

Determinants of Integrity of Financial Statements and The Role of Whistleblowing System



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ABSTRACT

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This study was conducted to examine the effect of the audit committee, internal audit, firm size and leverage on the integrity of financial statements in companies in the banking sector listed on the Indonesia Stock Exchange for the period 2018 to 2020. The final sample used in this research is as many as 114 companies. Partial T test is used for hypothesis testing. The results of the study were found that Internal Audit, Company Size, and Leverage had a significant effect on the integrity of the company's financial statements, while the audit committee had no significant effect. It was also found that the existence of a whistleblowing system will strengthen the influence between each independent variable on the integrity of the financial statements. The results of the hypothesis test also show that there is no moderating effect of the whistleblowing system on the effect of the audit committee on the integration of financial statements.

I. INTRODUCTION

Financial statements are published to provide information about the company's performance in a certain period. Financial statements must uphold the integrity that contains actual company information, does not create a bias that can mislead users in making decisions. The integrity of the financial statements become an obligation of each company in preparing the financial statements, especially company publicly traded listed on the Stock Exchange. Nevertheless, many cases of manipulating financial statements seem to show that the integrity of financial statements is difficult to achieve (Sofia, 2018). Association of Certified Fraud Examiner (2020) revealed that although the cases of

financial reporting fraud that occurred were the most negligible (10%) compared to other fraud cases, this type of fraud caused the most significant loss, which was \$954,000.

In Indonesia, there was the case of Garuda Indonesia in which the net profit of the 2018 financial statements was allegedly deliberately manipulated, even though in 2017, Garuda suffered heavy losses. Manipulation of financial statements is carried out to influence shareholders' investment decisions (Hartomo, 2019). This is undoubtedly detrimental and raises public doubts about financial statement information. Amid rampant fraud cases, the integrity of financial statements is an important matter that the company must consider. Therefore, the company must be committed to providing quality and integrity financial reports. Many elements need to be considered to improve financial statements' integrity, such as the audit committee's role and internal audit, company size, and leverage.

In preparing financial statements with integrity, the audit committee is essential in conducting supervision and inspection. The audit committee is expected to assist the implementation of the duties and responsibilities of the Board of Commissioners to improve the integrity of financial reports (Sofia, 2018). In addition to the audit committee, the governance structure directly related to detecting and preventing fraud is internal audit (Utami et al., 2019). The internal audit examines various indications of fraudulent practices and then reports the results to the audit committee team (Utami et al., 2019). The size of a large or small company influences the integrity of financial statements. The company's size is related to its urgency to present financial statements with integrity (Verya, 2017). At the same time, the ratio leverage is used to measure the extent to which a company's assets are financed with debt (Himawan, 2019). This ratio also shows how much influence debt has on the company's asset management. These four elements are expected to have an impact on the integrity of the financial statements.

Supervision carried out by the Audit Committee can be more effective if the company has a whistleblowing system, namely a violation reporting system which is also one of the factors to support the implementation of good corporate governance. Whistleblowing can be defined as “the disclosure by members of an organization (past or present) of illegal, immoral or illegal practices under the control of their employer, to a person or organization that may be able to influence the actions”, (Ahmad et al, 2014). Whistleblowing It is also

an important element in accounting and internal control that functions as a mechanism to prevent illegal, immoral and illegal practices in any organization (Zakaria, 2015).

These elements are believed to run optimally supported by specific features, such as the whistleblowing system. The whistleblowing system itself is a violation reporting system provided by the organization to collect various violation information from internal and external parties to detect and uncover fraud. Researchers agree that whistleblowing is an important medium to prevent and deter corporate wrongdoing (Ahmad, 2014). This includes errors or illegal practices in the company's business processes that have an impact on the natural and social environment. Although the implementation of whistleblowing in companies in Indonesia is starting to develop, there is no research that examines the role of the whistleblowing system in the integrity of the company's financial statements. In fact, the two things are interrelated as a form of company transparency in disclosing its activities to stakeholders.

Research on related variables was conducted on financial sector companies on the Indonesia Stock Exchange for the 2018-2020 period. Companies in the financial and banking sectors are most disadvantaged by fraud (ACFE Indonesia Chapter, 2020). In addition, many cases of fraud and manipulation of financial statements have occurred involving financial sector companies. The cases of Jiwasraya Insurance, Jiwa Bersama Bumiputera Insurance 1912, Asabri, Jouska, and Jiwa Kresna Life Insurance are cases that occurred in the 2018-2020 period. The public must be careful and participate in overseeing the activities of financial companies. Coronavirus began to spread at the end of 2019, until now has made many companies, including financial sector companies, experience a decline in economic conditions, so it is feared that companies will find it challenging to enforce integrity in their financial reporting.

2. LITERATURE REVIEW AND HYPOTHESIS

Theory of Planned Behavior

Theory of planned behaviour was introduced by Ajzen (1991) as a manifestation of the refinement of the previous theory, the theory of reasoned action. This theory explains a person's behaviour that arises from the intention to behave, which internal and external factor causes. Ajzen (1991) considers this theory appropriate to explain human behaviour that requires planning. Humans will reason by thinking about the impact of their actions

first. This theory mentions three variables forming a person's intention to behave. First, the attitude towards behaviour in the form of a person's positive or negative evaluation of behaviour. Second, subjective norm (subjective norm) is the form of a person's perception of behaviour that is influenced by the judgment of others. Third, perceived behavioural control (perceived behavioural control). In the form of assumptions about whether or not it is easy to do the behaviour (Utami, 2018).

The theory of planned behaviour influences a person's attitudes, intentions, and behaviour in preparing financial statements with integrity, especially members of the audit committee and internal audit. These factors also motivate them to carry out their duties of supervision and internal control as well as possible. Maturely they have encouragement from internal and external factors is planning to prepare financial reports. Likewise, the size of the company and the ratio leverage can be a factor in considering a financial statement with integrity.

The Integrity of Financial Statements

The integrity of financial statements is a condition in which financial statements are prepared based on generally accepted accounting principles. To provide information about users' good, reliable, and understandable conditions in making decisions (Himawan, 2019). Integrity requires someone to be honest and fair in their professional and business relationships. The disclosure without any covered is a manifestation of integrity. The integrity of financial statements is generally described by conservatism. Conservatism is the principle of prudence when recognising assets and profits. This principle is motivated by the assumption that economic and business activities are surrounded by uncertainty (Wiguna et al., 2018). Financial statements that use the principle of conservatism are considered more reliable and meet the qualitative characteristics of information (Priharta, 2017).

Audit Committee

The audit committee is an independent institution established by the Board of Commissioners to supervise the company's operations and improve the quality of internal control. The audit committee is an independent institution established by the Board of Commissioners to supervise the company's operations and improve the quality of internal

control. The audit committee is tasked with examining financial information issued by public companies so that the data is presented honestly according to generally accepted accounting principles. The audit committee consists of 3 to 7 people, chaired directly by a person who serves as an Independent Commissioner. Audit committee members must be independent, have integrity, be competent, and have knowledge and experience in accounting and finance.

Internal Audit

The internal audit function is to test and evaluate activities carried out by the organisation in an audit plan. Behaviour Fraud which is generally carried out in secret, is expected to be identified by internal auditors. Internal audit carries out the duties and functions of internal audit and control. Suppose an internal audit carries out its duties and functions effectively and adequately. In that case, it will undoubtedly help management to detect and prevent acts of fraud and abuse, resulting in the quality and integrity of financial reports (Utami, 2018).

Company Size

Company size can be determined based on the value of total assets, total sales, market capitalization, and number of employees. The company have various sizes, both large and small. Companies with large sizes are assumed to have large number of assets and income levels to generate high profits. Firm size is closely related to earnings management practices. Company size is usually expressed by total assets, stock market value, total income, and other measurements (Handoko & Ramadhani, 2017).

Leverage

The leverage ratio shows the debt burden borne by the company when compared to its assets, both short-term debt and long-term debt. This ratio shows how much of the company's assets are owned by shareholders compared to assets owned by creditors. If this ratio has a high value, more assets are owned by creditors than owned by the company. The leverage ratio provides information on whether the source of the company's operational funds comes from its own capital or debt. This ratio can be used to measure the finances of a company (Himawan, 2019).

Whistleblowing System

Whistleblowing is a reporting effort carried out by internal or external parties who know and have clear evidence of fraud that occur within their organisation. People who do whistleblowing are called whistleblowers (Utami, 2018). A whistleblowing system is a channel for whistleblowers to report to the competent authorities regarding indications of acts of violation. This violation reporting system is one of the anti-fraud strategies developed to improve internal control. This system was developed starting from a manual system, hotline, to the web-based with the aim that all parties actively participate in reporting fraud so that financial statements are presented honestly and following the actual situation.

The Effect of The Audit Committee on The Integrity of Financial Statements

The audit committee assists the Board of Commissioners in overseeing the preparation of financial statements, implementing internal control, and implementation of good corporate governance. Therefore, the audit committee is expected to be able to make decisions independently and objectively. Independent audit committee members will prevent fraud which will undoubtedly affect the integrity of financial statements. This is in line with research conducted by Anggraeni, Zulpahmi, & Sumardi (2020) at Islamic Commercial Banks and Sofia (2018) research in banking companies on the Indonesia Stock Exchange which proves that the audit committee affects the integrity of financial statements.

Based on the line of thought that has been described above, the researchers partially proposed the following hypothesis:

H1: The audit committee has significantly effects to the integrity of the financial statements.

The Effect of Internal Audit on The Integrity of Financial Statements

An inspection conducted by internal auditors, especially on the company's internal control system, allow for indications of fraud to be found and take steps to reduce the potential for fraud to occur. Reports that are free from fraud will certainly produce financial reports with integrity. Atika's research (2019) on banking companies on the Indonesia

Stock Exchange for the 2013-2017 period revealed that an internal audit that actively carries out supervision would improve the integrity of financial statements.

Based on the line of thought that has been described above, the researcher partially proposes the following hypothesis:

H2: Internal audit has significantly effects to the integrity of financial statements

The Influence of Company Size on The Integrity of Financial Statements

Company size has an essential role in producing financial statements with integrity. The larger the company's size, the more the parties interest in financial statements, thus requiring the company to be careful in conducting financial reporting to produce financial reports with integrity. On the other hand, a small company size tends not to involve too many interested parties, so the company's level of prudence tends to be below. This statement is by Gayatri & Suputra (2013) research, which states that leverage affects the integrity of financial statements.

Based on the line of thought that has been described above, the researchers partially proposed the following hypothesis:.

H3: Firm size has significantly effects to the integrity of the financial statements.

The Effect of Leverage on The Integrity of Financial Statements

Leverage is the use of sources of funds to increase the company's income level and generate a fixed financial expense on the use of these sources of funds. Implementing a lot of debt is one form of policy implemented by the company's management to produce conservative financial statements by recognising lower net income than operating cash flows. Conservative principles will affect the integrity of financial statements. Research conducted by Yulinda (2016) proves that leverage affects the integrity of financial statements.

Based on the line of thought that has been described above, the researchers partially proposed the following hypothesis:

H4: Leverage has significantly effects to the integrity of the financial statements.

The Effect of Whistleblowing System in Strengthening The Effect of the Audit Committee on The Integrity of Financial Statements

In carrying out its duties and responsibilities, the audit committee needs assistance from practical elements capable of supporting the presentation of honest financial statements and following the actual situation. With the whistleblowing system, the audit committee involves supervision carried out by all elements of the organisation to detect, uncover, and prevent fraud. This is in line with Sofia's research (2018), which suggests that the whistleblowing system can strengthen the audit committee's influence on the variable of financial statement integrity.

Based on the line of thought that has been described above, the researchers partially proposed the following hypothesis:

H5: The whistleblowing system can strengthen the influence of the audit committee on the integrity of financial statements.

The Effect of The Whistleblowing System in Strengthening The Influence of Internal Audit on The Integrity of Financial Statements

Together with the audit committee, internal audit is expected to be able to take advantage of the information on fraud or abuse reported in the whistleblowing system as a strategy to uncover fraud to produce financial reports that contain correct, honest, accurate information, and free from intentional manipulation or manipulation by management. This statement is the same as the research by Utami et al. (2019), which revealed that with the whistleblowing system implemented in the company, internal audit is more effective in uncovering fraud that affects the integrity of the company's financial statements.

Based on the line of thought that has been described above, the researchers partially proposed the following hypothesis:

H6: The whistleblowing system can strengthen the influence of the internal audit on the integrity of financial statements.

The Effect of the Whistleblowing System in Strengthening The Effect of Company Size on The Integrity of Financial Statements

Company size can show how much information is contained in it and reflects the awareness of the management regarding the importance of data. This information is used to prepare financial statements. This information can come from a whistleblowing system whose effective in the company. Based on the line of thought that has been described above, the researchers put forward a partial hypothesis as follows:

H7: The whistleblowing system can strengthen the influence of company size on the integrity of financial statements

The Effect of the Whistleblowing System in Strengthening The Effect of Leverage on The Integrity of Financial Statements

The company implements the whistleblowing system further strengthens the influence of leverage on the conservative index, which has implications for increasing the integrity of financial statements. The company presents transactions, events, and other conditions honestly following the definitions and criteria for asset recognition. Liabilities, income, and expenses are regulated in the basic framework for the preparation and presentation of financial statements as disclosed in the research conducted by Anggraeni et al. (2020). Based on the line of thought that has been described above, the researchers partially proposed the following hypothesis:

H8: The whistleblowing system can strengthen the influence of leverage on the integrity of financial statements

3. RESEACH METHOD

Sample

This research is comparative causal research which is a research design that examines changes in one variable due to another variable with a causal relationship pattern (Sekaran, 2017). The approach in this study used a quantitative research approach that aims to show the relationship between variables and test the theory's accuracy. The researcher determined that the population of this study were all financial sector companies on the Indonesia Stock Exchange. Companies in the financial sector (finance) are a sub-sector of service

companies related to financial management. The study was limited to the 2018-2020 observation year with a total population of 105 companies.

The research sample was obtained by purposive sampling technique with certain considerations (judgment sampling). The research sample was selected based on the criteria set by the researcher to receive the necessary information from a specific population and provide the essential facts related to research (Sekaran, 2017). Of the 105 financial sector companies listed on the Indonesia Stock Exchange for the 2018-2020 period, 38 companies meet the criteria and serve as research samples. The study was conducted for three years so that the total sample during the research period amounted to 114 samples.

Data Analysis Techniques

The analysis method used in this study is a multiple linear regression analysis techniques and must be tested for classical assumptions and hypothesis testing first. Descriptive statistical analysis tests were carried out to describe the data collected using the mode, median, and average methods and identify indicator weaknesses based on variable instruments (Ghozali, 2013). Furthermore, the classical assumption test was carried out to test the feasibility of the regression model to ensure that the regression results were free from bias, consisting of normality test, multicollinearity test, and heteroscedasticity autocorrelation test.

After testing the classical assumptions, it is continued with hypothesis testing using multiple linear regression analysis with the help of the SPSS 23 program. Multiple linear regression analysis is used to analyse the effect of the independent variables audit committee, internal audit, firm size, and leverage on the dependent variable, namely the integrity of financial statements (Y) and the moderating variable for the whistleblowing system. The coefficient of determination test was conducted to estimate the ability of the regression model to explain the variation in the dependent variable of the study. Rated R² represents how much the independent variables and the dependent variable can affect the rest of the percentage is the value of the effect of other independent variables on the dependent variable outside the regression model and are not discussed in this study (Ghozali, 2013).

Operational Definition and Variable Measurement Variable

The integrity of financial statements (CONACC) is measured using the conservatism index, which is calculated by subtracting net income before adding depreciation and amortisation with cash flows from activities (Gayatri & Suputra, 2013). The audit committee variable (AC) is measured using audit committee information in the company's annual report, in the form of the number of independent audit committee members and the number of audit committee members who are financial and accounting experts (Cahyo & Sulhani, 2017). The internal audit variable (IA) is measured using internal audit members who have experts in accounting, finance, and auditing (Utami et al., 2019).

The firm size variable (SIZE) is measured using total assets, total sales, and average total sales, and average total assets (Handoko & Ramadhani, 2017). The variable leverage (LEV) is measured using the Debt to Asset Ratio, a ratio that compares the total debt with the company's total assets. Meanwhile, the variable whistleblowing system (WBS) is measured by the structural aspects, operational aspects, and maintenance aspects applied by the company under the Guidelines for the Violation Reporting System issued by the 2008 KNKG as many as 16 components (National Committee on Governance Policy, 2008).

4. RESULT AND DISCUSSION

Descriptive Analysis Results

In this study, descriptive statistical analysis was used to describe or describe the dependent variable data in the form of disclosure of fraud and the independent variable in the form of implementation. These variables were analysed from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness.

Table 1. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Integrity of Financial Reporting	114	1137000000	9068110400000	1147780369177	2005886764753
Audit Committee	114	1.50	2.00	1.9245	.15120
Audit Internal	114	1.00	1.00	1.0000	.00000
Size	114	27.50	37.95	31.3666	1.91805
Leverage	114	.00	1.37	.7426	.18844
WBS	114	.25	.94	.6732	.15886

(Source: Processed data)

Assumption Test Classical

Normality Test Normality

The test is performed to detect whether the value of the residual variance in the regression model has a normal distribution. The test was carried out using the usual P-Plot graph method and the statistical Kolmogorov-Smirnov one-sample test.

Table 2. Normality Test Results

	Unstandardized Residual
N	114
Asymp. Sig. (2-tailed)	.133 ^c

(Source: Processed data)

Based on the normality test results of the *One-Sample Kolmogorov-Smirnov Test* in Table 2 shows the value of *Asymp.Sig. (2-Tailed)* of 0.133, which is greater than the 0.05 significance level. This value indicates that the data of financial sector companies in this study are typically distributed.

Multicollinearity Test

Multicollinearity test aims to find correlations between independent variables in the regression model. The test was carried out by looking at the VIF value and the tolerance of the regression model. This Value concludes that there is no multicollinearity between variables. Regression models can be used to explain the effect of the independent variable on the dependent variable.

Table 3. Multicollinearity Test Results of the

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Audit Committee	.979	1,021
Internal Audit	.713	1,402
Size	.720	1.388
Leverage	.870	1150
WBS	.501	1,994

(Source: Processed data)

This Value concludes that there is no multicollinearity between variables. Regression models can be used to explain the effect of the independent variable on the dependent variable.

Heteroscedasticity Test

Detection of the residual variance inequality for one observation with another observation is carried out by using the heteroscedasticity test. Testing is done by doing the Glejser test.

Table 4. The Result of Heteroscedasticity Test

Variable	Sig
(Constant)	.248
Audit Committee	.376
Internal Audit	.502
Size	.107
Leverage	.080
Moderating	.938
Abs_RES	.000

(Source: Processed data)

The table above shows that the significance value for the research variable is more significant than 0.05 (> 0.05), so it can be concluded that all research variables have passed the heteroscedasticity test.

Autocorrelation Test

Table 5. Results of Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	.600 ^a	.360	.336	.17656	2,138

(Source: Processed data)

Table 5, Test Durbin - Watson conducted showed values of 2.138 DW, and DW counted value is equal to 2.2323. When adjusted according to the table, the Durbin-Watson test is $du < d < 4-du$, so that $1.7677 < 2.138 < 2.2323$ results in a decision that there is no autocorrelation the research data.

Hypothesis Test

Partial T-Test

A statistical t-test (partial test) was conducted to determine the ability of each independent variable to influence the dependent variable. If the independent variable in this study produces a p-value <0.05, it indicates that the independent variable has a significant effect on the dependent variable and vice versa.

Table 6. Test Results of Multiple Linear Regression Analysis

Model	Result	
	B	Sig
1 (Constant)	4.71	.077
Audit Committee	-.016	.820
Internal Audit	.200	.022
Size	.208	.052
Leverage	-1.02	.001
X1X5	.008	.932
X2X5	.200	.046
X3X5	1.00	.034
X4X5	2.14	.000

(Source: Processed data)

From the multiple linear regression test results conducted, it was found that the audit committee has a probability value of significance (Sig.) of 0.820, which is much greater than the level of sig. 0.05 indicates that the audit committee variable has no significant effect on the integrity of the financial statements. Based on the test results, hypothesis 1 (H1), which states that the audit committee affects the integrity of the financial statements, is not supported. The internal audit variable has a significance value probability (Sig.) of 0.022, which is much smaller than the sig level. 0.05 indicates that the internal audit variable has a significant effect on the integrity of the financial statements. Thus, hypothesis 2 (H2), which states that internal audit affects the integrity of financial statements, is supported.

Firm size has a significance value probability (Sig.) of 0.05, also smaller than the sig level. 0.05 indicates that the firm size variable has a significant effect on the integrity of financial statements. Based on the results of these tests, hypothesis 3 (H3), which states that company size affects the integrity of financial statements, is supported. The variable leverage has a significance value probability (Sig.) of 0.001, much smaller than the sig

level. 0.05 indicates that the variable leverage has a significant effect on the integrity of financial statements, so hypothesis 4 (H4), which states that leverage affects the integrity of financial statements, is supported.

The role of the variable of the implementation of the whistleblowing system in strengthening the influence of the audit committee on the integrity of financial statements has a probability significance value (Sig.) of 0.932, which is greater than the sig level. 0.05 indicates that the variable of the implementation of the whistleblowing system does not significantly strengthen the influence of the audit committee on the integrity of financial statements, so hypothesis 5 (H5), which states that the Whistleblowing system can strengthen the influence of the audit committee on the integrity of financial statements is not supported. Furthermore, the role of the variable of implementing the whistleblowing system in strengthening the influence of internal audit on the integrity of financial statements has a probability significance value (Sig.) of 0.046, which is smaller than the sig level. 0.05 indicates that the variable of the implementation of the whistleblowing system can significantly strengthen the influence of internal audits on the integrity of financial statements. Based on the test results, hypothesis 6 (H6), which states that the whistleblowing system can strengthen the audit committee's influence on the integrity of financial statements, is supported.

The role of implementing the whistleblowing system in strengthening the influence of company size on the integrity of financial statements has a probability significance value (Sig.) of 0.034, which is smaller than the sig level. 0.05 indicates that the implementation of the whistleblowing system can significantly strengthen the influence of company size on the integrity of financial statements in financial sector companies on the Indonesia Stock Exchange for the 2018-2020 period. Based on the results of these tests, hypothesis 7 (H7), which states that the whistleblowing system is able to strengthen the influence of company size on the integrity of financial statements, is supported. Finally, the role of the variable of implementing the whistleblowing system in strengthening the influence of leverage on the integrity of financial statements has a probability significance value (Sig.) of 0.000, which is smaller than the sig level. 0.05 indicates that the variable of the implementation of the whistleblowing system is able to significantly strengthen the influence of leverage on the integrity of financial statements. So that hypothesis 8 (H8), which states that the

whistleblowing system is able to strengthen the influence of leverage on the integrity of financial statements, is supported.

Discussions

Association Between Business Strategy and Restatement

Based on the hypothesis test results, it is known that hypothesis 1, which suspects that the audit committee affects the integrity of the financial statements, cannot be accepted or rejected. This study shows results consistent with other studies, such as that conducted by Handoko & Ramadhani (2017), which concludes that an independent audit committee does not affect the possibility of fraudulent financial statements involving financial statements' integrity. The results of this study support that the actions of audit committee members are one example of the application of the theory of planned behaviour because the behaviour of audit committee members is also influenced by internal factors and internal factors that encourage someone to respond to the phenomena that occur. However, the audit committee has the primary task and authority to examine and supervise financial information and internal control where they are not directly related to the parts used as references in measuring the integrity of financial statements. Thus, the independence and financial and accounting expertise of the audit committee members does not affect the integrity of the financial statements but instead involves the company's internal control.

The internal auditor works closely with the external auditor and the audit committee to examine the company's financial statements and internal controls. Suppose the supervision and inspection they carry out is adequate. In that case, it will directly tighten oversight and reduce the gap for all organisation members to commit fraud, including in minimising financial statement fraud. Thus, the company will produce financial reports that have integrity and can use for decision making.

The results of this study support another study conducted by Verya (2017) which concluded that company size affects the integrity of financial statements. Different company sizes are assumed to have different amounts of assets and income levels. The results of this study indicate that the larger the company's size, the more the company will improve the integrity of its financial statements. Large companies also tend to disclose and explain more items in their financial statements because they have more information to

convey to meet the needs of investors. The level of awareness of the management of the company towards its responsibilities as a public company will increase the integrity of financial statements. This will undoubtedly improve the integrity of the financial statements. In addition, for expansion needs to raise capital, the company also always maintains its reputation in the public eye so that many investors are interested in investing in the company, so that the preparation of financial reports is carried out by taking into account the code of ethics for preparing financial statements.

The results of this study support another study conducted by Gayatri & Suputra (2013) which concluded that leverage affects the integrity of financial statements. The results of this study reveal that the ratio leverage has a significant adverse effect on the integrity of financial statements. The higher the ratio leverage borne by the company, the lower the integrity of the financial statements produced. Conversely, the lower the ratio leverage maintained by the company, the higher the integrity of the financial statements produced by a company. The ratio is leverage considered a threat that will increase the risk faced by investors. Concerns arise that make investors demand returns greater. To fulfilling the needs, management is urged to generate large profits, so that management will carry out earnings management, which reduces the quality and integrity of financial statements.

This study also found that the whistleblowing system does not affect the relationship between the audit committee and the integrity of the financial statements. Generally, the audit committee and internal audit will receive complaints or reports that enter the whistleblowing system. However, the main task of the audit committee is to supervise financial information and internal control, making the workload of audit committee members who only have 3-7 members to be excessive (overload) so that other divisions handle complaints or reports that are included in the violation reporting system which is internal audit or director. However, it was found that the whistleblowing system can strengthen the influence of internal audits on the integrity of financial statements.

The results of this study are in line with the research of Utami et al. (2019), which revealed that the Whistleblowing system implemented by the company increased the effectiveness of internal audit in uncovering cases of fraud which certainly affected the integrity of financial statements. Internal auditors conduct investigative audits on reports that indicate fraudulent practices. Of course, the auditor needs information on fraud found

in the violation reporting system. There is a correlation between the performance of the internal audit and the implementation of the whistleblowing system in the company. If the whistleblowing system has been implemented effectively in the company, it will be easier for internal audits to produce quality and integrity financial reports.

Based on the results of these tests, hypothesis 7 (H7), which states that the whistleblowing system can strengthen the influence of company size on the integrity of financial statements, is acceptable. Companies with large sizes generally have implemented a whistleblowing system, especially companies in the financial sector. This is because the company is aware of the importance of information to be submitted in financial statements. Large companies are assumed to have skilled human resources to produce financial reports with integrity. To ensure that the financial statements have high integrity, all critical information needed for decision making needs to be provided, including information about internal violations in the company. By implementing a whistleblowing system, companies get information about fraud more precisely and efficiently.

Based on the test results, it was also found that hypothesis 8 (H8), which states that the whistleblowing system can strengthen the influence of leverage on the integrity of financial statements, is acceptable. The Whistleblowing system implemented by the company further enhances the effect of leverage on the conservative index which has implications for increasing the integrity of financial statements, in which the company presents honestly transactions, events and other conditions in accordance with the definitions and criteria for recognising assets, liabilities, income, and expenses set out in the framework. The basis for the preparation and presentation of financial statements. A ratio of leverage high puts the company under pressure because of the large amount of debt. This situation motivates management to commit fraud to show excellent and healthy performance to external parties, even though the company is in a crisis condition. This reduces the integrity of financial statements, so companies need a platform that helps companies detect, uncover, and prevent fraudulent financial statements, namely the whistleblowing system.

5. CONCLUSION

The total sample that met the research criteria is 114 years of observation. In addition, this study will also examine how the role of the whistleblowing system in a company can affect the relationship between the audit committee, internal audit, company size and leverage on the integrity of financial statements. From the test results of statistical data analysis, it was found that komite audit tidak berpengaruh signifikan terhadap integritas laporan keuangan. Based on these results, it is concluded that the hypothesis that the audit committee has an effect on the integrity of the financial statements is not supported. Meanwhile, internal audit, company size, and leverage substantially affect the integrity of financial information reporting in banking sector companies listed on the Indonesia Stock Exchange for 2018 to 2020.

This study also found that the whistleblowing system applied in a company can act as a moderating variable, strengthening the relationship between internal audit, firm size and leverage on the integrity of financial statement reporting. Meanwhile, for the moderating effect of the whistleblowing system on the influence of the audit committee on the integrity of financial statements, statistically insignificant results were obtained, which means that the whistleblowing system did not strengthen the relationship between the audit committee and the integrity of the financial statements. Based on the result of this study, the authors summarise several suggestions that need to be made to achieve the goals and obtain benefits in this study, for companies to continuously improve the integrity of financial statements as a form of responsibility to investors, especially the financial sector companies which are a vital sector in the country's economy. The integrity of financial statements can be influenced by several factors such as internal audit, company size, leverage, and the whistleblowing system. It is expected that the company will utilise all of these elements to produce financial reports.

6. LIMITATIONS AND SUGGESTIONS

Due to the limited time in conducting the research, there are some limitations in this research. First, this study only focuses on the financial sector, where the financial sector has slightly different characteristics from non-financial sector companies. Therefore, further research can expand the sample with non-financial companies. Second, this study uses 4 independent variables, namely the audit committee, internal audit, company size and

leverage, where these variables are factors that come from the company's internal. Further research can add factors that come from outside the company, for example government policies on taxes, external auditors, or economic conditions in the year of research.

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