



Effect of Good Corporate Governance, KAP Reputation, Its Size and Leverage on Integrity of Financial Statements

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ABSTRACT

This study aims to determine the effect of good corporate governance, the reputation of the firm, company size and leverage to the integrity of financial statements. The dependent variable in this study is the integrity of the financial statements is measured with conservative accounting model of Beaver and Ryan. Independent variables used are independent directors, audit committee, institutional ownership, and the reputation of the firm, company size and leverage. Data analysis method used is multiple linear regression analysis. The research proves that independent commissioners and the size of the company's reputation Kantor Akuntun Publik (KAP) positive effect on the integrity of the financial statements of companies listed on the Indonesian Stock Exchange (BEI) in the period 2013-2015 while the audit committee, institutional ownership and leverage do not affect the integrity of the financial statements of companies listed on the Indonesian Stock Exchange (BEI) in the period 2013-2015.

Keywords: Integrity Financial Statements, Good Corporate Governance, Reputation KAP, Company Size, Leverage

JEL Classification: G3

1. INTRODUCTION

In the era of President Ir. H Joko Widodo and Vice President Drs. H. Muhammad Jusuf Kalla, Indonesia is in full swing and the upgrading of infrastructure development in order to support the government's program to improve the investment world. Through the ministry of industry, the government tried to increase investment in the manufacturing industry. This is because the manufacturing industry is one sector that has a very important role in national development and the national economy. In the media industry in 2013 explained that in quarter III/2013, the manufacturing sector continued to experience growth despite the slowdown in the national economy due to the global crisis. In that period, medium and large manufacturing sector grew by 6.83% compared with the same period the previous year. Then the micro and small manufacturing sector also grew by 4.86%.

Some of the phenomenon of cheating scandal in the presentation of financial statements that has ever happened like Enron, Satyam (Enron of Asia), American International Group Inc., WorldCom, Tyco International and others have identical motifs are to continue

to attract investors to the company's existence in the business competition is maintained. In Indonesia, the cheating scandal also never happened, such as state-owned PT. Kimia Farma Tbk and PT. Kereta Api Indonesia who manipulate financial statements to inflate profits. In addition, in mid-2015 again revealed cheating scandal in preparing the financial statements of the scandal Toshiba. In the scandal Toshiba presumably has magnified gains of up to US \$ 1.2 billion over 5 years. Since at the beginning of the scandal around April 2015, Toshiba shares also declined by nearly 20%.

Based on this phenomenon, the researchers were motivated to examine the factors that affect the integrity of financial statements. Researchers intend to reexamine the independent variables that have been used by the Harrison (2012), Nicolin (2013), Gayatri and Suputra (2013), Saksakotama (2014), as well as Fajaryani (2015). Independent variables used are independent directors, audit committee, institutional ownership, firm size and leverage. Then the researchers add the variable reputation of KAP with the same theoretical basis with firm size and audit quality from previous research. Differences researcher with the Harrison (2012), Nicolin

(2013), Gayatri and Suputra (2013), as well as Saksakotama (2014) is the study period, namely 2013, 2014 and 2015. As with Fajaryani (2015), researchers used a manufacturing company.

Capital Market Supervisory Agency (Bapepam) issued regulations IX.I.6 numbers, attachment decisions chairman of Bapepam Number: Kep-45/PM/2004, which is now replaced by the Financial Services Authority regulation number 33/POJK.04/2014. The regulation explained that the board of directors of at least two members, one of whom is an independent commissioner. The existence of independent directors in the board of commissioners is expected to prevent the management company to commit fraud in the presentation of financial statements, so that it is presented not misleading information to the wearer. Gayatri research results and Suputra (2013), Nicolin (2013) and Saksakotama (2014) proved that independent commissioners positive effect on the integrity of financial statements. While the research conducted Harrison (2012) proved that the independent commissioner does not affect the integrity of financial statements.

The regulation also explained that the commissioners should establish an audit committee. It aims to aid effectiveness in the implementation of the tasks and responsibilities of the commissioner of the management company. In a number IX.I.5 regulations, Bapepam chairman of the annex to decision number: Kep-29/PM/2004 explained that the audit committee tasked with reviewing the financial information issued by the company and oversees companies' compliance with laws and regulations relating to the activities of companies, results of research Harrison (2012), Nicolin (2013), as well as Gayatri and Suputra (2013) proved that the audit committee has positive influence on the integrity of financial statements. While Saksakotama (2014) obtained results that the audit committee does not affect the integrity of financial statements.

In addition to independent directors and audit committee, needs to be enabled monitoring through institutional investors. The company's shares by institutions or other agencies be one of the mechanisms of supervision in a company. Institutional investors are expected to monitor and encourage management to focus on efforts to improve corporate performance, thus reducing fraudulent behaviour of the management company that selfish. Accordingly, the financial statements presented by management companies are expected to be free of material misstatement and the information is not misleading to the wearer. Fajaryani research results (2015) obtained results that institutional ownership positively affects the integrity of the financial statements. While research Harrison (2012), Nicolin (2013), Gayatri and Suputra (2013) and Saksakotama (2014) obtained results that institutional ownership does not affect the integrity of financial statements.

Efforts are to increase the confidence of users of financial reports on the integrity of the information that must be audited by an auditor or a public accountant. Refer to rule number XK2, chairman of the annex to decision Bapepam Number: Kep-346/BL/2011 and supported by the Financial Services Authority regulation number 29/POJK.04/2015 stating that the issuer shall publish regular annual report accompanied by the audit report which comes from

the independent external auditors of the financial statements. The external auditor who has a good reputation is assumed to be able to increase the credibility and integrity of the financial statements audited. Lennox (2000), Putra (2012) says that the reputation theory predicts a positive relationship between firm sizes with audit quality. Results of research Harrison (2012) proved that the quality audit positive effect on the integrity of financial statements. Then Saksakotama study (2014) showed that firm size positively affects the integrity of the financial statements.

The size of the company is thought to be one of the factors that affect the company's management in preparing the financial statements. Large-scale companies will be faced with greater demands of stakeholders in preparing the financial statements in accordance with the actual financial condition than small enterprises. Although the cheating scandal that is unfolding involving large-scale firms. This is because they get more attention from various parties. Although to maintain the existence in the business world that they should not commit fraud that eventually destroyed the company. Gayatri research results and Suputra (2013), Saksakotama (2014) and Fajaryani (2015) proved that the size of the company's positive effect on the integrity of financial statements.

The high use of debt to finance the company's assets alleged to be one of the factors that may affect the integrity of the financial statements. Companies with high leverage level will be more extensive in providing information in an effort to lure investors compared with companies with lower leverage level. But the high degree of leverage does not rule out the possibility of companies to do window dressing on the financial statements. This is because of pressure from investors who want to earn big returns as results of the investment risks they face are also great. Gayatri research results and Suputra (2013) to get the result that leverage positive effect on the integrity of financial statements. These contrasts with research Fajaryani (2015) who obtained results that leverage negatively affect the integrity of the financial statements.

Based on the above, the key problem in this research is formulated as follows: "Do good corporate governance which is proxied by independent commissioners, audit committee and institutional ownership as well as the reputation of the firm, company size and leverage effect on the integrity of financial statements either partially or simultaneously."

2. LITERATURE AND DEVELOPMENT HYPOTHESIS

2.1. Effect of Independent Commissioner against Integrity Reports Finance

Independent commissioner must possess integrity and independence is strong so it is not easy to be influenced by the management and supervisory accomplishments can run effectively and efficiently. By having an independent commissioner is expected that the financial statements presented by the management of high integrity and be accountable so as not to mislead the users in the decision making process. This is consistent with research conducted by

Gayatri and Suputra (2013), Nicolin (2013) and Saksakotama (2014), which shows that independent commissioners positive effect on the integrity of financial statements. Based on this, the development of the hypothesis in this study:

H₁: There is a positive influence of independent directors on the integrity of financial statements.

2.2. Effect of Audit Committee against Integrity Financial Statements

The existence of the audit committee of a company is expected to be one way to reduce and prevent opportunistic behaviour and management are motivated to perform fraudulent practices in presenting the financial statements. The audit committee should have a strong independence property so as to oversee the actions of management to effectively and ensure that the company has been operating activities appropriate legislation, rules and norms. So that the financial statements presented by management have high integrity and does not provide misleading information to the wearer. This is consistent with research conducted by the Harrison (2012), which indicates that the audit committee has positive influence on the integrity of financial statements. Based on this, the development of the hypothesis in this study:

H₂: There is a positive effect of the audit committee of the integrity of financial statements.

2.3. Effect of Institutional Ownership of Integrity Reports Finance

Institutional ownership is ownership by institutions or other institutions that come from outside the company's management. Oversight of corporate governance by institutional investors is expected to encourage the management to focus more attention on the performance of companies, thus reducing behavioural management to commit fraud and ignoring the interests of other parties, especially those who come from outside the company.

Ownership of shares by institutions or other agencies from outside the company is one of the mechanisms of supervision in the management of the company. With the institutional investors are expected to reduce agency cost, so as to encourage the management to focus its attention on the company's performance and management practices to prevent fraud. Institutional ownership is assumed that it will be able to become an effective watchdog for the management in presenting financial statements, so that the information presented is free of misstatement material that may mislead users. This is consistent with research conducted by Fajaryani (2015) which showed that institutional ownership positively affects the integrity of the financial statements. Based on this, the development of the hypothesis in this study:

H₃: There is a positive effect of institutional ownership on the financial statements.

2.4. Influence of KAP Reputation against Integrity Financial Statements

According Agoes (2012, p. 4) auditing is an examination conducted to critically and systematically, by an independent party, the financial

statements have been prepared by management, along with the copy of records and supporting evidence, in order to be able to give an opinion on fairness of the financial statements. Then, Arens et al. (2014, p. 4) defines an audit as the collection and evaluation of evidence about information to determine and report the degree of correspondence between the information with the criteria established, an audit should be performed by competent and independent.

The financial statements published by the issuer or public company must be completed by an independent audit report issued by the office of public accountant (KAP). This is to increase confidence in the financial statement users over the credibility of the financial statements presented by the management company. Subramanyam and Wild (2013, p. 86) says that the external auditor is an important mechanism to help ensure the quality and reliability of financial statements. So the financial statements must be audited by the auditors from outside the company and has a strong competence and independence. This is necessary in order to provide assurance that the financial statements are free of material misstatement and integrity that can be accounted for.

Lennox (2000), Putra (2012) says that the reputation theory predicts a positive relationship between firm sizes with audit quality. Later research Harrison (2012) shows the positive effect on the quality audit financial statements integrity. Based on this, the development of the hypothesis in this study:

H₄: There is a positive effect on the reputation of KAP on the integrity of financial statements.

2.5. Effect of Company Size of Integrity Report Finance

Taures (2011) in Saksakotama (2014) said that company size is a value that indicates the size of the company. Mudoko and Lana (2007) in Fajaryani (2015) said that company size is the size of a company that can be seen from the total assets.

The size of the company becomes one of the factors that is very important for management in presenting financial statements. Small-scale firms assumed to be more likely to make earnings management practices compared with large-scale firms. This will make the financial condition of small companies will always look healthy and performing well. Large companies will face demands for transparency of information more than a small company. Therefore, the larger the company assumed the integrity of the information from the financial statements will be higher and the company does not need to rig the financial statement presentation only to maintain the existence of the company in the business competition.

This is in line with research conducted by Fajaryani (2015), Saksakotama (2014) and Gayatri and Suputra (2013) who found that the size of the company's positive effect on the integrity of financial statements. Based on this, the development of the hypothesis in this study:

H₅: There is a positive influence on the size of the company on the integrity of financial statements.

2.6. Effect of Leverage to Integrity Financial Statements

Kashmir (2015. p. 113) says that the leverage ratio is a ratio used to measure the extent of the company's assets is financed with debt. The use of debt is too high will harm the company because the company would fall into the category of extreme leverage (debt extreme), a company stuck in a high debt level and would be difficult to let go of the debt burden (Fahmi, 2014. p. 127).

Companies that have a high leverage level will show that the company has the financial risk too high. This is because the company is experiencing financial difficulties that can be seen how much of the debt used to finance the company's activities. This is what will make the company to disclose information more widely than the companies with low leverage levels. But the risks faced by investors will increase so that they will sue to get a great return on their investment. This condition is feared to trigger management to do window dressing on the financial statements so that the integrity of the weak.

This is in line with research conducted by Fajaryani (2015) which shows that leverage negatively affect the integrity of the financial statements. Based on this, the development of the hypothesis in this study:

H₆: There is a negative effect of leverage on the integrity of financial statements.

2.7. Effect of Independent Commissioners, the Audit Committee, Institutional Ownership, Reputation KAP, Company Size and Leverage to Integrity Financial Statements

Based on the relationship between each variable and the results of several previous studies it can be concluded that the independent directors, audit committee, institutional ownership as a supervisor behaviour management, reputation KAP good, the size of a company as well as the high degree of leverage alleged influence on management in presenting the financial statements. Thus it can be concluded that these factors have a simultaneous effect on the integrity of financial statements.

H₇: The influence of independent directors, audit committee, institutional ownership, the reputation of the firm, company size and leverage to the integrity of the financial statements simultaneously.

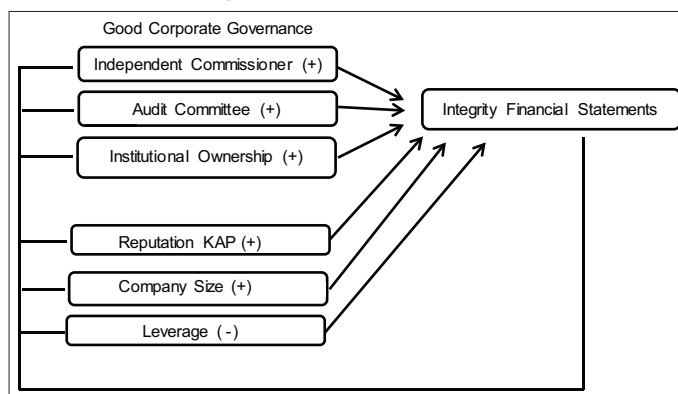
Based on the description that has been noted previously as well as the development of a hypothesis, and then the framework of this research can be seen in Figure 1.

3. RESEARCH METHODS

3.1. Data and Research Samples

Data used hearts singer research is secondary data, i.e., the annual report and audited financial statements All Manufacturing Companies Listed in Indonesia Stock Exchange (BEI) WITH Timeframe 2013, 2014 and 2015.

Figure 1: Framework research



Population Research Hearts Singer Manufacturing Company is listed in Indonesia Stock Exchange 2013-2015 period. In Research singer, sampling using purposive sampling techniques i.e., based on the following criteria: (1) Manufacturing companies listed in Indonesia Stock Exchange (BEI) in the period 2013 to 2015. (2) The company publishes audited financial statements and annual reports WITH fiscal year December 31 slow fence 30 April taxable incomes in the fiscal year the Indonesian Stock Exchange. (3) Manufacturing companies using currency solution Yang Rupiah (Rp) Hearts Financial Statements. (4) Manufacturing companies the NO deficiency of capital during the period 2013 until 2015. WITH singer to review avoid using variable the Bias value TOTAL NO. (5) Manufacturing companies that is NOT experiencing disadvantage during the period 2013-2015.

3.2. The Dependent Variable

The dependent variable is used Hearts Singer Research Integrity Financial Statements. Integrity Financial Report is the extent to which Information Hearts Financial Statements Presented honest and true operates well as meet the qualitative characteristics of financial statements. Integrity Financial Statements the conservative accounting measured WITH NEVER is used by Reyad (2012), Wistawan et al. (2015), Fajaryani (2015) Model Namely Beaver Dan Ryan. The high market the book then the high-level company conservatives. Formula integrity financial statements are:

$$CONS = \frac{\text{Stock market prices}}{\text{Book value shares}}$$

Information:

CONS: Conservatives to measure the integrity of financial statements.

Book value shares: Total equity/Total number of shares outstanding.

3.3. Independent Variables

Independent variables used in this study as follows.

3.3.1. Independent commissioner (KOIN)

Independent commissioner is a member of the board of directors who come from outside issuers and serves to monitor and assess

the company's performance more broadly and comprehensively at the same time is expected to connect the asymmetry of information that occurs between the stakeholders with the company management. Measurement of independent directors, namely comparing the number of independent directors with the total number of commissioners contained in company.

$$\text{KOIN} = \frac{\text{Number of independent directors}}{\text{The total number of commissioners}}$$

3.3.2. The audit committee (KOMA)

The audit committee is a committee formed by the board of directors to assist them in conducting oversight of the board of directors or the management company as well as ensuring that the company is managed in a reasonable manner and without violating the rules that can harm various parties. Bapepam Regulation IX.I.5 numbers has required listed companies to have an audit committee; the audit committee of measurement is the number of audit committee members.

KOMA = The number of audit committee members.

3.3.3. Institutional ownership (INST)

Institutional ownership is ownership by the institution or institutions from outside the company. Institutional Investor is one of oversight mechanisms are expected to supervise effectively and encourage more focused management to improve company performance. Measurement of institutional ownership is comparing the number of shares held institutionally by the number of shares outstanding.

$$\text{INST} = \frac{\text{Number of shares owned by institutional}}{\text{Number of outstanding shares}}$$

3.3.4. Reputation KAP

KAP good reputation is expected to increase the confidence of users of financial reports on the integrity of the financial statements audited. KAP's reputation is divided into two big four and KAP non big four. KAP's reputation is measured by using dummy variables, where the number 1 is given if the firm auditing the company's financial statements is a member of the big four accounting firm and 0 if it turns out the company audited by members of non big four accounting firm.

1 = KAP big four

0 = KAP non big four.

3.3.5. Company size (SIZE)

The size of the company is a picture of the size of a company by looking at the total assets and sales are presented in the financial statements at the end of the period. The larger the company, the higher the demands on the disclosure of information that has high integrity compared to the size of the smaller company. Firm size is calculated by using the natural:

SIZE = Ln total assets.

3.3.6. Leverage (LEVR)

Leverage is the ratio used to measure how much the company's assets are financed by debt. The higher the level of leverage, then the investor will demand a larger return for the risks it faces. This is exactly what sparked concern the management company to do window dressing on the financial statements. Measurement of leverage is comparing total debt by total assets.

LEVER = Total liabilities total assets

3.4. Data Analysis Method

The statistical method used to test the hypothesis in this study is multiple linear regression using SPSS for Windows 22. It aims to examine whether there is influence of the independent variables more than one dependent variable. To test the hypothesis, the regression equations are used as follows:

$$\text{CONS} = \alpha + \beta_1 \text{KOIN} + \beta_2 \text{KOMA} + \beta_3 \text{INST} + \beta_4 \text{RKAP} + \beta_5 \text{SIZE} + \beta_5 \text{LEVR} + \varepsilon$$

Information:

CONS: The integrity of the financial statements,

α : Constant,

$\beta_1 - \beta_5$: Coefficient of regression,

KOIN: Independent commissioner,

KOMA: Audit committee,

INST: Institutional ownership,

CBP: Reputation KAP,

SIZE: Company size,

LEVR: Leverage,

ε : Standard error.

4. DATA ANALYSIS AND RESULTS

4.1. Descriptive Statistics Test Results

Descriptive statistical test result can be seen in Table 1.

4.2. Classical Assumption Test Results

Before testing the hypothesis by using multiple linear regressions, performed classical assumption that consists of normality test, autocorrelation test, test multicollinearity and heteroskedasticity test.

4.2.1. Normality test results

Normality test is done with a nonparametric statistical test of Kolmogorov-Smirnov. Normality test results can be seen in Table 2.

Based on Table 2. The result of the test statistic has a value of 0.074 with a significance of 0.192. This shows that the significance value >0.05 (asymptomatic significance >0.05), it can be concluded that the data in this study residual normal distribution.

4.2.2. Autocorrelation test results

Autocorrelation test results conducted by Pierce and Ljung Box Box, the result that all the lag exceeds the value significance. This shows that the significant value that is >0.05 (significance >0.05), it can be concluded residual bring the data in this study does not happen correlation between residual.

Table 1: Descriptive statistics test results

Variables	N	Descriptive statistics		
		Minimum	Maximum	Mean±standard deviation
CONS	102	0.316	58.481	4.73071±9.119895
KOIN	102	0.250	0.800	0.40534±0.118213
KOMA	102	3.0	5.0	3.206±0.4943
INST	102	0.000	0.982	0.68514±0.240534
RKAP	102	0.0	1.0	0.529±0.5016
SIZE	102	25.634	33.134	28.80344±1.767017
LEVR	102	0.069	0.882	0.35312±0.176701
Valid N (listwise)	102			

Source: SPSS 22, seconder data is processed in 2016

Table 2: Test results normality KS

One-sample KS test	
Test result distribution	Unstandardized residual
N	102
Normal parameters	
Mean±standard deviation	0.0000000±0.80175049
Most extreme differences	
Absolute	0.074
Positive	0.047
Negative	-0.074
Test statistic	0.074
Asymptotic significance (two-tailed)	0.192

Source: SPSS 22, seconder data is processed in 2016. KS: Kolmogorov–Smirnov

4.2.3. Test results multicollinearity

Multicollinearity test is done by looking at the amount of variance inflation factor (VIF) and tolerance. Multicollinearity test results can be seen in Table 3.

Based on Table 3, provides information that each independent variable has a value of tolerance of not less than 0.1 (>0.1) and the VIF is not more than 10 (<10). Where the variable independent commissioner (COIN), the audit committee (KOMA), institutional ownership (INST), the reputation of KAP (CBP), firm size (SIZE) and leverage (LEVR) has a value of tolerance respectively 0.809, 0.794, 0.707, 0.520, 0.542 and 0.774. Then have each VIF value of 1.236, 1.259, 1.415, 1.923, 1.846 and 1.293. Thus, it can be concluded that the regression model used for independent variables in this study there are no issues multicollinearity.

4.2.4. Test results heteroskedasticity

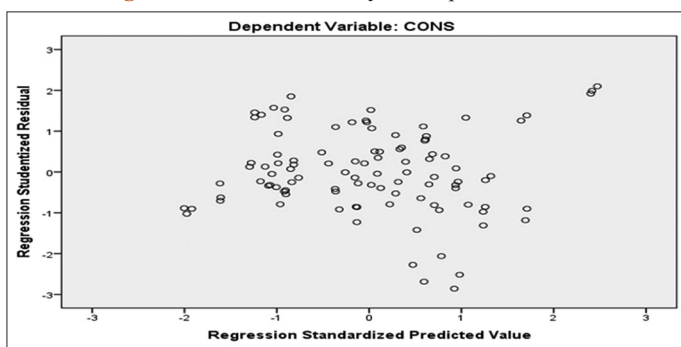
Heteroskedasticity test is done by looking at the graph plot. Heteroskedasticity test results can be seen in Figure 2.

Based on Figure 2, scatterplot graph shows that the points seen spread at random and scattered above and below the number 0 on the Y axis. It can be inferred that the regression model did not happen heteroskedasticity, so that decent regression model used in this study.

4.3. Hypothesis Test Results

Testing the hypothesis in this study was conducted using multiple linear regression models with SPSS for windows 22. Hypothesis test results obtained as follows:

Figure 2: Heteroskedasticity scatterplot test results



Source: SPSS 22, seconder data is processed in 2016

4.3.1. Test results coefficient of determination (R²)

Determination coefficient test results are shown in Table 4.

Based on Table 4, the result that adjusted R² of 0.349 or 34.9%. This suggests that the variation of variables independent commissioners, audit committee, institutional ownership, the reputation of the firm, company size and leverage can only explain 34.9% of the variation of the variable integrity of financial statements. This indicates amounted to 65.1% of other variables that may explain the variation of variables integrity of financial statements that are not included in this study regression model.

4.3.2. Simultaneous significance test results (test statistic F)

F statistical test result can be seen in Table 5.

Based on Table 5, the value of F obtained at 10.014 with a significance level of 0.000. This shows that the regression model is fit for use as a significance level of <0.05. Then the hypothesis is accepted, it may be said that the independent directors, audit committee, institutional ownership, the reputation of the firm, company size and leverage together (simultaneously) affect the integrity of financial statements.

4.3.3. Significant parameters individual test results (test statistic t)

T statistical test results can be seen in Table 6.

The test results of the first hypothesis, namely KOIN against CONS has a positive coefficient of 1.548. This suggests that each increase of one per cent variable independent directors will increase the integrity of financial statements amounting to 1.548%. The test results variables independent directors also have a significance level of 0.048, which means independent commissioners positive effect on the integrity of financial statements. The research result is consistent with studies that have been done by Gayatri and Suputra (2013), Nicolin (2013) and Saksakotama (2014), which proves that independent commissioners positive effect on the integrity of financial statements.

The second hypothesis KOMA against CONS has a negative coefficient of -0.325. This suggests that any increase in the number of audit committee members will degrade the integrity of the financial statements amounted to 0.325. The result of the audit committee variables has a significance value of 0.085

which means the audit committee does not affect the integrity of financial statements. The research result is consistent with studies that have been conducted by Saksakotama (2014), which proves that the audit committee does not affect the integrity of financial statements. The third hypothesis INST against CONS has a positive coefficient of 0.163. This suggests that each increase of one per cent institutional ownership variable will increase the integrity of financial statements amounting to 0.163%. The result of institutional ownership variable has a significance level of 0.689, which means institutional ownership does not affect the integrity of financial statements. The research result is consistent with research conducted by the Harrison (2012), Nicolin (2013), Gayatri and Suputra (2013) and Saksakotama (2014), which

proves that institutional ownership does not affect the integrity of financial statements.

CONS fourth hypothesis CBP is to have a positive coefficient of 0.712. This suggests that if the financial statements audited by the big four accounting firm will increase the integrity of financial statements amounting to 0.712. The test results variable KAP's reputation also has a significance level of 0.002, which means the reputation of KAP positive effect on the integrity of financial statements. The research result is consistent with the study conducted by the Harrison (2012), which proves that the quality of audit positive effect on the integrity of financial statements, as well as Saksakotama (2014) which prove that firm size positively affects the integrity of the financial statements. CONS SIZE fifth hypothesis to have a positive coefficient of 0.161. This suggests that each increase of one per cent of the variable size of the company will increase the integrity of financial statements amounting to 0.161%. The result of variable size companies also has a significance level of 0.012, which means the size of the company's positive effect on the integrity of financial statements. The research result is consistent with studies that have been done by Gayatri and Suputra (2013), Saksakotama (2014) and Fajaryani (2015) which proved that the size of the company's positive effect on the integrity of financial statements.

Table 3: Test results multicollinearity

Model	Coefficients ^a	
	Collinearity statistics	
	Tolerance	VIF
1		
KOIN	0.809	1.236
KOMA	0.794	1.259
INST	0.707	1.415
RKAP	0.520	1.923
SIZE	0.542	1.846
LEVR	0.774	1.293

Source: SPSS 22, seconder data is processed in 2016. VIF: Variance inflation factor

Table 4: Test results

Model	Coefficient of determination (R ²)			
	Dependent variable: CONS			
	R	R ²	Adjusted R ²	Standard error of the estimate
1	0.622 ^a	0.387	0.349	0.826681312872919

^aPredictors: (Constant), LEVR, KOMA, KOIN, RKAP, INST, SIZE. Source: SPSS 22, seconder data is processed in 2016

Table 5: Test results statistics F

Model	ANOVA ^a				
	Sum of squares	df	Mean square	F	Significant
1					
Regression	41.061	6	6.844	10.014	0.000 ^b
Residual	64.923	95	0.683		
Total	105.985	101			

^aDependent variable: CONS. Source: SPSS 22, seconder data is processed in 2016.

^bPredictors: (Constant), LEVR, KOMA, KOIN, RKAP, INST, SIZE

Table 6: Test results statistics t

Model	Coefficients ^a				t	Significant
	Unstandardized coefficients		Standardized coefficients			
	B	Standard error	Beta			
1						
(Constant)	-4.112	1.768			-2.326	-0.022
KOIN	1.548	0.774	0.179		2.001	0.048
KOMA	-0.325	0.187	-0.157		-1.741	0.085
INST	0.163	0.407	0.038		0.401	0.689
RKAP	0.712	0.227	0.349		3.130	0.002
SIZE	0.161	0.063	0.278		2.548	0.012
LEVR	0.829	0.529	0.143		1.566	0.121

^aDependent variable: CONS. Source: SPSS 22, seconder data is processed in 2016

CONS sixth hypothesis LEVR is to have a positive coefficient of 0.829. This suggests that each increase of 1% of the variable leverage will increase the integrity of financial statements amounting to 0.829%. The test results leverage variables have a significance level of 0.121, which means that the leverage does not affect the integrity of financial statements. The results of this study contradict the study conducted by Fajaryani (2015) which proved that leverage negatively affect the integrity of the financial statements, as well as Gayatri and Suputra (2013) which proved that leverage positive effect on the integrity of financial statements.

5. CONCLUSIONS, SUGGESTIONS AND LIMITATIONS

5.1. Conclusion

This study aims to determine the influence of independent directors, audit committee, institutional ownership, and the reputation of the firm, company size and leverage to the integrity

of financial statements. Based on the results of tests performed using multiple linear regression model, it can be concluded that the independent commissioner, the reputation of the firm, and the size of the company's positive effect on the integrity of financial statements. While the audit committee, institutional ownership, and leverage do not affect the integrity of financial statements. Based on the results of the simultaneous test (F test) showed that the variables of independent commissioners, audit committee, institutional ownership, the reputation of the firm, company size and leverage simultaneously affect the integrity of financial statements.

5.2. Suggestions

Based on the research results and conclusions, the researchers gave suggestions for further research, namely, (1) To use the research object such as mining, real estate and property, financial services and so on. (2) To add the study period and does not limit reporting until 30 April after the fiscal year, so it has observed that more and more. (3) To measure leverage using the debt to equity ratio, long term debt ratio, and so forth. (4) To test the managerial ownership variables, CEO duality, board size and so forth. (5) To examine the external factors such as auditor industry specialization, audit tenur, independence and so forth.

5.3. Limitations of Research and Development of Further Research

Researchers realized that the outcome of this research is still far from perfection. This is due to the limitation in this research, this study uses only manufacturing companies listed in Indonesia Stock Exchange as the research object, so that the study cannot explain the integrity of the financial statements on any type of companies operating in Indonesia. This study only used for 3-year study period, namely 2013, 2014, 2015 and limit the reporting of the annual report and audited financial statements until 30 April after the fiscal year, so just get a sample of 34 for each period. Variable leverage used in this study measured only by the debt to assets ratio, while a lot of ways to measure the leverage ratio. Good corporate governance variables in this study is proxied by three variables, while there are many other proxies that can be used in addition to independent directors, audit committee and institutional ownership. External factors in this study only the reputation of KAP, while many external

factors that can be tested to determine the effect on the integrity of financial statements.

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