The Influence of Good Corporate Governance and Corporate Social Responsibility (CSR) on the Integrity of Financial Reports (Empirical Study of SRI-KEHATI Indexed Companies for the 2020-2022 period)

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Abstract: This study aims to examine the effect of Good Corporate Governance (consisting of institutional ownership, independent commissioners, audit committees and audit quality), and Corporate Social Responsibility on the integrity of financial statements. The population of this study is companies listed on the Indonesian Stock Exchange indexed by SRI KEHATI in 2020-2022. The research data used comes from the Annual Report and Sustainability Report and the research sample is 45. The sampling technique used is purposive sampling technique. The data obtained were analyzed using Eviews software version 9.0. The results of the study indicate that institutional ownership does not have a significant effect on the integrity of financial statements, the audit committee has a negative effect on the integrity of financial statements, independent commissioners have a positive effect on the integrity of financial statements, audit quality has a positive effect on the integrity of financial statements, while Corporate Social Responsibility (CSR) has no effect on the integrity of financial statements.

Keywords: Good Corporate Governance (GCG), Institutional Ownership, Audit Commitees, Independent Commissioners, Audit Quality, Corporate Social Responsibility (CSR) and Integrity of Financial Statements

1. Introduction

Companies that have gone public and are listed on the Indonesia Stock Exchange must publish their audited financial statements. Users of financial statements need financial information to make effective decisions. Users of financial statements (investors) in making investments, observe and pay attention to business practices carried out by business entities, including economic and social environmental performance (Armstrong, 2020). In determining their investment policies, investors assess the quality of corporate governance as one of the indicators. The accounting information contained in the financial statements must be relevant, reliable and faithful representation so that decisions taken by investors are not biased so that the financial statements have high integrity.

Cases of manipulation of accounting information in financial statements often occur in companies that go public. Such as the uncovering of cases of manipulation of financial statements of PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA) which have the potential to reduce the level of investor trust in the credibility of public companies on the Indonesia Stock Exchange (Tempo, 2023). This case shows that multiple audits do not guarantee the validity of financial statements. Before the financial report is published to the public, the financial report of a public company goes through at least five stages of examination, namely from management, board of commissioners, audit committee, public accounting firm, OJK, and also examination by the stock exchange manager. The phenomenon of financial cases that occur can also indicate a form of failure of the integrity of financial reports to meet the information needs of users of financial reports. The integrity of financial reports can be influenced by several factors, including Good Corporate Governance and social responsibility. To produce financial reports with integrity, quality financial reports in accordance with the principles of Good Corporate Governance, the company's corporate governance must have a well-structured system. By implementing a good corporate governance (GCG) system, it is expected to minimize the occurrence of fraud in reporting company performance. In addition to the implementation of GCG, Corporate Social Responsibility (CSR) is thought to be able to influence the integrity of financial reports. CSR activities are activities that pay attention to the surrounding conditions which are considered the entity's social responsibility to stakeholders. Entities that have CSR and are committed to implementing the CSR policies they have will motivate management to improve the company's operational performance and are expected to reduce incorrect actions in carrying out profit management.

Many studies have been conducted on factors that influence the integrity of financial statements. However, previous studies have shown different results. The results of the studies conducted by (Wahyuni, 2022) and (Harun et al., 2020) showed that audit quality has a positive and significant effect on the integrity of financial statements. Meanwhile, the study conducted by (Novyarni et al., 2022) stated that Audit Quality has no effect on the Integrity of Financial Statements. The studies (Nawara Putri & Andriani, n.d.) and (Kadek et al., 2016) stated that institutional ownership has a positive effect on the integrity of financial statements. Meanwhile, the results are in contrast to the studies conducted by (Priharta, 2017) and (Fauziah et al., 2023) which showed that Institutional Ownership has no effect on the integrity of financial statements. The studies by (Priharta, 2017) and (Dewi et al., 2019) showed that Independent Commissioners have a positive effect on the integrity of financial statements. Meanwhile, the studies by (Novyarni et al., 2022) and (Fauziah et al., 2023) showed that there was no influence of independent commissioners on the integrity of financial statements. (Fauziah et al., 2023) showed that the Audit Committee had a significant effect on the integrity of financial statements. Meanwhile, (Nugraheni, 2021) and (Dewi et al., 2019) showed that the Audit Committee did not have a significant effect on the integrity of financial reports. Research conducted by (Harun et al., 2020) and (Nugraheni, 2021) showed that the corporate social responsibility variable had a positive and significant effect on the integrity of financial reports. And the results of the study by (Fauziah et al., 2023) showed that there was no effect of Corporate Social Responsibility (CSR) on the integrity of financial reports.

2. Theoretical Background

2.1 Integrity of Financial Reports

The definition of financial reports with integrity according to (KIESO et al., 2020) "Stated in the Statement of Financial Accounting Concepts (SFAC) No. 1. Financial reports are said to have integrity if the financial report meets the quality with one of the characteristics required by IFRS, namely faithful representation and must also be free from material errors (free from error) that can mislead users to meet the quality of faithful representation. "According to (Hardiningsih, 2010), defines that the integrity of the Financial Report is a financial report that displays the actual condition or company, without anything being covered up or hidden. (Nicolin & Sabeni, 2013) stated that "measurement of the integrity of the report is carried out using conservatism because it is considered identical to the understate financial report which has a smaller risk than the overstate financial report so that the resulting financial report will be more reliable".

2.2 Good Corporate Governance

Good Corporate Governance (GCG), according to the Forum for Corporate Governance in Indonesia (FCGI) which was adapted from the Cadbury Committee of the United Kingdom defines Good Corporate Governance as a set of rules that define the relationship between shareholders, managers, creditors, the government, employees and other internal and external stakeholders in respect to their rights and responsibilities, or the system by which companies are directed and controlled (fcgi.or.id). The dimensions of Good Corporate Governance in this study are 1) Institutional ownership, institutional ownership has the ability to control management through an effective monitoring process so that it can reduce earnings management. 2) Audit committee, the audit committee is a body formed within the client company that is tasked with maintaining the independence of the auditing accountant towards management (Supriyono, 2012). 3) Independent commissioner, an independent commissioner is a body within the company that usually consists of an independent board of commissioners from outside the company whose function is to assess the company's performance broadly and as a whole (Mulyani et al., 2018). And 4) audit quality, audit quality is the probability that an auditor finds and reports a violation in the auditee's accounting system (Wahyuni, 2022).

2.3 Corporate Social Responsibility

Corporate Social Responsibility is the company's commitment to maintaining economic, social and environmental sustainability that is impacted by the company's operations (Effendi, 2016). (Hery, 2012) defines Corporate Social Responsibility as the organization's responsibility to contribute continuously to people's and environmental issues that aim to overcome or build a good environment.

3. Conceptual Framework and Hypothesis

Institutional ownership is a condition where an institution owns shares in a company. Institutional ownership is expected to be able to control management and carry out monitoring functions on company management in making decisions to improve company performance. Institutional ownership is expected to be able to reduce the tendency of management to manipulate financial reports. Thus, the existence of institutional investors can improve the integrity of financial reports. Research (Nawara Putri & Andriani, n.d.) and (Dewi et al., 2019) state that institutional ownership has a positive effect on the integrity of financial reports.

The audit committee is a committee formed by the company's board of commissioners whose members are appointed and dismissed by the board of commissioners to help conduct examinations or research deemed necessary for the implementation of the board of directors' functions in managing the company. The audit committee carries out internal supervision of the company and bridges the gap between shareholders and the board of commissioners with control activities carried out by management and internal and external auditors. So that it can minimize the occurrence of financial report manipulation. (Fauziah et al., 2023) shows that the Audit Committee has a significant effect on the integrity of financial reports.

Independent commissioners are one of those who can influence the integrity of financial reports. Independent commissioners can provide advice and supervise the board of directors objectively. With this controlling system, it can influence the improvement of the performance of the board of directors so that it can increase the value of the company. Research by (Priharta, 2017) and (Dewi et al., 2019) shows that Independent Commissioners have a positive effect on the integrity of financial reports.

Audit quality can provide an overview that auditors can find any irregularities that occur in a client or company accounting system. Audit quality is very important because high quality audits will produce credible financial reports as a basis for decision making. The results of research conducted by (Wahyuni, 2022) and (Harun et al., 2020) show that audit quality has a positive and significant effect on the integrity of financial reports.

Corporate Social Responsibility or CSR is a form of corporate responsibility towards the company's environment where the company will contribute to supporting the surrounding community to improve and advance the quality of life of the surrounding community (Suryono & Sutandi, 2022). The implementation and disclosure of CSR in the company's annual report is considered to be able to increase trust and a positive image from the community and stakeholders, because the public will view the community as a responsible company. Research conducted by (Harun et al., 2020) and (Nugraheni, 2021) shows that the corporate social responsibility variable has a positive and significant influence on the integrity of financial reports.

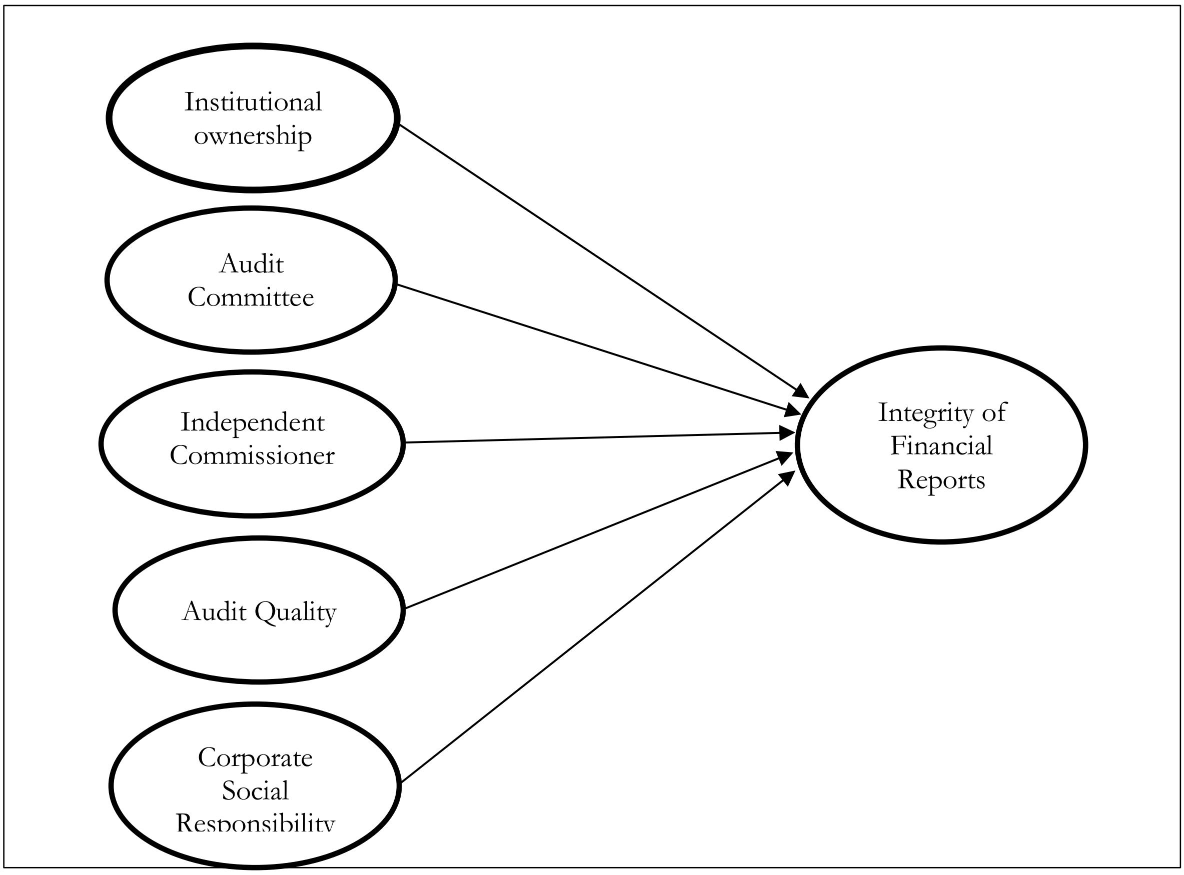

Figure 1. Conceptual Framework

Based on the conceptual framework above, the hypotheses of this study are as follows:

H1: Institutional Ownership has an effect on Financial Report Integrity
H2: Audit Committee has an effect on Financial Report Integrity
H3: Independent Commissioner has an effect on Financial Report Integrity
H4: Audit Quality has an effect on Financial Report Integrity
H5: CSR Disclosure has an effect on Financial Report Integrity

4. Research Method

This study uses quantitative causal research to test hypotheses about the influence, find causes or relationships of effects both directly and indirectly to test and explain the influence of institutional ownership, audit committees, independent commissioners, audit quality and CSR on the integrity of financial reports.

The population used in this study were companies whose shares were indexed by SRI-KEHATI. The sampling technique in this study used the purposive sampling method. Purposive sampling is a technique for sampling data sources with certain considerations or criteria. Based on the criteria that have been set, there are 15 companies indexed by SRI-KEHATI that will be used as samples in the study for three consecutive years, namely from 2020 to 2022. And the data taken in this study is in the form of the company's annual financial report for three consecutive years.

The data analysis method used in this study is to use a panel data regression analysis model because of the combination of cross-section data and time series data, namely measuring with the same sample at different times. The data processing tool in this study uses Eviews 9.0 software.

5. Results And Discussion

5.1 Research Variables Description

Table 1. Descriptive Statistics Results

	Y	X1	X2	X3	X4	X5
Mean	5.343556	62.54089	4.111111	0.492444	0.911111	0.325778
Median	1.480000	57.99000	4.000000	0.500000	1.000000	0.320000
Maximum	56.79000	89.13000	8.000000	0.830000	1.000000	0.560000
Minimum	0.420000	50.07000	2.000000	0.290000	0.000000	0.180000
Std. Dev.	11.51608	12.18720	1.401658	0.146554	0.287799	0.094856
Skewness	3.406745	0.952396	1.052680	0.629207	-2.889215	0.769142
Kurtosis	13.71974	2.478316	3.255084	2.874907	9.347561	3.306124
Jarque-Bera	302.5059	7.313225	8.433020	2.998604	138.1533	4.612555
Probability	0.000000	0.025820	0.014750	0.223286	0.000000	0.099631
Sum	240.4600	2814.340	185.0000	22.16000	41.00000	14.66000
Sum Sq. Dev.	5835.285	6535.223	86.44444	0.945031	3.644444	0.395898
Observations	45	45	45	45	45	45

Table 1 shows that the dependent variable, which is the Integrity of Financial Statements, has a minimum value of 0.42 from PT WIKA in 2022, and a maximum value of 56.79 from PT Unilever in 2020. The Integrity of Financial Statements has an average value of 5.344, which means that, on average, companies indexed by SRI-Kehati have high conservatism in their financial statements due to the positive values. Therefore, it can be said that the financial statement integrity of companies indexed by SRI-Kehati is in the good category, as they are well-prepared to handle uncertainties in decision-making.

Institutional Ownership (X1) has a minimum value of 50.07 from PT Indofood for the years 2020-2022, and a maximum value of 89.13 from PT Bank BNI in 2021. The mean value is 62.54, which indicates that, on average, institutional ownership is relatively high, exceeding 50%. Therefore, it can be said that a high proportion of institutional ownership is expected to enhance the supervisory function over management performance and encourage management to apply conservative accounting principles.

Based on Table 1, it is known that the Audit Committee (X2) has a minimum value of 2.00, held by PT WIKA in 2021, and a maximum value of 8.00, held by PT Bank BRI. The mean value is 4.11, which means that the Board of Commissioners of companies listed in the SRI KEHATI index is assisted by the audit committee to support the effectiveness of performing supervisory duties and functions related to financial reports, internal controls, and external controls.

The Independent Commissioner (X3) has a minimum value of 0.29, obtained by PT Semen Indonesia for the years 2020-2022 and PT Indofood in 2022. The maximum value is 0.83, achieved by PT Unilever for the years 2020-2022. The average value for Independent Commissioners is 0.49 or 49%, which means that nearly 50% indicates a strong board of commissioners, thereby reflecting a higher desired level of conservatism due to the requirement for higher quality financial information.

Based on the table above, it is known that Audit Quality (X4) has the lowest value of 0, which is observed for PT Jasa Marga in 2022 and PT WIKA from 2020 to 2022. This means that PT Jasa Marga and PT Wika did not use high-quality public accounting firms. Meanwhile, the maximum value of 1 was achieved by almost all samples, indicating that all the sampled companies, except PT Jasa Marga and PT Wika, used one of the Big Five public accounting firms. The average audit quality score is 0.91, which suggests that almost all companies used high-quality public accountants, resulting in credible financial statements as a basis for decision-making.

The CSR variable (X5) has a minimum value of 0.18, which is held by PT United Tractors in 2022 and PT Bank BNI in 2020, while the maximum value of the CSR variable is 0.56, obtained by PT Perusahaan Gas Negara. The mean value of 0.33 indicates that, on average, companies indexed in the SRI Kehati have disclosed 33 out of 91 GRI component items. CSR disclosure in a company's annual report is considered to enhance public trust and build a positive image among stakeholders, as the public will view the company as socially responsible.

5.2 Model Selection for Estimation

Based on the estimation technique, panel data regression models can be estimated using three estimation models: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM).

Table 2. Chow Test Results

Redundant Fixed Effects Tests Equation: Untitled Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.930748	(14,25)	0.5390
Cross-section Chi-square	100.645898	14	0.0000

The results of the Chow Test show that the probability value of the Cross-section F is 0.5390, which is greater than 0.05. Therefore, it can be concluded that the Common Effect Model is more appropriate than the Fixed Effect Model.

Table 3. Hausman Test Results

Correlated Random Effects – Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.290493	5	0.2790

The results above show that the probability value for the Cross-section random is 0.2790, which is greater than 0.05. Therefore, it can be concluded that the Random Effect Model is more appropriate than the Fixed Effect Model.

Table 4. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	24.95139 (0.0640)	0.603707 (0.4372)	25.55509 (0.0000)
Honda	4.995136 (0.0000)	-0.776986 --	2.982683 (0.0014)
King-Wu	4.995136 (0.0000)	-0.776986 --	1.039244 (0.1493)
Standardized Honda	6.307337 (0.0000)	-0.482136 --	0.655506 (0.2561)
Standardized King-Wu	6.307337 (0.0000)	-0.482136 --	-0.841359 --
Gourierioux, et al.*	--	--	24.95139 (< 0.01)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

The results above show that the probability value of the Cross-section Breusch-Pagan is 0.064, which is greater than 0.05. Therefore, it can be concluded that the Common Effect Model is more appropriate to use than the Random Effect Model.

Based on the results of the three tests, it is known that the Common Effect Model was selected twice, namely in the Chow test and the Lagrange Multiplier test. Meanwhile, the Random Effect Model was only selected in the Hausman test. Therefore, the Common Effect Model is chosen for this study.

5.3 Hypothesis Testing

Table 3. Hypothesis Testing Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 06/19/24 Time: 15:00

Sample: 2020 2022
Periods included: 3
Cross-sections included: 15
Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-30.82839	11.31583	-2.724358	0.0096
X1	0.191087	0.136573	1.399160	0.1697
X2	-2.091167	0.932695	-2.242070	0.0307
X3	44.73258	10.56470	4.234157	0.0001
X4	9.707899	4.407281	2.202696	0.0336
X5	5.970050	14.62732	0.408144	0.6854

R-squared	0.544844	Mean dependent var	5.343556
Adjusted R-squared	0.486491	S.D. dependent var	11.51608
S.E. of regression	8.252371	Akaike info criterion	7.182444
Sum squared resid	2655.964	Schwarz criterion	7.423332
Log likelihood	-155.6050	Hannan-Quinn criter.	7.272245
F-statistic	9.336989	Durbin-Watson stat	0.575236
Prob(F-statistic)	0.000007		

Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to measure how well the model can explain the variation in the dependent variable. According to Table 3, the coefficient of determination (R-Squared) is 0.545 (54.4%). This indicates that Institutional Ownership (X1), Audit Committee (X2), Independent Commissioners (X3), Audit Quality (X4), and CSR (X5) influence profitability by 54.4%, while the remaining 45.6% is influenced by other factors not examined in this study.

F Test

The F-test is often referred to as a simultaneous test, which aims to prove whether the independent variables (X) simultaneously have an effect on the dependent variable (Y). Based on the results of the F-test (Simultaneous) in Table 3, it is known that the calculated F-value is 9.337, while the F-table value at a 0.05 significance level is 2.422. From this calculation, it is evident that the calculated F-value is greater than the F-table value. Additionally, the Prob (F-statistic) of 0.000 is smaller than 0.05. Based on this, it can be concluded that Institutional Ownership (X1), Audit Committee (X2), Independent Commissioners (X3), Audit Quality (X4), and CSR (X5) collectively (simultaneously) influence the Integrity of Financial Statements (Y).

T Test

The t-test is used to examine the effect of independent variables on the dependent variable partially or individually. Based on the table above, the results of the partial test can be seen as follows:

The Influence of Institutional Ownership on the Integrity of Financial Statements

Based on the t-test results in Table 3, the calculated t-value is 1.399, which is less than the t-table value of 2.014, with a probability of 0.169, which is greater than 0.05. Therefore, it can be concluded that Hypothesis 1 is rejected, meaning that Institutional Ownership does not have an effect on the Integrity of Financial Statements.

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

Based on the results of the significance test for the independent variable (t-test), it is known that the Audit Committee has a negative and significant effect on the Integrity of Financial Statements. This is indicated by the calculated t-value of -2.242, which is greater than the t-table value of 2.014, and a probability of 0.0307, which is less than 0.05. Therefore, it can be concluded that Hypothesis 2 is accepted, meaning that the Audit Committee has a negative and significant effect on the Integrity of Financial Statements.

The Influence of Independent Commissioners on the Integrity of Financial Statements

Based on the results of the significance test for the independent variable (t-test), it is known that Independent Commissioners have a positive and significant effect on the Integrity of Financial Statements. This is indicated by the calculated t-value of 4.234, which is greater than the t-table value of 2.014, and a probability of 0.0001, which is less than 0.05. Therefore, it can be concluded that Hypothesis 3 is accepted, meaning that Independent Commissioners have a positive and significant effect on the Integrity of Financial Statements.

The Influence of Audit Quality on the Integrity of Financial Statements

Based on the results of the significance test for the independent variable (t-test), it is known that Audit Quality has a positive and significant effect on the Integrity of Financial Statements. This is indicated by the calculated t-value of 2.203, which is greater than the t-table value of 2.014, and a probability of 0.0336, which is less than 0.05. Therefore, it can be concluded that Hypothesis 4 is accepted, meaning that Audit Quality has a positive and significant effect on the Integrity of Financial Statements.

The Influence of CSR on the Integrity of Financial Statements

Based on the results of the significance test for the independent variable (t-test), it is known that CSR does not have an effect on the Integrity of Financial Statements. This is indicated by the calculated t-value of 0.408, which is less than the t-table value of 2.014, and a probability of 0.6854, which is greater than 0.05. Therefore, it can be concluded that Hypothesis 5 is rejected, meaning that CSR does not have an effect on the Integrity of Financial Statements.

5.4 Discussion

The Influence of Institutional Ownership on the Integrity of Financial Statements

Based on the results of the statistical and significance tests, Institutional Ownership does not have a significant effect on the Integrity of Financial Statements. This means that the amount of institutional ownership in companies indexed by SRI-Kehati does not impact the Integrity of Financial Statements. This indicates that institutional ownership does not have sufficient capacity to perform intensive oversight to ensure financial reporting integrity. The results of this study contradict the research conducted by (Priharta, 2017), (Novyarni et al., 2022), and (Nawara Putri & Andriani, n.d.), which indicated a positive effect of Institutional Ownership on the Integrity of Financial Statements. However, these results are consistent with the research conducted by (Fauziah et al., 2023) and (Hasanuddin, 2018), which found no effect of Institutional Ownership on the Integrity of Financial Statements.

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

The study shows that the Audit Committee has a negative and significant effect on the Integrity of Financial Statements for companies indexed by SRI-Kehati. This result does not support agency theory, which assumes that the presence of an audit committee enhances the accuracy of financial statements through its role in overseeing the financial reporting process. However, this result is consistent with resource dependency theory. It suggests that as the size of the audit committee increases, the Integrity of Financial Statements decreases. Alternatively, a smaller number of members may be more efficient in decision-making due to fewer interests and quicker decision-making. A committee with many members tends to lose focus and has lower participation, which can result in less effective oversight and potentially impact company performance negatively (Herdjiono and Sari, 2017). This finding is in line with research conducted by Pitria and Miftah and the results reported by (Fauziah et al., 2023). However, the findings contradict the research conducted by (Nugraheni, 2021) and (Dewi et al., 2019).

The Influence of Independent Commissioners on the Integrity of Financial Statements

Based on the results of the statistical and significance tests, Independent Commissioners have a significant effect on the Integrity of Financial Statements. The direction of the effect is positive, indicating that the presence of independent commissioners is able to oversee the company effectively, thereby promoting the preparation of financial statements with integrity. The presence of independent commissioners can be a solution to reduce the risk of manipulation by management to achieve accurate financial reporting. Independent commissioners function as comprehensive and thorough overseers of management performance, leading to more reliable information disclosure. The results of this study contradict the research conducted by (Fauziah et al., 2023) and (Novyarni et al., 2022), which indicated no effect of Independent Commissioners on the Integrity of Financial Statements. However, this study is consistent with the research conducted by (Priharta, 2017) and (Saksakotama et al., 2014), which found an effect of Independent Commissioners on the Integrity of Financial Statements.

The Influence of Audit Quality on the Integrity of Financial Statements

Based on the results of the statistical and significance tests, Audit Quality has a positive and significant effect on the Integrity of Financial Statements, meaning that higher audit quality leads to better Integrity of Financial Statements. This result indicates that as the quality of an audit firm improves, the auditor will provide accurate and fair opinions based on the audited financial statements. Therefore, higher Audit Quality will enhance the trustworthiness of the company's financial statements among external parties, signifying that the Integrity of Financial Statements will be maintained or improved. The results of this study contradict the research conducted by (Nawara Putri & Andriani, n.d.) and (Novyarni et al., 2022), which indicated no effect of Audit Quality on the Integrity of Financial Statements. However, this study is consistent with the research conducted by (Priharta, 2017) and (Wahyuni, 2022), which found an effect of Audit Quality on the Integrity of Financial Statements.

The Influence of CSR on the Integrity of Financial Statements

Based on the results of the statistical and significance tests, CSR does not have a significant effect on the Integrity of Financial Statements. This is due to the relatively low level of CSR disclosure in the annual reports of companies indexed by SRI Kehati in this study. This can be observed from the items disclosed by companies in their annual reports, as measured using GRI. Many companies' CSR disclosures are merely to fulfill their obligations to the government in accordance with Law No. 40 of 2007. The results of this study contradict the research conducted by (Fauziah et al., 2023), which indicated no effect of CSR on the Integrity of Financial Statements. However, this study is consistent with the research conducted by (Harun et al., 2020) and (Nugraheni, 2021), which found an effect of CSR on the Integrity of Financial Statements.

6. Conclusion And Suggestion

Conclusion

Based on the results of the research and the discussion presented above, the following conclusions can be drawn:

1. Institutional Ownership does not have a significant effect on the Integrity of Financial Statements. This means that the amount of institutional ownership in companies indexed by SRI-Kehati does not impact the Integrity of Financial Statements. This indicates that institutional ownership does not have sufficient capacity to perform intensive oversight to ensure financial reporting integrity.
2. The Audit Committee has a significant effect on the Integrity of Financial Statements. The direction of the effect is negative, indicating that companies with a larger number of audit committee members experience a decrease in the Integrity of Financial Statements. This is due to imperfect decision-making

by the audit committee; such conditions suggest that the resulting financial statements are less trustworthy.

3. Independent Commissioners have a significant effect on the Integrity of Financial Statements. The direction of the effect is positive, meaning that the presence of independent commissioners is able to oversee the company effectively, thereby promoting the preparation of financial statements with integrity. Independent commissioners function as comprehensive and thorough overseers of management performance, leading to more reliable information disclosure.
4. Audit Quality has a significant effect on the Integrity of Financial Statements. The direction of the effect is positive, meaning that higher audit quality leads to better Integrity of Financial Statements. With good Audit Quality, the auditor will provide a truthful opinion based on the financial statements.
5. Corporate Social Responsibility (CSR) does not have a significant effect on the Integrity of Financial Statements. This is due to the relatively low level of CSR disclosure in the annual reports of companies indexed by SRI Kehati in this study.

Suggestion

Suggestions for future researchers include increasing the sample size and incorporating or adding other variables, such as company size or audit tenure, as well as using alternative measurements for the integrity of financial statements.

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