MANAGERIAL OWNERSHIP, COMPANY SIZE, AND AUDIT QUALITY 
FINANCIAL REPORT INTEGRITY

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Abstract
The purpose of this study was to determine the effect of managerial ownership, company size and audit quality on the integrity of financial statements in industrial sector manufacturing companies consumer goods listed on the Indonesia Stock Exchange for the period 2016-2018 used in this research is secondary, in the form of company annual reports. Total 18 companies studied in a period of 3 years, so that yields 54 sempel. This type of research is quantitative research. Where is this research use data collection methods and process them then tested to describe hypotheses that have been set. Sempel selection is to use certain criteria. Data were analyzed using multiple linear regression. Based on the test results show that managerial ownership and audit quality have a significant effect on report integrity finance, and company size has no effect on the integrity of financial statements. Result Tests show that 15.7% of the variation in financial statement integrity is explained by variation The independent variables are managerial ownership, company size, and audit quality. While the remaining 84.3% is explained by other variables not included in the research model this.

Keywords: Financial Statement Integrity, Managerial Ownership, Company Size, and Audit Quality.

INTRODUCTION
In the era of globalization where the activities of business companies are required to be perfect in various ways and an assessment of the pros and cons of a business company depends on the viewer's point of view. The existence of various problems that arose in large companies both in the United States and Britain in the 1990s caused by the greed and greed of corporate leaders and an obsession to take over companies that had spread their wings on the world scene made many people aware of its importance. the existence of a system of good corporate Financial Report Integrity in going public. The more conservative a company is, the higher it will be integrity of the company's financial statements. So a manufacturing company was chosen in this study because a manufacturing company is a company that affects the economic conditions of a country, especially Indonesia. Countries Indonesia has been the base of industrial manufacturing site of ASEAN to contribute reached 20.27% at the national scale. The development of the manufacturing industry in Indonesia is currently able to shift the role of commodity based to manufactured based (www.investindonesia.go.id).

Financial statements are financial information where the company in a certain period can describe the performance of a company (Kasmir, 2011: 346). So this financial report is directly related between company management and investors which describes the company's finances which can be accountable to the parties concerned. A good financial report is a report that uses the integrity of financial statements. The integrity of financial statements is a report that presents the actual condition of the company without being covered or hidden (Miyashita, 2010: 68). There is another opinion related of the integrity of the financial statements as a measure of the extent to which financial reporting information that has been presented with an honest, so it can be received by users. Thus, the information prepared in this financial report must be presented fairly, free from engineering, and there is no material error or information disclosure in accordance with the facts. The 2011 PSAK has been defined as a qualitative characteristic that users of financial statements must possess in order to be used in decision making, in fact, realizing an integrity of
financial statements is very difficult. It is proven that there are still many companies that manipulate financial reports related to presenting data without implementing integrity, so the information that has been received is not true for the parties using the reports. Meanwhile, an integrated financial report can show accurate information and is free from actions or activities carried out or deliberately by the management of the company in manipulating the accounting numbers contained in the financial statements to mislead users of financial reports in assessing the company.

Managerial ownership is the percentage of shares owned by managers and company directors. With the presence of managerial ownership the company is expected to increase its value, so that potential financial difficulties can be avoided. Managerial ownership can align the interests of management and shareholders, because with the size of the shares owned, management is expected to act more carefully in making decisions (Manik, 2016: 6). For the calculation of managerial ownership, it can be measured by using the percentage of the number of shares owned by the management (Directors and Commissioners) divided by the outstanding shares. So from some of the explanations above, it can be concluded that managerial ownership has a positive influence on the integrity of financial statements which means that the higher the managerial ownership of the company, the higher the level of integrity of financial statements will be. This is supported by Widodo, (2016: 8), which states that managerial ownership has a significant positive effect on the integrity of financial statements. In managerial ownership will affect the performance of the company's management. If managerial ownership is getting bigger, then management will maximize the level of its performance, because management will have a big responsibility in fulfilling itself and the wishes of its management.

Company size is the scale of the company as seen from the company's total assets at the end of the year. For total sales itself, you can also measure the size in a company. In company measurement, it describes the size of the company. In a company, to find out the size of the company, it can be observed from the business it runs. Determination of the size of the company can be determined based on total assets, total sales and average sales. So large-scale companies have various advantages over small companies. Why is that, because with this advantage, the first is that it can make it easier for companies to get funds from the capital market, the second makes it easier for companies in financial contracts to make bargains. And third, the possibility of scale influence on costs and returns makes the company earn more profits. The size of the company will have an effect for decision making in making financial reports and accounting procedures. Audit quality is a possibility that an auditor will find and report violations that occur in his client's accounting system (Diponegoro, 2012: 90). It is possible that the auditors will detect the misstatement depending on the technical ability of the auditor while the act of reporting misstatements depends on the auditor's independence. The quality of this audit is very important because high quality audits will obtain reliable financial reports as a basis for decision making. In contrast to audit quality, which has many dimensions, until now there is still no reference or guideline in measuring audit quality. This is due to the fact that audit quality is a complex and difficult concept to understand, as evidenced by the many studies that use different dimensions of audit quality.

The results of tests conducted by several previous researchers showed that Managerial Ownership had a significant effect on the Integrity of Financial Statements and Company Size had a significant effect on the Integrity of Financial Statements, while for Audit Quality it did not significantly influence the Integrity of Financial Statements, namely the research of Gayatri and Suputra. (2013), Astria (2011), Fajaryani (2015), Nicolin (2013), Tussiana and Lastanti (2016) Based on this explanation, the researcher wants to research about “The Effect of Managerial Ownership, Company Size, and Audit Quality on the Integrity of Financial Statements (Studies on Manufacturing Companies in the Consumer Goods Industrial Sector Listed on the Indonesia Stock Exchange 2016 - 2018”).

**METHOD**

This research uses quantitative research methods. This study analyzes and tests the value theory of the research variables using statistical methods to determine the relationship between these variables. Internal data used in the form of financial reports, *historical data* and company summaries. External data sources come from previous research in the form of journals and theses.
with managerial ownership, company size, and audit quality variables. The population of this research is manufacturing companies in the consumer goods industry which are listed on the Indonesia Stock Exchange in 2016-2018. Sampling using purposive sampling in order to obtain a sample size of 18 companies. The determination of the sample of this study considers the following criteria: 1) Manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange 2016-2018. 2) Manufacturing companies that have experienced delisting during the 2016-2018 period. 3) Manufacturing companies that did not publish complete annual reports as of December 31. 4) Manufacturing companies in the consumer goods industry sector that do not fully present managerial ownership variables, company size and audit quality during the 2016-2018 period.

RESULTS AND DISCUSSION
The data normality test used the Kolmogorov Smirnov test with the residual data criteria being said to be normal if the significant value was above 0.05 or 5%. The results of the data normality test using the Kolmogorov Smirnov test show that the significant value is 0.737> 0.05 (5%), the data can meet the normality criteria so that the residual model is declared normal. In this study, the multicollinearity test was measured by meeting the criteria that the VIF value was not more than 10 and the tolerance value was more than 0.1. Multicollinearity test results VIF ≤ 10 for all independent variables, also with a tolerance value ≤ 0.01. Thus it can be concluded that there is no multicollinearity between the independent variables in the regression model. The test results show that the tolerance value for managerial ownership is 0.935, company size tolerance is 0.909, and the tolerance value for audit quality is 0.902. The VIF value of managerial ownership is 1.070, the VIF value for company size is 1.100, and the VIF value for audit quality is 1.109. All variables used, including managerial ownership, company size, and audit quality, have a tolerance value ≥ 0.1 and a VIF value ≤ (Variance Inflation Factor) ≤ 10 meaning that the three variables do not occur multicollinearity, which means that all of these variables can be used as variables are mutually independent. The results of the heteroscedasticity test on the sample companies showed the results of the sig value 0.000 or greater than 0.05 so it was decided that there was no indication of heteroscedasticity or the data were said to have the same variants. So that the model is free from heteroscedasticity symptoms or the data is said to have the same variant (heteroscedasticity). This study uses the Durbin Watson test criteria as an autocorrelation test method. The results of the autocorrelation test using the Durbin Watson test showed that the Durbin Watson value was 1.843. The autocorrelation test criteria for Durbin Watson, the value of 1.843, is between 1.68 and 2.32, which concludes that the model does not experience autocorrelation or residual symptoms that have no correlation with other observations arranged according to time series.

Multiple Linear Regression

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>t</th>
<th>Sig.</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.438</td>
<td>1.739</td>
<td>0.089</td>
<td>-</td>
</tr>
<tr>
<td>Managerial Ownership (X1)</td>
<td>1.6720</td>
<td>3.169</td>
<td>0.003</td>
<td>Influence and significant</td>
</tr>
<tr>
<td>Company Size (X2)</td>
<td>-0.642</td>
<td>-1.721</td>
<td>0.092</td>
<td>Not influence and insignificant</td>
</tr>
<tr>
<td>Audit Quality (X3)</td>
<td>-0.862</td>
<td>-2.104</td>
<td>0.040</td>
<td>Influence and significant</td>
</tr>
<tr>
<td>Anova</td>
<td>-</td>
<td>24.924</td>
<td>0.009</td>
<td>Influence and significant</td>
</tr>
</tbody>
</table>

R Squared = 0.204

Source: Results of data processing, 2020

Multiple linear regression analysis is used in order to determine the formulation of the effect of the independent variable on the dependent variable. Based on the results of the analysis, the formulation of the multiple linear regression analysis model in this study is as follows:

\[ Y = 1.438 + 1.672X_1 + (-0.642X_2) + (-0.862X_3) \]

The constant value is 1.438, indicating that if the variable value of managerial ownership, company size, and audit quality is zero or constant, the integrity value of the financial statements is 1.438. The managerial ownership regression coefficient (X1) of 1.6720 shows that if the value of the
Managerial ownership variable increases by 1% with the assumption that the other independent variables are constant, the integrity of the financial statements will decrease by 1.6720. Assuming that firm size (X_2) and audit quality (X_3) are constant. The regression coefficient of company size (X_2) is -0.642, indicating that if the value of the firm size variable increases by 1% with the assumption that the other independent variables are constant, the financial statement integrity variable increases by -0.642. With the assumption that managerial ownership (X_1) and audit quality (X_3) are constant. The audit quality regression coefficient (X_3) of -0.862 indicates that if the value of the audit quality variable increases by 1% with the assumption that the other independent variables are constant, the financial statement integrity variable increases by -0.862. It is assumed that the managerial ownership variable (X_1) and firm size (X_2) are constant.

Managerial Ownership of the Integrity of Financial Statements

Based on the results of the t test (partial test), the t value is calculated to have a negative direction of 3.169. While the t table value sees the probability t table or df = nkl or df = 54-3-1 = 50 with significance α = 0.05, it can be seen that the value of t table = 2.00856. So the value of t count > t table or 3.169 > 2.00856. The Sig value of the managerial ownership variable in the table is 0.003 smaller than α = 0.05 or 0.003 < 0.05, so H_1 accepted. The value of the positive t test means that the X_1 variable is not in line with the Y variable, so it can be concluded that managerial ownership affects the integrity of financial statements. Managerial ownership is managerial ownership as the percentage of shares owned by management who actively participates in company decision making which includes commissioners and directors. Share ownership by a company is a mechanism that can be used so that managers carry out activities in accordance with the interests of the company owner. This share ownership is the percentage of shares owned by management including the percentage of shares owned by management personally (Fajaryani, 2015: 52). Managerial ownership is a comparison between managers and shareholders to increase the proportion of shareholders from management who actively participate in making company decisions. Where on the part the manager owns the shares of the company by acting as shareholders of the company, if the share ownership is large, then in terms of value has an incentive to observe.

Company Measures on the Integrity of Financial Statements

Based on the results of the t test (partial test), the t value is calculated to have a positive direction of -1.721. While the t table value sees the probability t table or df = nkl or df = 54-3-1 = 50 with significance α = 0.05, it can be seen that the table value = 2.00856. So the value of t count < t table or -1.721 < 2.00856. The Sig value of the company size variable in the table is 0.092, which is greater than α = 0.05 or 0.092 > 0.05, so H_2 rejected. The value of the negative t test means that the X_2 variable is in the same direction as the Y variable, so it can be concluded that company size has no effect on the integrity of financial statements. The size of the company has an important role in preparing financial statements with weak integrity. Small company size is always considered to carry out more earnings management practices than large companies. This is because the larger the size of the company, the more information available for investors in making decisions related to investing in the company’s shares and the larger companies will be better viewed by the public so that it must be more careful to carry out the results of financial reporting. (Setiawan, 2007: 10) Company size is a scale to determine the size or size of a company that can be implemented from various things such as total assets, total sales and total revenue. So if a large company allows it to pay off all its obligations in the future. The size of the company is more due to availability and the number is increasing with the existence of published information, so the number of company size can increase.

Audit Quality on the Integrity of Financial Statements

Based on the results of the t test (partial test), the t value is calculated to have a positive direction of -1.721. While the t table value sees the probability t table or df = nkl or df = 54-3-1 = 50 with significance α = 0.05, it can be seen that the table value = 2.00856. So the value of t count < t table or -1.721 < 2.00856. The Sig value of the company size variable in the table is 0.092, which is greater than α = 0.05 or 0.092 > 0.05, so H_2 rejected. The value of the negative t test means that the X_2 variable is in the same direction as the Y variable, so it can be concluded that company size has no effect on the integrity of financial statements. Audit quality is defined as a combination of the probability of detection and reporting of material financial statement errors to proxies the quality of...
the audit which depends on the reputation of the public accounting firm. Audit quality is a component of market equity efficiency, because it can emphasize credibility in financial information, in order to codify the practice of corporate governance with transparent financial reporting (Tussiaa, 2017: 57). Audit quality is an act of inspection by the auditor which will find or report material misstatements in the financial statements of his clients with auditing standards and relevant professional codes of ethics. Based on the Public Accounting Professional Standards, audits conducted by auditors are said to be of good quality if they meet the requirements of auditing standards.

**Coefficient of Determination**

The coefficient of determination test aims to determine how much the ability of the model to explain independent variation to dependent variation. Keofisien test of determination using the value of \( R^2 \). The test results on the value of the coefficient of determination \( R^2 \) of 0.157 or 15.7%. This value indicates that the integrity of the financial statements is influenced by the level of managerial ownership, company size, and audit quality by 15.7%, while the rest which is indicated by the value of € 84.3% indicates that the integrity of financial statements is influenced by other variables not examined in this study.

**CONCLUSION**

Based on the results of the analysis regarding the effect of managerial ownership, company size, and audit quality on the integrity of financial statements in goods and consumer sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period using multiple linear regression analysis testing methods and partial testing, can be concluded as follows: 1) Managerial ownership has an effect on the integrity of financial statements. This research is in line with research conducted by (Wenny, 2017), which states that the greater the ownership of company shares owned by management, the companies tend to present financial statements that have low integrity. This happens because the Sig. Managerial ownership is smaller than \( \alpha \) which indicates that managerial ownership has an effect on the integrity of financial statements. 2) Company size has no effect on the integrity of financial statements. This research is in line with research conducted by (Doddy Setiawan, 2007: 10) which states that there is no influence. This happens because company size is a scale in determining the size of a company. The size of the company can be caused because the larger the size of the company, the higher the integrity value of the financial statements, but in this study the number of company sizes in each company is still relatively small. Then it can be seen if the Sig. The size of the company is greater than \( \alpha \) which indicates that the size of the company does not affect the integrity of the financial statements. 3) Audit quality affects the integrity of financial statements. Audit quality research has no effect on the integrity of financial statements. That from various different tests depending on the level of audit quality used. This happens because the Sig. Audit quality is smaller than \( \alpha \) which indicates that audit quality has an effect on the integrity of financial statements. Based on the results of the research that has been done, the author tries to provide suggestions as a complement to the research given as follows: 1) For further research, it can be used as input if you want to review the effect of managerial ownership, company size and audit quality on the integrity of financial statements. Further researchers can develop this research by replacing or adding other variables that affect the integrity of financial statements in order to obtain various results and enrich existing theories. 2) Further research is expected to expand the population and sample or replace objects to get more accurate results. Or add other variables that affect the integrity of financial statements in order to obtain various results and enrich existing theories or add other variables that affect the integrity of financial statements so that get various results and enrich the existing theory.

**REFERENCES**


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