Quality of the Audit Committee, Company Size and Integrity of Financial Statements: Does Audit Quality an Important Role

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Abstract

The research aims to examine the Influence of audit committee quality, size of company and integrity of financial statement: How important quality of audit? Object of this research are secondary data, which is data that manufacturing companies are a sample of 2015-2018 in the form of annual data in financial reporting that is listed in BEI. That data is analyzed by multiple regression methods and SPSS program version 21. The variables examined are influence of audit committee quality, size of company and integrity of financial statement with quality of audit as moderating variable. The results of this research showed that audit committee quality and size of company have an effect to integrity of financial statement with significance, quality of audit also empowering the influence of audit committee quality to integrity of financial statement significantly and size of company also have a strong effect to integrity of financial statement because of quality of audit variable. The results of this research also showed that the significance is under 0,05, which means the effect is well-strong. Each independent variable gives a strong influence to dependent variables, it means independent variables could explain dependent variables well. While the remaining influenced by other variables not included in the regression models were not included in this study as market value, risk of reporting and level return.

Keywords: *Audit Committee Quality, Quality Of Audit, Size Of Company And Integrity Of Financial Statement*

INTRODUCTION

The presentation of financial reports must be improved to create integrity for stakeholders (Ringkang, 2018). In realizing the integrity of financial reports, PSAK No. 1 of 2015 stipulates the qualitative characteristics that financial reports must have so that they can be used in the decision-making process.

However, in reality, realizing the integrity of financial reports is a difficult matter. It has been proven that there have been many cases of manipulation of financial reports. This case is illustrated in the chronology of Garuda Indonesia's financial reports in June 2019 showing the discovery of errors in the presentation of its audited financial reports resulting in sanctions being imposed on financial report auditor, namely Public Accountant (AP) Kasner Sirumapea Public Accountant Firm (KAP) Tanubrata Sutanto Fahmi Bambang & Partners (*Member of BDO International*), by the Ministry of Finance. These findings show that in the 2018 financial report, Garuda Indonesia Group recorded a net profit of USD809.85 thousand or the equivalent of IDR 11.33 billion.

This figure has increased sharply compared to the 2017 financial report which suffered a loss of USD 216.5 million. However, the financial report raised suspicions that disturbed the integrity of the financial report, because the presentation of Garuda Indonesia's financial report did not comply with the Statement of Financial Accounting Standards (PSAK). It was discovered that Garuda Indonesia included profits from PT Mahata Aero Teknologi which had debts to the state-owned airline. However, on the other hand, PT Mahata Aero Teknologi itself has debts related to WiFi installation that have not been paid (Efriyanti, 2019).

According to research conducted by Chen (2011), the integrity of financial reports must contain elements that are free from intentional or unintentional misstatements. If a company presents manipulative financial reports or manipulates financial reports to benefit certain parties, then the integrity of the existing financial reports will be questioned. This is different from research conducted by Verya (2017) which stated that the issue of financial report integrity started with deviations to achieve certain goals and involved other parties who could in the event be responsible for providing an assessment of the financial report.

Based on the case above, it can be concluded that the presentation of financial reports through engineering is not in accordance with the Statement of Financial Accounting Standards. The information presented in Garuda Indonesia's financial reports will have an impact on reducing the integrity of the financial reports and the quality of the audit results by Public Accountant (AP) Kasner Sirumapea Public Accounting Firm (KAP) Tanubrata Sutanto Fahmi Bambang & Partners which damaged the reputation of the Public Accounting Firm because the audit of financial reports at Garuda Indonesia level companies did not use KAP Big *Four*.

Verya (2017) states that financial report integrity is the presentation of financial reports honestly by depicting the company's actual economic reality. So, a good report must meet the qualitative characteristics of finance, namely understandable, relevant, trustworthy, and comparable.

The importance of the integrity of financial reports requires companies to follow applicable regulations honestly in preparing financial reports that meet established standards.

This relates to one of the characteristics required by IFRS, namely *faithful representation*. Financial information is useful in decision making if it is presented sincerely and honestly so that it reflects the actual situation. The IFRS conceptual framework explains the nature of information: faithful *representation* must present all information that is useful for decision making in a complete manner so as not to mislead users (*completeness*).

Differences with previous research are needed to provide different results. Research that uses audit quality moderating variables found is research conducted by Nurul and Ratna (2013). The difference with this research is in measuring the quality or integrity of financial reports. The moderating variable audit quality was also found in research conducted by Aminul (2016), but it is different in the dependent variable, namely earnings quality.

The research conducted also focuses on the audit committee specifically, while other research such as Mulyanto and Eddy (2014), Wahyudi (2014), Verya (2017), Atik (2015) focuses on the mechanism of corporate *governance* of which the audit committee is a part of *corporate governance* itself. This research will add audit quality as a moderating variable because with audit quality, the auditor will ensure that the information in the financial reports has been presented by the company in accordance with applicable financial accounting standards to improve the integrity of financial reports (Jama'an, 2008).

Therefore, researchers want to examine this discussion further to find out how much the involvement of a quality audit committee will be able to influence the integrity of financial reports. Based on the background above, the author wants to test the influence of the variables audit committee quality and company size on the integrity of financial reports with audit quality as a moderating variable. The sample used in this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI). Therefore, this research will analyze "**Audit Committee Quality, Company Size and Financial Report Integrity: Does Audit Quality Play an Important Role?**

Based on the background above, the formulation of the problem to be examined in this research is as follows: First, the quality of the audit committee influences the integrity of financial reports. Both company sizes influence the integrity of financial reports. Third, audit quality plays an important role in moderating the relationship between audit committee quality and financial report integrity. Fourth, audit quality plays an important role in moderating the relationship between company size and the integrity of financial reports.

LITERATURE REVIEW

Integrity of Financial Reports

The definition of financial report information integrity expressed by Kieso (2011) states that the integrity of financial report information concerns the reliability of the accounting information produced, namely honesty in presentation, trustworthiness and neutrality. The integrity of financial report information that reflects the value of the company is a positive signal that can influence the opinions of investors and creditors or other parties in decision making for interested parties.

This means that financial integrity can be defined broadly to ensure that financial reports are correct, consistent, complete, accurate and other terms as a whole. According to Mulyadi (2010), integrity is a moral principle that is impartial, honest, someone with high integrity views facts as they are and presents these facts as they are. Furthermore, the measure of financial report integrity can intuitively be divided into two, namely measured by conservatism and the existence of financial report manipulation which is usually measured by earnings management (Susiana and Herawaty, 2007)

So, if an auditor audits financial reports that do not have integrity (do not reflect the actual condition of the company) then the opportunity for an auditor to be sued will be greater. If a financial report that does not have integrity turns out to be a financial report that is *overstate* will be very detrimental to users of these financial reports (Pancawati, 2010). Financial reports should provide useful information for investors and creditors to make investment, credit and similar decisions (Verya, 2017).

Quality of the Audit Committee

The audit committee is a committee formed by and responsible to the Board of Commissioners to assist in carrying out the duties and functions of the Board of Commissioners. The audit committee is chaired by an Independent Commissioner. The audit committee consists of at least 3 (three) members from Independent Commissioners and parties outside the Issuer or Public Company (Decree of the Chairman of Bapepem LK No. KEP-643/BL/2012). Therefore, in this research, the audit committee variable is measured by calculating the number of audit committees in a company each year. Based on Bapepam-LK regulations, public companies are required to have an Audit Committee and Audit Committee work guidelines (*audit committee charter*).

The Audit Committee based on the Decree of the Board of Directors of the Jakarta Stock Exchange number: Kep- 305/BEJ/07-2004 concerning the Listing of Shares and Equity Securities Other Than Shares Issued by Listed Companies is required to have at least 3 (three) members, one of whom is Independent Commissioner of a Listed Company who also doubles as chairman of the Audit Committee, while the other members are independent external parties where at least one of them has skills in accounting and/or finance.

Company Size

Murdoko Dana Lana (2007) defines company size as the size of a company which can be seen from total assets, sales and market capitalization. These three measurements are often used to identify the size of a company because the greater the assets owned by the company, the greater the capital invested. The greater the sales, the greater the turnover in the company, and the greater the market capitalization, the more well-known the company is to the public.

Nuryaman (2009) who conducted research revealed that large companies have a wider stakeholder base so that various policies of large companies will have a greater impact on the public interest compared to small companies. The larger a company is, the company will face higher political costs, large companies will face greater demands from stakeholders *and stakeholders* to present more transparent financial reports. Nasution and Setiawan (2007) stated that company size has an important role in presenting financial reports with weak integrity. Small companies are 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 to investors in making decisions regarding investment in the company's shares and the public pays more attention to large companies so they will be more careful in carrying out financial reporting. This is different from small companies which tend to want to show that the condition of the company is always performing well so that investors invest their capital in the company. Sawir (2004) states that company size is a determinant of financial structure. First, company size can determine the level of ease with which the company obtains funds from the capital market.

Audit Quality

Audit quality is the accuracy of the information reported by the auditor in accordance with the audit standards used by the auditor, including information on accounting violations in the client company's financial reports (Abdullah, 2017). According to Halim (2015) financial reports that are useful for decision making are quality financial reports (meeting the criteria of relevance and reliability). Users of financial reports are more confident in the quality of a company's financial reports if the financial reports have been audited and meet these two criteria.

Viewed from the perspective of the public accounting profession, an audit is an examination *(examination)* objectively on the financial statements of a company or other organization with the aim of determining whether the financial statements present fairly, in all material respects, the financial position and business results of the company or organization (Mulyadi, 2010). Auditing is not just a process *review* regarding financial reports, but also regarding appropriate communication to interested parties as a basis for measuring audit quality. Therefore, audit quality is something that must be maintained by an auditor in the auditing process (Atiqoh, 2016).

The great trust of users of financial reports requires public accountants to always maintain the quality of the audits they produce. In addition, the credibility of public accountants as independent and competent parties in assessing the level of conformity of information contained in financial reports with established standards. The research results of Wahyuni and Fitriany (2010) show that during the pre-regulation period, auditor rotation, auditor specialization had a negative effect on audit quality. This condition occurs because of the auditor's desire to retain clients so that their independence and objectivity are reduced and cause low audit quality. Low audit quality can weaken the integrity of financial reports because the risk of not finding material misstatements in financial reports increases.

Thinking Framework

The Influence of Audit Committee Quality on the Integrity of Financial Reports

In perspective *agency theory*, an audit committee within a company can be an effort to reduce fraud in the presentation of financial reports so that the audit committee is expected to increase supervision of management actions that make it possible to manipulate financial reports which affects the integrity of financial reports (Syarifuddin, 2011). Financial Services

Authority Regulation Number 55/POJK.04/2015 explains the requirements for audit committee membership which requires at least one member to have expertise and background in accounting and finance.

The quality of the audit committee can be measured by the total number of audit committee members. The importance of good corporate governance is used to control the company so that the principal forms an audit committee which is responsible for ensuring that the financial reports prepared by company management provide a picture of the actual financial condition. The audit committee has the authority to regulate corporate governance and structure. Apart from being part of the board of commissioners, the audit committee also has the function of carrying out communication between directors, control mechanisms, both in the form of auditing functions, and financial reporting aimed at protecting shareholders. In Financial Services Authority Regulation Number 55 /POJK.04/2015 it is explained that the minimum number of members is three independent commissioners or parties outside the company. However, the number of audit committees will certainly adjust to the needs of the company, such as the size and complexity of the company itself (Nurul and Ratna, 2013).

According to research conducted by Oktadella and Zulaikha (2011), audit committees have a significant positive influence on the integrity of financial reports. Research from Rozania et. al., (2013), Efrianti (2012), and Putra and Muid (2012) show the same results that the audit committee has a significantly positive effect on the integrity of financial reports. The audit committee test results which show significant positive results, are the result of implementing the obligation of every public company that goes public to implement corporate governance that produces reliable information and the obligation for public companies to appoint independent commissioners and audit committees to produce quality financial report information integrity (Efriyanti, 2012), then the hypothesis is:

H_1: There is an influence on the quality of the audit committee on the integrity of financial reports.

The Influence of Company Size on the Integrity of Financial Reports

According to Fajaryani (2015), the bigger the company, the more information investors need to make decisions. Not only that, large companies also receive more attention from the public so that companies will be more careful in presenting financial reports. This is understandable because large companies consist of various parties who have an interest in the company compared to small companies.

The quality of company financial information is in the spotlight of parties such as investors, creditors, banks, government and others. Research conducted by Verya (2017) also proves that company size has a positive influence on the quality of financial reports published by the company. This condition occurs because of the involvement of many parties in carrying out supervision.

Company size has an important role in presenting financial reports with weak integrity. Small companies are 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 to investors in making decisions regarding investment in the company's shares and the public pays more attention to large companies so they will be more careful in carrying out financial reporting (Ida and Dharma, 2013).

This is different from small companies which tend to want to show that the condition of the company is always performing well so that investors invest their capital in the company. Therefore, the larger the company size, the more the integrity of the financial reports will increase. Large companies get more attention than small companies. This encourages management to present financial reports with high integrity (Jama'an, 2008).

Nuryaman also stated in (2009) that large companies have a wider stakeholder base so that various policies of large companies will have a greater impact on the public interest compared to small companies. The larger a company is, the company will face higher political costs, large companies will face greater demands from stakeholder's *stakeholder* to present more transparent financial reports, the hypothesis is:

H_2: There is an influence of company size on the integrity of financial statements.

The Influence of Audit Committee Quality on the Integrity of Financial Reports with Audit Quality as a Moderating Variable

The quality of the audit committee influences the integrity of financial reports with audit quality as a moderating variable because the quality of the audit committee is a factor that is one of the efforts to reduce fraud in the presentation of financial reports so that the audit committee is expected to increase supervision of management actions that make it possible to manipulate financial reports. that affects the integrity of financial statements. By carrying out quality audits, the influence of the audit committee on the integrity of financial reports will be strengthened through audit committee supervision and assurance from external auditors that the company's financial, accounting and internal control policies have been carried out in accordance with applicable standards (Susiana and Herawati, 2007).

This research assesses audit quality based on auditor grouping *big four* with *non-big four*. Reputation theory predicts a positive relationship between KAP size and audit quality (Lennox, 2000). Francis & Yu (2009) use KAP *big four* as a proxy for audit quality because they found that the large size of the KAP would allow the auditors to find more unusual errors and submit more accurate reports. This is because large KAPs already have more audit experience so they can better identify financial report integrity problems. Apart from that KAP *big four* It is also proxied by audit income and a larger number of clients, which will affect the reputation of audit quality results. Audit quality is seen from the quality of client accruals presented in the financial statements.

Research conducted by Jamaan (2008) states that audit quality measured by KAP size has a significant positive influence on the integrity of financial reports. Lennox's (2000) research suggests that large KAPs have more incentives to avoid things that could damage their reputation compared to smaller KAPs, so the hypothesis is:

H_3: The quality of the Audit Committee has an influence on the Integrity of Financial Reports with Audit Quality as a Moderating Variable

The Effect of Company Size on the Integrity of Financial Reports with Audit Quality as a Moderating Variable

The client company is said to be large, one of the reasons being the complexity of the business, which includes many transactions that will affect the value of assets and the increasing separation between management and ownership. The reason company size is chosen in the context of corporate integrity is because company size will determine the amount of complexity that guarantees the company's correctness in managing its assets to reflect the integrity of financial reports (Nurshinta, 2015).

With audit quality moderating the influence of company size on the integrity of financial reports, the assessment of opinions given to large companies will have a higher value in influencing the integrity of financial reports. Research by Nasution and

Setiawan (2016) states that small company sizes in presenting financial reports supported by audit quality will result in weak integrity because small companies are considered to carry out more earnings management practices than large companies, thereby ignoring the integrity of existing financial reports. that period.

The research results of Ida and Dharma (2013) show that company size with audit quality as a moderating variable has a positive effect on the integrity of financial reports. The larger a company, the higher the political costs the company will face. Large companies will face greater demands from para *stakeholder* and guarantees in the form of audit opinions from quality audits to present financial reports with high integrity.

H_4: Company size has an influence on the integrity of financial statements with audit quality as a moderating variable

RESEARCH METHOD

Population and Sample

Population is a generalization area that will be used as a reference in sampling. The sampling method used in this research is purposive sampling (*purposive sampling*) based on specific goals (*judgment sampling*).

The manufacturing company was listed on the Indonesia Stock Exchange from 31 December 2014 to 31 December 2018.

a. The company didn't do it *listing* or *delisting* during the 2014-2018 research period.
b. The company publishes financial reports and annual reports every year for the period 2014-2018.
c. The company has the data needed by researchers related to the variables used in this research.
d.

Research Variables and Operational Definitions of Variables

Dependent Variable Financial Report Integrity

The dependent variable in this research is integrity of financial reports. The formula for measuring accounting conservatism is: *proxy* The integrity of financial reports is as follows:

$$CONACC = \frac{(NIO+DEP-CFO) \times (-1)}{TA}$$

Independent Variable

Quality of the Audit Committee

This research refers to research by Jama'an (2008) which uses the size of the audit committee as an assessment of the quality of the audit committee because the composition of the audit committee directly influences its role in supervising the accounting policies implemented by company management in order to avoid misstatements to interested parties.

Company Size

SThe greater the total number of company assets indicates that the size of the company is larger and the more complex the company is. The company's total assets are measured using the natural logarithm or what is called total assets (LnTA), (Nurshinta, 2015).

Up= Ln.Total Assets

Audit Quality

The moderating variable used in this research is audit quality with the KAP size sub-variable. The types of external auditors used by companies are classified into two types, namely *big four* and *non-big four*. Information about the auditor is obtained from the company's audited financial reports. For measurement, each company has an auditor *big four* will be given a score of 1 while for *non-big four* given a score of 0, which means using a variable *dummy* (Verya, 2017)

So, the measurement of audit quality in this research uses variables *dummy* which is worth 1 for a quality audit.

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Test

The following are the results of descriptive statistical tests in this research as follows:

Table 1. Descriptive Statistical Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
KUALITAS KOMITE AUDIT	307	2.00	12.00	4.5342	2.08354
UKURAN PERUSAHAAN	307	23.14	32.08	28.2759	1.62287
INTEGRITAS LK	307	.00	1.00	.5440	.49888
KUALITAS AUDIT	307	.00	1.21	.2835	.32266
Valid N (listwise)	307				

Source: SPSS Processed Data, 2020

Data Normality Test

Normality test using Kolmogorov-Smirnov *test that* is marked Asymp. Sig. (2-tailed) has > significance level (α=0.05), then it can be concluded that all variables meet the normality assumption.

Table 2 Data Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		307
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.86492041
Most Extreme Differences	Absolute	.117
	Positive	.117
	Negative	-.034
Kolmogorov-Smirnov Z		1.107
Asymp. Sig. (2-tailed)		.172

a. Test distribution is Normal.
b. Calculated from data.
Sumber: Data Olahan, 2020

Source: SPSS Processed Data, 2020

Classical Assumption Test

The model test results shown below show that the tolerance value is smaller than 0.10, while the VIF value is below 10. This proves that there is no multicollinearity relationship between variables.

Table 3 Multicollinearity Test

Model		Collinearity Statistics: Tolerance	Collinearity Statistics: VIF
1	(Constant)		
	KUALITAS KOMITE AUDIT	.941	1.144
	UKURAN PERUSAHAAN	.974	1.111
	INTEGRITAS LK	.967	1.764
	KUALITAS AUDIT	.947	1.053

a. Dependent Variable: Integritas Laporan Keuangan
Sumber: Data Olahan, 2020

Source: SPSS Processed Data, 2020

Hypothesis Testing Results

Hypothesis testing in this research is to see the influence of audit committee quality and company size on the integrity of financial reports. From the multiple linear regression testing carried out, partial test results were obtained as follows

Table 4 Hypothesis Testing

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.714	1.689		3.423	.674
	Kualitas KA	.034	.115	.041	2.293	.007
	Ukuran Perusahaan	.004	.055	.007	2.067	.011

a. Dependent Variable: integritas laporan keuangan

Source: SPSS Processed Data, 2020

$$Y = 0.714 + 0.034X1 + 0.004X2 + e$$

The meaning of the numbers in the regression equation above:

a. Constant value (α) of 0.714. This means that if the audit committee quality and company size variables are assumed to be zero (0), then the integrity of the financial statements is 0.714.
b. The regression coefficient value of audit committee quality is 0.034. This means that for every 1 unit increase in the quality of the audit committee, the integrity of the financial reports will increase by 0.034.

c. The regression coefficient value for company size is 0.004. This means that every increase in company size by 1 unit will increase the integrity of the financial statements by 0.004.

Discussion

The quality of the Audit Committee influences the Integrity of Financial Reports

Based on the results of the tests carried out and presented in table 4.5, the t value was obtained$_{count}$ worth 2,293. The t table value of 1.967 was obtained from the statistical table, by looking at the significance value of 5% and the df value of 307 (n-the number of independent variables) (Ghozali, 2013). Thus, it is known that t_{count} 2,293 > t_{table} 1,967. So, it can be concluded **H_1 accepted** namely, the quality of the audit committee influences the integrity of financial reports. Meanwhile, in table 4.5 we get a P value of 0.007, which means a P value of 0.007 < 0.05. Based on these calculations, it is known that the quality of the audit committee has a significant effect on the integrity of financial reports.

The quality of the audit committee influences the integrity of financial reports because the quality of the audit committee is tasked with helping the board of commissioners to monitor the financial reporting process by management with the aim of increasing the credibility of the financial reports. This influences financial information to be useful in decision making if it is presented sincerely and honestly so that it reflects the actual situation. Thus, the quality of the audit committee plays an important role in producing financial reports with integrity.

Company size influences the integrity of financial statements

Based on the results of the tests carried out and presented in table 4.5, the t value was obtained$_{count}$ worth 2,067. Thus, it is known that t_{count} 2,067 > t_{table} 1,967. Based on these calculations, it is known that company size influences the integrity of financial reports. So, it can be concluded **H_2 accepted** namely, company size influences the integrity of financial reports. Meanwhile, in table 4.5 we get a P value of 0.011, which means a P value of 0.011 < 0.05. Based on these calculations, it is known that company size has a significant effect on the integrity of financial reports.

The size of the company influences the integrity of the company because the size of the company will determine the amount of complexity that ensures the correctness of the company in managing its assets to reflect the integrity of the financial statements. The size of a company can affects the completeness of the integrity of its financial reports because large companies tend to disclose more details of their financial reports because they have more information which is more disclosed because the client company is said to be large, one of which is because of business complexity.

The quality of the Audit Committee influences the Integrity of Financial Reports with Audit Quality as a Moderating Variable

The following are the results of testing the third hypothesis which illustrates the influence of the audit committee quality variable on the integrity of financial reports with audit quality as a moderating variable. Based on the results of the tests carried out, the t value was obtained$_{count}$ worth 2,678. Thus, it is known that t_{count} 2,678> t_{table} 1,967 (attached). Based on these calculations, it is known that audit quality strengthens the influence of audit committee quality on the integrity of financial reports. So, it can be concluded **H_3 accepted** namely audit quality strengthens the influence of the quality of the company's audit committee on the integrity of financial reports. Meanwhile, a P value of 0.009 was obtained, which means a P value of 0.009 < 0.05. Based on these calculations, it is known that audit quality significantly strengthens the influence of audit committee quality on the integrity of financial reports.

Audit quality can strengthen the influence of the quality of the audit committee on the integrity of financial reports because the quality of the audit committee is a factor that is one of the efforts to reduce fraud in the presentation of financial reports so that the audit committee is expected to increase supervision of management actions that make it possible to manipulate financial reports that affect integrity of financial reports. By carrying out quality audits, the influence of the audit committee on the integrity of financial reports will be strengthened through audit committee supervision and assurance from external auditors that the company's financial, accounting and internal control policies have been implemented in accordance with applicable standards.

Company size influences the integrity of financial statements with audit quality as a moderating variable

The following are the results of testing the fourth hypothesis which illustrates the influence of the company size variable on the integrity of financial reports with audit quality as a moderating variable. Based on the results of the tests carried out, the t value was obtained$_{count}$ worth 2,908. Thus, it is known that t_{count} 2,908> t_{table} 1,967 (attached). Based on these calculations, it is known that audit quality strengthens the influence of company size on the integrity of financial statements. So, it can be concluded **H_4 accepted** namely audit quality strengthens the influence of company size on the integrity of financial statements. Meanwhile, a P value of 0.004 was obtained, which means a P value of 0.004 < 0.05. Based on these calculations, it is known that audit quality significantly strengthens the influence of company size on the integrity of financial statements.

Audit quality can strengthen the influence of company size on the integrity of financial reports because audit quality which provides an assessment of the opinions given to large companies will have a higher value in influencing the integrity of financial reports. So, it can be concluded that a large company size in presenting financial reports supported by audit quality will result in high integrity because a large company size is considered to have presented financial reports by prioritizing the credibility and appropriateness of the information that will be used by financial report users so that it pays attention to the integrity of the financial reports. existed in that period.

CONCLUSION

1. Quality of the Audit Committee has a direct effect on the integrity of financial statements because the quality of the audit committee which will provide financial report information can reflect a presentation that meets quality *faithful representation* thus affecting the integrity of financial reports.

2. Company size has a direct effect on the integrity of financial statements because company size plays an important role in presenting reports. Small companies are 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 to investors in making decisions regarding investment in the company's shares and the public pays more attention to large companies so they will be more careful in carrying out financial reporting.
3. The quality of the Audit Committee has an influence on the Integrity of Financial Reports with Audit Quality as a Moderating Variable because the implementation of quality audits will strengthen the influence of the audit committee on the integrity of

financial reports through supervision of the audit committee and guarantees from external auditors on the company's financial, accounting and internal control policies. has been carried out in accordance with applicable standards.

4. Company size has an influence on the integrity of financial statements with audit quality as a moderating variable because company size will determine the amount of complexity that ensures the company's correctness in managing its assets to reflect the integrity of financial reports.

LIMITATIONS

1. This research sample uses research using the Givoly and Hayn Model which only measures the integrity of financial reports through the allocation of depreciation costs contained in net income so that it is not related to operating activities and must be excluded from the calculation.
2. The research period is quite short, namely only four years, namely 2015-2018, so the number of companies studied has not been carried out optimally in the five-year data distribution cycle.
3. This research only uses two independent variables, namely audit committee quality and company size, one moderating variable, namely audit quality, and one dependent variable, namely financial report integrity.

IMPLICATIONS

1. Future researchers are expected to add indicators for measuring the integrity of financial reports in research by adding other measurement models. For example, by using the Basu or Conservatism model.
2. Future researchers are expected to be able to increase the research period by dividing the measurement period into monthly, quarterly, semester or five-year periods.
3. Future researchers are expected to be able to add variables studied for their influence on the integrity of financial reports, such as the profit level variable (*return*), *market value*, and financial reporting risks.

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