

Integrity of Financial Statement: Leverage and Corporate Governance using Firm Size as Mediating Variable

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Abstract— The main objective of this research is to preserve the integrity of financial statements by examining the impact of leverage and corporate governance as mediated by firm size. This study is an association research style that collects data from documentary studies focusing on the industrial products sector between 2020 and 2022. Purposive sampling was used with non-probability sampling to create a sample of 26 companies. Path analysis and the Sobel test method are used in the data analysis process. The discoveries show that there is no significant relationship between leverage and firm size. On the other hand, corporate governance substantially enhances firm size. Furthermore, the findings suggest that both leverage and corporate governance considerably impact the credibility of financial statements. On the other hand, the integrity of financial statements is not much impacted by the size of the firm. As a result, the relationship among leverage, corporate governance, and the integrity of financial statements cannot be mediated by firm size.

Keywords— *Corporate Governance, Financial Statements, Leverage, Size, Integrity of Financial Statements.*

I. INTRODUCTION

Over the past several years, multiple cases of fraud and financial statement manipulation in Indonesia have severely influenced the economy [1]. One is a large-scale fraud case in PT Asabri, resulting in a state loss of 22 trillion rupiahs. Another is fraud in PT Jiwasraya, which resulted in a loss of Rp 16,81 trillion. Many more fraud cases have happened recently. These incidents highlight the critical importance of integrity in financial statements to maintain investor confidence, ensure accurate economic forecasting, and safeguard public funds. Reliability of financial disclosures is paramount as it directly influences the decision-making of investors, regulators, and other stakeholders [1]. When financial statements are manipulated, it undermines trust in the financial markets and can lead to significant economic instability [2].

The General Guidelines for Good Corporate Governance (GCG) state that corporate governance is a pillar of the organization of economic activities bound by trust in the companies that carry it out [3]. Effective corporate governance, particularly the role of the Board of Directors, is essential in safeguarding the integrity of these financial statements. Board composition represents the board's composition between the executive and non-executive members [4]. Boards must ensure robust internal controls and audit processes to prevent and detect fraudulent activities. They must also enforce a culture of ethical behavior and transparency within the organization. In the cases of PT Asabri and PT Jiwasraya, lapses in governance and oversight were significant contributors to the financial misreporting and subsequent economic fallout. Strengthening corporate governance frameworks, enhancing board oversight functions, and ensuring rigorous compliance with financial reporting standards are critical steps in preventing fraud. Ultimately, maintaining the integrity of financial statements is crucial for economic stability and growth, protecting the interests of shareholders and the broader public.

The agency theory is a basis for good corporate governance [5]. Agency theory investigates the relationship between principals and agents, as well as the influence of conflicts of interest on an organization's decision-making and outcomes, which are a result of the information asymmetry and distinct objectives of these two parties. Furthermore, there will be a degree of discrepancy between the agent's decisions and those that would optimize the principal's welfare [6]. Shareholders generally aim for long-

term profit maximization and sustainable growth. Conversely, managers might prioritize personal goals such as job security, career advancement, or maximizing short-term performance metrics that lead to higher bonuses. Effective governance processes must recognize and resolve these conflicts to ensure managers work in shareholders' best interests. Companies with a highly qualified GCG (Good corporate governance) structure can improve performance and reduce possible fraud [7]. By implementing effective governance mechanisms and practices informed by agency theory, organizations can enhance accountability, transparency, and integrity in financial reporting, thereby safeguarding shareholder interests and sustaining long-term success.

The authenticity of financial records is demonstrated through the disclosure and presentation of information in a financial statement that accurately represents the company's actual economic reality and is provided without concealment. The financial statements submitted by companies are presumed to be devoid of any kind of material truthfulness and to provide the user with information that is not misleading [8]. Financial statements are the result of an accounting process that can be implemented to facilitate communication between management and parties outside the organization regarding financial data or the organization's operations during a particular date range [9]. Integrity in reporting assures them that the company is a reliable borrower capable of meeting its obligations. Investors may withdraw their investments, creditors may tighten lending terms, and the company's overall reputation can be severely damaged [10]. That is why companies must prioritize integrity in their financial statements to sustain their reputation, ensure market stability, and foster long-term growth.

a. Effect of Leverage on Integrity of Financial Statements

The impact of leverage on a financial statement's integrity is crucial. It can create circumstances and incentives that might increase the likelihood of financial misstatements or manipulation. The leverage ratio also called the solvency ratio, is used to describe the company's capacity to meet its liability obligation [11]. Low leverage indicates financial stability and flexibility, while high leverage increases risk and earnings volatility. High leverage can also strain interest coverage ratios, indicating potential difficulty in meeting interest payments. Companies that have a significant amount of debt can have a detrimental impact on the accuracy of their financial statements. This is because the higher level of risk associated with debt agreements can compromise the integrity of the statements [12]. When a company has a higher proportion of debt compared to equity, the auditor may require additional time to audit the company's financial statements. This is due to the increased complexity of audit procedures and the need to gather more intricate audit evidence from the company's creditors [13]. Companies must maintain the integrity and reliability of financial statements by implementing transparent financial reporting practices, independent auditing, and robust internal controls, particularly in highly leveraged environments. Based on this, the first hypothesis of this research is as follows.

H1= There is a positive effect of leverage on the integrity of financial statements.

b. Effect of Corporate Governance on Integrity of Financial Statements

Corporate governance is a framework that governs the manner in which various stakeholders of a company interact to establish the company's direction and policies [13]. Corporate governance is essential for maintaining the integrity of financial statements. It involves implementing oversight mechanisms, ensuring transparency and accountability, promoting ethical behavior, and aligning incentives with accurate financial reporting. It involves setting up policies and continuously monitoring their implementation to ensure that the company's interactions with its stakeholders are accountable, impartial, and transparent. The procedures, customs, policies, laws, and institutions that direct, administer, or control a corporation are collectively referred to as corporate governance. Good corporate governance ensures that companies are managed in a manner that is transparent, accountable, and fair, which directly influences the reliability of financial reporting [14]. Good corporate governance prevents performance engineering that distorts financial reports and improves financial reporting quality. [15]. This includes the board's role in reviewing and approving financial statements. The board oversees the company's management and ensures that the company adheres to good governance practices. Corporate governance that is effective increases investor confidence mitigates the risk of financial misstatements, and contributes to the organization's long-term viability and prosperity. The company should establish Good Corporate Governance in order to ensure the integrity of its financial statements [16]. Based on this, the hypothesis in this research is developed as follows:

H2= There is a positive effect of corporate governance on the integrity of financial statements.

c. Effect of Leverage through Firm Size on the Integrity of Financial Statements

A firm's size can be classified according to factors such as total assets, revenues, and stock values using the firm size measurement scale. [15]. Large firms often have easier access to capital markets, allowing them to obtain substantial amounts of debt at favorable terms. This can lead to high leverage ratios. Large firms often have easier access to capital markets, allowing them to obtain substantial amounts of debt at favorable terms. This can lead to high leverage ratios. High leverage increases financial risk, making accurate reporting essential for assessing a company's financial health. High leverage often comes with debt covenants that must be disclosed in financial statements. Adherence to these covenants and transparent reporting are critical for maintaining financial integrity.

With extensive operations and multiple business segments, large firms often have complex financial structures, which require sophisticated management and reporting systems to ensure accuracy in financial statements. Meanwhile, smaller firms may need help accessing debt markets and often incur higher borrowing costs. This can limit their leverage or push them to alternative financing methods. Low leverage is generally perceived as a sign of financial stability. Accurate reporting of low leverage helps reinforce this perception and supports stakeholder confidence. Transparent reporting of low leverage can indicate a firm's capacity for future borrowing, which is particularly important for growth-oriented small firms. Small firms typically have more superficial financial structures, making financial reporting more straightforward and more vulnerable to inaccuracies if not correctly managed. Based on this, the hypothesis in this study is developed as follows:

H3: Firm size is able to mediate the negative effect of leverage on the integrity of financial statements

d. Effect of Corporate Governance through Firm Size on the Integrity of Financial Statements

The firm's size significantly influences the integrity of financial statements. Consequently, small firms are perceived to engage in earnings management more than large firms [16]. Large firms usually have well-defined corporate governance frameworks, including independent boards of directors, audit committees, and comprehensive internal control systems. They mostly have extensive regulatory requirements and scrutiny, necessitating robust governance practices to ensure compliance. Meanwhile, smaller firms often have less formalized governance structures. Decision-making may be more centralized, with critical decisions made by a few individuals. Limited resources may affect the implementation of comprehensive governance practices, impacting the oversight and accuracy of financial reporting.

Furthermore, large firms typically have boards with independent directors who provide objective oversight. This helps ensure that financial statements are accurate and free from management bias. The board often includes members with diverse expertise, which enhances the ability to scrutinize financial reports and ensure their integrity. On the other hand, in smaller firms, the board may be composed of insiders or family members, leading to potential conflicts of interest. This can impact the objectivity of financial reporting. Smaller boards may need more diverse expertise in larger firms, potentially affecting the depth of financial oversight. In light of this, the hypothesis in this research was developed.

H4: Firm size is able to mediate the negative effect of corporate governance on the integrity of financial statements.

Hence, researchers are motivated to investigate the elements that influence the integrity of financial statements, including leverage and corporate governance, which are mediated by firm size.

II. RESEARCH METHODS

a. Population and Sampling Techniques

This research is an associative study with data gathering based on documentary studies, with the object being the industrial goods subsector companies registered on the Indonesian Stock Exchange (IDX) in the years 2020-2022. The samples were gathered by 26 companies using non-probability sampling with purposive samplers. The established criteria are (1) industrial goods subsector companies that issued annual financial reports for the period 2020-2022 and (2) industrial goods subsector companies that contain all of the required data.

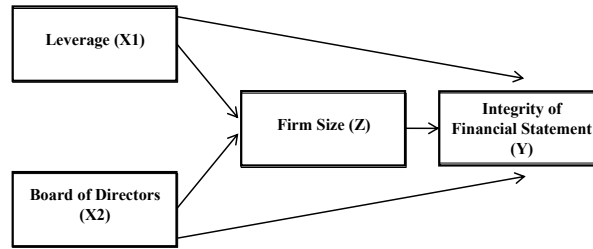


Figure. 1. Research Framework
Source: Literature Review

b. Research Variables

A. The Dependent Variable

The integrity of financial statements is the dependent variable employed in the present research. The market-to-book value (MBV) ratio was utilized to evaluate the financial statement's integrity. The following is the formula for determining the MBV value.

$$\text{Book Value per Share} = \frac{\text{Total equity}}{\text{Outstanding stock}}$$

$$\text{Market to Book Value (MBV)} = \frac{\text{Stock Market Price}}{\text{Book Value per Share}}$$

B. The Independent Variable

Independent variables used in this study are as follows.

1. Leverage

The utilization of borrowed funds to finance the acquisition of assets is known as leverage. The underlying assumption is that the income or capital gains generated by the new assets will surpass the cost of borrowed funds. The risk of inaccuracies, misstatements, and earnings management can be increased, and financial reporting can be complicated by high leverage. Leverage is measured by the debt-to-asset ratio (DAR). The following formula is used to determine the debt-to-asset ratio (DAR).

$$DAR = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100 \%$$

2. Corporate Governance (Board Of Directors)

The number of directors on the board of directors is the metric used to evaluate effective company governance in this study. The Board of Directors (BoD) is a collection of individuals who are elected by the shareholders of a company to supervise the enterprise's administration and governance. They are accountable for the formulation of critical decisions that influence the company's strategic direction and overall policy. The board is essential in ensuring that the company operates in a manner that is ethical, transparent, and in the best interest of its shareholders and stakeholders.

$$D = \text{Number of the Board of Directors}$$

C. The Mediating Variable

This research employed firm size as its mediating variable. Firm size is the scale or magnitude of a company's operations, typically measured through various quantitative metrics. It provides a snapshot of the company's capacity, resources, and market presence. Larger firms may have more resources to invest in robust financial controls and reporting systems, while smaller firms might face different challenges and opportunities in ensuring financial statement integrity. Firm size is calculated using the natural log of total assets.

$$FS = \ln(\text{Total Assets})$$

c. Data Analysis Method

Data analysis approaches based on path analysis and Sobel test procedures. Before proceeding with the regression test, numerous assumptions must be fulfilled for the concluded regression equation to be legitimate. The classical assumption test comprises an autocorrelation test, a heteroskedasticity test, a normality test, and a multicollinearity test. This research implemented 2 independent variables, a mediating variable and a dependent variable. There are 3 regression models, which are as follows.

$$INT = a + \beta_1LEV + \beta_2BOD + \varepsilon \quad (1)$$

$$FS = a + \beta_1LEV + \beta_2BOD + \varepsilon \quad (2)$$

$$INT = a + \beta_1LEV + \beta_2BOD + \beta_3FS + \varepsilon \quad (3)$$

Description:

a	= Constant
INT	= Integrity of financial statement
LEV	= Leverage
BOD	= Board of directors
FS	= Firm Size
ε	= Standard error

III. RESULT and DISCUSSION

a. Descriptive Statistical Test

Table 1 displays the results of descriptive statistical tests.

Table 1. Descriptive statistics test results

	N	Minimum	Maximum	Mean	Std. Deviation
Leverage	78	.06	3.46	.5391	.45151
Board of Directors	78	2	11	5.08	2.696
Integrity of Financial Statement	78	-.51	12.34	1.3797	1.87030
Firm Size	78	24.49	31.57	27.9806	1.24801
Valid N (listwise)	78				

Source: SPSS 26, seconder data is processed in 2024

On the basis of Table 1, which contains 78 data, it is evident that Leverage has a minimum value of 0.06 and a maximum value of 3.46. Furthermore, the standard deviation is 0.45151, and the average leverage value is 0.5391. The Board of Directors has a minimum score of 2 and a maximum score of 11. Furthermore, with a standard deviation of 2.696, the Board of Directors has an average score of 5.08. In addition, the minimal value of the Integrity of Financial Statement is -0.51, while the maximum value is 12.34. Moreover, the Integrity of Financial Statements has an average value of 1.3797 and a standard deviation of 1.87030. The minimum value of the Firm Size is 24.49, while the maximum value is 31.57. Finally, the average value of Firm Size is 27.9806, with a standard deviation of 1.24801.

b. Classical Assumption Test Result

A classical assumption test, which includes normality, multicollinearity, autocorrelation, and heteroskedasticity, must be conducted prior to evaluating the hypothesis with multiple linear regressions.

According to the findings, the study was eligible for testing, as it met the conventional testing requirements for data normality, heteroscedasticity, multicollinearity, and autocorrelation problem testing. Thus, it was qualified for testing.

Table 2. Classical assumption test result

Normality Test	
One Sample Kolmogorov-Smirnov Test	0,200
Multicellinearity Test	
Tolerance Value	LAG_LEVERAGE = 0,947 LAG_BOARD OF DIRECTORS = 0,735 LAG_FIRM SIZE = 0,702
VIF (Variance Inflation Factor)	LAG_LEVERAGE = 1,056 LAG_BOARD OF DIRECTORS = 1,361 LAG_FIRM SIZE = 1,425
Autocorrelation Test	
Durbin-Watson Test	d = 2,035 (dU < DW < 4-dU) dU = 1.6845 dL = 1.4637
Heteroskedasticity Test	
Glejser Test (Sig. value)	LAG_LEVERAGE = 0,098 LAG_BOARD OF DIRECTORS = 0,852 LAG_FIRM SIZE = 0,085

Source: SPSS 26, seconder data is processed in 2024

The normality test indicates that the research data is distributed normally using the Kolmogorov-Smirnov method. Using the variance inflation factor and tolerance, the multicollinearity test demonstrates that the independent variables in the research data are not correlated. The heteroscedasticity test indicates that there is no variance similarity within observations in the research data using the Glejser method. The autocorrelation test indicates that there is no correlation between periods in the research data using the Durbin-Watson method.

c. Multiple Linear Analysis Test

A. The first equation: leverage and board of directors as the independent variable and integrity of financial statement as the dependent variable

Table 3 below displays the results of the multiple linear regression.

Table 3. Multiple Linear Regression

	Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.130	.110		1.176	.245
	LAG_LEVERAGE	.644	.219	.353	2.945	.005
	LAG_BOARD OF DIRECTORS	.056	.020	.330	2.749	.008

a. Dependent Variable: LAG_INTEGRITY OF FINANCIAL STATEMENT

Source: SPSS 26, seconder data is processed in 2024.

The following is the first regression equation used in this research, derived from the test data shown in Table 3.

$$\text{INT} = 0,130 + 0,644 \text{ LEV} + 0,642 \text{ BOD} + \varepsilon$$

In this regression model, the constant value is 0,130. This implies that if the independent variable consisting of LAG_LEVERAGE and LAG_BOARD OF DIRECTORS are assumed to be of equal value with zero, LAG_INTEGRITY OF FINANCIAL STATEMENT will be worth 0,130. The regression coefficient for LAG_LEVERAGE is 0,644. This means that if LAG_LEVERAGE increases by one unit, LAG_INTEGRITY OF FINANCIAL STATEMENT will increase by 0,644. The regression coefficient LAG_BOARD OF DIRECTORS is 0,642. This means that if the LAG_BOARD OF DIRECTORS increases by one unit, then LAG_INTEGRITY OF FINANCIAL STATEMENT will increase by 0,642.

B. The second equation: leverage and board of directors as the independent variable and firm size as the dependent variable

Table 4 below displays the results of the multiple linear regression.

Table 4. Multiple Linear Regression

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	19.019	.184		103.282	.000
LAG_LEVERAGE	-.627	.366	-.196	-1.716	.092
LAG_BOARD OF DIRECTORS	.151	.034	.502	4.402	.000

a. Dependent Variable: LAG_FIRM SIZE

Source: SPSS 26, seconder data is processed in 2024.

According to the test findings in Table 4, the second regression equation used in this research may be expressed as follows.

$$FS = 19,019 - 0,627 LEV + 0,151 BOD + \varepsilon$$

The constant value in this regression model is 19,019. This implies that if the independent variable consisting of LAG_LEVERAGE and LAG_BOARD OF DIRECTORS are assumed to be of equal value with zero, the integrity of the financial statement will be worth 19,019. The regression coefficient for LAG_LEVERAGE is 0,627. This means that if LAG_LEVERAGE increases by one unit, the value of the firm size statement will decrease by 0,627. The regression coefficient LAG_BOARD OF DIRECTORS is 0,151. This means that if the LAG_BOARD OF DIRECTORS increases by one unit, then the value of firm size will increase by 0,151.

C. The third equation: leverage, board of directors, and firm size as the independent variable and integrity of financial statement as the dependent variable

Table 5 below displays the results of the multiple linear regression.

Table 5. Multiple linear regression

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.166	1.566		.106	.916
LAG_LEVERAGE	.642	.227	.353	2.836	.006
LAG_BOARD OF DIRECTORS	.056	.024	.331	2.348	.023
LAG_FIRM SIZE	-.002	.082	-.003	-.023	.982

a. Dependent Variable: LAG_INTEGRITY OF FINANCIAL STATEMENT

Source: SPSS 26, seconder data is processed in 2024.

This study's third regression equation may be expressed as follows, using the test findings from Table 5.

$$\text{INT} = 0,166 + 0,642 \text{ LEV} + 0,056 \text{ BOD} - 0,002 \text{ FS} + \varepsilon$$

The constant value in this regression model is 0,166. This implies that if the independent variable consisting of LAG_LEVERAGE, LAG_BOARD OF DIRECTORS, and LAG_FIRM SIZE are assumed to be of equal value with zero, the integrity of the financial statement will be worth 0,166. The regression coefficient for LAG_LEVERAGE is 0,642. This means that if LAG_LEVERAGE increases by one unit, the integrity of the financial statement will increase by 0,642. The regression coefficient LAG_BOARD OF DIRECTORS is 0,056. This means that if the LAG_BOARD OF DIRECTORS increases by one unit, then the integrity of financial statements will increase by 0,056. The regression coefficient LAG_FIRM SIZE is 0,002. This means that if the LAG_BOARD OF DIRECTORS increases by one unit, the integrity of financial statements will decrease by 0,002.

d. Coefficient of Determination

Table 6. Model summary table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.473 ^a	.224	.180	.30967

- a. Predictors: (Constant), LAG_FIRM SIZE, LAG_LEVERAGE, LAG_BOARD OF DIRECTIORS

Source: SPSS 26, seconder data is processed in 2024.

The value of Adjusted R Square (R²) is 0.180, which is equivalent to 18%, as indicated in Table 6. Thus, the independent variable exerts an influence on the dependent variable through a mediation variable of 47.3%. Variables that are not included in this regression equation influence the remaining 82%.

e. F Statistics Test

The statistics F test are as follows.

Table 7. Statistic F test results

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.469	3	.490	5.105	.004 ^b
	Residual	5.083	53	.096		
	Total	6.551	56			

- a. Dependent Variable: LAG_INTEGRITY OF FINANCIAL STATEMENT
b. Predictors: (Constant), LAG_FIRM SIZE, LAG_LEVERAGE, LAG_BOARD OF DIRECTORS

Source: SPSS 26, seconder data is processed in 2024

In accordance with Table 10, the significance level is 0.004, and the value of F_{cal} is 5,105. The significance value of 0.05 or 5 percent was used to determine the F_{table} value for this research. The value of df 1 is the number of independent variables in the study, which is 3. The value of df 2 is the quantity of data minus the total variable (n-k=57-3), which is 54. 2,78 is the value of F_{table} that was obtained. Consequently, it can be inferred that F_{cal} was greater than F_{table}, as 5,105 is greater than 2,78. The results of the test indicate that the variables of leverage, board of directors, and firm size have a significant impact on the integrity of financial statements in the industrial consumer goods sector companies listed on the Indonesia Stock Exchange from 2020 to 2022. Thus, the research model is worth testing.

f. Path Analysis

The path analysis for this research is as follows.

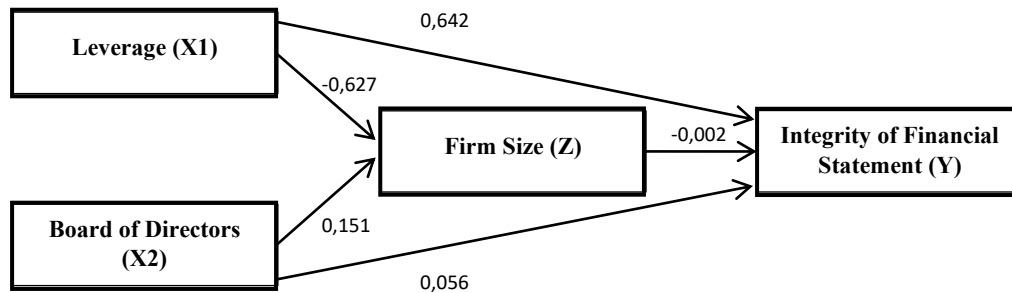


Figure. 2. Path Analysis
Source: Literature Review (2024)

g. Sobel test

The Sobel test yielded the following findings.

Table 8. Sobel test result for leverage

	Input:		Test statistic:	Std. Error:	p-value:
a	0.642	Sobel test:	-0.02438934	0.05264596	0.98054205
b	-0.002	Aroian test:	-0.02299437	0.05583975	0.98165476
s _a	0.227	Goodman test:	-0.02607347	0.04924547	0.97919874
s _b	0.082	Reset all		Calculate	

Source: Sobel calculator test (2024)

Table 9. Sobel test result for corporate governance (board of directors)

	Input:		Test statistic:	Std. Error:	p-value:
a	0.056	Sobel test:	-0.02438891	0.00459225	0.98054239
b	-0.003	Aroian test:	-0.02241714	0.00499618	0.98211521
s _a	0.024	Goodman test:	-0.02699325	0.004141919	0.97846512
s _b	0.082	Reset all		Calculate	

Source: Sobel calculator test (2024)

Based on table 8 and 9, it can be seen in the p-value column that all p-values for LAG_LEVERAGE and LAG_BOARD OF DIRECTORS are greater than 0,05. Consequently, it is possible to infer that LAG_FIRM SIZE is unable to mediate LAG_LEVERAGE and LAG_BOARD OF DIRECTORS.

h. Discussion

The results suggest that the study was eligible for testing, as it satisfied the classical assumptions of data normality, multicollinearity, heteroscedasticity, and autocorrelation problem testing. We obtained an F value of 5,105 with a significance level of 0,004 as a result of the analysis of variance test results. This suggests that the model validity test is satisfactory and that the integrity of the financial statement is influenced by leverage, corporate governance, and firm size.

a) Effect of Leverage on Integrity of Financial Statement

H1= There is a positive effect of leverage on the integrity of financial statements.

The third regression test revealed that leverage had a significant positive impact on the integrity of the financial statement, with a regression coefficient of 0.642 and a significance of 0.006 (< 0.05). This implies that the initial hypothesis (H1) was rejected. Therefore, the findings of this investigation are at odds alongside the studies performed by Nurdiniah and Pradika (2017), which claim that leverage does not have a substantial impact on the integrity of the financial statement [9]. This outcome implies that leverage can have a beneficial effect on the integrity of financial statements by promoting more disciplined financial practices, enhanced supervision, and greater transparency when managed appropriately.

b) Effect of Corporate Governance (Board of Directors) of Integrity of Financial Statement

H2= There is a positive effect of corporate governance on the integrity of financial statements.

The third regression test revealed that leverage had a significant positive impact on the integrity of the financial statement, with a regression coefficient of 0.056 and a significance of 0.023 (< 0.05). Thus, it is reasonable to conclude that the second hypothesis (H2) is approved. Consequently, the results of this research align with the research that was carried out by Indah, Sulistiyowati, Mukoffi, and Himawan (2023), which asserts that the integrity of the financial statement is substantially impacted by corporate governance [21]. This outcome indicates that solid corporate governance practices improve the overall trustworthiness, accuracy, and reliability of financial reports. Good corporate governance practices result in more reliable, accurate, and trustworthy financial reporting, which, in turn, leads to financial statement integrity by ensuring accountability, enhancing internal controls, increasing transparency, fostering an ethical corporate culture, and ensuring regulatory compliance.

c) Effect of Leverage through Firm Size on the Integrity of Financial Statements

H3: Firm size is able to mediate the negative effect of leverage on the integrity of financial statements

The first regression test results indicated that leverage did not have a significant negative impact on firm size ($0,092 > 0,05$ with a regression coefficient of -0,627). The firm size did not significantly impact the integrity of the financial statement in the third regression ($0,982 > 0.05$ with a regression factor of -0,002). The initial Sobel test result suggests that the firm's size mediates a non-significant positive relationship between the integrity of financial statements and leverage ($0,981 > 0.05$, with a Sobel test value of 0,024). In conclusion, the integrity of financial statements is not influenced by firm scale through the mediation of leverage. This implies that the third hypothesis (H3) was rejected.

d) Effect of Corporate Governance (Board of Directors) through Firm Size on the Integrity of Financial Statement

H4= Firm size is able to mediate the negative effect of corporate governance on the integrity of financial statements.

The first regression test results indicated that corporate governance significantly positively influenced firm size ($0,000 < 0.05$ with a regression coefficient of 0.151). In the third regression, firm size negatively influenced financial statement integrity ($0,982 > 0.05$, with a regression factor of -0,002). The second Sobel test found that firm size did not play a significant role in mediating the negative relationship between Corporate Governance and Financial Statement Integrity ($0.981 > 0.05$ with a Sobel test value of -0.024). This leads to the conclusion that the fourth hypothesis (H4) is rejected.

IV. CONCLUSION

Corporate governance and leverage both have a beneficial effect on the integrity of financial statements. However, the integrity of the financial statements is not influenced by the firm's size, suggesting that the size of the company cannot serve as a mediator in the relationship between the integrity of the financial report, corporate governance, and leverage. The objective of the research is to improve the integrity of the financial statements that the organization releases. This investigation would elucidate the manner in which a variety of variables affect the transparency, dependability, and accuracy of financial reports. Understanding how leverage, corporate governance practices, and firm size affect the integrity of financial reporting can assist regulators, investors, and stakeholders in determining the quality of financial information presented by corporations. Other impacts of this study include possible modifications to the company's regulations and increased law enforcement operations within the company. Corporate executives might use the findings to modify rules and regulations to boost financial reporting integrity, such as enhancing disclosure requirements, strengthening corporate governance standards, or enforcing stronger monitoring of high-leverage corporations. The scope of future research on the integrity of financial statements is anticipated to be expanded by this research. Managers should evaluate elements that impact the reliability of a financial statement to develop a high-quality financial report and implement corporate policies that improve corporate governance standards.

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