



**INSTITUTIONAL OWNERSHIP, AUDIT COMMITTEE,
INDEPENDENT COMMISSIONER AND BOARD OF DIRECTORS
ON THE INTEGRITY OF FINANCIAL REPORTING IN
MANUFACTURING COMPANIES LISTED ON THE INDONESIAN
STOCK EXCHANGE**

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ABSTRACT

Financial reports are financial information about a company for a period that can be used to describe the company's performance. A good financial report is a financial report that has integrity. This research aims to determine the influence of corporate governance on the integrity of financial reports in manufacturing companies listed on the Indonesia Stock Exchange. The sample used in this research was 91 samples of manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The sample selection in this research used the purposive sampling method. Based on the specified criteria, 91 observation data were obtained. The analysis method used is panel data regression. Based on the analysis, it is known that institutional ownership has no and insignificant effect on the integrity of financial reports, the audit committee has a positive and significant effect on the integrity of financial reports, independent commissioners have no and no significant effect on the integrity of financial reports, and the board of directors has a negative and insignificant effect on report integrity. finance.

Keywords: *Institutional ownership, audit committee, independent commissioner and board of directors.*

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Introduction

Financial report integrity is a financial report that shows the actual situation of a company. Because the company's financial reports are appropriate to the situation, reflect the company's values, and are not manipulated by management, the financial reports are considered to have integrity. If the auditor audits financial reports that do not have integrity, the possibility that the auditor will be sued will increase because, if the financial report that does not have integrity is an excessive financial report, it can be very detrimental to those who use the financial report (Ayem & Yuliana, 2019) .

Financial reports can be said to have high integrity, that is, reports that have the quality of reliability and adhere to accounting principles, financial reports that have integrity have adequate criteria, namely they can be compared and are reliable and can guarantee that users of financial reports in making decisions have a high level of integrity. Financial reports

can be guaranteed with accurate data and avoid manipulation of financial data during the preparation process. But in reality there are still many companies that report financial information that does not have high integrity and objectivity, several cases have occurred regarding the presentation of financial reports that do not have high integrity in Indonesia (Sucitra et al., 2020) .

To improve the quality of business, financial reports with integrity are needed. To measure the integrity of financial reports authorized with determined conservatism, the ratio of market value to equity value is used. This ratio shows that the market value of a company's equity has been reduced because the value of assets and liabilities has been reduced. Therefore, financial reports must be presented correctly (Rivandi & Pramudia, 2022) .

According to Statement of Financial Accounting Concept (SFAC) No.2, financial report integrity can be achieved if the information in the financial report is presented fairly, unusually and honestly. According to the International Accounting Standard Aboard (IASB), relevance and faithful representation are the main qualities that are requirements for decision making for financial reports. For the presentation of financial reports, reliable standards of integrity (reliability) are verification, representational fidelity and neutrality (Sembiring et al., 2022) .

The following are cases that lead to applicable laws and regulations regarding the control of financial statements. According to Waskita Karya's SVP Corporate Secretary Ermy Puspa Yunita, the public company Waskita always follows legal regulations, after the Ministry of BUMN previously reported suspected fraud in the company's financial reports. Apart from that, Waskita follows the regulations set by the Capital Market Supervisory Agency and the Financial Services Authority (OJK).

Table 1.
Market to Book Value Data for Manufacturing Companies Listed on the Indonesian Stock Exchange in 2022

No	Name Company	Code Share	Market To Book Value (MBVit)
1.	PT Waskita Karya (Persero) Tbk	WSKT	1.25
2.	PT Tembaga Mulia Semanan Tbk	TBMS	2.72
3.	PT Akasha Wira International Tbk	ADES	2.51
4.	PT Moreno Abadi Perkasa Tbk	ENZO	5.96
5.	PT OBM Drilchem Tbk	OBMD	1.57

Source: <https://www.idx.co.id>

Based on table 1, it can be explained that of the 225 manufacturing companies registered on the IDX in 2022 and also the selected sample, namely the company Waskita Karya (Persero) Tbk which manipulated financial report in 2022 with the code WSKT, the company succeeded in obtaining MBVit worth 1.25, the second for the company Tembaga Mulia Semanan Tbk which manipulated the financial report in 2022 with the code TBMS succeeded in obtaining MBVit worth 2.72, the third for the company Akasha Wira International Tbk, which manipulated financial reports in 2022 with the code ADES, Institutional Ownership.....(aprilicia, dewi)



succeeded in obtaining MBVit worth 2.51, the fourth was the company *Moreno Abadi Perkasa Tbk* which manipulated financial reports in 2022 with the code ENZO succeeded in obtaining MBVit worth 5.96, the fifth is the company *OBM Dirlchem Tbk* which manipulated the financial statements in 2022 with the code OBMD, succeeded in obtaining MBVit worth 1.57.

Apart from that, he stated that before publishing WSKT's financial reports, Waskita had gone through several audit processes by public accountants registered with the OJK. Apart from that, Waskita has gone through an audit process by a public accountant registered with the OJK as an independent auditor to fulfill its obligations in accordance with OJK regulations. He also stated that Waskita management had completely handed over the investigation.

Business has prepared Waskita's annual financial reports from 2020 to 2022. Two public accounting firms, RSM Indonesia and Crowe, conducted audits in that period. RSM Indonesia is listed as the auditor of Waskita's financial statements for the 2021 financial year. RSM Indonesia's opinion states that these two financial reports, together with the attached consolidated financial statements, present information objectively. In addition, Waskita and its subsidiaries stated that their consolidated financial position and cash flows were in accordance with Indonesian financial accounting regulations. Crowe, who conducted an audit of Waskita's financial statements for the 2021 and 2022 financial years, then concluded that, materially, the financial statements were presented fairly. Waskita and subsidiaries' financial position, as well as performance and cash flow.

According to Kartika Wirjoatmodjo, Deputy Minister II of BUMN, one of Waskita's financial governance problems is that its financial reports do not match the conditions on the ground. The BUMN Ministry is investigating the matter. Apart from that, the financial reporting is inconsistent with the actual situation. Even though cash flow has never actually been positive, it has been reported as if it were profitable for many years. He then stated that due to the situation not being in accordance with the facts, Waskita's financial statements may require restatement or restatement. Furthermore, he stated that the Ministry of BUMN could sue Waskita's old management if it was proven that there were criminal elements of fraud in the financial reports. I have reported it to the chairman of the Financial and Development Supervisory Agency (BPKP). If fraud does occur.

The Influence of Institutional Ownership on the Integrity of Financial Reports

The influence of institutional investors on company management is very important to align management interests with shareholders. This is measured by calculating the percentage of institutional share ownership of the total outstanding share capital. A high amount of institutional ownership limits managers' ability to edit data and can increase the integrity of financial reports (Irfan Fadholi Putra et al., 2022).

The results of research conducted by (Naysilla Anastasia et al., 2023) show that the research results show a positive and significant effect on the integrity of financial reports, which means that because institutional shareholders have the skills and expertise needed to assess reports presented by management, institutional ownership encourages inspection or supervision of management activities. This can prevent opportunistic behavior from corporate managers, increasing voting power and institutional encouragement.

The results of research conducted by (Wulandari & Wiksuana, 2017) show that ownership institutions have a positive and significant effect on the integrity of financial reports, which means that this research hypothesis is recognized. This shows that more shares owned by institutions or institutions (such as banks, insurance, investment companies, etc.) is

better for the credibility of financial reports. Institutional shareholders who have financial knowledge will carry out assessments and supervision rationally and objectively, which will make their opinions more accepted. This satisfies credibility theory. Management's financial reports are overseen by institutional ownership. Institutional shareholders enhance their supervisory function because they have knowledge in finance, which prevents manipulation, and professionalism, which allows them to test the credibility of financial statements.

H 1 : Institutional ownership has a positive and significant effect on the integrity of financial reports

The Influence of the Audit Committee on the Integrity of Financial Reports

An audit committee was formed to assist the board of commissioners in supervising the implementation of internal and external audits and ensuring that applicable provisions and standards have been met. In financial reporting activities, the audit committee is responsible for reviewing audited financial reports to ensure that they comply with standards and policies. The audit committee must also review the financial reports to ensure that they comply with standards and policies.

The results of research conducted by (Akram et al., 2018) state that the audit committee has a positive and significant effect on the integrity of financial reports. Where in agency theory, good governance can overcome agent-principal conflicts. Companies can establish audit committees to oversee their operations. The audit committee has the useful function of providing feedback on financial, accounting and internal control policy issues.

Research results from (Totong & Majidah, 2020) say that the audit committee has a positive influence on the integrity of financial reports. Where the audit committee creates a commission to carry out its duties and responsibilities and the supervisory board must ensure that the audit committee upholds integrity, has good business knowledge, and without having any relationship with members of the supervisory board, members of the board of directors or parties related to the company and as seen from all previous researchers, the purpose of the audit committee is to increase inspection of management actions that can manipulate financial reports.

H 2 : The audit committee has a positive and significant effect on the integrity of financial reports

The Influence of Independent Commissioners on the Integrity of Financial Reports

Independent commissioner members come from outside the issuer or public company. These commissioner members do not own shares directly or indirectly in the issuer or public company, have no affiliation with the issuer or public company, commissioners, directors or major shareholders, and have no direct or indirect business relationship with the business of the issuer or public company .

The results of research conducted by (Yudiawan et al., 2022) say that independent commissioners have a positive and significant effect on the integrity of financial reports. According to research on the relationship between the composition of the board of commissioners and financial reporting fraud, companies that commit fraud have a high percentage of external commissioners. much lower compared to companies that do not commit fraud. In addition, because the board of commissioners guarantees the accuracy and transparency of financial reports, shareholders have the right to obtain quality information.

Institutional Ownership.....(aprilicia, dewi)



The results of research conducted by (Nurbaiti et al., 2021) explain that independent commissioners have a positive and significant influence on the integrity of financial reports. It is assumed that independent commissioners will be able to make more neutral decisions because independent commissioners come from outside the company concerned. Therefore, with the formation of independent commissioners, good corporate governance can be created and can reduce acts of fraud.

H 3 : Independent commissioners have a positive and significant effect on the integrity of financial reports

The Influence of the Board of Directors on the Integrity of Financial Reports

The board of directors is a group of people elected to represent shareholders in making important rules and decisions for company management. The board of directors has an important role in determining company policy, both short and long term.

The results of research conducted by (Ningsih et al., 2021) show that the board of directors has a positive and significant effect on the integrity of financial reports. A significance level of 0.000, or less than 0.05, indicates this. The board of directors is fully responsible for the management of the company, and they have an important role in setting short-term and long-term policies. In accordance with the responsibilities and authority given to them, each member of the board of directors has the ability to carry out their duties and make decisions. In general, the integrity of a company's financial reports is higher if there are more board members.

The results of research conducted by (Suhayati & Rahmatillah, 2022) state that the Board of Directors has a positive and significant influence on the integrity of financial reports which can be calculated by *market to book value* in manufacturing companies for the 2018-2022 period. Where a larger number of directors can benefit the entity because the supervision of the directors will be better, which means the resulting financial reports will have more integrity and be better. In other words, more boards of directors will increase the integrity of financial reports because the financial reporting process will be more efficient, which means company reports with integrity will be produced.

H 4 : The board of directors has a positive and significant effect on the integrity of financial reports

RESEARCH METHODS

Types of research

The type of research used is a quantitative method which aims to test whether Institutional Ownership, Audit Committee, Independent Commissioners and Board of Directors influence the integrity of financial reports using agency theory. Quantitative research method, a research method based on the philosophy of positivism, which functions to research a certain population or sample, collect data using research instruments, quantitative or statistical data analysis, the aim of which is to test predetermined hypotheses (Sugiyono, 2018) .

The data source used in this research is secondary data. According to Sugiyono (2018), secondary data sources are data sources that provide data directly, but through an intermediary such as books or financial reports that have been published by the Indonesian Stock Exchange. Secondary data used by researchers in this research is in the form of financial reports of registered manufacturing companies on the Indonesian Stock Exchange during the 2018-2022 observation period obtained via the website www.idx.co.id.

Population and Sample

According to (Sugiyono, 2018) Population is a generalized area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to study and draw conclusions. The population in this research is manufacturing companies listed on the Indonesian stock exchange for the period 2018- 2022 with 225 companies.

The sample is part of the number and characteristics of the company. In this research, the samples are companies listed on the Indonesian stock exchange from 2018 to 2022. The sample selection in this research was by using a purposive sampling method, namely a sampling technique with considerations certain (Sugiyono, 2018) .

Sample Collection Techniques

In this research, the data collection technique used is documentary data. Documentary data is research data as reported by companies listed on the Indonesia Stock Exchange (BEI) towards the end of the 2018 - 2022 period. The data source in this research is additional data obtained from companies listed on the Indonesia Stock Exchange (BEI) for the 2018 period. – 2022. To obtain the data needed in this research, the author used documentation procedures from data published by manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2018 -2022.

Operational Definition of Variables

In this research, there are two independent variables and a dependent variable. The independent variable in this research is financial report integrity (Y), while the dependent variables are institutional ownership (X1), audit committee (X2), independent commissioner (X3) and board of directors (X4).

Table 2.
Operational Definition of Variables

No	Variable	Definition	Measurement	Source
1.	Integrity (Y)	The integrity of financial reports is so far where report finance Which served show information Which Correct And Honest.	$MBV_{it} = \frac{\text{Stock market value}}{\text{Stock book value}}$	(Nurul Mutiani et al., 2019)
2.	Institutional Ownership (X1)	Institutional Ownership is ownership share by institution from external. Party institution among them like institution, company, insurance, Bank And institution other.	$INST = \frac{\text{The number of shares owned by the institution}}{\text{Number of shares outstanding}}$	(Nurul Mutiani et al., 2019)
3.	Audit Committee (X2)	Committee Auditing is a committee Which consists from three until five <i>external members</i> Which professional in	$KMA = \sum \text{Committee Members Auditing}$	(Nurul Mutiani et al., 2019)

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No	Variable	Definition	Measurement	Source
4.	Independent Commissioner (X3)	legislation , <i>Corporate finance</i> And auditing Commissioner independent member Which originate from outside company (no relation affiliate with company) Which chosen transparently and independent, own integrity And competence Which adequate, free from influence relate with interest personal or party other.	KI = $\frac{\text{Number of independent commissioners}}{\text{Number of independent commissioners}}$	(Nurul Mutiani et al., 2019)
5.	Board of Directors (X4)	The board of directors is a group of directors led by a president director. The board of directors also has the function of providing information to the board of commissioners and responding to matters raised by board commissioner.	DD = Σ Members of the Board of Directors	(Suhayati & Rahmatillah, 2022)

Research Results and Discussion
Descriptive Statistical Analysis

Table 3.
Descriptive Statistics Test Results

	MBVit	INST	KMA	KI	DD
Mean	-0.074460	-0.207368	0.443807	-0.329719	0.435884
Median	-0.081887	-0.139491	0.477121	-0.301030	0.477121
Maximum	0.455814	-0.002484	0.477121	0.221849	0.698970
Minimum	-0.750408	-0.853920	0.301030	-0.602060	0.301030
Std. Dev.	0.299274	0.144171	0.069280	0.171306	0.105902

Observations	111	111	111	111	111
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Source: Eviews Data Processing 9,2024.

Based on table 3, it shows that the number of observations for each variable is still 111 (one hundred and eleven) with the explanation of the descriptive analysis as follows:

Financial Report Integrity is the dependent variable (Y) using *Market To Book Value* (MBVit) as a measuring tool. The maximum value obtained was 0.455814 by PT Merck Indonesia Tbk in 2022, while the minimum value obtained was -0.750408 in 2022 by PT Solusi Bangun Indonesia Tbk. The *mean* value obtained is -0.074460, explaining that the average MBVit value is less than 1, meaning that the value of the stock market price is smaller than the book value of the shares owned by the company. The standard deviation value obtained is 0.299274, which means the data spread is greater because the standard deviation value is greater than the average value (mean).

INST is a measuring tool used to measure Institutional Ownership as X1. The maximum KI value of -0.002484 shows the company's ability to evaluate the integrity of PT Tunas Alfin Tbk in 2020, while the minimum value of -0.853920 shows the company's ability to evaluate the integrity of PT Arwana Citramulia Tbk in 2018-2019. The average (mean) value obtained was -0.207368, while the standard deviation value obtained was 0.144171, which shows that the distribution of KI data is wider because the standard deviation value is greater than the average value.

KMA (audit committee) is the X2 variable measured by the total number of audit committees of the company concerned. In this research, it can be seen that the minimum value is 0.301030 for PT Solusi Bangun Indonesia Tbk and PT Semen Indonesia (Persero) Tbk in 2019-2022 which shows the number of audit committees in these companies, and the maximum value is 0.477121 for PT Keramika Indonesia Associa Tbk in 2018-2022 which shows the number of audit committees in the company. There is an average (mean) value for this variable of 0.443807, while the standard deviation value is 0.069280, which means that the data has smaller variations because the average value is greater than the standard deviation value.

(independent commissioner) is variable 2022. The company's average (mean) value was -0.329719 while the standard deviation was 0.171306. This shows that the relative spread of data has greater variation because the average value (mean) is smaller than the standard deviation value

DD (board of directors) is a measuring tool for directing and supervising company policies, strategies and performance. The minimum value obtained was 0.301030 at PT Hartadinata Abadi Tbk in 2022. The maximum value was 0.698970 at PT Mandom Indonesia Tbk in 2018. The company's average (mean) value was 0.435884 while the standard deviation was 0.105902. This shows that the distribution of family member data has smaller variations because the average value (mean) is greater than the standard deviation value.

Panel Data Regression Model Test

Common Effect Model (CEM)

Table 4.

Common Effect Model Test Results

<i>variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistics</i>	<i>Prob.</i>
INST	0.181993	0.131498	1.383998	0.1693

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KMA	1.768253	0.405956	4.355779	0.0000
KI	0.441459	0.160709	2.746953	0.0071
DD	-0.382163	0.258140	-1.480450	0.1417

Source: Eviews data processing 9.2024

The *Common Effect Model* (CEM) test contained in table 4 above, it can be seen that the *probability value* of the audit committee variable (KMA) and independent commissioner (KI) show numbers that are smaller than the significance value of 0.05 with *probability values* of 0.0000 and 0.0071. So it can be concluded that the audit committee and independent commissioner variables have a positive and significant effect on the integrity of financial reports. Meanwhile, the *probability* of institutional ownership (INST) and the board of directors (DD) shows a figure greater than the significance value of 0.05 with a *probability value* of 0.1693 and 0.1417 which indicates that institutional ownership and the board of directors have a negative and insignificant effect on integrity. financial statements.

Fixed Effect Model (FEM)

Table 5.
Fixed Effect Model (FEM) Test Results

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistics</i>	<i>Prob.</i>
INST	-0.048108	0.229148	-0.209943	0.8342
KMA	3.109207	0.945641	3.287937	0.0015
KI	0.014953	0.234289	0.063823	0.9493
DD	-0.529282	0.432616	-1.223446	0.2246

Source: Eviews data processing 9.2024

Based on estimation results from the *Fixed Effect Model* (FEM) in table 5 above, it can be seen that the *probability value* of the independent variables, namely institutional ownership (INST), independent commissioner (KI), and board of directors (DD) is greater than the significance value of 0.05 with a value of (0.8342),(0.9493), and (0.2246). So it can be concluded that INST, KI, and DD have a negative and insignificant effect on the integrity of financial reports. Next, the *probability value* of the audit committee variable (KMA) smaller than the significance value of 0.05 with a value of 0.0015. This shows that KMA has a positive and significant effect on the integrity of financial reports.

Random Effect Model (REM)

Table 6.
Random Effect Model (REM) Test Results

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistics</i>	<i>Prob.</i>
INST	0.058383	0.157497	0.370692	0.7116
KMA	2.030468	0.528265	3.843650	0.0002
KI	0.269700	0.179718	1.500691	0.1364
DD	-0.470121	0.301834	-1.557547	0.1223

Source: Eviews data processing 9.2024

Based on test results with *Random Effect Model* (REM) In table 6 it can be seen that the *probability value* of the audit committee variable is smaller than the significance value of 0.05, namely 0.0002, which means that KMA has a positive and significant effect on the

integrity of financial reports. Next, the *probability* values of the variables institutional ownership (INST), independent commissioner (KI), and board of directors (DD) greater than the significance value of 0.05. Therefore it can be concluded that INST, KI, and DD has no effect and is not significant on the integrity of financial statements.

Classic assumption test

Normality test

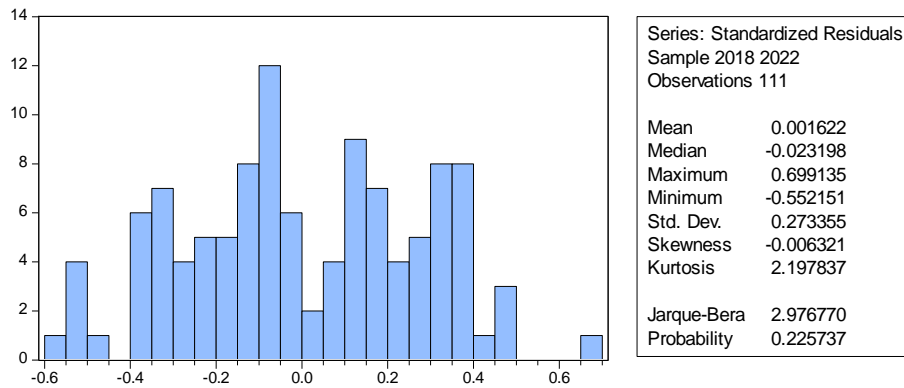


Figure 1.
Normality Test Results

Based on Figure 1 above, it shows that the results of estimating all variables of institutional ownership, audit committee, independent commissioner and board of directors on the integrity of financial reports, the results of the *Jarque-Berra test* have a value of 2.976770 with a probability of 0.225737 > 0.05 . So, it can be said that the residuals in this research model are normally distributed.

Model Feasibility Test (Further Test)

Test Chow

Table 7.
Chow Test Results

<i>Effect Test</i>	<i>Statistics</i>	<i>df</i>	<i>Prob</i>
<i>Cross-section F</i>	3.185965	(22.84)	0.0001
<i>Chi-square cross-section</i>	67.346810	22	0.0000

Source: Eviews Data Processing 9,2024

Based on table 7 above, *the cross section Chi-square Prob test results* are 0.0000 with an error rate of 0.05. These results show *Prob* with a value of 0.0000 which is smaller than alpha 0.05, so H0 is rejected and Ha is accepted. Thus, it can be concluded that the use of *the Fixed Effect Model* was chosen.

Hausman test

Table 8.
Hausman Test Results

<i>Test Summary</i>	<i>Chi-Sq. Statistics</i>	<i>Chi-Sq. df</i>	<i>Prob.</i>
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<i>Random cross-section</i>	8.290533	4	0.0815
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Source: Eviews Data Processing 9,2024

Based on table 8 above, the test results that have been carried out show that the probability number is 0.0815. This indicates that the probability value is $0.0815 > \alpha 0.05$. Therefore, H_0 is accepted and H_a is rejected, so it can be concluded that *the Random Effect Model* is the appropriate testing method to use.

Langrange Multiplier Test

Table 9.
Langrange Multiplier Test Results

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	12.90460 (0.0003)	0.087130 (0.7679)	12.99173 (0.0003)
Honda	3.592298 (0.0002)	0.295178 (0.3839)	2.748861 (0.0030)
King-Wu	3.592298 (0.0002)	0.295178 (0.3839)	1.696501 (0.0449)
Standardized Honda	4.407148 (0.0000)	0.615319 (0.2692)	-0.541637
Standardized King-Wu	4.407148 (0.0000)	0.615319 (0.2692)	-- -0.912084 --
Gourierioux, et al.*	--	--	12.99173 (< 0.01)

Source: Eviews Data processing 9.2024

Based on table 9. above, the test results show that the LM value is 0.0003. So it can be concluded that the LM value is $0.0003 < 0.05$ (Breusch-Pagan value). Therefore, H_0 is rejected and H_a is accepted, so it can be concluded that *the Random Effect Model* is the appropriate testing method to use.

Selection of the Best Model

Table 10.
Selection of the Best Random Effect Model

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistics</i>	<i>Prob.</i>
INST	0.058383	0.157497	0.370692	0.7116
KMA	2.030468	0.528265	3.843650	0.0002

KI	0.269700	0.179718	1.500691	0.1364
DD	-0.470121	0.301834	-1.557547	0.1223

Source: data processing from Eviews 9.2024

Based on image table 10 above, the model in this research is *the Random Effect Model* as a panel data regression analysis method. From the regression results, the INST value is 0.58383 with a large probability value of alpha ($0.7116 > 0.05$) with a $T_{\text{calculated}}$ that is smaller than the T_{table} ($0.370692 < 1.98793$). Thus, INST has no effect and is not significant on the integrity of financial reports.

The KMA coefficient value is 2.030468 with a probability value that is smaller than alpha ($0.0002 < 0.05$) with a $T_{\text{calculated}}$ that is greater than the T_{table} ($3.843650 > 1.98793$). So it can be concluded that KMA has a positive and significant effect on the integrity of financial reports. *The KI* coefficient value is 0.269700 with a probability value that is greater than alpha ($0.1364 > 0.05$) with a $T_{\text{calculated}}$ that is smaller than the T_{table} ($1.500691 < 1.98793$). Thus, *KI* has no effect and is not significant on the integrity of financial reports. The *DD* coefficient value is -0.470121 with a probability value greater than alpha ($0.1223 > 0.05$). With T_{count} ($-1.557547 < 1.98793$). Therefore, it can be concluded that *DD* has a negative and insignificant effect on the integrity of financial reports.

Panel Data Regression Analysis

Table 11
Panel Data Regression Estimation Results

<i>Variables</i>	<i>Coefficient</i>
C	-0.671267
INST	0.058383
KMA	2.030468
KI	0.269700
DD	-0.470121

Source: eviews data processing 9.2024

The Panel Data Regression Equation using the REM (*Random Effect Model*) model is as follows:

$$MBV_{it} = -0.671267 + 0.058383INST_{it} + 2.030468KMA_{it} + 0.269700KI_{it} - 0.470121DD_{it} + e$$

Based on the regression equation model above, it can be interpreted as follows:

1. The numbers in the Panel Data Regression equation are obtained from the variable coefficients. This constant value -0.671267 explains that if the independent variable is considered equal to zero (does not exist). So the dependent variable, namely the integrity of financial reports, will experience a constant decline with a value of -0.671267.



2. Institutional ownership coefficient (INST) 0.058383 indicates that every increase *in market to book value* of 1 unit will increase the integrity of financial reports by 0.058383 .
3. The audit committee coefficient (KMA) is 2.030468 , meaning that every increase *in the Audit Committee* by 1 unit will increase the financial report integrity variable by 2.030468.
4. Independent commissioner coefficient (KI) 0.269700 indicates that every 1 unit increase *in KI* will increase the financial report integrity variable by 0.269700.
5. The board of directors coefficient (DD) -0.470121 indicates that every 1 unit decrease *in DD* will cause a decrease in the integrity of the financial statements by - 0.470121.

Hypothesis test T test (t-test)

Table 12.
Hypothesis Testing

Variable	t-statistics	t-table	Prob	Alpha	Conclusion
Institutional Ownership (INST)	0.370692	1.98793	0.7116	0.05	H1 Rejected
Audit Committee (KMA)	3.843650	1.98793	0.0002	0.05	H2 Accepted
Independent Commissioner (KI)	1.500691	1.98793	0.1364	0.05	H3 Rejected
Board of Directors (DD)	-1.557547	1.98793	0.1223	0.05	H4 Rejected

Source: Eviews Data Processing 9,2024

Table 12 shows that for the institutional ownership variable using *Market to book value* (MBV), it is known that the calculated T number is lower than the T_{table} ($0.370692 < 1.98793$) or probability ($0.7116 > 0.05$), so the first hypothesis (H1) in the research must be rejected. Meanwhile, for the audit committee variable (KMA), the calculated T value shows a greater value than the T_{table} ($3.843650 > 1.98793$) or probability ($0.0002 < 0.05$), so the second hypothesis (H2) in the research can be accepted. The independent commissioner variable (KI) shows a calculated T value that is greater than the T_{table} ($1.500691 < 1.98793$) or probability ($0.1364 > 0.05$), so the third hypothesis (H3) can be rejected. Furthermore, the variable board of directors (DD) shows a calculated T value that is smaller than the T_{table} ($-1.557547 < 1.98793$) or probability ($0.1223 > 0.05$), so the fourth hypothesis (H4) can be rejected.

Discussion

The Effect of Institutional Ownership on the Integrity of Financial Reports

This research was conducted on 91 companies with 111 observation data from data obtained from the Indonesian Stock Exchange (BEI) during the 2018-2022 period. These data

were selected based on several predetermined criteria. Based on the results of the regression test on the institutional ownership variable (INST), a coefficient of 0.058383 was obtained with a probability of $0.7116 > 0.05$. Because the probability value is greater than the predetermined significance value, it can be concluded that institutional ownership (INST) has no effect and is not significant on the integrity of financial statements. From the estimation results obtained using the *Eviews 9* application, it can be concluded that the institutional ownership hypothesis (H1) which states that the relationship between institutional ownership and the integrity of financial reports does not have a significant relationship and significance is rejected.

The results of this study are not in line with previous research conducted by (Naysilla Anastasia et al., 2023) "Institutional ownership, audit committee, independent commissioner, board of directors and company size simultaneously or together influence the integrity of financial reports and their influence is positive.

The Influence of the Audit Committee on the Integrity of Financial Reports

The regression results on the audit committee variable show that the coefficient value is 2.030468. The probability of the test result is ($0.0002 < 0.05$). Because the probability value is smaller than the predetermined significance level, the audit committee (KMA) has a positive and significant influence on the integrity of financial reports.

The results of this research are in line with research conducted by (Pratika & Primasari, 2020) showing that the audit committee has a positive and significant effect on the integrity of financial reports. Where the internal audit committee has the ability to evaluate the success of the company's reporting and implementation procedures. This formation aims to help the board of commissioners keep them under supervision

The Influence of Independent Commissioners on the Integrity of Financial Reports

Based on the tests that have been carried out, it can be concluded that the third hypothesis states that the Independent Commissioner variable has no effect and not significant to the Integrity of Financial Statements, meaning because the probability value is smaller than the predetermined level of significance.

The results of this research are not in line with previous research conducted by (Yudiawan et al., 2022) which stated that independent commissioners have a positive and significant effect on the integrity of financial reports. According to research on the relationship between the composition of the board of commissioners and fraudulent financial reporting, companies that commit fraud have a much lower percentage of external commissioners compared to companies that do not commit fraud. In addition, because the board of commissioners guarantees the accuracy and transparency of financial reports, shareholders have the right to obtain quality information.

Then the results of this research are also not in line with previous research conducted by (Fauzyyah & Rachmawati, 2018) which stated that independent commissioners have a positive and significant effect on the integrity of financial reports. Because there is a body within the company that directly monitors and protects the rights of parties outside management, financial reports presented by independent commissioners tend to be more accurate.

The Influence of the Board of Directors on the Integrity of Financial Reports

Based on the results of the regression test on the board of directors (DD) variable, a coefficient value of -0.470121 was obtained with a probability of $0.1223 > 0.05$. Because the probability value is greater than the predetermined significance value, it can be concluded that the board of directors (DD) has a negative and insignificant effect on the integrity of financial reports.

The results of this research are not in line with previous research conducted by



(Ningsih et al., 2021) showing that the board of directors has a positive and significant effect on the integrity of financial reports. A significance level of 0.000, or less than 0.05, indicates this. The board of directors is fully responsible for the management of the company, and they have an important role in setting short-term and long-term policies. In accordance with the responsibilities and authority given to them, each member of the board of directors has the ability to carry out their duties and make decisions. In general, the integrity of a company's financial reports is higher if there are more board members.

Conclusion

The results of research on Institutional Ownership, audit committees, independent commissioners and boards of directors on the integrity of financial reports can be concluded as follows: (1) Institutional Ownership has no effect and is not significant on the Integrity of Financial Reports. (2) The Audit Committee has a positive and significant influence on the integrity of financial statements. (3) Independent Commissioners have no and no significant influence on the Integrity of Financial Reports. (4) The Board of Directors has a negative and insignificant effect on the Integrity of Financial Reports.

Suggestion

It is hoped that the research results can contribute to the integrity of financial statements. Company leaders should be careful in making decisions because this will not necessarily have a positive impact on the company, and additional measuring instruments used can also be done to get significant results and increasing the number of observations such as adding the latest year and using different objects can carried out by further researchers to obtain more accurate results.

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