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Analysis of the Effect of Corporate Governance Mechanism, Company Size and Leverage on the Integrity of Financial Statements

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Abstract

The number of cases of manipulation financial statements that have occurred so far has encouraged all parties to make us aware of the importance of a financial report with integrity, namely a report that has reliability. Accounting information should be relevant because this information will be used for decision making, In addition to being objective, information is independent if it is unaffected by factors that could compromise its impartiality. The objective of this study is to investigate and assess the impact of "Institutional Ownership, Independent Commissioner, Audit Committee, Company Size, and Leverage on the Integrity of Financial Statements". This type of research is quantitative and this research is a causal study with a population of 48 mining companies listed on the Indonesia Stock Exchange for the 2015-2019 period, there are 25 companies that are the research sample, so the number of samples during the 5-year research period is 113 samples with sampling technique carried out based on purposive sampling,It was decided to employ the multiple linear analysis method and the commen effect approach as the research analysis model in this study. The study's findings show that Institutional Ownership, Independent Commissioner, Audit Committee, and Company Size have little impact on the Integrity of Financial Statements, but Leverage has a significant beneficial influence

Keywords
financial statement integrity; corporate governance mechanism; company size; leverage

I. Introduction

Lately, cases of financial statement manipulation practices in several companies have emerged and become public attention, including a number of mining companies, as happened in the case of PT. Timah where the management of PT. Timah reported the first semester of 2015 financial statements which recorded efficiency and claimed that the strategy implemented had resulted in positive performance. In fact, in semester 1 (one) the company actually recorded a loss of operating results of Rp. 59 billion, (http://economy.okezone.com) Another case related to manipulation of financial statements in mining companies also occurred in the case of fraudulent financial statements of PT Cakra Mineral Tbk. (CKRA) in 2016, this case was reported to "the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK)" for alleged cases of embezzlement, accounting manipulation and problems related to false disclosures addressed to the President Director of PT. Cakra Mineral Tbk Boelio Muliadi, This lawsuit began with charges of inflating asset values and exaggerated the worth of paid-up capital so that investors were unable to make sound investment decisions and suffered considerable losses as a result of false and misleading disclosures. (http://Beritalima.com).

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The many cases of manipulation financial reports that have occurred so far have encouraged all parties to make us aware of the importance of a financial report with integrity, namely a report that has reliability. Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021). Financial statements have strategic value for many interested parties, this causes the motivation to carry out manipulation actions on financial statements with certain aims and objectives, the motivation for the financial statement manipulation action itself is different, for corruptors of course this action is carried out so that the company the one he leads seems to be performing as if it were better than the actual condition, while at the same time disguising transactions that are suspected to contain elements of manipulation, in this case it will only become a ticking time bomb that is ready to explode at any time, for investment managers this action is usually carried out to seek profit from transactions in the market. capital by managing its portfolio, while for issuers the motivational action is done by beautifying financial statements, so that the share price is also boosted. Financial scandals indicate a lack of financial statement integrity to meet the information needs of users of financial statements.

II. Review of Literature

2.1 Grand Theory (Agency Theory)

Jensen & Meckling (1976) asserted that financial statement manipulation cannot be separated from the agency relationship, in which an owner contracts with an agent to provide a service in exchange for delegating decision-making authority. This arrangement is described as a contractual relationship between an owner and an agent. what is meant, the agency relationship itself consists of two kinds, namely the agency relationship between managers and shareholders (shareholders), according to Messier at all (2006), the relationship between managers and lenders (bondholders). Problems caused by agency relationships include the following. 1. The occurrence of information asymmetry In this case, information asymmetry is indicated by more information held by the agent than the principal regarding the financial position and the owner entity. 2. The occurrence of a conflict of interest A conflict of interest in an agency relationship is caused by the unequal goals to be achieved by management and the objectives to be achieved by the principal.

2.2 Integrity of Financial Statements

According to Kwok (2017), the integrity of financial statements is not only related to the integrity of an organization's accounting and financial reporting systems, but there must be proper controls, including the availability of people tasked with monitoring risks, financial controls, and compliance with the law. where companies are required to make efforts to prevent fraudulent financial reporting practices and are required to comply with accounting and legal principles, financial statement information with integrity must meet three qualitative characteristics, namely relevance, objectivity, and reliability. Accounting information must be relevant because this information will be used for decision making, objective if the information is unaffected by factors that can compromise its independence, it is independent. Financial statement users are reliant on the information if it can be trusted and if it is credible. Therefore, financial statements are seen to possess integrity if they satisfy the aforementioned three criteria.

2.3 Corporate Governace

According to Du Plessis et. all (2018), Corporate Governance is not only managing the company or the Directors only managing the authority in managing the company but how the Directors can implement Corporate Governance so that corporate governance becomes better, which in the end the company is able to issue financial reports with integrity.

2.4 Company Size

According to Brigham & Eugene F (2018), The average net sales of a corporation over a period of time is a measure of its size. Meanwhile, according to Jogiyanto Hartono (2018), The size of a corporation can be categorised on a scale that can be measured in a variety of ways: “total assets, log size, stock market value, and other”.

2.5 Leverage

Kieso at all (2002), describes how much of a company's net income is affected by variations in sales. According to Kasmir (2015), Use the Leverage ratio to figure out how much of a company's assets are funded through debt. The company's “Total Debt to Equity Ratio (the ratio of debt to equity)” is used as an indicator of the company's capacity to meet its financial commitments.

2.6 Previous Research

Permatasari at all (2019), researching “The Effect of Independent Commissioners, Audit Committees, Financial Distress and Company Sizes On Integrity of Financial Statements”, The findings of the study show that “independent commissioners, the audit committee, and the size of the company” have a beneficial impact on financial reporting integrity. Nurdiniah & Pradika (2017), researching “the Effect of Good Corporate Governance, KAP Reputation, Its Size and Leverage on Integrity of Financial Statements Independent Commissioners and Company Size positively enhance the integrity of financial accounts”, however “the Audit Committee, Institutional Ownership, and Leverage” do not. Prianduri at all (2019), examines “the Analysis of Corporate Governance, Leverage and Company Size on the Integrity of Financial Statements”, Independent auditors and institutional ownership have a favorable impact on financial reporting, according to his research. An audit committee and the size of the company have little bearing on financial reporting's credibility. Khaddafi at all (2018), conducted a study on “the Effect of Corporate Governance Mechanism, Independence and Management of Earnings Integrity of Financial Statements”, Results indicate that the Independent Commissioner, Audit Committee has no appreciable impact on the reliability of financial accounts. Meanwhile, institutional ownership has a significant “The Influence of Corporate Governance Structure on the Integrity of the Company's Financial Statements” The audit committee and institutional ownership have a negative and considerable impact on the integrity of financial reporting, according to the findings. Meanwhile, The Independent Commissioner has a substantial impact on the financial statements' integrity.

2.7 Framework

Thoughts as follows:

The effect of institutional ownership on the integrity of financial statementsThe influence of institutional ownership on the accuracy of financial statements. According to Shleifer & Vishny (1986), large investors, such as institutional investors consisting of banks, insurance companies, and other institutions have significant share ownership so that their voices are very influential in decision making. In addition, The performance of managers can also be monitored by institutional investors.

According to Emirzon (2007), The impact of the Independent Commissioner on the integrity of financial statements The independent commissioner is an agency within the firm that comprises of an independent board of commissioners from outside the company whose role is to examine the overall performance of the organization. Independent commissioners seek to strike a balance in decision-making, most notably in the context of supporting vulnerable parties like minority shareholders. This is due to the failure of the board of commissioners to effectively exercise its control over the board of directors and management. Financial reports generated by the company's management can be affected by the presence of an agency that monitors and protects the rights of external parties when an independent commissioner is in place.

The impact of leverage on the credibility of financial reporting. A company's leverage is the ratio of total debt to average equity held by shareholders. This ratio can be used to get a sense of a company's financial structure and, therefore, determine the likelihood of bad debt. A company's financial risk increases if it has a high level of leverage due to the significant amounts of debt it uses to finance its assets. According to Modugu at all (2012), states that companies that experience losses tend to require auditors to start the auditing process later than usual. This shows that high financial risk will slow management to inform the company's performance and increase fraudulent efforts to manipulate financial statements. Companies with a high level of leverage tend to include more information in their financial statements than those with a lower level of leverage. This is promoted so that corporate bondholders do not question the performance of the company's management and so that creditors' rights can be satisfied. Therefore, organizations with a significant level of leverage aim to enhance the credibility of their financial statements in the eyes of key stakeholders, particularly creditors.

2.8 Hypothesis

H1: There is an influence of Institutional Ownership on the Integrity of Financial Statements

H2: There is an influence of the Independent Commissioner on the Integrity of Financial Statements

H3: There is an influence of the Audit Committee on the Integrity of Financial Statements

H4: There is an effect of Company Size on the Integrity of Financial Statements

H5: There is an influence of Leverage on the Integrity of Financial Statements"

The principle of conservatism is used to measure the integrity of financial statements with the assumption of non-operating accruals that if the accruals are negative, then profits can be classified as conservative, which is because the profits earned by the company are lower than cash flows in a certain period. As a result, the more cautious a corporation is, the more trustworthy its financial statements are. The equation can be seen as follows:

" Non-operating accruals = Total accruals - Operating accruals "

Where:

“ Total accrual = (net income + depreciation) – cash flow from operations.

Non-operating accruals = Total accruals - Operating accruals ”

Where:

“ Total accrual = (net income + depreciation) – cash flow from operations.

Operating accrual = account receivable +Δinventories + prepaid expense – account payable - accrued expense – tax payable ”

The greater the value of non-operating accruals, the smaller the application of accounting conservatism in the company.

The following formula calculates the percentage of a company's outstanding share capital that is owned by institutions: “

$$\textbf{Institutional Ownership} = \frac{\textbf{Number of shares owned by the institution}}{\textbf{Number of shares outstanding}} \times 100\%$$
”

Independent commissioners use a ratio scale through the percentage of members of the board of commissioners who come from outside the company from all sizes of members of the company's board of commissioners.

“
$$\textbf{Independent Commissioner} = \frac{\textbf{Number of Independent Commissioners}}{\textbf{Number of Members of the Board of Commissioners}} \times 100\%$$
”

The Audit Committee in this study is seen from the number of Audit Committees:

“ Audit Committee = Number of Audit Committee Members ”

The size of the company in this study uses the Total Asset Log as follows:

“ Company Size = Log total assets ”

As the ratio between debt and equity in its funding, the company's capacity to satisfy all of its obligations can be determined by the level of leverage it has. This ratio can be calculated by:

$$\textbf{DER} = \frac{\textbf{Total Debt}}{\textbf{Equity}}$$

Before testing the hypothesis with multiple linear regression, Classical assumption tests, such as those involving: “normality test, multicollinearity test, heteroscedasticity test and autocorrelation test”. The normality test according to Sekaran & Bougie (2017), is carried out to ascertain whether each variable is normally distributed or not, where the basis for making decisions can be made based on the probability value (significant assumption), among others, “if Probability > 0.05 then the data is normally distributed” and “if Probability < 0.05 then the data is not normally distributed.” According to Sekaran & Bougie (2017), the multicollinearity test is referred to as a statistical phenomenon where two or more independent variables in the regression model are closely related, where data experiencing multicollinearity will make the regression coefficients unreliable. free from multicollinearity by looking at the indicator of the "value of Variance Inflating Factor (VIF) < 10" and we also see the value of Colinierity Statistical Tolerance > 0.05. According to Ghozali (2018), One way to find out if there is a problem with the regression model's residuals is to do a test called the heteroscedasticity. if we get a probability value, in SPSS the data is said to be free from heteroscedasticity if the significant value of each "variable is > 0.05". The autocorrelation test according to Ghozali (2018) seeks to determine whether the confounding error in period t and the confounding error in period t-1 are correlated in the linear regression model (previous), in SPSS the method used to test autocorrelation is usually done with the Durbin Watson test (DW) where the value of DW must be between "the values of DU and (4-DU)" or in other words "the value of DU < DW < (4-DU)." According to Basuki & Purwoko (2016), To assess the influence of "two or more independent variables on a single dependent variable, multiple linear regression tests" are commonly represented in the following equation: $Y = + 1X1 + 2X2 + 3X3 + \beta 4X4 + 5X5$

Hypothesis testing in this study was tested using multiple linear analysis using the t-test and F test and the coefficient of determination test. The statistical F test basically shows the feasibility of the research model, if the significance "value is < 0.05" then the research model is categorized as feasible if the significance "value > 0.05" then the research model is considered not feasible. Individual significance is frequently referred to as the t-test. This test demonstrates the extent to which the influence of the independent variable is partial. That is by comparing the value of t table and t count. The criteria used are as follows: "H0 is rejected if < 0.05 and t count > t table and if H0 is accepted if > 0.05 and t count < t table, if H0 is accepted it can be concluded that there is an insignificant effect, whereas if H0 is rejected then the effect of the independent variable on the dependent variable is significant."

To find out how "the independent variable affects the dependent variable," the coefficient of determination test was used. "R-squared" is a measure of how well independent factors account for variation in the dependent variable. A low R-squared value, on the other hand, denotes a less variance in the dependent variable that can be explained by the independent factors. In SPSS, it can be seen from the "R-squared value".

According to Basuki & Purwoko (2016), the multiple linear regression moderation analysis test is a regression equation that contains interaction elements (multiplication of two or independent variables), generally expressed in the following equation:

$$Y = + 1X1 + 2X2 + 3X3 + 4X4 + 5X5 + 6Z + \beta 7X1^* Z + 8X2^* Z + 9X3^* Z + 9X3^* Z + 10X4^* Z + \beta 11X5^* Z + \varepsilon$$

III. Result and Discussion

3.1 Descriptive statistics

The results of descriptive statistics in this study are presented in the descriptive statistical table below:

Table 1. Descriptive statistics

Descriptive Statistics					
Variable	N	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	113	0.06	0.97	0.51	0.24
Independent Commissioner	113	0.29	0.60	0.40	0.08
Audit Committee	113	2.00	4.00	3.13	0.53
Company Size	113	25.57	32.26	29.70	1.44
Leverage	113	- 0.44	7.89	1.40	1.49
Financial Report Integrity	113	- 0.16	0.22	0.03	0.07
Valid N (listwise)	113				

Source: Results of data processing with SPSS

Based on the results of descriptive statistical analysis in the table describes and explains as follows:

The total sample (observation) is 113 samples, from mining companies listed on the IDX for the period 2015 to 2019.

The lowest or minimum institutional ownership of 6% is found in PT. Citra Mineral Investindo means share ownership of PT. Citra Mineral Investindo is still dominated by individual share ownership. Meanwhile, the highest institutional ownership or a maximum of 97% is found in PT. Diab Swastika Sentosa, meaning the ownership of shares in PT. Diab Swastika Sentosa is dominated by institutional shareholding.

The lowest Independent Commissioner or a minimum of 29% is at PT. Dewa Dharma Henwa where from a total of 7 commissioners there are only 2 Independent Commissioners, while the highest Independent Commissioner or a maximum of 60% is at PT. Golden Eagle Energi where from a total of 5 commissioners there are 3 Independent Commissioners

The lowest Audit Committee or minimum of 2 members is at PT. Atlas Resources and PT. Bumi Resources, meaning that there are "only 2 members of the Audit Committee in the two companies." While the highest Audit Committee or a maximum of 4 members is at "PT. Aneka Tambang, PT. Bukit Asam, PT. Elnusa, PT. Timah, PT. Diab Swastika Sentosa and PT. Petrosea", meaning that there are 4 members of the Audit Committee in the six companies.

The lowest or minimum company size with a log total asset of 25.57 is at PT. Perdana Karya Perkasa where in 2018 the assets were recorded at PT. Perdana Karya Perkasa was only recorded at Rp. 127.894.000.000.- while the highest or maximum asset with a Log Total Asset of 32.26 is at PT. Adaro Energy, where in 2018 the assets were recorded at PT. Adaro Energy Rp. 102,246.793.155,000.-

The lowest or minimum leverage of -0.44 is found at PT. Apexindo Pratama Duta in 2018, meaning that the comparison of the total amount of debt compared to the equity of PT. Apexindo Pratama Duta has the lowest value compared to the existing sample data, the lower the Leverage value indicates a small risk because the amount of debt is less than the total assets. Meanwhile, the highest number of Leverage or a maximum of 7.89 is found at PT. Apexindo Pratama Duta in 2019, meaning that in 2019 there was an increase in the amount of debt at PT. Apexindo Pratama Duta which causes the composition of the total debt to be higher than the total assets in PT. Apexindo Pratama Duta.

The lowest or minimum Financial Statement Integrity with a value of -0.16 is found at PT. Bayan Resources in 2019, a minus value on the Financial Statements Integrity indicator indicated that PT. Bayan Resources applies the principle of conservatism (prudence principle) in preparing financial statements, while the highest or maximum value of Financial Report Integrity is 0.22 at PT. Apexindo Pratama Duta in 2018, a plus on the Financial Report Integrity indicator indicated that PT. Apexindo Pratama Duta does not apply the principle of conservatism (prudence) in preparing financial statements.

3.2 F Test (Model Feasibility Test)

The results of the F test based on table 2 show a significant "value of 0.041 < 0.05" This means that linear regression was used to explain how the independent variables influenced each other: "Institutional Ownership, Independent Commissioner, Audit Committee, Leverage and Company Size" has no effect on the dependent variable: "Financial Statement Integrity" is a suitable model to be used in this research.

The results of the F test can also be used to explain the simultaneous or joint effect of the independent variables: "Institutional Ownership, Independent Commissioner, Audit Committee, Leverage and Company Size" on the dependent variable: "Financial Statement Integrity", where a significant value of 0.041 < 0.05 indicates all independent variables simultaneously or together have an influence on the dependent variable.

Table 2. F Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.053	5	0.011	2.413	.041[b]
	Residual	0.466	107	0.004		
	Total	0.519	112			

a. Dependent Variable: Financial Report Integrity

b. Predictors: (Constant), Leverage,Institutional Ownership, Company Size, Independent Commissioner, Audit Committee

Source: Results of data processing with SPSS.

3.3 Coefficient of Determination Test

Based on table 2, it can be seen that the Adjusted "R square value is 0.052", showing that the independent variable employed in the model can explain 5.2% of the influence on Report Integrity. The coefficient of determination test is used to determine the influence of an independent variable on a dependent variable. Money is only responsible for explaining 4.8% of the variance, indicates that there are still a great number of additional independent variables that can be utilized to measure their influence on the Financial Statement Integrity variable.

Table 3. Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.318[a]	0.101	0.052	1.19374

a. Predictors: (Constant), Leverage, Company Size, Institutional

Source: Results of data processing with SPSS.

3.4 Discussion

The following is a discussion related to data analysis of the influence of the independent variable on the dependent variable:

a. The Effect of Institutional Ownership on the Integrity of Financial Statements

The integrity of financial reporting is unaffected by institutional ownership, according to data research. Agency theory (Jensen & Meckling: 1976) suggests that the existence of institutional ownership should be able to settle conflicts between principals and their agents. Institutions should be able to carry out supervision that can minimize the conflict, where the conflict is feared to cause distortions in the Financial Statements that affect the Integrity of Financial Reports. However, as we know in Indonesia, in general, the main motivation for institutional ownership tends to be to take temporary profits in a relatively short period, because institutional ownership is usually a company such as "insurance companies, mutual fund companies, pension fund companies" that tend to see the company's potential in the short term. provide a return on their investment, so their motivation is not to exercise control. Because of this, Institutional Ownership has no effect on the accuracy of financial reporting. According to study (Dade & Endra: 2017), the accuracy of financial statements is unaffected by institutional ownership. Additionally, study (Anniza & Auliffi: 2019) backs up this finding, stating that institutional ownership has no impact on the accuracy of financial reports. In his research, it is stated that the greater the institutional ownership, the more opportunistic behavior that is oriented to return on investment, not to company control.

b. The Influence of Independent Commissioners on the Integrity of Financial Statements

The integrity of financial statements is unaffected by an independent commissioner. This is not in line with agency theory (Jensen & Meckling: 1976), where the existence of an Independent Commissioner should be a mediator of agency conflicts between principals and agents which are feared to distort the Financial Reports, so that the existence of the Audit Committee is expected to improve the Integrity of Financial Statements. This is also contrary to the concept of Integrity of Financial Statements initiated by (Kwok: 2017), where according to him the parties involved in the supervision of financial statements such as "Independent Commissioners, Audit Committees and other Business Professionals", have the responsibility to uphold the Integrity of Financial Statements because these related parties become part of the important financial reporting environment of corporate governance, where corporate governance is a concept considered in the prevention of accounting irregularities. The lack of optimal supervision from the Independent Commissioner is one of the causes of its existence not having much effect on the Integrity of Financial Statements, where Independent Commissioners in public companies in Indonesia are still a formality. In some state-owned mining companies, we can even see that the position of Commissioner becomes a political position of the ruling government, many of which the position of Independent Commissioner is filled by retired state officials, both civilian and military, partisans who support political victories such as politicians, musicians and others who occupy the position of Independent Commissioner in state-owned companies, so that it has an impact on the supervisory function carried out by the Commissioners to maintain the Integrity of Financial Statements to be less effective because they do not have adequate competence. The same condition can also be seen in private sector companies that appoint their Independent Commissioners from among retired state apparatuses because they are considered capable of building connections with outside parties, especially with the government. According to studies (Yeye et al.: 2017), there is no impact on the integrity of financial statements when an Independent Commissioner is appointed. In his research, it is stated that the existence of Independent Commissioners is not always independent because their existence tends to be a formality so that their supervisory function becomes less than optimal.

c. Influence of the Audit Committee on the Integrity of Financial Statements.

Audit Committees have no bearing on whether financial statements are truthful. This is not consistent with theories of agency (Jensen & Meckling: 1976), where the existence of the Audit Committee should be able to increase its role in order to minimize the emergence of conflicts with agents that can distort Financial Statements which have an impact on the Integrity of Financial Statements. This is also contrary to the concept of Integrity of Financial Statements initiated by (Kwok: 2017), where the Audit Committee should be an important part of the financial reporting environment of corporate governance and has the responsibility to uphold the Integrity of Financial Statements. Ineffective role of the Audit Committee. This is because many members of the Audit Committee are also filled by retired state apparatus, both civil and military, so they are considered to lack sufficient competence to occupy the position of the Audit Committee, therefore the function of internal control in order to improve the Integrity of Financial Statements is less than optimal. According to research (Yeye et al.: 2017), the Audit Committee has no impact on the integrity of financial reporting. In his research, it is stated that the Audit Committee is not an effective mediator in informing the audit results which can distort the Financial Statements, so that the Integrity of financial statements is not compromised by the existence of the Audit Committee.

d. The Effect of Firm Size on the Integrity of Financial Statements.

The integrity of financial statements is unaffected by the size of a company. Agency theory (Jensen & Meckling: 1976) states that the larger the organization, the more likely it is to have an agency conflict, which can distort financial statements and harm the integrity of financial reporting. In the concept of Integrity of Financial Statements initiated by (Kwok: 2017), it does not mention that the size of the company will have an impact on the Integrity of Financial Statements, he emphasizes more on related parties who are part of the financial reporting environment, because there is no guarantee that the size of the company will determine Integrity. Financial Reports, there have been too many examples of large companies whose cases have emerged to the public due to not implementing Good Corporate Governance properly, so that it has an impact on the integrity of their Financial Statements, this is in line with the results of research (Misri et al.: 2020) to the effect that a company's size has no bearing on financial statement accuracy. Because the size of a firm is typically determined by its assets, sales, or revenue, he concludes in his study that it does not reflect the high or low integrity of financial statements.

e. The Effect of Leverage on the Integrity of Financial Statements

For financial reporting, leverage has a substantial impact. this is in line with agency theory (Jensen & Meckling: 1976), where in the theory it is explained that both the principal and the agent are individuals who have their own interests, in conditions of high leverage, the principal will ask the agent to provide as much positive information as possible to eliminate the doubts of investors, agents will be more attentive in publishing Financial Statements and improve the integrity of Financial Statements in order to keep their positions Leverage has an impact on the integrity of financial statements, according to studies (Syarifah & Rosnita: 2020). Because the higher the leverage, greater the level of confidence investors can place in the financial statements, according to his study's findings that say that the condition of the company is reflected in its ability to finance assets with debt.

IV. Conclusion

Based on the results of data analysis and discussion, conclusions that can be drawn from research regarding "the Analysis of the Effect of Corporate Governance Mechanisms, Company Size and Leverage on the Integrity of Financial Statements", are as follows:

"Institutional Ownership has no effect on the Integrity of Financial Statements. This is because in general the main motivation of Institutional Ownership tends to take a momentary advantage rather than to exercise control.

The Independent Commissioner does not affect the Integrity of Financial Statements. This is because the position of the Independent Commissioner in a public company in Indonesia is still a formality, resulting in a less than optimal supervisory function.

The Audit Committee has no effect on the Integrity of Financial Statements. This is because the Audit Committee is considered inadequate in informing the results of the examination, so that its supervisory function is less than optimal.

The size of a company has no bearing on the integrity of financial statements. Because huge corporations do not necessarily guarantee the integrity of their financial statements, both large and small corporations have agency conflicts that might alter financial statement integrity.

Leverage affects the Integrity of Financial Statements. Companies with high leverage tend to need to convince the public and stakeholders, one of which is by increasing the integrity of financial statements and wider disclosure of information."

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