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The Effect of Leverage, Independent Commissioners, Audit Committee and Institutional Ownership on Financial Statement Integrity (Empirical Study of Infrastructure Companies Listed on the Indonesia Stock Exchange in 2020 - 2023)

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Abstract

This study aims to analyze and obtain empirical evidence regarding the influence of Leverage, Independent Commissionerss, Audit Committee, and Institutional Ownership on the Integrity of Financial Statements in infrastructure companies listed on the Indonesia Stock Exchange during 2020–2023. Using purposive sampling, 50 companies were selected from a population of 64. Secondary data were analyzed using descriptive statistical methods with IBM SPSS version 25. The results indicate that Leverage and Institutional Ownership have a significant negative effect on Financial Statement Integrity, while Independent Commissionerss and the Audit Committee show no significant effect.

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INTRODUCTION

Financial report manipulation is a problem that often occurs in various agencies and companies in Indonesia. Financial reports have an important role in providing accurate and honest information regarding the company's financial condition, which has an impact on decision making by stakeholders (Putri & Andriani, 2022). According to Statement of Financial Accounting Concept (SFAC) No. 2 in Oktaviani (2021), the integrity of

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financial statements is determined by objectivity, transparency, and conformity with the company's financial reality. In order for financial reports to be useful, the information presented must meet two main characteristics, namely relevance and reliability (Cahyaningtyas et al., 2022). Relevant information is data that affects the decisions of report users, while reliable information must be free from errors, transparent, and trustworthy. Thus, the integrity of financial statements is a fundamental aspect in ensuring that stakeholders can rely on the information presented in the decision-making process (Isdiyanti et al., 2024).

A phenomenon that reflects the problem of financial statement integrity in Indonesia is the alleged manipulation of financial statements involving PT Waskita Karya Tbk. The Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) have responded to allegations of irregularities in the company's financial statements, mainly related to cash flow problems and losses on several projects, particularly in the engineering, procurement, and construction (EPC) sector. The alleged manipulation was first revealed by Deputy SOE Minister II, Kartika Wirioatmodjo, who highlighted the stark difference between the company's profits in 2017-2018, which reached IDR 4.2-4.6 trillion, and the huge losses in 2020 that reached IDR 9.3 trillion (CNBC Indonesia, 2023). In addition, Waskita's financial statements showed a large operating cash surplus in 2018-2019, although its investments and funding continued to record negative cash flows (Bloomberg Technoz, 2023). The problem is further exacerbated by the company's massive debt, with total bank loans reaching IDR 101.59 trillion and annual interest expense payments of IDR 3.64 trillion. Waskita Karya's President Director, Mursyid, stated that the company fully submitted the investigation into the alleged manipulation of financial statements to the Ministry of SOEs as the main shareholder.

A company's financial statements are considered to have integrity when they are presented with honesty and truth, and accurately describe the reality and facts that actually occur (Ayem & Sari, 2024). Therefore, it is important for companies to prioritize honesty and truth in the presentation of their financial information to ensure that the financial statements submitted to stakeholders can be trusted and provide a picture that matches the actual condition of the company (Fitriani & Sukarmanto, 2024). The following are several factors that affect the integrity of financial statements, including Leverage, Independent Commissioners, Audit Committee and Institutional Ownership.

This research was conducted because previous studies still had discrepancies in results and research gaps on the factors that influence the integrity of financial statements. The difference between the author's research and the research that has been done is in the period, this study uses the time used in the financial reporting period from 2020-2023.

LITERATURE REVIEW

Agency Theory

Agency theory explains the relationship between shareholders (principal) and management (agent), where the principal authorizes the agent to make decisions in his interest (Jensen & Meckling, 1976). However, this separation of roles can lead to conflicts of interest, because managers tend to act for personal gain, while shareholders focus on investment profits Sauqi dalam (Wulandari, 2021). Manager opportunistic behavior can reduce shareholder trust, so an effective supervisory mechanism is needed. Independent Commissionerss and Audit Committees act as supervisors to reduce information asymmetry and agency conflicts, ensuring transparency and accountability of the company.

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Financial Statement Integrity

According to Kieso (2016), Financial Statement Integrity is an important characteristic that ensures reports accurately reflect the company's financial condition, operating results, and cash flows without manipulation. This report must be reliable and comply with accounting standards to ensure consistency and relevance (Rosianie et al., 2021). The integrity of financial statements can be measured through conservatism, which is a principle that anticipates risks with understated presentation, thereby reducing the potential for managerial manipulation (Tanuwijaya & Dwijayanti, 2022). Therefore, companies are advised to prepare honest, transparent, and accountable reports.

According to (Givoly & Hayn, 2000) the measurement of the conservatism index can be done as follows:

$$CONACCit = \frac{(NIit + DEPit)\ - CFOit}{TAit}$$

Description:

$CONACCit$	: Conservatism Level
$NIit$	: Operating Profit in that year
$DEPit$	: Company Depreciation in that year
$CFOit$	: Cash flow from operating activities
$TAit$	: Total Assets of the Company

Leverage

According to Kasmir (2019), the Leverage Ratio measures the extent to which the company's assets are funded by debt. The higher this ratio, the greater the company's financial risk (Sudana, 2019). Excessive use of debt can cause extreme leverage and difficulties in debt repayment (Faldiansyah, 2020). In addition, leverage plays a role in profit planning and helps financial managers determine the best options for increasing operating capital to support company growth (Suzan & Rizaldi, 2024). According to Alpriyatna & Muhyarsyah, (2023) Leverage measurement can be done in the following way:

$$Debt\ Aset\ Ratio\ (DAR) = \frac{Total\ Debt}{Total\ Asset}$$

Independent Commissioners

According to the Financial Services Authority Regulation No. 57 /POJK.04/2017, an Independent Commissioners is a member of the Board of Commissioners who comes from outside the public company and fulfills the requirements as an Independent Commissioners, as referred to in this Financial Services Authority Regulation. In this case, the company is required to have an Independent Commissioners in it. If the board of commissioners consists of more than 2 (two) people, then the total percentage of Independent Commissioners must be at least 30% (thirty percent) of the total number of members of the board of commissioners. According to Nurhalizah & Uzliawati, (2023) the measurement of Independent Commissioners can be done in the following way:

$$KIN = \frac{Total\ of\ Independent\ Commissioners}{Total\ Board\ of\ Commissioners\ of\ the\ Company} x\ 100\%$$

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Audit Committee

According to Syofyan, (2021) the Audit Committee is a committee formed by the board of commissioners in order to help carry out its duties and functions. These duties and functions are to ensure that the principles of good corporate governance, especially transparency and disclosure, are consistently and adequately applied by executives. (Makhrus, 2022). According to Destiani in Tambunan & Bonifasius (2021), the Audit Committee was formed by the board of commissioners with the aim of ensuring that the published financial statements are accurate and in accordance with generally accepted accounting practices, ensuring the adequacy of the company's internal controls, following up on allegations of material irregularities in the financial sector and their legal implications, and recommending the selection of external auditors. According to Barokah, (2023) the measurement of the Audit Committee can be done in the following way:

$$\text{Audit Committee} = \sum \text{Audit Committee in the Company}$$

Institusional Ownership

According to Subagyo, (2017) Institutional Ownership is share ownership by the government, financial institutions, incorporated institutions, foreign institutions, trust funds, and other institutions at the end of the year. A high level of institutional ownership will limit managers' opportunities to commit fraud and improve the integrity of financial statements. Institutions that own shares in a company will demand management to prepare financial reports transparently and accurately (Tamara & Kartika, 2021). Thus, the presence of institutional investors functions as a strict supervisor, ensuring that financial reporting practices are carried out according to applicable standards. According to Wardhani & Samrotun, (2020) the measurement of Institutional Ownership can be done in the following way:

$$INST = \frac{Number\ of\ shares\ owned\ by\ the\ company}{Number\ of\ shares\ outstanding}\ x\ 100\%$$

The Effect of Leverage on Financial Statement Integrity

The leverage ratio measures how much of the company's assets are funded by debt. High leverage reflects the company's financial difficulties and increases the auditor's attention in assessing financial statements, this reflects that the company is in financial difficulty (Putri et al., 2024). Excessive use of debt can lead a company into extreme leverage, increasing the risk of default (Faldiansyah, 2020). From an agency theory perspective, high leverage increases the conflict between management (agent) and owners or creditors (principal). Pressure to meet debt obligations can encourage management to manipulate financial statements in order to display better performance than actual conditions. High information asymmetry opens up opportunities for earnings management, so that financial statements become less reliable and reduce their integrity. This increases the risk for stakeholders and can have a negative impact on transparency and trust in the company.

Based on the results of research conducted by Damayanti (2023) and Rachman & Handayani (2023), it shows that Leverage has a negative effect on Financial Statement Integrity. Companies with high leverage ratios are often considered risky because they face difficulties in financing their assets due to high debt loads (Dewanti & Karmudiandri, 2023)

H1: Leverage has a negative effect on Financial Statement Integrity

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The Effect of Independent Commissioners on Financial Statement Integrity

According to the Financial Services Authority Regulation No. 57 /POJK.04/2017, public companies are required to have Independent Commissionerss at least 30% of the total board of commissioners. In agency theory, they act as mediators between the owner (principal) and management (agent) to reduce information asymmetry. As a neutral party, Independent Commissionerss oversee management policies, prevent manipulation of financial statements, and ensure transparency and accuracy of information. Thus, they contribute to maintaining the integrity of financial statements and increasing public trust in the company (Wulandari et al., 2021).

Based on the results of research conducted by Wijaya (2022) and Damayanti (2023), it shows that Independent Commissionerss have a negative effect on Financial Statement Integrity. Independent Commissionerss have a favorable effect on financial statement integrity, as monitoring of company management is more likely to be successful and fraud is less likely when Independent Commissionerss are involved.

H2: Independent Commissionerss have a positive effect on Financial Statement Integrity

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

According to Syofyan, (2021) the Audit Committee was formed by the board of commissioners to ensure that the principles of Good Corporate Governance (GCG), especially transparency and accountability, are consistently applied (Tjager, 2003 in Makhrus 2022). In agency theory, the Audit Committee plays a role in reducing information asymmetry between management (agent) and company owners (principal). As an independent oversight mechanism, the Audit Committee ensures transparent and accurate financial reports, assesses the internal control system, and prevents irregularities that can harm shareholders. With an optimal function, they improve the quality of financial statements and investor confidence in the company.

Based on the results of research conducted by Istutik (2022) and Sembiring (2022), it shows that the Audit Committee has a positive effect on the Integrity of Financial Statements. The Audit Committee is formed by the board of commissioners with the aim of ensuring that the published financial statements are accurate and in accordance with generally accepted accounting practices, ensuring the adequacy of the company's internal controls, following up on suspected material irregularities. Thus, the Audit Committee can increase supervision of management actions that risk manipulating financial reports, so that in the end it can support the maintenance of Financial Statement Integrity (Mulyawat & Nazi, 2022).

H3: The Audit Committee has a positive effect on the Integrity of Financial Statements

The Effect of Institutional Ownership on Financial Statement Integrity

According to Tamara & Kartika, (2021) institutional ownership encourages tighter supervision of management, thereby limiting opportunities for fraud and increasing the integrity of financial statements. In agency theory, institutional ownership reduces agency conflicts between management (agent) and company owners (principal). Institutions such as investment companies, banks, and pension funds have the expertise to analyze financial statements in depth, so they demand transparency and accountability from management. This strict supervision prevents manipulation of financial statements and increases investor confidence.

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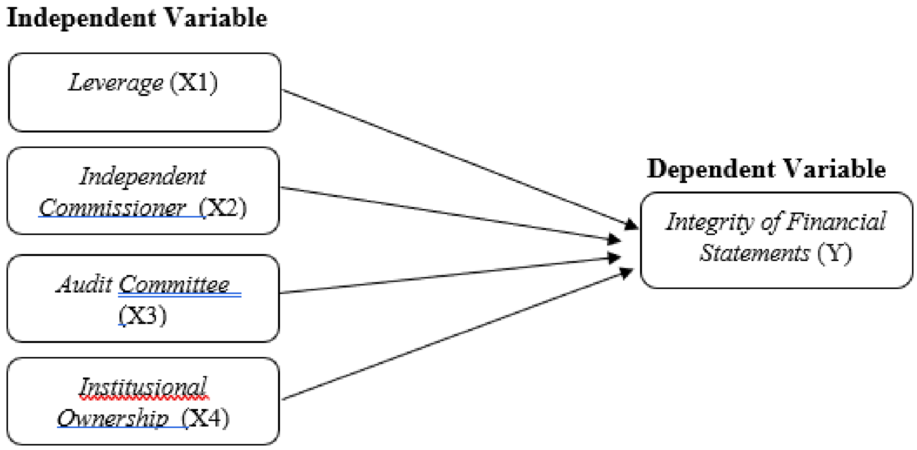
Based on the results of research conducted by Rachman & Handayani (2023) and Anastasia (2023), it shows that Institutional Ownership has a positive effect on Financial Statement Integrity. The presence of institutional investors serves as a strict watchdog, ensuring that financial reporting practices are carried out according to applicable standards.

H4: Institutional Ownership has a positive effect on the Integrity of Financial Statements

Figure 1. Conceptual Framework



METHODS

The population of this study are Infrastructure companies listed on the Indonesia Stock Exchange (IDX) in 2020 - 2023. The total population of this study were 64 Infrastructure companies. All data used to use secondary data. Secondary data is quantitative data obtained from the company's annual report. The sampling method used in this research is nonprobability sampling, which is a sampling technique that does not provide equal opportunities or opportunities for each member of the population to be selected as a sample. This study uses purposive sampling technique using research criteria so that the sample obtained is 50 infrastructure companies listed on the Indonesia Stock Exchange. The criteria that must be met in sampling are as follows:

Table 1. Criteria for Sample Selection

No	Sampling Criteria	Total
1	List of Infrastructure Companies listed on the IDX until 2023	62
2	Infrastructure Companies that Do Not Report Annual Reports During 2020-2023/Delisting	(1)
3	Infrastructure Companies that IPO after 2020	(7)
4	Infrastructure companies that do not have complete data related to 2020-2023 variables	(4)
	Total Samples	50
	Total Observation Data (4 Years) 50 x 4	**200**

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RESULT AND DISCUSSION

Descriptive Statistics Test

Descriptive statistical tests conducted in this study obtained the following results

Table 2. Descriptive Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Leverage	200	,002670	3461,977650	20,67718670	245,746418202
Independent_Commissioner	200	,166667	,750000	,40230050	,116617394
Audit_Committee	200	3	6	3,11	,499
Institusional_Ownership	200	,000600	,999600	,65791950	,215954254
Integrity_of Financial_Statements	200	-3,426100	,829500	-,05964750	,419200638
Valid N (listwise)	200				

Source: Data processed with SPSS version 25

1. The Leverage variable in this study uses the Debt to Asset Ratio (DAR) proxy. Based on the descriptive test results of the Leverage variable in table 2 above, the minimum value of 0.267% is owned by PT Maharaksa Biru Energi Tbk. in 2021. Meanwhile, the maximum value of 34.62% was owned by PT Bakrie Telecom Tbk in 2020. The standard deviation value of 2.46% is greater than the average value (mean) of the Leverage variable of 0.2068%. This shows that the data deviation that occurs is relatively high, so it can be concluded that the Leverage data in this study does not have an even spread and is not well distributed.
2. The Independent Commissioners variable in this study uses the proxy of the number of Independent Commissionerss divided by the number of company commissioners multiplied by 100%. Based on the descriptive test results of the Independent Commissioners variable in table 2 above, the minimum value is 16.67% or consists of 1 Independent Commissioners from a total of 6 company commissioners owned by PT Jasa Marga (Persero) Tbk, in 2022. Meanwhile, the maximum value is 75% or consists of 3 Independent Commissionerss from a total of 4 company commissioners owned by PT Waskita Karya (Persero) Tbk in 2023. The standard deviation value of 11.66% is smaller than the average value (mean) of the Independent Commissioners variable of 40.23%. This shows that the data deviation that occurs is relatively small, so it can be concluded that the Independent Commissioners data in this study has an even and well-distributed distribution.
3. The Audit Committee variable in this study uses the proxy for the number of Audit Committee members in the company. Based on the descriptive test results of the Audit Committee variable in table 2 above, the minimum value is 3 Audit Committee members in a number of companies. Meanwhile, the maximum value is 6 Audit Committee members owned by PT Telkom Indonesia (Persero) Tbk. The standard deviation value of the Audit Committee variable of 0.499 is smaller

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than the average value (mean) of the Audit Committee variable of 3.11. This shows that the data deviation that occurs is relatively small, so it can be concluded that the Audit Committee data in this study has an even spread and is well distributed.

4. The Institutional Ownership variable in this study uses the proxy of the number of shares owned by the company divided by the number of shares outstanding multiplied by 100%. Based on the results of the descriptive test of the Institutional Ownership variable in table 2 above, the minimum value is 0.06% owned by PT Smartfren Telecom Tbk. in 2022 and 2023, Meanwhile, the maximum value of 99.96% is owned by PT Solusi Tunas Pratama Tbk in 2022 - 2023. The standard deviation value of the Institutional Ownership variable of 21.60% is smaller than the average value (mean) of the Institutional Ownership variable of 65.79%. This shows that the data deviation that occurs is relatively small, so it can be concluded that the Institutional Ownership data in this study has an even spread and is well distributed.
5. The Financial Statement Integrity variable in this study is measured using the conservatism method as the dependent variable. Based on the descriptive test results of the Financial Statement Integrity variable in table 2 above, the minimum value is -342.61% owned by PT Aesler Grup Internasional Tbk in 2022. Meanwhile, the maximum value is 82.95% owned by PT Megapower Makmur Tbk in 2023. The standard deviation value of the Financial Statement Integrity variable of 41.92% is greater than the average value (mean) of the Financial Statement Integrity variable of -5.96%. This shows that the data deviation that occurs is relatively high, so it can be concluded that the Financial Statement Integrity data in this study has an uneven and poorly distributed distribution.

Normality Test

Based on the sample selection there are 200 data obtained Normality testing in the first stage proves the result that the residuals are not normally distributed, therefore outliers are needed in the data so that it becomes 164 data.

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		164
Normal Parameters[a,b]	*Mean*	,0000000
	Std. Deviation	,04936306
Most Extreme Differences	Absolute	,062
	Positive	,062
	Negatif	-,043
Test Statistic		,062
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Data processed with SPSS version 25

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Multicollinearity Test

Table 4. Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Leverage	,994	1,006
	Independent_Commissioners	,955	1,047
	Audit_Committee	,981	1,019
	Institusional_Ownership	,946	1,057

a. Dependent Variable: Integrity_of Financial_Statements

Source: Data processed with SPSS version 25

Based on the results of table 4, it is known that the results of the multicollinearity test output show that there is no multicollinearity problem between independent variables, because the tolerance value> 0.10 and VIF <0.10. Judging from the tolerance value, all independent variables show numbers greater than 0. 10 such as Leverage of 0.994, Independent Commissioners of 0.955, Audit Committee of 0.981 and Institutional Ownership of 0.946 and also the VIF value which shows a number smaller than 10, namely Leverage of 1.006, Independent Commissioners of 1.047, Audit Committee of 1.019 and Institutional Ownership of 1.057. So it can be concluded that this research regression model does not occur multicollinearity between variables.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Coefficients[a]

Model		**t**	**Sig.**
1	(Constant)	2,452	.015
	Leverage	-1,154	,250
	Independent_Commissioners	,513	,609
	Audit_Committee	-1,353	,178
	Institusional_Ownership	1,142	,255

a. Dependent Variable: ABS_RES8

Source: Data processed with SPSS version 25

Based on the results of table 5, it is known that the results of the Heteroscedasticity Test output show that there is no heteroscedasticity problem in the regression model. This can be seen from the significance value (Sig.) of all independent variables which shows a number greater than 0.05 or 5%, namely Leverage of 0.250, Independent Commissioners of 0.609, Audit Committee of 0.178, and Institutional Ownership of 0.255. So it can be concluded that the regression model in this study does not have symptoms of heteroscedasticity.

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Autocorrelation Test

Table 6. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,948[a]	,899	,896	,09058	1,949

a. Predictors: (Constant), Institusional_Ownership, Leverage, Audit_Committee, Independent_Commissioners
b. Dependent Variable: Trans_ILK

Source: Data processed with SPSS version 25

Based on the results of table 6, the results of the Autocorrelation Test output show that the Durbin-Watson (DW) value is 1.949. The dl and du values in this study used 4 independent variables and a research sample of 164, so the dl value = 1.6950 and the du value = 1.7948. The measurement result is du < dw < 4-du then 1, 7948 < 1, 949 < 2,2052. So it can be concluded that the data in this study does not occur autocorrelation. Previously, the data in this study was exposed to autocorrelation based on an initial test that showed a value of DW = 1.341, which did not meet the equation du < dw < 4-du. Therefore, retesting was carried out using another method, namely the Cochrane-Orcutt test.

Coefficient of Determination Test (R^2 Test)

Table 7. Coefficient of Determination Test (R^2 Test) Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,948[a]	,899	,896	,09058	1,949

a. Predictors: (Constant), Institusional_Ownership, Leverage, Audit_Committee, Independent_Commissioners
b. Dependent Variable: Trans_ILK

Source: Data processed with SPSS version 25

Based on table 7, the results of the Coefficient of Determination Test output (R^2) show that the Adjusted R Square value is 0.896. So it can be concluded that the proportion of the influence of the Financial Statement Integrity variable can be explained by the Leverage, Independent Commissioners, Audit Committee, and Institutional Ownership variables by 89.6%, while the remaining 11% (100%-89%) is influenced by other variables not contained in this study.

Regression Coefficient Test (F Test)

Table 8. Regression Coefficient Test (F Test) Results

ANOVA[a]

Model	F	Sig.
Regression	350,625	,000[b]

Source: Data processed with SPSS version 25

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Based on Table 4.8, it is known that the F value is 350.625 with a probability of 0.000 <0.05, this indicates that the variables Leverage, Independent Commissioners, Audit Committee, and Institutional Ownership affect the Integrity of Financial Statements.

Regression Coefficient Test (T Test)

Table 9. Regression Coefficient Test (T Test) Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1(Constant)	,075	,053		1,431	,154
Leverage	-,001	,000	-,948	-37,338	,000
Independent_Commissioners	,092	,060	,040	1,533	,127
Audit_Committee	-,009	,013	-,017	-,669	,504
Institusional_Ownership	-,102	,036	-,074	-2,851	,005

a. Dependent Variable: Trans_ILK

Source: Data processed with SPSS version 25

Based on Table 9, it is known that the t statistical test value shows each independent variable on the dependent variable, among others, is explained as follows:

a. The company's Leverage variable has a calculated t value of -37.338 with a significance value of 0.000 <0.05. Thus the Leverage variable has a negative effect on the Integrity of Financial Statements, so the first hypothesis (H_1) is accepted.
b. The company's Independent Commissioners variable has a t value of 1.553 with a significance value of 0.127> 0.05. Thus the Independent Commissioners variable has no effect on the Integrity of Financial Statements, so the second hypothesis (H_2) of this study is rejected, because it has no effect.
c. The company's Audit Committee variable has a t value of -0.669 with a significance value of 0.504> 0.05. Thus the Audit Committee variable has no effect on the Integrity of Financial Statements, so the third hypothesis (H_3) of this study is rejected, because it has no effect.
d. The company's Institutional Ownership variable has a t value of -2.851 with a significance value of 0.005 <0.05. Thus the Institutional Ownership variable has a negative effect on the Integrity of Financial Statements, so the fourth hypothesis (H_4) of this study is rejected, because it has a negative effect on the Integrity of Financial Statements.

Multiple Linear Regression Analysis

Table 10. Regression Coefficient Test (T Test) Results

ILK = 0,075 – 0,001 (Leverage) + 0,092 (Independent Commissioners) – 0,009 (Audit Committee) – 0,102 (Institusional_Ownership) + e

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1. The constant value α obtained is a positive value of 0.075, meaning that if the independent variable, namely Leverage, Independent Commissioners, Audit Committee and Institutional Ownership, is considered zero, then the dependent variable or Financial Statement Integrity has a value of 0.075.
2. The regression coefficient value β of the Leverage variable is -0.001. This means that if the Leverage variable increases or increases by 1%, there will be a decrease in the Integrity of Financial Statements by 0.001, assuming other independent variables are constant or fixed.
3. The regression coefficient value β of the Independent Commissioners variable is 0.092. This means that if the Independent Commissioners variable increases or increases by 1%, there will be an increase in the Integrity of Financial Statements by 0.092, assuming other independent variables are constant or fixed.
4. The regression coefficient value β of the Audit Committee variable is -0.009. This means that if the Audit Committee variable increases or increases by 1%, there will be a decrease in the Integrity of Financial Statements by 0.009 assuming other independent variables are constant or fixed, the value of the accrual ratio so that the Integrity of Financial Statements is high.
5. The regression coefficient β of the Institutional Ownership variable is -0.102. This means that if the Institutional Ownership variable increases or increases by 1%, there will be a decrease in the Integrity of Financial Statements by 0.102 assuming other independent variables are constant or fixed.

Discussion

The Effect of Leverage on Financial Statement Integrity

Based on the results of the analysis that has been done, Leverage has a significant negative effect on the Integrity of Financial Statements, so that hypothesis H_1 is accepted. It can be concluded that the lower the leverage, the higher the integrity of the financial statements, due to reduced managerial pressure to fulfill debt obligations. In agency theory, high leverage often triggers management to manipulate financial statements in order to maintain the image of the company's performance in the eyes of creditors and investors. However, when leverage decreases, the company has a lighter debt burden, so management is less encouraged to carry out aggressive accounting practices or earnings management. With a lower risk of bankruptcy and less supervision from creditors, management is more focused on transparent financial reporting and in accordance with applicable accounting principles. As a result, the integrity of financial statements increases because it more accurately reflects the company's financial condition, thereby increasing the trust of investors and other stakeholders.

The results of this study are supported by researchers Danuta & Wijaya (2020) and Nurhalizah (2023) who state that Leverage has a negative effect on Financial Statement Integrity.

The Effect of Independent Commissioners on the Integrity of Financial Statements

Based on the results of the analysis that has been carried out, Independent Commissionerss have no effect on the Integrity of Financial Statements, so that hypothesis H_2 is rejected.

A high number of Independent Commissionerss is not always effective in supervising management and reducing agency problems, so it is not fully in line with agency theory. Although in theory they play a role in reducing conflicts of interest and

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information asymmetry, their effectiveness may be hampered by limited competence, weak independence, or minimal involvement in strategic decision-making. If supervision is only symbolic and access to internal information is limited, then its role in improving the transparency and integrity of financial statements becomes less significant.
The results of this study are supported by research by Wulandari (2021) and Fatin & Suzan (2022) which state that Independent Commissionerss have no influence on the Integrity of Financial Statements.

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

Based on the results of the analysis that has been carried out, the Audit Committee has no effect on the Integrity of Financial Statements, so that hypothesis H_3 is rejected.

The existence of an Audit Committee, both in high and low numbers, does not always have a significant impact on the Integrity of Financial Statements. In theory, the Audit Committee plays a role in reducing information asymmetry and ensuring transparency and accountability of financial statements. However, its effectiveness can be hampered by low independence, limited competence, or simply compliance with regulations without real oversight. If the supervisory function is not optimal, its role in maintaining the integrity of financial statements becomes weak or insignificant.

The results of this study are supported by the research of Tanuwijaya & Dwijayanti (2022) and Maharani & Khristiana (2022) which state that the Audit Committee has no influence on the Integrity of Financial Statements.

The Effect of Institutional Ownership on Financial Statement Integrity

Based on the results of the analysis that has been carried out, Institutional Ownership has a negative effect on The Integrity of Financial Statements, so that hypothesis H_4 is rejected.

Although institutional ownership should increase supervision and reduce agency conflicts, in some cases, ownership that is too dominant actually reduces the integrity of financial statements. Institutional investors who have a close relationship with management may favor managerial interests, thereby ignoring transparency and allowing manipulation of financial statements. In addition, the dominance of institutional shareholders can weaken the role of minority shareholders and reduce the effectiveness of supervision by regulators or Independent Commissionerss. This has the potential to increase information asymmetry and lead to earnings management practices, which have a negative impact on the quality of financial statements.

The results of this study are supported by research by Louw & Indah (2024) and Wahyudi (2021) showing that Institutional Ownership has a negative effect on Financial Statement Integrity.

CONCLUSION

Based on the test results, data analysis and discussion that have been carried out previously, it can be concluded that Leverage has a negative effect on the integrity of financial statements. It can be concluded that the higher the leverage, the greater the managerial pressure to fulfill debt obligations, which can encourage manipulation of financial statements. Conversely, lower leverage reduces the risk of bankruptcy and increases transparency. Independent Commissionerss have no effect on the integrity of financial statements. It can be concluded that although in theory it functions as a supervisor, its effectiveness in practice can be limited by a lack of expertise,

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independence, or minimal access to information. The Audit Committee has no effect on the integrity of financial statements. It can be concluded that whether the Audit Committee is high or low in a company, its existence does not always guarantee transparency because it can be hampered by a lack of competence or is only a formality without effective supervision. Institutional Ownership has a negative effect on the Integrity of Financial Statements. It can be concluded that dominant institutional investors can favor management, weaken supervision, and allow manipulation of financial reports for the sake of certain interests, thereby reducing transparency and accountability.

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