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The Effect of Institutional Ownership, Managerial Ownership, Audit Committee, Audit Quality, and Audit Tenure on Financial Statement Integrity

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Abstract

Purpose: This study aims to examine the effect of institutional ownership, managerial ownership, audit committee, audit quality, and audit tenure on the integrity of financial statements. This type of research is quantitative research. The population in this study were manufacturing companies in the consumer goods sector listed on the IDX for the period 2019- 2022. The sampling technique used in this study was purposive sampling and the final result of the data sample was 38 data with a research period of 4 years, so that the sample used was 138 data. Data analysis methods using SPSS by testing multiple linear regression analysis methods. The test results and analysis of research data obtained the conclusion that the audit quality variable has a significant positive effect on the integrity of financial statements variable. While the variables of institutional ownership, managerial ownership, audit committee and audit tenuree have no significant effect on the integrity variable of financial statements.

Keywords: institutional ownership, managerial ownership, audit committee, audit quality, audit tenuree

Introduction Section

Financial Statements are reports that show the financial condition of a company at this time or in a certain period (Kasmir, 2019: 7). The financial statements present fairly the financial position, financial performance, and cash flows of the entity. This fair presentation requires a fair presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Basic Framework for the Preparation and Presentation of Financial Statements. In Statement of Financial Accounting Concepts (SFAC) No. 2 regarding Qualitative Characteristics of Accounting Information, there are two things that become the primary quality in financial statements, namely relevance and reliability. In order for the information in the financial statements to be relevant, the information must be timely. Meanwhile, to be reliable, information must meet several qualities, namely verification, accuracy of presentation, and neutrality.

Financial reports must be trusted and reliable to be able to provide confidence to users, one of which is to attract investor confidence. The intense competition between companies makes companies have to present their financial statements properly. The ongoing competition must be faced by each company, requiring parties related to the company, namely management, to apply creativity, moreover, business techniques to remain competitive in the market. Serious competition results in each company constantly strengthening its financial position. Capital increase is a way for companies to survive in the current world economy, so companies are trying to attract many investors to corporate funding activities (Emayanti, 2020: 25).

As stated in the Financial Accounting Standards (2017: 28) the purpose of f i n a n c i a l statements is to provide information regarding the financial position, performance, and changes in the financial position of an entity that is useful for most users of financial statements in making economic decisions. Financial statements also show what management has done (stewardship), or management's accountability for the resources entrusted to it. However, recently there have been many cases that contradict the purpose of financial statements, namely where many of the company's financial statements are presented not in accordance with the actual circumstances. In 2018, PT Garuda Indonesia (Persero) Tbk recorded a financial performance with a net profit of US $ 809 thousand or around Rp 11.33 billion. PT Garuda (Persero) Tbk was found guilty and sanctioned by several institutions such as the Ministry of Finance, the Financial Services Authority (OJK),

and the Indonesia Stock Exchange (IDX) for fraudulent revenue recognition in the financial statements in 2018 (Wiji Nurhayat, 2022).

In 2023, there was a case of financial statement manipulation carried out by PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA) which had the potential to reduce investor confidence in the credibility of the company on the Indonesia Stock Exchange. The manipulation of financial statements by PT Waskita Karya Tbk and PT Wijaya Karya Tbk was suspected when there was a discrepancy between the bills during the credit restructuring between the two companies. The revelation of this case occurred long after the financial statements of the two companies were posted on the stock exchange. The manipulation of financial statements that they did was to trick the books by hiding a pile of bills from vendors since 2016. These liabilities make the debt burden small and their financial condition seems healthy even though the two companies are experiencing financial difficulties. In 2020, PT Wijaya Karya Tbk is expected to achieve a net profit of around Rp322 billion, then decrease to Rp214 billion in the following year and decrease to Rp12.5 billion in 2022. Meanwhile, PT Waskita Karya Tbk recorded a decrease in net loss from Rp9.28 trillion in 2020 to Rp1.67 trillion in 2022 (Tempo Magazine, 2023).

The number of cases of manipulation of financial statements that occur causes the integrity of financial statements to be low. This will lead to distrust from users of financial statements and question the integrity of the financial statements presented. Based on the above case, it can be seen that the company shows weak integrity of financial statements by presenting engineered data. Financial reports as a tool for economic decision making must have high integrity so that there are no errors in decision making that can harm several parties.

Financial Statement Integrity is the presentation and disclosure of information in financial statements that contain accounting data that describes the true economic reality of a company and is disclosed honestly and nothing is hidden. (Intantoro et al, 2017). To produce financial statements with integrity, a concept is applied, namely accounting conservatism. The application of the concept of accounting conservatism is to anticipate future uncertainties for both incoming and outgoing money flows due to the use of the accrual basis in forming and presenting the company's financial statements (Savitri, 2016). Conservatism is a principle of prudence in recognizing assets and profits because economic and business activities are surrounded by uncertainty (Gayatri et al., 2013). Based on previous research, there are several factors that can affect the integrity of financial statements, including managerial ownership, audit committee, audit quality, and audit tenure.

The first factor that can affect the integrity of financial statements is institutional ownership, which is the proportion of shares measured by percentage and owned by institutions at the end of the year, (Nabela, 12: 2). Institutional ownership shows the percentage of shares owned by institutional owners and blockholder ownership, namely individual ownership on behalf of individuals above 5%, but not included in the insider ownership group, (Ismiyanti and Hanafi 2003 in Robertus, 2016: 77). Institutional ownership is thought to have a positive effect on the integrity of financial statements because it can avoid financial statement manipulation activities that can be carried out by companies to attract investor interest. In accordance with research conducted by (Tamara and Kartika, 2021) that institutional ownership has a significant positive effect on the integrity of financial statements. In research conducted and written by (Nabila and Fahmi, 2020) states that institutional ownership has no effect on the integrity of financial statements.

The second factor that can affect the integrity of financial statements is managerial ownership, which is a condition where the manager owns the company's shares or in other words the manager is also a shareholder of the company (Tarigan, 2016: 2). Managerial ownership is defined as the level of share ownership of management parties who actively participate in decision making, such as directors, management, and commissioners. Agency theory explains that management interests and shareholder interests may conflict. The difference in interests is a conflict that is usually called agency conflict. In accordance with research conducted by (Febriani, 2023), namely Managerial Ownership affects the Integrity of Financial Statements. In contrast to research written by (Solikah, 2019) that managerial ownership has no effect on the integrity of financial statements.

The third factor that can affect the Integrity of Financial Statements is the Audit Committee, which is a committee under the board of commissioners consisting of at least one independent commissioner and independent professionals from outside the company, whose responsibilities include helping auditors remain independent from management (Effendi, 2016). The implementation of the audit committee's task is to encourage the formation of an adequate form of management or in accordance with the principles of its obligations or responsibilities (Agoes, 2014). In accordance with the results of research from Febriani (2023) that the audit committee is related to and has an effect on financial reporting, because it ensures that the financial disclosures made by management are relevant to the company's financial condition. Meanwhile, research conducted by Astuti (2021) states that the audit committee has no effect on the integrity of financial statements because the existence of an audit committee is only limited to fulfilling regulations, but is not accompanied by effective performance. In addition, there is a tendency for the audit committee to not be able to show its independent position, this indicates the still large influence of executive power rather than the audit committee.

The fourth factor that can affect the integrity of financial statements is audit quality, which can be interpreted as a situation where an auditor will find and report violations. that exist in the client's accounting system (De Angelo, 1981). The audit quality indicator in this study uses the rationale from (Mathius Tandiontong, 2016: 73), namely audit quality is

the probability of an auditor finding and reporting an error or fraud that occurs in a client's accounting system, reflected in KAP commitment, independence, compliance with audit standards, audit control, auditor competence, auditor performance, acceptance and continuity of cooperation with clients, and due professional care. Audit quality is very important and useful for users of financial statements because the higher the quality of the audit that has been carried out by a public accountant, it will produce financial reports that can be trusted and can be used by interested parties both inside and outside the company to make decisions. The higher the audit quality can be an asset for the public to trust the audited finances and minimize concerns about financial scandals or fraud. In research written and conducted by Febriani (2023) audit quality has no effect on the integrity of financial statements. Meanwhile, according to research conducted and written by (Damayanti et al. (2023) states that Audit Quality has an effect on the Integrity of Financial Statements.

The fifth factor that can affect the Integrity of Financial Statements is Audit Tenure, which is the period of time of engagement between the auditor and the client as measured by the number of years. Audit tenure is associated with two constructs, namely auditor expertise and economic incentives (Hasanah et al., 2018). Judging from the competency factor, the longer the audit tenure can increase knowledge about industry-specific and client-specific information such as in terms of business processes, accounting systems, and internal controls, so that this knowledge can increase the auditor's competence to detect material misstatements in the financial statements (Johnson et al., 2002). According to research conducted by Ismail (2018), it reveals that audit tenure has no effect on the integration of financial statements. Meanwhile, in accordance with research conducted by Putri (2021) Audit Ttenure has a significant positive effect on the integrity of financial statements. The longer the audit engagement period with the company, the higher the integrity of the financial statements. Long audite tenure will encourage the creation of business knowledge for auditors. This knowledge can design for an effective audit program and create high quality financial reports.

Various inconsistencies in the results of the research previously described, the researcher adds the Audit Tenure variable on the grounds that the longer an auditor works with a client or company, the greater the formation of a good and close relationship. Auditors can prioritize long-term interests in clients or in a company. In this case the auditor may not choose to report a problem or error that may exist or be found in the audit.

Audit Tenure will encourage the creation of business knowledge in auditors and this knowledge can be used as a program for effective auditing and creating high quality financial reports. Audit Tenure can show the large and small scale of the Integrity of Financial Statements in the company. Based on this, this study aims to examine the effect of institutional ownership, managerial ownership, audit committee, audit quality, and audit tenure on the integrity of financial statements of consumer goods companies listed on the Indonesia Stock Exchange for the period 2019-2022.

2 Literature Review and Hypothesis Model

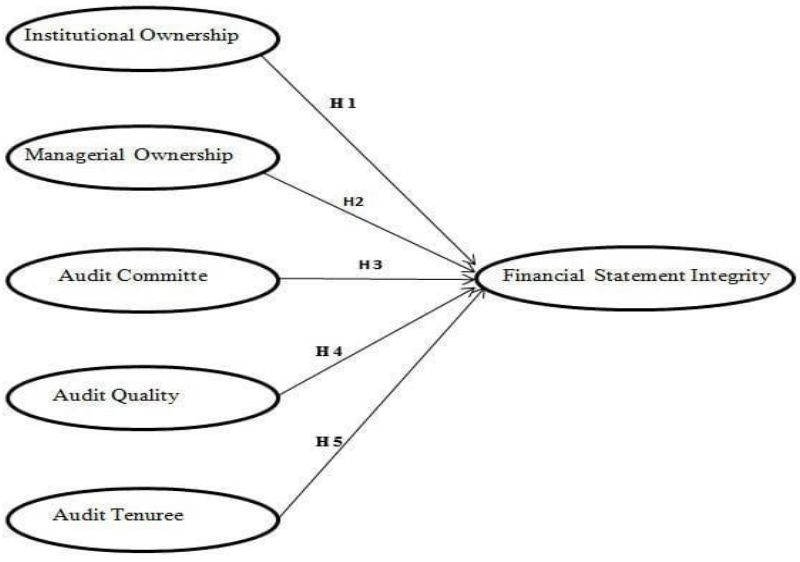

Figure 1. Conceptual model

1. The effect of Institutional Ownership on Financial Statement Integrity

Institutional ownership is the proportion of shares measured by percentage and owned by institutions at the end of the year, (Nabela, 12: 2). Institutional ownership shows the percentage of shares owned by institutional owners and blockholder ownership, namely individual ownership on behalf of individuals above 5%, but not included in the insider ownership group, (Ismiyanti and Hanafi 2003 in Robertus, 2016: 77). Ownership can affect the level of integrity in financial statements. This is because high institutional ownership will lead to greater supervisory efforts by institutional investors, so that it can prevent managers' opportunistic behavior (Kusumawati, 2011; 38).

Agency theory according to Jensen and Meckling (1976) states that the agency relationship is a contract between managers (agents) and investors (principals). Managers have an obligation to provide information disclosure through financial statements. Agency theory explains that management interests and shareholder interests may conflict. The difference in interests is a conflict that is usually called agency conflict. To minimize agency conflicts that occur between managers and shareholders, institutional ownership is very important. Because effective mechanisms and monitoring of every decision made by managers are considered capable by institutional investors.

Institutional ownership can also reduce agency costs by activating supervision through institutional investors. With the existence of ownership Institutional ownership can make companies increase more optimal supervision by management performance which will produce financial reports with good integrity and away from fraud or manipulation in the making of the company. Institutional ownership is thought to have a positive effect on the integrity of financial statements because it can avoid financial statement manipulation activities that can be carried out by companies to attract investor interest. In accordance with research conducted by (Tamara and Kartika, 2021) that institutional ownership has a significant positive effect on the integrity of financial statements. Based on the above statement, the hypothesis in this study is as follows :

H1 : Institutional Ownership has a positive effect on the Integrity of Financial Statements

2. The effect of Managerial Ownership on Financial Statement Integrity

Managerial Ownership is a condition where the manager owns the company's shares or in other words the manager is also a shareholder of the company (Tarigan, 2016: 2). Managerial ownership is defined as the level of share ownership of management parties who actively participate in decision making, such as directors, management, and commissioners.

Agency theory explains that management interests and shareholder interests may conflict. The difference in interests is a conflict that is usually called agency conflict. The greater the level of managerial share ownership in the company, the lower the agency conflict, because managers will be more productive in increasing company value. The party that acts more to manage and make company decisions is management, and shares are only for supervision in order to control their investment. Management will directly feel the consequences of every decision made by the management itself because it owns company shares. Thus, management will be more careful in making decisions or acting.

So it can be concluded that there is a positive relationship between managerial ownership and the integrity of financial statements. This is because the existence of managerial ownership in the company can help reduce agency problems and can align the interests between managers and shareholders. Because of the greater share ownership by managers, the greater the responsibility of managers in managing the company, including in the practice of managing financial statements. In research conducted by (Febriani, 2023) states that Managerial Ownership has a positive effect on Financial Statement Integrity. Based on the above statement, the hypothesis in this study is as follows: H1: Managerial Ownership has a positive effect on Financial Statement Integrity

3. The effect of Audit Committee on Financial Statement Integrity

The Audit Committee is a committee under the board of commissioners consisting of at least one independent commissioner and independent professionals from outside the company, who are responsible for overseeing the audit process.

Responsibilities include helping auditors remain independent of management (Effendi, 2016). The implementation of the audit committee's duties is to encourage the creation of an adequate form of management or in accordance with the principles of its obligations or responsibilities (Agoes, 2014).

The Audit Committee is chaired by the Board of Commissioners and has a minimum of three members from the Board of Commissioners and outside the public company. The term of office of the Audit Committee members shall not be longer than the term of office of the Independent Board of Commissioners, as stipulated in the Articles of Association and may be re-elected only for one subsequent period.

Agency theory according to Jensen and Meckling (1976) states that the agency relationship is a contract between managers (agents) and investors (principals). Managers have an obligation to provide information disclosure through financial statements. Agency theory explains that management interests and shareholder interests may conflict. The difference in interests is a conflict that is usually called agency conflict. The Audit Committee can play a role in minimizing agency conflicts that occur between managers and shareholders. This is because the audit committee is responsible for overseeing the external & internal control system as well as for overseeing financial reports. In maintaining the credibility of financial statements, the role of the auidit committee is very important. Because the audit committee maintains an adequate

company supervision system and implements good corporate governance. In accordance with research conducted by (Febriani, 2023), namely the audit committee has an effect on the integrity of financial statements. Based on the following statement, the hypothesis in this study is: H3 : The Audit Committee has a positive effect on the Integrity of Financial Statements

4. The effect of Audit Quality on Financial Statement Integrity

Audit quality is a condition in which an auditor will find and report violations that exist in his client's accounting system (De Angelo, 1981). Audit quality reputation is related to the auditor's reputation. Auditor reputation is the level of client or public trust in the big name that the auditor has.

Clients usually assume that auditors who come from KAP or work with international KAP have good quality auditors. Because these auditors have characteristics such as international training and recognition. The company will look for a KAP with high credibility to increase the credibility of financial statements in the eyes of users of these financial statements (Hardiningsih, 2010).

Audit quality is very important because high audit quality will produce financial reports that can be trusted as a basis for decision making (Hardiningsih, 2010). Audit quality is very important and useful for users of financial statements because the higher the quality of audits that have been carried out by public accountants, the more reliable the financial statements will be and can be used by interested parties both inside and outside the company to make decisions. The higher the quality of the audit can be an asset for the public to trust on audited finances and minimize concerns about financial scandals or fraud. In accordance with research conducted by (Damayanti et al, 2023), namely Audit Quality affects the Integrity of Financial Statements. Based on this statement, it can be concluded that the hypothesis in this study is:

H4 : Audit quality has a positive effect on the integrity of financial statements

5. The effect of Audit Tenure on Financial Statement Integrity

Audit Tenure is the period of time of engagement between the auditor and the client as measured by the number of years. Audit tenure is associated with two constructs, namely auditor expertise and economic incentives (Hasanah & Putri, 2018). Judging from the competency factor, the longer the audit tenure can increase knowledge about industry-specific and client-specific information such as in terms of business processes, accounting systems, and internal controls, so that this knowledge can increase the auditor's competence to detect material misstatements in the financial statements (Johnson et al., 2002).

A long working relationship between KAP and the client has the potential to negatively affect the level of independence possessed by the auditor, so that the auditor is unable to disclose violations or material misstatements contained in the client's financial statements (Al Thuneibat et al, 2011). In addition, what can create an emotional relationship between KAP and clients is tenure or employment contracts. Several problems arise due to the long tenure between clients and KAP.

So the government issued regulations governing the auditor's engagement period with clients which are expected to provide confidence to the public in the audit of financial statements. Increased objectivity of auditor performance in terms of assessing the conformity between financial statements and the company due to the short tenure period of the audit. In order for the data to be presented properly in the financial statements, public auditor services are needed in the company so as not to cause things that are wrong in every decision making. In accordance with research conducted (Putri, 2021) that Audit Tenuree affects the Integrity of Financial Statements. Based on this statement, it can be seen that the hypothesis in this study is:

H5 : Audit Tenuree has a positive effect on the Integrity of Financial Statements

3. Metodology

This type of research is quantitative research by analyzing the hypotheses formulated previously. This research is quantitative research and includes a causal study. In causal studies researchers are interested in explaining one or more factors that cause problems. In other words, the researcher's intention to conduct a causal study is to be able to state that variable X causes variable Y. The type of data used in this study is secondary data with information obtained indirectly from a company (Indriantoro & Supomo, 2016). The object of research is Manufacturing Companies Listed on the IDX Period 2019-2022. The data analyzed were 127 companies. The data source of this research comes from the official IDX website (www.idx.co.id).

The data analysis technique used in this research is Multiple Linear Regression Analysis. For research that has more than one independent variable, it is necessary to use multiple linear regression. According to (Ghozali, 2018) multiple linear analysis is used to determine the direction and how much influence the independent variable has on the dependent variable. The results of multiple linear regression analysis will test how much influence institutional ownership, managerial ownership, audit committee, audit quality, and audit tenure have on the integrity of financial statements.

4. Result And Discusions Result

The analysis used in this study includes descriptive statistical analysis, classical assumption test, model accuracy test, and hypothesis testing using multiple linear regression analysis.

Table 1. Statistical Descriptive Analysis
Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
KI	127	.0000	.9250	.591276	.2711771
KM	127	.0000	.8447	.095300	.2053560
KA	127	3,00	11,00	4,4567	1,34964
KUA	127	,00	1,00	,3071	,46311
AT	127	1,00	4,00	2,4016	1,10741
ILK	127	-.33	6.84	2,1859	1.62674

Source: Processed sekunder data (2024)

The results of descriptive statistical analysis on the Financial Statement Integrity variable as measured by the stock market price divided by the book value of the shares show a minimum value of -0.33 and a maximum value of 6.84. The average value is 2.185, which means that the average stock market price divided by the book value of shares in the company in 2019-2022 is 2.185% with a standard deviation of 1.626. The Institutional Ownership variable has an average value of 0.591, which means that 59.1% of outstanding shares are owned by institutions 0.271. The results of the descriptive statistical test analysis on the Managerial Ownership variable have an average value of 0.0953, which means that 9.53% is owned by commissioners and directors with a standard deviation of 0.205. The Audit Committee variable shows the average value of the audit committee of 4.456, which means that the average number of audit committees is 45 people in each company. The results of the analysis on the Audit Quality variable using dummy variable measurement which shows an average value of 0.307 illustrates that 30.7% of the 38 companies use the services of KAP Big Four with a standard deviation of 0.46. The results of the descriptive statistical test analysis on the Audit Tenuree variable use the measurement of the auditor's engagement period with the client which shows a minimum value of 1 and a maximum value of 4 which can be explained that the length of time the company uses the same KAP services for 4 years. The average value of 2.401 means that the length of the engagement is 2 years and 4 months with a standard deviation of 1.107.

Table 2.
Multicolonierity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	**(Constant)**		
	KI	,526	1,901
	KM	,498	2,007
	KA	,982	1,019
	KUA	,909	1,100
	AT	,998	1,002

Source : Processed sekunder data (2024)

From the test results above, it can be seen that all variables have a Tolerance value> 0.1 and a VIF value < 10, it can be concluded that there is no multicolonierity in this regression model.

Tabel 3.
Hateroscedasticity Test Results

			KI	KM	KA	KUA	AT
Spearman's rho	**KI**	*Correlation Coefficients*	1,000	-,644	,020	,243	,030
		Sig. (2-tailed)	.	,000	,812	,004	,727
		N	138	138	138	138	138
	KM	*Correlation Coefficients*	-,644	1,000	-,088	-,334	,012
		Sig. (2-tailed)	,000	.	,306	,000	,885
		N	138	138	138	138	138
	KA	*Correlation Coefficients*	,020	-,088	1,000	,000	-,024
		Sig. (2-tailed)	,812	,306	.	,863	,469
		N	138	138	138	138	138
	KUA	*Correlation Coefficients*	,243	-,334	,015	1,000	,000
		Sig. (2-tailed)	,004	,000	,863	.	,998
		N	138	138	138	138	138
	AT	*Correlation Coefficients*	,030	,012	-,062	,000	1,000
		Sig. (2-tailed	,727	,885	,469	,998	-

Source : Processed sekunder data (2024)

Based on the test results, it can be seen that the significant value of each variable has a value> 0.05. It can be concluded that this regression model does not occur symptoms of hateroscedasticity.

Tabel 4.
Autocorelations Test

Result	**Durbin-Watson**
Model	
1	2,453

Source : Processed sekunder data (2024)

Based on the test results above, it is known that the Durbin Watson value is 2.453, which means that the Durbin Watson value is between 5 so it can be concluded that there is no autocorrelation in this study.

Tabel 5.
F Test Results

Model		Sum of Square	df	Mean Square	F	Sig
1	**Regression**	17,170	5	3,434	2,607	0,28
	Residuals	173,885	132	1,317		
	Total	191,055	137			

Source : Processed sekunder data (2024)

Based on the results of the F test above, it can be seen that the significant value is a value of 0.028 which means <0.005. So it can be concluded that the Variables of Institutional Ownership, Managerial Ownership, Audit Committee, Audit Quality, Audit Tenuree simultaneously affect the Financial Statement Integrity Variable.

Tabel 6.
Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	,300	,090	,055	1.14774

Source : Processed sekunder data (2024)

The results of the coefficient of determination show the Adjusted R Square value of 0.055 or 5.5%, which means that the dependent variable can be explained by the independent variables of Institutional Ownership, Managerial Ownership, Audit Committee, Audit Quality, Audit Tenuree by 5.5%. Meanwhile, 94.5% can be explained by other variables not included in this study.

Tabel 7.
Hypothesis Test Results

		Unstandarized Coefficients		Standarized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig**
1	**(Constant)**	1,280	,517		2,475	,015
	KI	,172	,493	,040	,349	,728
	KM	,711	,668	,125	1,065	,289
	KA	-,053	,064	-,069	-,826	,410
	KUA	,748	,213	,305	3,507	,001
	AT	,040	,087	,038	,456	,649

Source : Processed sekunder data (2024)

Based on this table, the test results of each variable can be explained as follows:

1. The Institutional Ownership variable has a significance value of 0.728 with a positive beta value of 0.172. The significant value of the variable is greater than 0.05, so it can be concluded that the Institutional Ownership variable does not have a significant effect on the Financial Statement Integrity variable.
2. The Managerial Ownership variable has a significance value of 0.289 with a positive beta value of 0.711. The significant value of the variable is greater than 0.05, it can be concluded that the Managerial Ownership variable has no significant effect on the Financial Statement Integrity variable.
3. The Audit Committee variable has a significance value of 0.410 with a negative beta value of 0.053. The significant value of the variable is greater than 0.05, it can be concluded that the Audit Committee variable has no significant effect on the Financial Statement Integrity variable.
4. The Audit Quality variable has a significance value of 0.001 with a positive beta value of 0 .748. The significant value of the variable is less than 0.05, it can be summarized as follows It is concluded that the Audit Quality variable has a significant positive effect on the Financial Statement Integrity variable.
5. The Audit Tenuree variable has a significance value of 0.649 with a positive beta value of 0.040. The significant value of the variable is more than more than 0.05, it can be concluded that the Audit Tenuree variable does not have a significant effect on the Financial Statement Integrity variable.

Discussion

1. The Effect of Institutional Ownership on Financial Statement Integrity

   The results of the Institutional Ownership test analysis have a significance value of 0.728. This value is greater than 0.05, so the hypothesis (H1) is rejected. These results indicate that the Institutional Ownership variable has no significant effect on the Integrity of Financial Statements. The results of the data analysis in this study are not in line with research conducted by (Febriani, 2023), but in line with research conducted by (Nabila & Fahmi, 2020). Institutional Ownership or the first hypothesis (H1) has no effect on the Integrity of Financial Statements because t h e high percentage of share ownership owned by institutional parties makes the integrity of financial statements low due to the interest of management in the shares invested by institutional parties with a large enough percentage, so that management has the right to regulate the preparation of financial statements and cause management to manipulate company profits.

   The reason for the lack of effect of institutional ownership on the integrity of financial statements is due to the high ownership owned by companies that have a small number of shares. Thus, the number of share ownership owned by the company is large, but the actual institutional owners are not owners who have influence in determining decision- making policies. With so much ownership owned by minorities who have no influence in determining decision-making policies, institutional ownership cannot affect the integrity of financial statements. In accordance with research conducted by (Damayanti, 2018) and (Badewin, 2019) that institutional ownership has no significant effect on the integrity of financial statements
2. The Effect of Managerial Ownership on Fianancial Statement Integrity

   Testing the effect of Managerial Ownership on the integrity of financial statements has a significance value of 0.289. This value is greater than 0.05, so the hypothesis (H2) is rejected. These results indicate that the Managerial Ownership variable has no significant effect on the Integrity of Financial Statements. The results of data analysis in this study contradict research conducted by (Febriani, 2023), but are in line with research conducted by (Solikah, 2019). Managerial Ownership or the second hypothesis (H2) has no effect on the Integrity of Financial Statements because the shares owned by the management are not strong enough to provide rights in decision making, and if the percentage of share ownership from management is too high it can weaken the Integrity of Financial Statements because it risks manipulation in making financial statements.

   The reason why managerial ownership has no effect on the integrity of financial statements is because personal ownership by managers is not sufficient to provide rights in decision making. Because the proportion of ownership or shares owned by managers is small. Thus, it can be concluded that managerial ownership has no effect on the integrity of financial statements because the large or small amount of managerial ownership does not affect the integrity of financial statements (Ismail, 2018). In accordance with research conducted by (Siahan, 2018) that managerial ownership has no effect on the integrity of financial statements.
3. The Effect of Audit Committe on Financial Statement Integrity

   The result of the third hypothesis (H3) in this study is the effect of the audit committee on the integrity of financial statements. The Audit Committee is measured by the number of audit committee members (Aulia, 2019). The results of the Audit Committee test analysis have a significance value of 0.410 which is greater than 0.05. So the hypothesis (H3) is rejected and these results indicate that the Audit Committee variable has no significant effect on the Integrity of Financial Statements. The results of data analysis in this study contradict research conducted

by (Febriani, 2023), but are in line with research conducted by (Astuti, 2021). The Audit Committee has no effect on the Integrity of Financial Statements because the audit committee is responsible for the independent commissioner, so the audit committee only helps complete the duties of the independent commissioner and cannot make decisions related to the integrity of the financial statements. In addition, the audit committee is only limited to fulfilling regulations, but is not accompanied by effective performance, there is a tendency for the audit committee to not be able to show its independent position, this indicates the still greater influence of executive power than the audit committee.

The existence of an audit committee is considered to lack transparency in the disclosure of financial statement information and has not been able to maximize its function, namely to ensure that the financial statements are presented fairly in accordance with generally accepted accounting principles. Because the audit committee only reviews the financial information that will be published by the company. The results of this study are consistent with research conducted by (Sukanto and Widaryanti, 2018) and (Setyarini, 2019) which prove that the audit committee has no effect on the integrity of financial statements.

4. The Effect of Audit Quality on Financial Statement Integrity

The results of the test analysis of the fourth hypothesis (H4) show that Audit Quality has a significance value of 0.001 which is smaller than 0.05. Then the hypothesis (H4) is accepted, and these results indicate that the Audit Quality variable has a significant effect on the Integrity of Financial Statements.

The results of data analysis in this study are in line with research conducted by (Damayanti et al, 2023). Audit quality is very important and useful for users of financial statements because the higher the quality of audits that have been carried out by public accountants, the more reliable the financial statements will be and can be used by interested parties both inside and outside the company to make decisions. The higher the audit quality can be an asset for the public to trust the audited finances and minimize concerns about financial scandals or fraud. If the audit quality is greater, the integrity of the report financial integrity will be higher. Audit quality affects the integrity of financial statements, this condition occurs because ROA (Return of Asset) is included in the benchmark where the auditor does not give the company the opportunity to increase profits or the auditor does not give the company the opportunity to increase losses, so the audit quality is considered high. Audit quality affects the integrity of financial statements because, companies that use affiliated KAP services can improve the integrity of financial statements. This may be indicated by factors where the KAP that audits a company is affiliated or cooperates, so the company will be careful in preparing good financial reports, this statement is in line with research conducted by (Siswanto, 2020).

5. The Effect of the Audit Tenuree of Financial Statement Integrity

The fifth hypothesis (H5) in this study is the effect of Audit Tenure on the integrity of financial statements. Audit tenure is measured using the auditor's engagement period with the client (Arif & Edwin, 2023). The results of the Audit Tenuree test analysis have a significance value of 0.649 which is greater than 0.05. Then the hypothesis (H5) is rejected, and these results indicate that the Audit Tenuree variable has no significant effect on the Integrity of Financial Statements.

The results of data analysis in this study are not in line with research conducted by (Putri, 2021). However, this research is in line with research conducted by (Ismail, 2018). Audit Tenuree or the fifth hypothesis (H5) has no effect on Financial Statement Integrity because an increase in Audit Tenuree will reduce auditor skepticism so that the audit quality of an auditor will also reduce the integrity of the resulting financial statements. In addition, the length of the KAP assignment period is not because the KAP can provide constructive advice to management which in turn can improve company performance. The selection of KAP changes is only limited to proximity and selection of KAP based on the costs offered by KAP, increasing tenure at KAP can lead to a decrease in the integrity of financial statements.

Audit tenuree has no effect on the integrity of financial statements because the short or long auitor engagement period between KAP and the client company does not affect the implementation of the audit carried out on the client's financial statements. The results of this study are supported by research conducted by (Astri, 2019) where audit tenuree has no effect on the integrity of financial statements because the presence of external auditors cannot supervise and assess management policies in preparing financial statements.

Conclusion and Suggestions

Based on the test results and analysis of research data, it is concluded that the audit quality variable has a significant effect on the integrity of financial statements variable. Meanwhile, the variables of institutional ownership, managerial ownership, committee audit, and audit tenure do not have a significant effect on the financial statement integrity variable.

This study still has limitations, so there are still things that need to be considered for future researchers. The limitations in this study are the Adjusted R Square value of 0.055 or 5.5%, which means that there are 94.5% independent variables that are not included or explained in this study that affect the integrity of financial

statements and the authors only analyze five factors that affect the integrity of financial statements (institutional ownership, managerial ownership, audit committee, audit quality, and audit tenure).

Based on the conclusions and limitations above, the researchers provide suggestions, namely for further researchers to expand their research in skills on other variables that are factors that affect the Integrity of Financial Statements in addition to the variables of Institutional Ownership, Managerial Ownership, Audit Committee, Audit Quality, and Audit Tenure. further research is expected to expand the sample and data population in other groups of companies listed on the Indonesia Stock Exchange besides Manufacturing Companies and further research can extend the research period so that the results obtained are more accurate

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