). Effective internal controls can help prevent or detect errors or fraud in financial reports. This includes procedures for verifying financial transactions and correct reporting. The integrity of financial reports requires ethical business practices. GCG also emphasizes the importance of high business ethics in running a company. By following good ethics, companies will be less likely to engage in questionable practices that could affect the integrity of financial statements. In this way, the implementation of GCG is able to encourage the integrity of the presentation of financial reports so as to increase confidence in the presentation of financial reports (Fujianti,2023).

The GCG structure consists of the Board of Commissioners (DK), Board of Independent Commissioners (DKI), Institutional Ownership (KI), Managerial Ownership (KM) and Audit Committee (KA). The research results show that there are still varying results regarding the relationship between GCG and the integrity of financial reports. Wardhani and Samrotun (2020) show that the large number of DKIs encourages an increase in the integrity of financial reports, whereas the opposite has been shown (Abbas et al. 2021), that the large number of DKI members reduces the level of integrity of financial reports. Oktaviana and Paramitha (2021) show that KI is significant for the integrity of financial reports and vice versa by Ulfa and Challen (2019). Anah et al. (2023) shows that KA is able to improve the integrity of financial reports, the opposite is found by Inayati and Azizah (2021). The integrity of financial reports is an important element in business and the factors that influence increasing the integrity of financial reports still vary from several previous researchers, so this research will review the factors that influence increasing the integrity of financial reports, especially the role of GCG in improving the integrity of financial reports in Indonesia. .

2. Theoretical Review

2.1. Literature Review and Hypothesis Development

2.1.1. Agency Theory

Agency theory is a conceptual framework used in economics and management to understand and analyze the relationship between company owners and managers who act on behalf of the owners in managing company assets or resources. The main concept in agency theory is the existence of a conflict of interest between company owners and managers. Owners want managers to take actions that will increase the value of the company and the owner's profits. However, managers also have personal interests, such as salaries, bonuses, and other incentives, that may not always align with the owners' interests. In the context of agency theory, it tries to explain how these conflicts of interest influence manager behavior and how company owners can manage risks and reduce agency costs (Payne and Petrenko, 2019).

2.1.2. The Integrity of Financial Reports

The integrity of financial reports is a very important concept in the field of accounting and finance. This refers to the quality of financial reports that reflect the truth and accuracy of a company's financial position and performance. The integrity of financial reports is the extent to which financial reports are presented correctly and honestly, where all information regarding financial position, performance and cash flow must be correct as is because it will be accountable to interested parties (stakeholders). Therefore, information that has high integrity has the ability to influence the decisions of readers of financial statements to help make decisions.

Financial report integrity includes several main aspects:

1. Precision/Accuracy

   Financial reports must be true and accurate. The information presented in the report must reflect transactions and events as they are, without intentional distortion or manipulation.
2. Openness
   Financial reports must be transparent. All relevant and material information must be disclosed clearly, so that external stakeholders can properly understand the company's financial and operational conditions.
3. Consistency
   Integrity also includes consistency in the presentation of financial reports from year to year. This is important so that stakeholders can compare company performance over time.
4. Neutrality
   Financial reports must be prepared neutrally, without any bias that favors or disadvantages a particular entity. This means that information must not be manipulated for the interests of certain parties.
5. Compliance with Accounting Standards
   Financial reports must be prepared in accordance with applicable accounting standards. This standard ensures that financial reports can be compared with reports from other entities, thereby enabling stakeholders to make informed decisions.
6. Disclosure

All relevant information, including risks and uncertainties, must be disclosed in the financial statements. This helps stakeholders to understand the risks that may affect the entity's financial performance.

7. No Fraud
   The integrity of financial reports also includes the absence of fraud or deliberate manipulation in the preparation of the reports. Fraud in financial statements is an illegal act that can result in serious legal and reputational consequences for a company
8. Independent Verification
   Financial reports are often verified by independent auditors to ensure their integrity. Auditors conduct a thorough examination of the company's financial records and accounting procedures to ensure that the reports correctly reflect the company's condition

The integrity of financial reports is an important foundation for building trust with external stakeholders, such as investors, creditors and the government (Saputra and Bakri, 2023). Dishonest or inaccurate financial reports can damage a company's reputation and result in serious financial losses. Therefore, it is important for every entity or company to prioritize integrity in preparing its financial reports

2.1.3. Good Corporate Governance (GCG)

GCG is a system and practice implemented within a company to ensure that the company is run in accordance with transparency, accountability, integrity and compliance with applicable laws and regulations. In this way, the implementation of GCG is able to encourage the integrity of the presentation of financial reports so as to increase confidence in the presentation of financial reports (Fujianti, 2023). GCG is also a rule, standard and organization in an economy that regulates the behavior of company owners, directors and managers who will be accountable for their duties to investors outside the company which include shareholders and lenders.

GCG factors consist of independent commissioners, managerial ownership, institutional ownership, and audit committee.

a. Independent Commissioners are members of the board of commissioners who are not affiliated with the directors, other members of the board of commissioners and controlling shareholders, and are free from business or other relationships that could affect their ability to act independently or act solely in the interests of the company
b. Managerial Ownership, the existence of share ownership by management will give rise to supervision of the policies taken by company management. According to Yuli Soesetio, managerial ownership is "the comparison between managerial share ownership and the number of shares outstanding. Shareholders and managers each have an interest in maximizing their objectives”.
c. Institutional ownership is the ownership of a number of company shares by a non-bank financial institution where the institution manages funds on behalf of someone else. These institutions can be mutual fund companies, pension funds, insurance, investments, private foundations, endowments, or other large entities that manage funds on behalf of other people
d. The audit committee is a committee formed by and responsible to the board of commissioners to help carry out the duties and functions of the board of commissioners. The audit committee acts independently in carrying out its duties and responsibilities.

2.1.4. Hypothesis Development

The Relationship of Independent Commissioners with the Integrity of Financial Reports

DKI has a very significant role in maintaining the integrity of a company's financial reports (Abbas et al. 2021). DKI generally consists of individuals who do not have business relationships or significant financial interests with the company. Their presence provides independent oversight of management actions and decisions. This is important because management has an incentive to report the company's performance positively, especially if they have a personal interest in it. The existence of DKI can help ensure that financial reports reflect the actual condition of the Company (Pramana et al. 2019). This is supported by previous research results which show a positive relationship between DKI and the integrity of financial reports (Parindur et al. 2019). Based on this, hypothesis 1 (H1) is as follows:

H1 : The Independent Board of Commissioners has a positive influence on the Integrity of Financial Reports

The Relationship between Managerial Ownership and the Integrity of Financial Reports

Managers who own significant shares in their companies have personal incentives to improve company performance and share prices (Duppati et al. 2020). This could mean they will be more likely to ensure that financial reports reflect actual performance and not manipulate them to make them look better than they are. Besides that, managers' investments in their companies can also increase the trust of third parties, such as auditors and regulators, in financial reports. They may be more inclined to work with third parties to ensure accurate financial reporting. Thus, significant managerial ownership of shares in a company can affect the integrity of financial reports. Ati et al. (2020) shows that there is a significant influence of managerial ownership on the integrity of financial reports, thus hypothesis 2 (H2) is as follows

H2 : Managerial Ownership has a positive effect on the Integrity of Financial Reports.

The Relationship between Institutional Ownership and the Integrity of Financial Reports

Investors often have a long-term view in their investments. Thus, they tend to prioritize the integrity of the financial reports of the companies in which they hold shares. Their interest in the company's long-term performance can encourage them to ensure that financial reports reflect actual performance, so that IP differentiation can encourage increased integrity of financial reports. Besides, institutional shareholders often have a large interest in company performance. They can play an important role in overseeing management actions and encouraging more transparent financial reporting practices. Strong institutional ownership can reduce the risk of manipulation or violations in financial reports because these institutions can take legal action or exercise their influence to ensure the integrity of the reports. Several previous studies have proven that the existence of institutional ownership can improve the integrity of financial reports (Budiharjo, 2020). Based on this, hypothesis 3 (H3) is as follows

H3 : Institutional Ownership influences the Integrity of Financial Reports

Relationship between the Audit Committee and the Integrity of Financial Reports

The Audit Committee is an important element in maintaining the integrity of a company's financial reports. The Audit Committee acts as an independent supervisor who helps supervise and ensure that the company's financial reports are prepared correctly, honestly and accurately. The Audit Committee usually consists of independent members from outside the company's management. This ensures that the committee can carry out an objective assessment of the financial reports without any pressure or influence from the parties involved in preparing the report. The Audit Committee monitors the effectiveness of the company's internal control system. They ensure that internal processes related to accounting and financial reporting function well and comply with applicable accounting standards. By carrying out the roles of the Audit Committee, it becomes one of the main guardians of the integrity of financial reports. Several studies support the positive relationship between audit committees and the integrity of financial reports, including Fikri and Suryani, E. (2020); Yudiawan and Kepramareni, (2022). Based on the description above, hypothesis 4 (H4) is as follows

H4 : The Audit Committee has a positive influence on the Integrity of Financial Reports.

3. Methodology

The population is companies registered on the IDX in various industrial sectors and consumer goods industrial sub-sectors for three years, on 2017-2019. Research data was taken for the 2017-2019 period, data before the occurrence of Covid-19 because the data was quite stable, while data after Covid-19, the industry was not yet completely stable from the downturn due to the impact of Covid-19. The collection used purposive sampling with data completeness criteria during 2017-2019. Based on this, 33 sample companies were selected so that for 3 years there were 99 company data.

The research model consists of 1 (one) dependent variable, that Financial Report Integrity (ILK), 4 (four) independent variables, that are GCG consisting of the Independent Board of Commissioners (DKI), Institutional Ownership (KI), Management Ownership (KM) and the Audit Committee (KA). The research model also includes 1 (one) control variable, that is Company Size. Company size is a control variable in this research because it has a significant influence on various aspects of business and the economy (Khatib, 2021). The research model can be seen in the following picture:

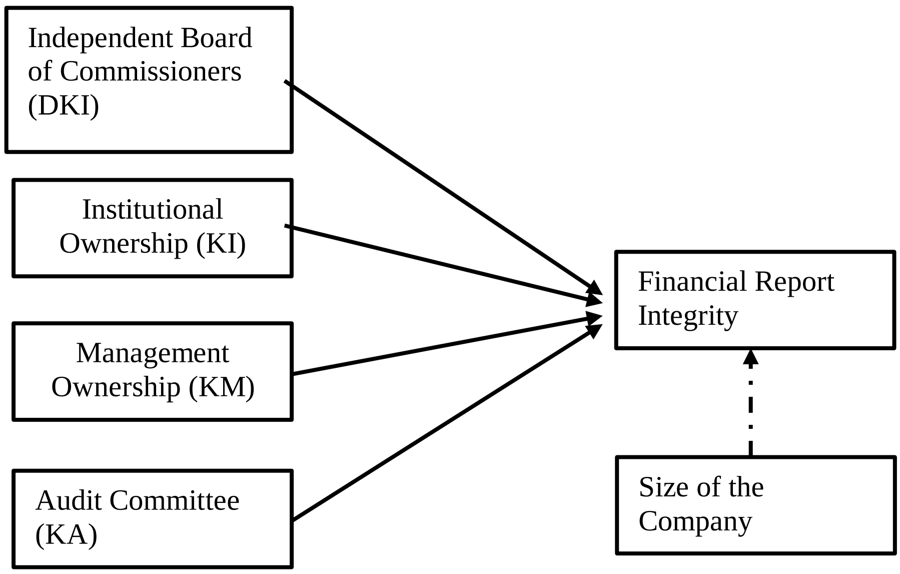

Figure 1: Research Model

The measurement of each variable is based on previous research. The following table shows the following measurements:

Financial Report Integrity is a measure of the extent to which financial reports are presented honestly without being covered up

Table 1: Measuring Variable

Variable			Measuring
	ILK	Financial Report Integrity is a measure of the extent to which financial reports are presented honestly without being covered up	MBV = $\frac{MVE}{BVE}$
	DKI	Members of the board of commissioners who come from outside the company	DKI = $\frac{Number\ of\ Independent\ Commissioners}{Total\ board\ of\ Commissioners}$
	KM	The proportion of shares owned by the management	KM= $\frac{the\ proportion\ of\ shares\ owned\ by\ management}{Number\ of\ shares}$
	KI	The proportion of shares owned	KI = $\frac{Number\ of\ shares\ owned\ by\ institutional}{Number\ of\ shares\ outstanding}$
	UP	Large size of the company	UP = Ln (Total Asset)

The data analysis techniques used in this research are descriptive statistics, classical assumption tests and panel data regression. Descriptive statistics aims to summarize data in a way that is easy to understand. This includes calculating the mean (average), median (middle value), mode (most frequently occurring value), maximum value, minimum value and standard deviation. The classical assumption test aims to ensure that the data used in statistical analysis meets these assumptions so that the resulting statistical analysis results can be considered valid. Classic assumption tests include normality, multicollinearity, heteroscedasticity and autocorrelation tests. Hypothesis testing was carried out using panel data regression.

4. Result and Discussion

4.1. Result

4.1.1. Descriptive Statistics

Based on table 2 in this study, there is 1 dependent variable, financial report integrity (ILK) and 4 independent variables, that are DKI, KM, KI, and KA and one control variable UP. The results of the analysis show descriptive statistics explained as follows:

Table 4.2 shows that the ILK variable shows a maximum value of 82.444, a minimum of -9.682, a mean value of 4.911 and a standard deviation of 12.084 and a median value of 1.535. The DKI variable shows a maximum value of 0.667, a minimum of 0.000, a mean value of 0.406 and a standard deviation of 0.125 and a median value of 0.375.

Table 2: Descriptive Statistics Test Result

	ILK	DKI	KM	KI	KA	UP
MEAN	4,911	0,406	0,083	0,682	3,030	28,685
MEDIAN	1,535	0,375	0,000	0,755	3,000	28,521
MAXIMUM	82,444	0,667	0,915	0,927	4,000	32,201
MINIMUM	-9,682	0,000	0,000	0,000	3,000	25,216
STD. DEV	12,084	0,125	0,219	0,241	0,172	1,501
OBSERVATION	99,000	99,000	99,000	99,000	99,000	99,000

The KM variable shows a maximum value of 0.915, a minimum of 0.000, a mean value of 0.083 and a standard deviation of 0.219 and a median value of 0.000. The KI variable shows a maximum value of 0.927, a minimum of 0.000, a mean value of 0.682 and a standard deviation of 0.241 and a median value of 0.755. The KA variable shows a maximum value of 4,000, a minimum of 3,000, a mean value of 3,030 and a standard deviation of 0.172 and a median value of 3,000. The UP Control Variable shows a maximum value of 32.201, a minimum of 25.216, a mean value of 28.685, and a standard deviation of 1.501 and a median value of 28.521.

4.1.2. Classical Assumption Test

Gujarati, (2009) shows that if the sample size is more than 30, then the data approaches a normal distribution. This study has a sample size of 33 with 99 observations, so according to this the data meets normality, so it does not require a normality test. Multicollinearity test results are in the following table. Based on table 3, it shows that the results of the correlation matrix show that the correlation coefficient value between independent variables in this study is in the range of numbers below 0.80, so it can be concluded that the data used in this study is free from multicollinearity problems.

Table 3: Multicolinearity Test Result

	DKI	KM	KI	KA	UP
DKI	1,000	-0,175	0,043	-0,103	-0,228
KM	-0,175	1,000	-0,338	-0,067	-0,152
KI	0,043	-0,338	1,000	0,161	0,116
KA	-0,103	-0,067	0,161	1,000	0,096
UP	-0,228	-0,152	0,116	0,096	1,000

To test heteroscedasticity in panel data analysis, the Glejser test is used, that regressing independent variables on absolute residuals. Based on the results from table 4.4, it can be concluded that the probability value of the independent variable is greater than 0.05, which means the independent variable is free from violations of the heteroscedasticity assumption.

The Durbin-Waton (DW) value is 2.412999. The DW value of 2.412999 will be compared with the DW table value using a significance level of 5% with the number of observations (T) = 99 and K (number of independent variables) of 6, then you will get a dL value of 1.5467 and dU of 1.8029, so the value DW of 2.412999 is located in the 5th area (dU < DW < 4 - dU). The DW value is higher than the lower limit (dL), so it can be concluded that the regression model does not contain autocorrelation.

Table 4: Heteroscedasticity Test Results

VARIABLE	COEFFICIENT	STD. ERROR	t-STATISTIC	PROB.
C	5,279	9,329	0,566	0,573
KI	-3,327	2,837	-1,173	0,244
KM	-1,652	1,683	-0,982	0,329
INS	1,636	1,507	1,085	0,281
KA	-2,883	2,033	-1,418	0,160
UP	0,223	0,265	0,844	0,401

4.1.3. Panel Regression Estimation Model

From the processed data, it can be seen that the Chow Test produces a period Chi-square value greater than α = 0.05, that is 0.7592 > 0.05. The results of the Chow Test calculations carried out show a decision to accept H0 and reject H1, so that a decision can be made that the common effect model is the best model when compared to the fixed effect model. The Hausman Test and Lagrange Multiplier Test do not need to be tested in research because the data from this research is data that does not have individual effects (Nanda, Eka, 2014).

Table 5: Chow Test Result

Redundant Fixed Effects Tests
Equation: fixed effect
Test period fixed effects

Effects Test	Statistic	d.f.	Prob.
Period F	0.251090	(2,90)	0.7785
Period Chi-square	0.550864	2	0.7592

4.2. Discussion

The results of the hypothesis test based on the common effect model panel data regression can be seen in the following table:

Tabel 6: Hypothesis Test Result

Variable	Coefficient	Std. Error	T-Statistic	PROB.
C	1,294	28,470	0,045	0,964
KI	-45,426	8,659	-5,246	0.0000
KM	-7,700	5,136	-1,499	0,137
INS	9,643	4,600	2,097	0,039
KA	-13,091	6,204	-2,110	0,038
UP	1,989	0,808	2,461	0,016

Based on the test results for the UP variable, it shows a probability value of 0.016 with a coefficient value of 1.989. The probability value shows this to be less than 0.050 or 0.16 < 0.050, so the UP variable functions as a control variable in this research. UP functions as a control variable in several studies (Fujianti, 2019; Fujianti et al. 2023) because company size can influence operational efficiency and profits. Larger companies may have greater economic advantages because they can take advantage of scale effects in production and distribution. Therefore, in research, it is necessary to control for UP so that scale effects do not become a factor influencing the observed results.

Based on the test results for the DKI variable, it shows a probability value of 0.000 with a coefficient value of -45, 425. The probability value shows this to be less than 0.050 or 0.000 < 0.050, so hypothesis H1 is accepted. This means that the DKI variable has a negative effect on the integrity of financial reports. The negative influence shows that the large number of DKI members will reduce the level of integrity of financial reports.

The presence of DKI gives credibility to the company's financial reports in the eyes of shareholders, investors, analysts and other external parties. When a company has an independent and competent board, the financial reports presented will be more trustworthy (Kaawaase et al. 2021), and this can increase market confidence in the company (Shahid and Abbas, 2019). However, this research does not support this statement, which is reflected in the results of the panel data regression test (table 4), showing that DKI actually has a negative effect on the integrity of financial reports. The results of this research support the research results of Prena, (2020) and Wiyono et al. (2023) and contradicts the research results of Srikandhi and Suryandari, (2020); Rahmadi et al. (2022); Nurbaiti and Elisabet, (2023).

DKI, which has the right qualifications and independence, should contribute positively to the integrity of the company's financial reports. However, there are certain situations where DKI can have a negative relationship to the integrity of financial reports, especially if its independence is threatened or compromised. DKI's independence could be threatened if it experiences pressure from external parties (Hidayah and Saptarini, 2019) such as lenders, external auditors, or large shareholders to suppress or change financial reports to suit their interests. This could threaten the independence of commissioners and lead to manipulation of financial reports.

DKI can also cause a decrease in integrity if it has a conflict of interest with company management or other shareholders. This can happen if DKI has business ties or personal relationships with parties who have an interest in financial reports, then its integrity can be questioned. For example, if a DKI has a large stake in a company or is associated with other businesses related to the company, then he or she may not be able to act independently. That is why one of the requirements as a DKI member is to be free from conflicts of interest and not have financial, management, share ownership and/or family relationships with parties who have an interest in financial reports (Junus et. al. 2022).

The factor that can cause the presence of DKI to reduce the level of integrity of financial reports is a lack of knowledge or experience. DKIs who lack knowledge of the industry or business of the company in which they serve, or have a lack of knowledge of accounting principles and financial reporting standards, may not be able to effectively assess financial reports. This may result in their inability to detect or avoid irregularities in reporting. Kim et al. 2017 states that a lack of knowledge about accounting principles and financial reporting standards will reduce the quality of financial report presentation.

Based on the test results of the KM variable, it shows a probability value of 0.137 with a coefficient value of -45.425. The probability value shows this to be greater than 0.050 or 0.137>0.050, so hypothesis H2 is rejected. This means that the KM variable has no effect on the integrity of financial reports. The research results are in line with the research results of Simamora and Setiyawati, (2023); Inayati and Azizah (2021) and contradicts the research results (Ati et al. (2020)

KM does not have a significant effect on the integrity of financial reports and needs to be considered carefully. Several conditions that can be expected to cause KM to have no effect on the integrity of financial reports include a conflict of interest. Management who have shares or significant ownership in a company may have a conflict of interest between their personal interests and the interests of the company. This may tempt them to commit unethical or questionable actions to maximize their personal gain, even if it is detrimental to the company. Internal Control conditions can be an obstacle to the relationship between KM and the integrity of financial reports. Management ownership can influence the level of internal control implemented in the company. Management that owns large stakes may tend to be less stringent in implementing the internal controls necessary to prevent fraud or manipulation of financial statements.

The transparency factor can also cause KM to not affect the integrity of financial reports. High KM can reduce the level of transparency in financial reporting. They may tend to conceal or reduce information that should be available to shareholders and other external parties. Significant management ownership can also affect the independence of the external auditor. Auditors may find it difficult to act independently if they have too close a relationship with management or have a financial interest in the company. Another reason is that management who own large shares may have a tendency to implement more aggressive or questionable accounting practices to improve the company's financial statements, especially if their bonuses or compensation are tied to financial performance. Besides that, management ownership value below 10% is a low percentage of share ownership, so management is unable to influence company policy, especially regarding the integrity of financial reports.

Based on the test results for the KI variable, it shows a probability value of 0.039 with a coefficient value of 9.643. The probability value shows this to be less than 0.050 or 0.039 < 0.050, so hypothesis H3 is accepted. This means that the KI variable influences the integrity of financial reports. The research results are in line with research results (Budiharjo, 2020) and contradict research results (Susandya and Suryandari, 2023).

KI, which includes share ownership by entities such as pension funds, insurance companies, investment companies, and professional investment managers, can have a significant influence on the integrity of a company's financial statements because financial institutions such as pension funds, insurance companies, investment companies and professional investment managers tend to have sufficient resources to conduct in-depth analysis and monitoring of the companies they invest in. They can conduct independent audits and analyzes to regularly examine a company's financial statements, identify potential problems or discrepancies, and take appropriate action if irregularities are discovered. Besides that, pension funds, insurance companies, investment companies are financial institutions that often have greater access to company management and internal information. They can participate in meetings with management, gain deeper insight into company operations, and influence company policy. This can give them greater control over the quality of financial reporting.

Furthermore, financial institutions have a high commitment to their reputation. If they are involved in investing in companies that engage in questionable or unethical financial reporting practices, their reputation could be tarnished. Therefore, they tend to go to great lengths to ensure the integrity of the financial statements of the companies in which they hold shares.

Based on the results of testing the KA variable, it shows a probability value of 0.038 with a coefficient value of 9.643. The probability value shows this to be less than 0.050 or 0.038 < 0.050, so hypothesis H3 is accepted. This means that the AC variable has a negative effect on the integrity of financial reports. The research results are in line with research results (Hermawati, 2021) and contradict research results (Purwaningsih 2021).

The existence of an audit committee actually has a negative effect on the integrity of financial reports, or in other words, KA can reduce the integrity of financial reports. This is a controversial matter. Audit committees are usually formed in companies or organizations with the aim of improving and ensuring the integrity of financial reports. However, there are several arguments that can be used as reasons that the existence of an audit committee can have a negative effect on the integrity of financial reports, that audit committee members may have a limited time commitment to carry out their duties. This can hinder their ability to conduct thorough audits to ensure the integrity of financial reports, because auditors who experience time pressure will reduce audit quality (Aswar et al. 2021). Besides that, audit committee members may not have sufficient knowledge in the fields of accounting and auditing to understand in depth the complexity of financial reports. This may make them less able to identify potential manipulation or inaccuracies in reports. An audit committee that does not have sufficient knowledge in the field of accounting will have a negative impact on audit quality (Denziana, 2015). Therefore, it is important for the audit committee to have members who have financial knowledge and expertise to ensure effective monitoring of the financial reporting process and improve the quality of financial information (Namakavarani et al. 2021).

5. Conclusion

Based on the results of the analysis, hypothesis testing, and interpretation of the results in the previous sections, the following conclusions can be drawn from this research:

The DKI variable has a negative effect on the integrity of financial reports. There are several factors that can cause DKI to have a negative influence, including DKI's independence being threatened due to pressure from external parties. There is a conflict of interest with management and has business interests or personal relationships with parties who have an interest in the financial statements.

The KM variable has no effect on the integrity of financial reports. This is because management's share ownership is too small so that KM is unable to influence company policy, especially regarding the integrity of financial reports.

KI includes financial institutions that have a high commitment to their reputation, therefore, they tend to work hard to ensure the integrity of the financial reports of the companies in which they hold shares.

The audit committee has a negative effect on the integrity of financial reports. Several arguments can be used as reasons that the existence of ACs can have a negative effect on the integrity of financial reports, one of which is that audit committee members may have a limited time commitment to carry out their duties.

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