International Journal for Multidisciplinary Research (IJFMR)

E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

The Effect of Ownership Structure, Audit Brand Name and AuditTenure on the Integrity of Financial Reports with Firm Size as a Moderating Variable

Sukron Dawami[1*], Muhyarsyah[2]

[1,2]Faculty of Economics & Business, Mercu Buana University, Jakarta, Indonesia

* sukron.dawami@gmail.com

Abstract

The objective of this research was to investigate the main factors that influence the integrity of financial reports for LQ45 companies that were listed on the Indonesia Stock Exchange between 2017 and 2019. The enormous number of organizations that have controlled monetary report data has manipulated in budget summaries which impacted on diminishing public trust, particularly investors and outside clients of budget summaries, this was because of information asymmetry among the board and pariahs utilizing budget reports which led to opportunistic behavior from the executives and stakeholders.Data for this research was obtained from the company's annual and financial reports on the Indonesian Stock Exchange (IDX) website. This research used samples from 29 LQ45 companies that were listed on the IDX between 2017 and 2019, totaling 87 samples. The purposive sampling method was used in this research. The IBM SPSS version 25-based analytical tool used to examine the hypothesis.

The results of this research indicated that institutional ownership and brand name audits affected on the integrity of financial reports, while managerial ownership and tenure audits had no effect on the integrity of financial statements. In addition, firm size is not able to moderate all independent variables;Managerial ownership, institutional ownership, brand name audits and tenure audits on the integrity of financial statements. This research is expected to be able to contribute in determining the policies of users of financial statements as well as being a reference for further research development. Companies need to further improve the integrity of financial reports as a policy fundamental and as a form of information transparency for companies and other stakeholders.

Keywords: Integrity of financial reports, ownership by managers and institutions, brand name audit, tenure audit, and firm size.

Introduction

In today's business world, financial reports are used to communicate financial information to parties outside the company, both domestically and internationally. In Indonesia, investors invest their shares in stocks by viewing audited financial reports, indicating the importance of credibility in financial reports as a source of financial information.Every company in Indonesia is obliged to prepare financial reports in accordance with the applicable Financial Accounting Standards. Hanafi & Halim, (2018) said financial reports are used to obtain financial information as a basis for decision-making. The financial information contained in financial reports provides useful information for investors, creditors, and other users of financial statements to make an investment, business expansion, and other business continuity policies now and in the future. Financial reports reflect a company's reputation in terms of good and bad financial management in a company; if financial reports provide quality and integrity financial information, investors, creditors, and other users will view the company favorably.

Cases of financial report manipulation have been discovered both in Indonesia and abroad, indicating that there are still many financial reports that lack integrity. The integrity of the financial statements of an Indonesian pride airline, PT. Garuda Indonesia Tbk is one example of a case of financial report manipulation in Indonesia. In 2018. Since it was proven that there was a violation related to financial reports and annual financial reports, the Financial Services Authority (OJK) and the Ministry of Finance imposed sanctions on PT Garuda Indonesia Tbk and the Public Accounting Firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang & Rekan (Pratiwi, 2019). Other financial report manipulation cases were also carried out by PT. Hanson International, Tbk, which has been listed on the Indonesia Stock Exchange as one of the LQ45 companies since 2016 and has been proven to have manipulated the 2016 financial statements. PT. Hanson International Tbk was found to have manipulated the presentation of financial statements related to the sale of ready-to-build plots (KASIBA) with a gross value of IDR 732 billion, significantly increasing the company's revenue. The presentation of these financial statements does not comply with Indonesian Accounting Standard (PSAK) number 44 on accounting for real estate development activities, which requires PT. Hanson International Tbk to recognize revenue using the full accrual method. (Idris, 2020)

From these cases, it can be concluded that there are still many manipulation cases of financial statements which indicate the importance of the integrity of financial reports as a fundamental source of information in determining policies that give rise to conflicts of interest between principals and agents. Many factors influence financial statement integrity, including ownership structure, auditing public accounting firms, audit engagement period, company size, and so on. Starting with managerial ownership,(Smulowitz et al., 2019) state that managerial ownership can be a solution to overcoming agency conflicts by aligning management and shareholder interests. Company shares with an adequate percentage of managerial ownership tend to have greater responsibility in running the company, making the best policies for the company's progress, and presenting financial reports with information that can be accounted for to produce high-integrity financial reports. The term "responsibility" refers to the act of determining whether or not a person is responsible for his or her own actions. The high level of institutional ownership, the greater the level of managerial supervision thereby reducing conflicts of interest between management (agents) and shareholders (owners) institutional investors can reduce debt costs by reducing agency problems, thus reducing opportunities for tax evasion, which is one example financial integrity(Fadhilah, 2014).

The integrity of financial statements is also influenced by audit quality, good audit quality is usually produced by public accounting firms with a good reputation and brand, so audit quality depends on the audit brand name used. The higher the quality of the audit, the higher the level of financial statement integrity. Audit quality is an important factor for users of financial statements because it produces credible financial reports that can be used as a basis for policymakers and decision-making.

Audit quality is directly related to the reputation of the public accounting firm, with the measurement indicator for the reputation of a public accounting firm being the number of clients. A large public accounting firm that has a good reputation and brand is the one with a larger and more diverse number of clients(Kamel et al., 2010). In addition to audit brand name which reflect audit quality which can affect the integrity of financial statements, the audit engagement period or what is commonly called audit tenure is also a factor affecting the integrity of financial statements because it will disrupt the independence of the auditor. An issue that arises as a result of the lengthy tenure audit is the issue of auditor independence(Al-Thuneibat et al., 2011)

This research examined the ownership structure proxied in 2 (two) proxies; Managerial ownership and institutional ownership and include firm size as a moderating variable. The more complex a company, the larger it usually maintains its reputation in the eyes of the public and investors, so it tends to maintain the quality and integrity of its financial reports. This research is necessary due to the aforementioned phenomena and the inconsistency of previous research results. This study focused on the integrity of financial reports in companies, particularly in LQ45 companies, and included firm size as a moderating variable as a form of research development and comparison of results with previous research.

Literature Review

Definition of Agency Theory

(Jensen & Meckling, 1976)argued that the relationship between two or more parties who have different interests is related to the operations and management of the company. There are two types of agency relationships: management and shareholders and management and lenders (bondholders). The agency relationship is defined as a contract when one or more people (principal) order and involve another person (agent) to provide services on the principal's behalf and authorize the agent to make decisions on the principal's behalf. Differences in interests frequently lead to the manipulation of information, particularly financial information, resulting in a reduction in the integrity of financial reports; additionally, the road to financial statement manipulation becomes increasingly wide open when management has broad access.

Definition of Financial Report Integrity

According to(Dewi & Putra, 2016) stated in Statement of Financial Accounting Concepts (SFAC) No. 1 the definition of high integrity financial reports is that financial reports can be said to have integrity if the financial statements meet quality with one of the characteristics that become the criteria of International Financial Reporting Standards (IFRS), namely honesty and trustworthiness (faithful representation) and must also be free of material error (free of fudge).

Definition of Managerial Ownership

According to (Jensen & Meckling, 1976), managerial ownership can be used to overcome manager agency problems by integrating the interests of managers and shareholders. Managerial ownership is a comparison of managerial share ownership to an entity's total number of outstanding shares. High managerial share ownership can make managers directly feel the benefits of economic policies and decisions, as well as the risks associated with poor decision-making and policy formulation.

Definition of Institutional Ownership

The percentage of a company's share ownership held by other companies, the government, institutions, or entities both within and outside the country is referred to as institutional ownership. The role of institutional ownership in controlling more effective management performance is significant. According to(Agustia, 2017), institutional ownership is the ratio of institutional ownership to the number of outstanding shares of a company.

Definition of Audit Brand Name

In general, clients select public accounting firms with a positive brand and reputation to improve the quality of financial reports(Darmiari & Ulupui, 2014). The majority of public accounting firms choose to affiliate with foreign public accounting firms (KAPA) or foreign audit organizations (OAA), to increase brand name auditing and attract prospective clients. Local brand name audits affiliated with KAPA or OAA is considered to have standard quality, experience, and expertise as well as a larger and more diverse number of clients compared to brand name audits that are not affiliated with foreigners(Sari, 2013).

Definition of Audit Tenure

The audit engagement period, also known as audit tenure, is the time spent by a public accounting firm (KAP) and a client on agreed-upon audit services. It can also be interpreted as a period of relationship between the auditor and the client(Ardani, 2017). An audit engagement period that is too short can result in a lack of specific exploration of the client's business processes, resulting in low audit quality and even a lack of comprehensiveness, whereas an audit engagement period that is too long can result in reduced independence and objectivity of the auditor due to excessive closeness between the two parties(Nuraini, 2014).

Definition of Firm Size

(Adawiyah & Setiyawati, 2019)define company size as total assets, total sales, and average sales. The bigger the company, the greater its total assets, sales, and market capitalization. Big corporations are more trusted by investors. This indicates that a big company is thought to be capable of driving an increase in the company's performance and improving the quality of its earnings in order to carry out sustainable business expansion in accordance with investor goals.

Conceptual Framework

The Influence of Managerial Ownership on Financial Reports Integrity

Companies that have a managerial ownership composition will tend to make the best contribution and be more responsible for managing the company, making the best policies and decisions for the prosperity of the company, and submitting financial reports with neutral and as-is information so that they have high financial report integrity. According to the findings of Wulandari, (2014), Saksakotama & Cahyonowati, (2014), Dewi & Putra, (2016), andVerya, (2017)research, managerial ownership has a positive effect on the integrity of financial reports.

H1: There is an influence of managerial ownership on the financial report integrity

The Influence of Institutional Ownership on the Integrity of Financial Reports

Institutions that own a company play an important role in its management, particularly in terms of supervision. Monitoring actions taken by institutional investors can encourage managers to improve company performance, reducing opportunistic behavior; this action is a preventative measure against submitting financial reports that lack integrity. According to the findings of Astinia, (2013), Fajaryani, (2015)andDewi & Putra, (2016)institutional ownership has a positive effect on financial statement integrity.

H2: There is an influence of financial report integrity on the institutional ownership.

The Influence of Audit Brand Name Audit on Financial Report Integrity

As a company fundamental in making policies and making decisions both in the short and long term, a Public Accounting Firm (KAP) with a good brand and reputation tends to produce credible financial reports. Brand name audit is closely related to the size and reputation of the KAP itself, namely the number of clients of the KAP. The larger the KAP with a good brand and reputation, the more and more diverse the clients(Tarihoran & Budiono, 2016). Research results showing that brand name audits have a positive effect on the integrity of financial statements have been carried out byNurjannah & Pratomo, (2014) and Priharta, (2017)

H3: There is an influence of audit brand name on the financial report integrity

The Influence of Tenure Audit on the Financial Report Integrity

The length of the audit engagement period will have positive and negative impacts on the company, one of the positive impacts is that the longer the audit engagement period, the more the auditor's expertise regarding the client's business processes increases so that it can be used to design more effective audit procedures and the audit process can be completed in time, which is shorter. However, on the negative side, it will interfere with the auditor's independence and objectivity in conducting an audit of the client, reducing the financial report integrity. Research results showing that tenure audits have an effect on the financial reports integrity have been carried out by Saksakotama & Cahyonowati, (2014)andQoyyimah et al., (2017).

H4: There is an influence of tenure audits on the financial report integrity

The Influence of Managerial Ownership, Institutional Ownership, Audit Brand Name and Audit Tenure on the Financial Report Integrity Moderated by Firm Size

Managers in companies usually have share ownership where they work, especially in big companies, since they want to contribute to the companies in which they own shares in addition to investing in them. Furthermore, managers who own stock in the company where they work tend to be more professional and take on more responsibility in managing the company, developing the best policies for the company's growth, and submitting credible financial reports with high integrity. Big companies are sought after by both institutional and individual investors, including company executives since they provide guaranteed business continuity. With a large number of institutional investors in a company, supervision of other investors such as managerial ranks and other groups becomes tighter and higher, making managers work in accordance with good and correct company standards and avoiding opportunities to manipulate financial information, thereby increasing the financial report integrity.

Relatively big companies usually choose a public accounting firm (KAP) with a good brand and reputation to ensure the quality of its financial reports. This is because the bigger the company, the greater the complexity of the company, necessitating the use of an accounting firm with extensive experience and a good reputation. According to (Adhitya, 2018), big companies will also use a large KAP to improve the company's reputation and image in the eyes of investors and other users of financial reports, as well as to present credible and integrity financial reports(Adhitya, 2018). In addition to brand name or KAP reputation audits, companies must also consider the audit engagement period. A long audit tenure, or audit engagement period, can disrupt the auditor's independence in auditing financial statements and create opportunities for dishonesty in conveying information and financial reports. Particularly in big companies with high transaction complexity. The bigger a company, the more complex it will be, both in terms of operations and in terms of recording transactions that are closely related to financial statements, so it takes longer for the auditor to design audit procedures and study the company's business processes, causing companies to be hesitant to change public accounting firms.

H5: Firm size can moderate managerial ownership on the financial reportintegrity.
H6: Firm size can moderate institutional ownership on the financial reportintegrity.
H7: Firm size can moderate audit brand name on the financial reportintegrity.
H8: Firm size can moderate audittenure on the financial reportintegrity.

Research Method

This research was a causal study aimed to test the hypothesis of variable influence, specifically the effect of the independent variables on the dependent variable. This was secondary research, which means that the data was obtained through a second or intermediary source rather than a direct source. The population of this research consisted of 89 LQ45 companies listed on the Indonesia Stock Exchange between 2017 and 2019. The reason for using LQ45 companies in this research was that the companies listed in LQ45 were not limited to a single company sector, but rather represent a diverse range of the most liquid company sectors.The sampling technique was carried out using purposive sampling to obtaina representative sample according to predetermined criteria as follows:

(1) LQ45 companies listed consecutively on the Indonesia Stock Exchange in 2017-2019.
(2) The company was consistently listed as an LQ45 company
(3) LQ45 non-banking company listed on the Indonesia Stock Exchange (IDX) from 1 January 2017 to 31 December 2019.
(4) Companies that present financial reports using the rupiah currency.

The criteria that require LQ45 banking companies to be eliminated from the list of LQ45 companies in this study are becauseresearchers use the conservatism index formula to measure the integrity of financial statements in the operationalization of variables, and the formula requires accounts receivable and accounts payable figures.

Table 1: Variable Operationalization

Variable	Initial	Indicator	Source
Financial Report Integrity	ILK	Conservatism Index = NOACCit ÷ TAit × (-1)	(Adriansano & Nuryantoro, 2015)
Managerial Ownership	KM	KM = Total of share values owned by the management ÷ Total company share outstanding	(El-Habashy, 2019)
Institutional Ownership	KI	KI = Total of share values owned by the institutional ÷ Total company share outstanding	(El-Habashy, 2019)
Audit Brand Name	ABN	Dummy Variables, where : 1= If audited by Big Four 0= If audited by non Big Four	(Charly Marlinda et al., 2022)
Audit Tenure	AT	Counting the number of years of the audit engagement between the auditor from the same KAP and the client, where the first year of the engagement starts with number 1 and adds one for subsequent years.	(Wulandari et al., 2021)
Firm Size	FZ	FZ = Ln (Total Assets)	(Hoesada & Pradika 2019)

The analytical method in this researchassisted with the IBM SPSS 25 software, through the following steps:

(1) Descriptive Statistical Analysis
(2) Classic assumption test
(3) Multiple Regression Analysis and Moderated Regression Analysis (MRA)
(4) Hypothesis Test, consisting of: Statistical Test t and F
(5) Determination Coefficient Test (R2)

The following is the regression model formed in this research

$$ILK = \alpha + \beta 1KM + \beta 2KI + \beta 3ABN + \beta 4AT + € \text{ (before MRA interaction test)} \quad (1)$$

ILK = α + β1KM + β2KI + β3ABN + β4AT + β5KM.FZ + β6KI.FZ + β7ABN.FZ + β8AT.FZ +€(after MRA interaction test) (2)

Where:

α	: Constant
β1, β2, β3.....	: Regression Coefficient
ILK	: Financial Report Integrity
KM	: Managerial Ownership
KI	: Institutional Ownership`
ABN	: Audit Brand Name
AT	: Audit Tenure
FZ	: Firm Size
€	: Error

Results

Descriptive statistics

In this research, descriptive statistics are presented in Table 2. According to table 2, the total number of observations (N) for each variable is 87. The average value of the managerial ownership variable (KM) is 0.00691 and the standard deviation is 0.02388, indicating that the data has many variations because the average value is less than the standard deviation value, as evidenced by a minimum value of 0.00000 and a maximum value of 0.12241. The managerial ownership variable (KM) accounts for less than 1% of total outstanding shares on average; however, three out of 29 samples have KM values greater than 1%, namely PT. Adhi Karya (Persero) Tbk. (ADHI), PT. Adaro Energy Tbk. (ADRO), and PT. Sri Rejeki Isman Tbk. (SRIL). Furthermore, the institutional ownership variable (IC) has an average value of 0.82577 with a standard deviation of 0.22783, indicating that the data on the IC variable is homogeneous in distribution. The average value above 80% indicates that the majority of the samples used in this research are owned by institutions with more than 80% share ownership. The highest KI value belongs to P. Surya Citra Media Tbk. (SCMA) at 0.99984, and the lowest KI value is 0.27159, which is owned by PT. Adhi Karya (Persero) Tbk (ADHI).

The audit variable brand name (ABN) has a maximum value of 1.000000 and a minimum value of 0.000000, with an average value of 0.94252 and a standard deviation value of 0.23409, indicating that more than 94% of sample companies use big4 public accounting firms to audit their annual financial statements. Furthermore, the audit tenure (AT) variable has minimum and maximum values of 1.00000 and 3.00000, with an average value of 1.85057 and a standard deviation of 0.81452. This means that the majority of the participants in this research do not change public accounting firms every year.This was evidenced from the 29 samples, only 7 samples changed public accounting firms from 2017 to 2019.

The financial report integrity variable (ILK), the dependent variable in this research, has a minimum value of -0.20193 owned by PT. Adhi Karya (Persero) Tbk. (ADHI) and a maximum value of 0.18117 owned by PT. XL Axiata Tbk. (EXCL) with an average value of 0.00394 and a standard deviation of 0.05906 which is greater than the average value, indicating an uneven distribution of financial report integrity data and there are too high differences between one data and another.

Furthermore, the variable is the firm size (FZ), which has an average value of 31.39774 and a standard deviation value of 1.01714, with a maximum value of 33.49453 owned by PT. Astra International, Tbk. (ASII) and a minimum value of 29.20647 owned by PT. Matahari Department Store, Tbk. (LPPF) and a total asset value in 2019 of Rp. 4.83 trillion.

Table 2: Descriptive Statistics

Variable	N	Min.	Max.	Mean	Std. Deviation
KM	87	0.00000	0.12241	0.00691	0.02388
KI	87	0.27159	0.99984	0.82577	0.22148
ABN	87	0.00000	1.00000	0.94253	0.23409
AT	87	1.00000	3.00000	1.85057	0.81453
ILK	87	-0.20193	0.18117	0.00395	0.05906
FZ	87	29.20647	33.49453	31.39774	1.01714
Valid N (List wise)	87				

Source: SPSS Output v25.0

Hypothesis Testing

The objective of testing the classical assumptions was to avoid bias in data analysis and misspecification of the regression model used, which refers to the Best Linear Unbiased Estimator (BLUE). The results of this research yielded an adjusted R square value of 0.122, indicating that the variables of managerial ownership, institutional ownership, brand name audits, and tenure audits can affect the integrity of financial statements by 12.2%, with the remaining 87.8% attributed to the contribution of other independent variables not tested in this research. The F test results showed a value of 3,383 with a significance value of 0.008, less than 0.05, indicating that the model used in this research was declared fit.

Table 3: Regression Results Before Moderated Regression Analysis (MRA)

No.	Variable	Coefficients	p-value	Result
1	**KM**	0.296	0.315	Rejected
2	**KI**	0.077	0.017	Accepted
3	**ABN**	0.059	0.027	Accepted
4	**AT**	0.006	0.405	Rejected

Table 4: Regression Results After Moderated Regression Analysis (MRA)

No.	Variable	Coefficients	p-value	Result
1	**KM*FZ**	0.209	0.730	Rejected
2	**KI*FZ**	-0.048	0.108	Rejected
3	**ABN*FZ**	0.007	0.811	Rejected
4	**AT*FZ**	0.006	0.383	Rejected

Based on table 3, the following results are obtained:

- Managerial ownership (KM) obtained a significance value greater than 0.05, which was equal to 0.315, indicating that H1 was rejected, implying that managerial ownership did not affect financial report integrity.
- Institutional ownership (KI) obtained a significance value of less than 0.05, which was equal to 0.017, implying that institutional ownership had an impact on the financial report integrity.
- Audit brand name (ABN) obtained a significance value of less than 0.05, which was equal to 0.027, so H3 was accepted, indicating that brand name audits have an impact on financial statement integrity.
- Audit tenure (AT) obtains a significance value above 0.005 which is equal to 0.405 so that H4 is rejected, this means that tenure audit has no effect on the integrity of financial statements.

Meanwhile, the results from table 4 are as follows:

- Managerial ownership (KM) moderated by firm size (FZ) obtained a significance value above 0.05 equal to 0.730, implying that H5 was rejected, implying that firm size (FZ) could not moderate the influence of managerial ownership on the financial report integrity.
- Institutional ownership (KI) moderated by firm size (FZ) obtained a significance value greater than 0.05, of 0.108, implying that H6 was rejected, implying that firm size (FZ) could not moderate the influence of institutional ownership on the financial report integrity.
- Audit brand name (ABN) audit moderated by firm size (FZ) obtained a significance value greater than 0.05, which was equal to 0.811, so H7 was rejected, indicating that firm size (FZ) could not moderate the influence of brand name audits on the financial report integrity.
- Audit tenure (AT) moderated by firm size (FZ) obtained a significance value greater than 0.05, which was equal to 0.383, so H8 was rejected; this means that firm size (FZ) could not moderate the effect of audit tenure on the financial report integrity.

Discussion

The Influence of Managerial Ownership on the Financial Report Integrity.

According to the findings of this research, managerial ownership had no effect on the financial report integrity which means that whatever share ownership is held by managers did not affect the financial report integrity. According to(Nabor & Suardana, 2014)a percentage of managerial ownership of less than 10% was still relatively low share ownership, which could impact management's ability to influence company policies and decisions, including determining the method of recording financial reports. Based on this, managers' professional attitudes would tend to be appropriate in terms of their functions and duties, while avoiding opportunistic behavior. Managers' small share ownership could be attributed to the practice of giving or selling shares to managers or employees (employee stock options), which was uncommon in Indonesia. The findings of this research were consistent with previous research by Fajaryani, (2015), Rafada, (2018) dan Goffar & Muhyarsyah, (2022)but it is different from research byOktaviana & Paramitha, (2021), Dewi & Putra, (2016)andMarlinda et al., (2022)which found that managerial ownership influenced the financial report integrity.

The Influence of Institutional Ownership on the Financial Report Integrity.

The findings of this research showed that institutional ownership influenced financial report integrity. According to (Kuo-Ren Lou & Yang-Kai Lu, 2019), institutional investors will be able to carry out optimal monitoring because of their greater access to information sources and influence on the management team, as well as their role as monitoring agents. The company can still be managed professionally and effectively in this manner. Control from institutional investors can encourage managers to maintain a code of professional ethics so that managers work more focused on company performance and goals, which has an impact on reducing managers' selfish behavior. This means that institutional ownership is a factor in increasing the integrity of financial reports because management performance can be monitored more optimally so that any manipulation of financial reports that may occur can be detected. According to(El-Habashy, 2019), high institutional ownership can improve company performance because most institutional investors expect managers to perform better. Institutions own a portion of the company's stock to improve the presentation of financial statement integrity. This research is in line with research conducted byHernawati, (2021), Hoesada & Pradika, (2019), Guo & Platikanov, (2019); Wahyuni, (2021)andEl-Habashy, (2019).Meanwhile, research conducted byMarlinda et al., (2022) dan Irawati & Fakhruddin, (2016)is not in line with this research.

The Influence of Audit Brand Nameon the Financial Report Integrity.

According to the findings of this research, audit brand name influenced the financial report integrity. This means that the company's efforts to gain the trust of financial statement users and increase the credibility of its financial statements required financial reports audited by independent auditors issued by a public accounting firm (KAP). KAP with a good brand would maintain its reputation by producing audited financial statements that can be trusted by financial statement users, particularly investors so that the KAP did not provide opportunities for auditees to manipulate their financial reports and provided good assurance on the assertions made by companies in financial statements historically. This belief demonstrated the level of accuracy achieved and would be conveyed by the auditor that the financial statements' conclusions were correct and had integrity(Mulyadi, 2017). These findings were consistent with those ofIrawati & Fakhruddin, (2016), Hasanuddin, (2018)andAdhitya, (2018)but not with those ofA'yunin et al., (2019) dan Marlinda et al., (2022)which found that audit brand name had an influence on the financial report integrity.

The Influence of Audit Tenure on the Financial Report Integrity.

In this research, audit tenure did not influence the financial report integrity, which means that the length of the engagement between the Public Accounting Firm (KAP) and the client did not affect the integrity of the financial statements. In this case, it was because KAPs that conducted audits of companies or clients, especially companies that were indexed in LQ45, tended to carry out their duties in a professional manner. This result was in contrast to the regulation of the Minister of Finance of the Republic of Indonesia which provided a limit of the term of engagement between the KAP and the client for 3 years for the auditor and 6 years for the KAP. Where the longer the work engagement between the auditor and the client, the lower the integrity of the financial statements, this was because it could lead to a decrease in the independence of the auditors towards their client. There was no effect of audit tenure on the financial report integrity indicating that the financial report integrity was not disturbed by the contract period between the auditor and his client (Qoyyimah et al., 2017).The results of this research were consistent with research that has been conducted by Desi, (2022), while the results of research that were not in line with this research were research conducted by Hasanah & Putri, (2018) dan Wulandari et al., (2021).

The Influence of Managerial Ownership, Institutional Ownership, Audit Brand Name and Tenure Audits on the Financial Report Integrity Moderated by Firm Size.

The results of this research were that firm size was not able to moderate the effect of managerial ownership on financial report integrity. This was because the relatively small proportion of managerial ownership of the total outstanding shares indicated that even though managers had company shares in large companies it still did not affect the delivery of integrity financial reporting information. After all, all decisions were influenced by the controlling shareholder and there was no excess profit for managers.

Furthermore, firm size was not able to moderate the influence of institutional ownership on the financial report integrity in this research, this means that no matter how big a company was controlled by an institution, it still presented financial reports with integrity since institutions tended to have experience in managing their assets. In addition, in large companies with institutional ownership as controlling shareholders, the information reporting system as a form of information transparency was better(Waluyo, 2017).

Then firm size was also not able to moderate the influence of audit brand name on the financial report integrity. A public accounting firm (KAP) with a good brand will, of course, prefer a larger company, because in addition to getting a high fee it could also improve the reputation of the KAP. In addition, large companies certainly choose their auditors from KAPs with a good brand since the quality of these KAPs was good and had strong independence, this was to support providing financial reports with integrity for investors and other stakeholders, including the public. The results of this research were not in line with research conducted by Adhitya, (2018)which stated that brand name audits could moderate and weaken the effect of audit brand name on the financial report integrity.

The results of this research also stated that firm size was not able to moderate the influence of tenure audits on financial report integrity. The bigger the company, the level of complexity the company also tended to be higher, this was the basis for large companies tending to be reluctant to replace public accounting firms (KAP) with short periods, since apart from having to explain again the process of running the company, the auditor also needed time to study business processes of the company. However, on the other hand, some regulations required KAP rotation within a certain period to become a controller to maintain the independence of the auditor and KAP so the integrity of financial reports could be maintained. This was usually done if the previous auditor did not meet management's expectations and was too conservative(Yulinda et al., 2016).

Conclusion

Based on the data analysis and discussion that has been done, it can be concluded that managerial ownership does not affect the financial report integrity, which means that relatively small managerial ownership does not affect the level of financial report integrity. Institutional ownership affects the financial report integrity, this means that institutional investors will be able to carry out optimal monitoring because their advantage is having greater access to information sources and their influence on the management team as well as being monitoring agents. Audit brand name affects the integrity of financial reports, this is because a Public Accounting Firm (KAP) with a good brand will produce financial reports that can be trusted by investors and other stakeholders, this is because KAP will maintain its reputation and will prevent dishonesty in submitting financial reports and providing positive assurance on the assertions made by management in the financial statements. Furthermore, audit tenure does not affect the integrity of financial statements, this means whether not the engagement period between the Public Accounting Firm (KAP) and the client does not affect the integrity of the financial statements and the auditor tends to carry out his duties in a professional manner. In this study, firm size was not able to moderate all independent variables, namely managerial ownership, institutional ownership, brand name audit, and audit tenure.

Suggestion

There are several limitations in this research that require future research, the first is that the rejected hypothesis is most likely caused by the insufficient number of years of research, which is only 3 years, so it is suggested that future researchers conduct repeat research by increasing the number of years of research, in addition, The sample in this research is very limited, namely only LQ45 companies listed on the Indonesia Stock Exchange. It is recommended to add other industrial sectors to future research. In addition, it is also recommended that further research not use firm size as a moderating variable because the results are not in accordance with the proposed hypothesis, maybe other variables can be used in future research.

Acknowledgement

We are very much thankful to Mercu Buana University, Meruya Campus, and all the lecturers.

References

1. A'yunin, Q., Ketut Agung Ulupui, I. G., & Nindito, M. (2019). The Effect of the Size of Public Accounting Firm, Leverage, and Corporate Governance on the Integrity of Financial Statement: A Study on Companies Listed on Indonesian Stock Exchange. *KnE Social Sciences*, *3*(11), 820. https://doi.org/10.18502/kss.v3i11.4053
2. Adawiyah, N. R., & Setiyawati, H. (2019). The Effect of Current Ratio, Return on Equity, And Firm Size on Stock Return (Study of Manufacturing Sector Food and Baverage in Indonesia Stock Exchange). *Scholars Bulletin*, *05*(09), 513–520. https://doi.org/10.36348/sb.2019.v05i09.004
3. Adhitya, T. R. (2018). Pengaruh Komisaris Independen, Komite Audit, Kualitas Audit, Dan Leverage Terhadap Integritas Laporan Keuangan Dengan Firm Size Sebagai Variabel Moderasi Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia. *Tesis*, 1–139.
4. Adriansano, A. C., & Nuryantoro. (2015). Pengaruh Independensi Auditor dan Kualitas Audit Terhadap Integritas Laporan Keuangan (Studi Pada Perusahaan Sektor Properti dan Real Estate yang Terdaftar di BEI Periode 2009-2013). *E-Proceeding of Management*, *2*(1), 410–417.
5. Agustia, D. (2017). Pengaruh Struktur Kepemilikan Dan Dewan Komisaris Terhadap Corporate Social Responsibility Dan Reaksi Pasar. *EKUITAS (Jurnal Ekonomi Dan Keuangan)*, *17*(3), 376.

https://doi.org/10.24034/j25485024.y2013.v17.i3.2258
6. Al-Thuneibat, A. A., Al Issa, R. T. I., & Ata Baker, R. A. (2011). Do audit tenure and firm size contribute to audit quality?: Empirical evidence from Jordan. *Managerial Auditing Journal*, *26*(4), 317–334. https://doi.org/10.1108/02686901111124648
7. Ardani, S. V. (2017). Pengaruh Tenure Audit, Rotasi Audit, Audit Fee Terhadap Kualitas Audit dengan Komite Audit Sebagai Variabel Moderasi (Studi pada Perusahaan Sektor Keuangan yang Terdaftar di BEI Tahun 2010-2014). *Jurnal Akuntansi*, *6*(1), 1–12.
8. Astinia, I. (2013). Pengaruh Mekanisme, Corporate Governance, Kualitas Audit dan Ukuran Perusahaan terhadap Integritas Laporan Keuangan (Pada Perusahaan di Sektor Keuangan yang terdaftar di BEI Periode 2010-2012). *Jurnal Universitas Islam Negeri Syarif Hidayatullah Jakarta*, 1–23.
9. Darmiari, N. P. D., & Ulupui, I. G. K. A. (2014). Karakteristik Perusahaan Di Bursa Efek Indonesia, Reputasi Kantor Akuntan Publik Dan Ketepatwaktuan Pelaporan Keuangan. *E-Jurnal Akuntansi*, *9*(1), 38–57.
10. Desi, A. V. (2022). Pengaruh Mekanisme Corporate Governance, Audit Tenure dan Ukuran Perusahaan Terhadap Manajemen Laba dan Integritas Laporan Keuangan. *Jurnal Riset Akuntansi Tirtayasa*, *07*(01), 1–17. https://jurnal.untirta.ac.id/index.php/JRA/article/view/8935%0Ahttps://jurnal.untirta.ac.id/index.php/JRA/article/download/8935/8834
11. Dewi, N. K. H. S., & Putra, I. M. P. D. (2016). Pengaruh Mekanisme Corporate Governance Pada Integritas Laporan Keuangan. *E-Jurnal Akuntansi*, *15*(3), 2269–2296. https://ojs.unud.ac.id/index.php/Akuntansi/article/view/20454/13967
12. El-Habashy, H. A. (2019). The Effects of Board and Ownership Structures on The Performance of Publicly Listed Companies in Egypt. *Academy of Accounting and Financial Studies Journal*, *23*(1).
13. Fadhilah, R. (2014). Pengaruh Good Corporate Governance Terhadap Tax Avoidance. *Jurnal Universitas Negeri Padang*, *2*(1), 1–22. http://ejournal.unp.ac.id/students/index.php/akt/article/view/908/658
14. Fajaryani, A. (2015). Analisis Faktor-Faktor Yang Mempengaruhi Integritas Laporan Keuangan. *Jurnal Nominal*, *IV*(1), 67–82.
15. Goffar, A., & Muhyarsyah, M. (2022). The Effect Of Managerial Ownership, Institutional Ownership, Growth Opportunity And Profitability On Accounting Conservatism. *Budapest International Research and Critics Institute Journal*, *5*(3), 28474–28486. https://doi.org/https://doi.org/10.33258/birci.v5i3.6934
16. Guo, L., & Platikanov, S. (2019). Institutional ownership and corporate governance of public companies in China. *Pacific Basin Finance Journal*, *57*(July). https://doi.org/10.1016/j.pacfin.2019.101180
17. Hanafi, M. M., & Halim, A. (2018). *Analisis Laporan Keuangan* (Edisi Ke-5). UPP STIM YKPN Yogyakarta.
18. Hasanah, A. N., & Putri, M. S. (2018). Pengaruh Ukuran Perusahaan, Audit Tenure Terhadap Kualitas Audit. *Jurnal Akuntansi : Kajian Ilmiah Akuntansi (JAK)*, *5*(1), 11. https://doi.org/10.30656/jak.v5i1.499
19. Hasanuddin. (2018). The Influence of Corporate Governance and Audit Quality on the Integrity of Financial Statements. *International Journal Economics Management and Social Science*, *4*(1), 111–

119.
20. Hernawati, E. (2021). Corporate Governance, Earnings Management and Integrity of Financial Statements: The Role of Audit Quality and Evidence from Indonesia. *Review of International Geographical Education Online*, *11*(3), 808–822. https://doi.org/10.33403/rigeo.800530
21. Hoesada, J., & Pradika, E. (2019). Integrity of Financial Statement: Big and Independent Are Not Guarantee. *Journal of Accounting Finance and Auditing Studies (JAFAS)*, *5*(1), 59–79. https://doi.org/10.32602/jafas.2019.3
22. Idris, M. (2020). Jejak Hitam PT. Hanson International, Manipulasi Laporan Keuangan 2016. *Kompas.Com*. https://money.kompas.com/read/2020/01/15/160600526/jejak-hitam-pt-hanson-international-manipulasi-laporan-keuangan-2016?page=all
23. Irawati, L., & Fakhruddin, I. (2016). Pengaruh Kualitas Audit Dan Corporate Governance Terhadap Integritas Laporan Keuangan. *Kompartemen*, *XIV*(1), 90–106.
24. Jensen, M. ., & Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Cost and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360.
25. Kamel, E. M., Gaballah, S. T., Mohamed, Y. M. A., & Mohamed, N. R. (2010). Synthesis of new pyrazolones and fused pyrazole derivatives as antimicrobial agents. *Egyptian Journal of Chemistry*, *53*(5), 731–744. https://doi.org/10.21608/ejchem.2010.1261
26. Kuo-Ren Lou, Yang-Kai Lu, C.-Y. S. (2019). Monitoring Role of Institutional Investors and Acquisition Performance: Evidence From East Asian Markets. *Pasific Basin Finance Journal*.
27. Marlinda, C., Satria, H., Utami, R., Kurnia, S., & As Sahara, M. (2022). Financial Statement Integrity : Corporate Governance and Quality Audit Evidence From Food and Beverage Companies in Indonesia. *PENANOMICS: International Journal of Economics*, *1*(1), 27–40. https://doi.org/10.56107/penanomics.v1i1.3
28. Mulyadi. (2017). *Sistem Akuntansi*. Salemba Empat.
29. Nabor, M. K. M., & Suardana, K. A. (2014). Pengaruh Struktur Kepemilikan dan Proprietary Cost Terhadap Pengungkapan Sukarela. *E-Jurnal Akuntansi Universitas Udayana*, *6*(1), 126–138.
30. Nuraini, N. S. (2014). Analisis Faktor-Faktor yang Mempengaruhi Thin Capitalization pada Perusahaan Multinasional di Indonesia. *Diponegoro Journal of Accounting*, *3*(3), 1–9. http://ejournal-s1.undip.ac.id/index.php/accounting
31. Nurjannah, L., & Pratomo, D. (2014). Pengaruh Komite Audit , Komisaris Independen Dan Kualitas Audit Terhadap integritas Laporan Keuangan (Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012). *Jurnal Bisnis Dan Manajemen*, *1*(3), 99–105. https://id.scribd.com/document/268343040
32. Oktaviana, H., & Paramitha, M. (2021). The Effect of Ownership Structure, Audit Committee, Company Size, and Audit Quality on the Integrity of Financial Statements on Manufacturing Companies Listed on IDX. *Journal La Bisecoman*, *2*(4), 15–29. https://doi.org/10.37899/journallabisecoman.v2i4.454
33. Pratiwi, H. R. (2019, April 30). Kronologi Kisruh Laporan Keuangan Garuda Indonesia. *CNN Indonesia*. https://www.cnnindonesia.com/ekonomi/20190430174733-92-390927/kronologi-kisruh-laporan-keuangan-garuda-indonesia
34. Priharta, A. (2017). Pengaruh Corporate Governance terhadap Integritas Laporan Keuangan. *JABE (Journal of Applied Business and Economic)*, *3*(4), 234. https://doi.org/10.30998/jabe.v3i4.1779
35. Qoyyimah, S. D., Kholmi, M., & Harventy, G. (2017). Pengaruh Struktur Corporate Governance,

Audit Tenure Dan Ukuran Kantor Akuntan Publik (Kap) Terhadap Integritas Laporan Keuangan. *Jurnal Reviu Akuntansi Dan Keuangan*, *5*(2), 781–790. https://doi.org/10.22219/jrak.v5i2.5154

36. Rafada, E. (2018). Determinan Integritas Laporan Keuangan. *Tesis. Uniersitas Islam Indonesia*.
37. Saksakotama, P. H., & Cahyonowati, N. (2014). Determinan Integritas Laporan Keuangan. *Diponegoro Journal of Accounting*, *3*(2), 1–13.
38. Sari, D. K. (2013). Pengaruh Afiliasi, Tenur Audit, Spesialisasi Industri, Professional Fee dan Size Kantor Akuntan Publik Terhadap Kualitas Audit. *Tesis. Universitas Gadjah Mada, Yogyakarta.*
39. Smulowitz, S., Becerra, M., & Mayo, M. (2019). Racial diversity and its asymmetry within and across hierarchical levels: The effects on financial performance. *Human Relations*, *72*(10), 1671–1696. https://doi.org/10.1177/0018726718812602
40. Tarihoran, D. S. H., & Budiono, E. (2016). Pengaruh Ukuran Perusahaan, Ukuran Kantor Akuntan Publik, dan Opinion Shopping Terhadap Penerimaan Opini Audit Going Concern. *E-Proceeding Management*, *3*(1 April 2016), 313.
41. Verya, E. (2017). Analisis Pengaruh Ukuran Perusahaan, Leverage Dan Good Corporate Governance Terhadap Integritas Laporan Keuangan. *Journal of Chemical Information and Modeling*, *4*(1), 1689–1699.
42. Wahyuni, P. D. (2021). Corporate Governance and Leverage Mechanisms on Integrity of Financial Report: Conservatism Index Approach in BUMN. *Journal of Economics, Finance And Management Studies*, *04*(12), 2600–2610. https://doi.org/10.47191/jefms/v4-i12-23
43. Waluyo, W. (2017). Firm Size, Firm Age, and Firm Growth on Corporate Social Responsibility in Indonesia: The Case of Real Estate Companies. *European Research Studies Journal*, *20*(4), 360–369. https://doi.org/10.35808/ersj/840
44. Wulandari, S., Ermaya, H. N. ., & Mashuri, A. A. . (2021). Pengaruh Mekanisme Corporate Governance, Financial Distress, dan Audit Tenure Terhadap Integritas Laporan Keuangan. *Jurnal Eksplorasi Akuntansi*, *1*(3), 1244–1258. https://doi.org/10.24036/jea.v1i3.140
45. Wulandari Yani, N. P. (2014). Pengaruh Struktur Kepemilikan, Komite Audit, Komisaris Independen Dan Dewan Direksi Terhadap Integritas Laporan Keuangan. *E-Jurnal Akuntansi Universitas Udayana*, *3*(7), 574–586.
46. Yulinda, N., Nasir, A., & Idrus, R. (2016). Pengaruh Komisaris Independen, Komite Audit, Leverage, Pergantian Auditor, dan Spesialisasi Industri Auditor Terhadap Integritas Laporan Keuangan. *Jurnal Online Mahasiswa Fakultas Ekonomi Universitas Riau*, *3*(1), 419–433.