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# *THE ROLE OF AUDIT QUALITY AS A MODERATING VARIABLE IN RELATIONSHIP BETWEEN QUALITY OF AUDIT COMMITTEE, COMPANY SIZE AND FINANCIAL REPORT INTEGRITY OF MANUFACTURING COMPANIES LISTED IN IDX*

# PERAN KUALITAS AUDIT SEBAGAI VARIABEL PEMODERASI HUBUNGAN KUALITAS KOMITE AUDIT, UKURAN PERUSAHAAN DAN INTEGRITAS LAPORAN KEUANGAN PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BEI

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## *ABSTRACT*

*With audit quality serving as a moderating variable, the goal of this study is to examine and collect empirical data on the impact of audit committee quality and business size on the caliber of financial reports. Accounting knowledge, committee size, and meeting frequency all indicate the quality of an audit committee. Manufacturing businesses that were listed on the Indonesia Stock Exchange between 2013 and 2016 were used as a sample in this study. 33 manufacturing enterprises with a 4 year observation period were included in this study. Purposive sampling was used to collect the data. The multiple regression model and moderated regression analysis were used in this study to examine the hypotheses. The findings of this study revealed that the caliber of financial reports was unaffected by the audit committee's experience, the frequency of its meetings, or the size of the accounting and financial firms. Regarding the moderating influence of audit quality, the findings indicated that it was unable to moderate the relationship between the business size and the integrity of financial reports and all audit committee quality proxies.*

***Keywords:*** *audit committee quality, audit committee expertice, audit committee size, audit committee number of meeting, firm size, audit quality and financial report integrity.*

## ABSTRAK

Dengan kualitas audit sebagai variabel moderasi, tujuan dari penelitian ini adalah untuk menguji dan mengumpulkan data empiris tentang dampak kualitas komite audit dan ukuran bisnis terhadap kaliber laporan keuangan. Pengetahuan akuntansi, ukuran komite, dan frekuensi pertemuan semuanya menunjukkan kualitas komite audit. Perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia antara tahun 2013 dan 2016 digunakan sebagai sampel dalam penelitian ini. 33 perusahaan manufaktur dengan periode pengamatan 4 tahun diikutsertakan dalam penelitian ini. Purposive sampling digunakan untuk mengumpulkan data. Model regresi berganda dan analisis regresi moderat digunakan dalam penelitian ini untuk menguji hipotesis. Temuan penelitian ini mengungkapkan bahwa kaliber laporan keuangan tidak dipengaruhi oleh pengalaman komite audit, frekuensi pertemuannya, atau ukuran perusahaan akuntansi dan keuangan.

Mengenai pengaruh moderasi kualitas audit, temuan menunjukkan bahwa tidak mampu memoderasi hubungan antara ukuran bisnis dan integritas laporan keuangan dan semua proksi kualitas komite audit.
**Kata Kunci:** kualitas komite audit, keahlian komite audit, ukuran komite audit, jumlah rapat komite audit, ukuran perusahaan, kualitas audit dan integritas laporan keuangan

## INTRODUCTION

Financial reports on companies going public are financial information that must be submitted to the public or the public properly and honestly. This is an obligation as regulated by applicable regulations and standards. This financial report has an important role because it involves many parties both in its preparation and its use as a basis for decision making. Financial reports are not only important for internal company parties, but also important for parties external to the company for various interests. Therefore, the quality of financial statements attracts great attention from various parties with their respective interests in viewing the condition of the company.

As mentioned earlier, financial information is not only used by internal but also external parties, so that the financial statements published by the company must be presented correctly, honestly and disclose actual facts. The external parties such as shareholders, investors, creditors, financial institutions, government, the general public and parties who have an interest in the company. Parties who use financial statements must get the right information so that there are no miscalculations in decision making. For example, investors who want to invest their shares must look at earnings information to determine which company they will invest their shares in, so high profits will attract attention and certainty that there is no earnings manipulation is important. Earnings information is also important for government agencies to determine the amount of tax, and other information in financial statements is equally important for other parties.

Financial reports which are a source of company financial information are required to be prepared correctly and presented honestly through disclosure of actual facts to users of the report, so that the quallity of financial report must be high or have high integrity. Endi Verya (2017: 984), based on various definitions, concludes that the integrit of financiai statements is an honest precentation of financial statement by describing the company's actual economic reality. So that a good report must meet the qualitative characteristics of finance, namely understandable, relevant, reliable, and comparable (Nandakumar et al., terj., Priyo Darmawan, 2015: 17). The importance of the integriti of financial statements requires companies to follow applicable regulations honestly in making financial reports that meet established standards.

The importance of financial statement integrity can be seen from cases involving major companies around the world. These companies include Olympus, Satyam, Global Crossing Ltd., Enron, Xyrox, Toshiba, and Worldcom. This incident certainly opened the public's eyes that large companies could fall because they did not have financial reports with integrity. As discussed that the process of preparing and issuing financial statements involves many parties, the occurrence of manipulation will make the public view of the parties involved in the preparation of financial statements bad. This bad image must certainly be faced by parties who are proven or even only indicated to manipulate the company's financial statements. Seeing this, the integrity of financial statements is something that must be owned by every company.

One of the cases revealed around 2015 was a case involving a large company from Japan, namely Toshiba. Aprillia Ika (2016) said on the Kompas online news site that this Tokyo-based electronics company falsified its financial statements in 2008. This accounting scandal reached more than 1.3 billion US dollars or equivalent to 14.5 trillion rupiah. 45 Toshiba shareholders, most of whom are foreign investors, are seeking compensation of 16.7 billion yen, equivalent to 2 trillion rupiah, for the losses they suffered, the exchange rate of yen to rupiah at the end of 2008 was 124.645334. In its official statement, Toshiba said that the shareholders are seeking compensation for "improper accounting" practices by the company and filed a case against Toshiba Corp. in a Tokyo court. This is just one of the cases in Japan, there are other cases that happened to this cherry country company such as Tokyo Electric Power Co (2012) and Sewing Machine Co (2008).

Integrity scandals not only highlight companies as clients but also KAP as providers of financial statement auditing services, one of which is KAP Ernest & Young (EY) Indonesia related to audit services for PT Indosat Tbk or Indosat Ooredoo. As stated by Abdul Malik (2017) in the Tempo online news site that KAP EY Indonesia was sentenced to a fine and required to pay US regulators US $ 1 million or around Rp 13.3 billion. This fine is related to the failure of EY to audit the financial statements of its client, PT Indosat Tbk. In a written official statement, the Public Company Accounting Oversight Board (PCAOB) the EY network members in Indonesia who released the findings of their audits of telecommunications businesses in 2011 gave conclusions based on insufficient data, it was said. EY's partner accounting firm in America found that the rental of 4,000 mobile tower units was not supported by accurate data, but EY Indonesia still released an unqualified opinion on PT Indosat Tbk's financial statements. Although PT Indosat Tbk. has provided a statement that it has made improvements to internal controls and reported them to the US Stock Exchange in 2012 and 2013, of course this still makes the public wonder who is responsible for this mistake, whether it is one auditor or both parties.

The case of financial statements published without integrity drags many parties and has a wide impact. The involvement of the CEO, management, commissioners, internal auditors, audit committees to external or independent auditors has decreased public confidence in the credibility of these parties. In addition to public trust, the real impact of a case like this is that the company will face the risk of claims from various parties who are directly harmed by the manipulation carried out and also the decline in the value of shares in the capital market. When this case occurs in large companies across countries, the question arises whether corporate governance is not implemented properly in these companies and what about other companies.

Endi Verya (2017: 983) states that corporate governance is an effort made by all parties involved in the organization to conduct business in a way that complies with their individual rights and duties. The resolution of agency issues, or the relationship between shareholders as principals and management as agents, is one of the company's corporate governance methods. In agency problems, asymmetric information arises where the agent will have more information than the principal, giving rise to the potential for deviant behavior from the agent. Therefore, control is needed through a corporate governance mechanism.

Corporate governance involves many parties related to the company including shareholders, management, employees, creditors, government, and other parties who hold both internal and external interests. These parties are bound to each other through their respective rights and obligations. This attachment has a big share in decision making so that carrying out their respective rights and obligations will make each other's control stronger. For example, banks as lenders are certainly competent in assessing whether a company deserves a loan by calculating the risk and certainty of debt repayment, this indirectly makes the company ensure that the company's financial data is good and well presented.

The audit committee is one of the stakeholders in corporate governance that is valued highly. According to Financial Services Authority Regulation No. 55 / P0JK.04 / 2015 concerning the Establishment and Implementation Guidelines for the Audit Committee, there must be an audit committee for limited liability firms or public enterprises. As required by Law Number 21 of 2011 relating to the Financial Services Authority, this regulation supersedes the Decree of the Chairman of Bapepam-LK No. KEP- 643/BL/2012 connected to the Establishment and Work Implementation Guidelines. This is intended to provide clarity and certainty regarding the arrangements related to the establishment and guidelines for the implementation of the work of the audit committee.

Based on the OJK regulations above, the audit committee was established by the board of commissioners and reports to it. Its purpose is to support the board of commissioners in carrying out its own responsibilities and activities. The audit committee operates independently in carrying out its obligations. The fact that these arrangements exist definitely makes it more obvious that the audit committee must play a crucial role in establishing strong corporate governance. According to Article 7 of Financial Services Authority Regulation Number 55/POJK.04/2015, which states that members must have high levels of competence and integrity, there are eleven qualifications to join the audit committee. Along with meeting guidelines, audit committee expertise, and audit committee size, the committee's responsibilities are also listed. Research conducted by Nurul and Ratna (2013) shows that the provisions related to the duties of the audit committee, namely the number of meetings, expertise and size of the audit committee, have a positive effect on the quality of financial statements.

Another factor that affects the integrity of financial statements is company size. According to Atik Fajaryani (2015: 69) the bigger the company, the more information investors need for decision making. Not only that, large companies also get more atention from the public so that companies wil be more carefull in presenting financial reports. This can be understood because large companies consist of varius parties who have an interes in the company compared to small companies. The quality of the company's financial information is in the spotlight of parties such as investors, creditors, banks, government and others. Research conducted by Endi Verya

(2017) also proves that company size has a positive influenced on the quality of financial reports published by the company. This condition occurs due to the involvement of many parties in supervising the company through their respective rights and responsibilities.

Then, one of the parties that is considered important in ensuring the integrity of financial statements is an external or independent auditor. Independent auditors are required to do their job without pressure from any party that can make their objectivity in examining financial statements disturbed or lost. As an intermediary between internal and external parties of the company, in providing supervision services for the company's financial statements, auditors are required to provide good audit quality. Examination of the company's financiai statements provides assurance to the public or users of financial statements that the financial statements are presented fairly and in accordanc with existing standards or regulations.

In agency theory, the auditor as an arbiter has an important role in examining and improving the quality of the company's financial statements. As part of the external monitoring function, a quality audit will assist the supervisory duties of the financial statements carried out by the Audit Committee. Therefore, to produce high audit quality, the process of appointing, compensating, and supervising external auditors must be carried out carefully and thoughtfully (Nurul and Ratna, 2013: 152). The quallity of the audit provided by the auditor in this study is placed as a moderating variable in the relationsip betwen the quality of the audit committe and company size on the integriti of financiai statements.

The existence of external auditors and good audit quality will facilitate the audit committee in carrying out its duties. The tasks include reviewing financial information that will be issued by issuers or public companies, reviewing compliance with laws and regulations, reviewing the implementation of audits by internal auditors and directors' follow-up on findings and other tasks that are in line with the duties of external auditors. Seeing this, we can assume that the presence of external auditors will affect the quality of the audit committee itself. As revealed by Fouad et al. (2016) in their research that audit quality as a moderating variable strengthens the relationship between audit committee quality and financial report timeliness. And in research conducted by Nurul and Ratna (2013) shows that the audit quality sub variable, namely the size of the auditor's KAP, has a significant effect on the relationship between the audit committee quality sub variable and the integrity of financial statements.

Research on the integrity of financial statements will always be an interesting topic because it is a topic related to many parties and occurs every year. The issuance of financial statements will certainly be in the spotlight of various parties with various interests. This will not be separated from the potential for misstatement, either unintentional or intentional. Therefore, researchers want to examine this topic referring to various related studies that have been conducted previously.

Differences with previous research are needed to provide different colors. Research using audit quality moderation variables found is research conducted by Nurul and Ratna (2013). What distinguishes this research is the measurement of the quality or integrity of financial statements. Audit quality moderation variables are also found in research conducted by Aminum Amin

(2016), but different in the dependent variable, namely earnings quality. The research conducted also focuses on the audit committee specifically, while other studies such as Mulyanto and Eddy (2018), Wahyudi et al. (2016), Endi Verya (20166), Atik Fajaryani (2016) focus on corporate governanc mechanisms where the audit committee is part of the CG itself. Therefore, researchers want to further examine this discussion. Based on the problem formulation, this study aims to find empirical evidence on the following matters Analyze the effect of audit committee expertise, audit committee size, number of audit committee meetings, the effect of the number of audit committee meetings on the integrity of financial statements.

## RESEARCH METHOD

This study attempts to examine the relationship between the dependent variable integrity of financial statements and the independent variable quality of the audit committee, including sub-variables of audit committee expertise, audit committee size, audit committee meeting frequency, and business size. The link between the independent and dependent variables is then moderated by the audit quality variable with the KAP size proxy. The focus of this study is a manufacturing business that was listed on the IDX between 2013 and 2016. The population includes the sample. The chosen sample will then be studied and further researched to support the initial hypothesis. Ultimately, the analysis' findings will allow the researcher to make inferences. Manufacturing firms that were listed on the Indonesia Stock Exchange between 2013 and 2016 made up the sample for this study. These firms were chosen by either purposive sampling or personal judgment.

Purposive sampling is the sampling technique employed, and the researcher has predetermined standards or objectives for the sample that will be examined. The population under investigation includes the sample. The information utilized in this study is secondary data, which was gathered through publications made by organizations or individuals who had previously collected the data. This information was acquired from the Indonesia Stock Exchange's official website in the form of corporate annual reports and audited financial reports published on www.idx.co.id for all manufacturing businesses between 2013 and 2016.

## RESULT AND DISCUSSION

### Hypothesis Test Results

The validity of the hypothesis that audit committee expertise, audit committee size, audit committee meetings, and firm size have an impact on the integrity of financial statements with audit quality acting as a moderator was tested in this study using hypothesis testing. In this work, two steps of testing—multiple linear regression and an interaction test, or moderated regression analysis (MRA)—were used to assess the hypotheses.

**1. Hypothesis Testing by Multiple Linear Regression**

The following hypotheses were put to the test: 1, 2, 3, and 4. The impact of audit committee expertise, audit committee size, audit committee meetings, and firm size on the accuracy of financial statements was examined using multiple linear regression analysis.

a. Determination Coefficient Test (Adjusted R-Square)

To gauge how well the independent factors might account for the dependent variable, the coefficient of determination test was used. The following are the findings of the coefficient of determination test (Adjusted R-Square) for the variables audit committee size, number of meetings, and audit committee expertise that are shown in table 1:

**Tabel 1. Determination Coefficient Test Results**

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .336[a] | .113 | .076 | .0782965 |

a. Predictors: (Constant), KAT, KKA, RKA, UKA, UKP
b. Dependent Variable: ILK

R Square ($R^2$) in the table above has a value of 0.113. This demonstrates that the independent variables audit committee expertise, audit committee size, audit committee meetings, and firm size of 11.3% may all account for a substantial portion of the dependent variable integrity of financial statements. While the remaining 88.7% is explained by other factors not seen in this study, such as managerial ownership (Atik Fajaryani, 2015), leverage (Endi Verya, 2017), institutional ownership, company size, auditor industry specialization, and corporate governance mechanisms (Muliyanto and Eddy Budiono, 2014).

b. Simultaneous Significance Test (F Statistical Test)

The F statistical test was conducted to test whether there is a relationship between one dependent variable and one or more independent variables. Following are the results of the simultaneous significance test (statistical F test) which are presented in Table 2 below:

**Tabel 2. Count F Test Results**

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .096 | 5 | .019 | 3.120 | .011[b] |
| | Residual | .754 | 123 | .006 | | |
| | Total | .850 | 128 | | | |

a. Dependent Variable: ILK
b. Predictors: (Constant), KAT, KKA, RKA, UKA, UKP

The number 3.120 is displayed as the F value with a significance level of 0.011 based on the simultaneous test results. It can be deduced that all independent variables, namely audit committee expertise, audit committee size, number of audit committee meetings, and company size, have an effect simultaneously on the dependent variable of financial statement integrity because the calculated F value is 3.120 > 2.28 F table and the significance is 0.011 0.10 according to the basis for decision-making in the F test.

c. Partial Significance Test (Statistical Test t)

The t statistical test was conducted to see how far the influence of one independent variable individually explained the dependent variable. The following are the results of the partial significance test (t statistical test) which are presented in table 3 below:

**Tabel 3. Test Results t**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
| | | B | Std. Error | Bet | t | Sig. |
| 1 | (Constant) | -.001 | .169 | | -.008 | .993 |
| | KKA | .061 | .031 | .175 | 1.956 | .053 |
| | UKA | -.033 | .016 | -.201 | -2.010 | .047 |
| | RKA | -.001 | .001 | -.126 | -1.393 | .166 |
| | UKP | .002 | .005 | .034 | .323 | .747 |
| | KAT | -.005 | .018 | -.032 | -.291 | .772 |

a. Dependent Variable: ILK

**1) The effect of audit committee expertise on the integrity of financial reports**

The findings of the hypothesis test in Table 3 indicate that the audit committee expertise variable's significance level is less than 0.10 at 0.053. As a result, the study's findings are consistent with the first hypothesis (H1), which states that the accuracy of financial statements is partially influenced by the audit committee's experience.

**2) The effect of audit committee size on the integrity of financial statements.**

The results of the hypothesis test in table 3 show that the significanc level of the audit committee expertise variable is less than 0.10, which is 0.047. Therefore the results of the study support the second hypothesis (H2), meaning that audit committee size has a partial effect on the integrity of financial statements.

**3) The effect of the number of audit committee meetings on the integrity of financial reports.**

According to table 3's hypothesis test findings, the variable number of audit committee meetings has a level of significance of 0.166, which is more than 0.10. The third hypothesis (H3), which states that the frequencies of audit committee metings has no partial influencies on the integriteit of financial statements, is thus not supported by the study's findings.

**4) The effect of company size on the integrity of financial statements.**

According to table 3's hypothesis test findings, the firm size variable has a significanc level larger than 0.10, or 0.747. The fourth hypothesis (H4), which states that firm size has no partial influencin on the integrity of financial statements, is not supporte by the study's findings.

The size of the audit committee has a partially substantial impact on the integrity of financial statements, but the experience of the audit committee, the frequency of audit committee meetings, and the size of the firm have no partial impact. As a result, the second hypothesis (H2) is accepted whereas the first hypothesis (H1), third hypothesis (H3), and fourth hypothesis (H4) are all rejected.

**2. Hypothesis Testing by Interaction Test (Moderated Regression Analysis)**

The purpose of this test is to find out whether the independent variable used as a moderator strengthens or weakens the relationship between the independent variable and the dependent variable. This test was carried out to test the 5th, 6th, 7th and 8th hypotheses. The test used an interaction test or what is called moderated regression analysis.

**1) The effect of audit quality as a moderator of the relationship between audit committee expertise on the integrity of financial statements**

a. Determination Coefficient Test (Adjusted R-Square)

**Tabel 4. Determination Coefficient Test Results**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .263[a] | .069 | .047 | .0795510 |

a. Predictors: (Constant), KKA*KAT, KKA, KAT

b. Dependent Variable: ILK

Adjusted $R^2$ value of 0.069 indicates that 6.9% of the financial statement integrity variable (Y) can be explaine by the variable audit committe expertise (X1), audit quality (X5) and the interaction of audit committee expertise and audit quality variables (X1X5) (Moderating 1) . While the remaining 93.1% (100% -6.9%) is explained by other variables outside this research model.

b. Simultaneous Significance Test (F Statistical Test)

**Tabel 5. Count F Test Results**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .059 | 3 | .020 | 3.088 | .030[b] |
| | Residual | .791 | 125 | .006 | | |
| | Total | .850 | | | | |

a. Dependent Variable: ILK

b. Predictors: (Constant), KKA*KAT, KKA, KAT

The ANOVA test results show a calculated F value of 3.088 with a significance probability of 0.030. Thus the significance value is <0.10, so the regression model used can predict the relationship betwen audit committe expertise and the integriti of financia statements and audit quality as a moderating variable.

c. Partial Significance Test (Statistical Test t)

**Tabel 6. Test Results t**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -.191 | .073 | | -2.616 | .010 |
| | KKA | .201 | .097 | .577 | 2.070 | .041 |
| | KAT | .067 | .046 | .407 | 1.439 | .153 |
| | KKA*KAT | -.080 | .061 | -.538 | -1.325 | .188 |

a. Dependent Variable: ILK

The table above explains that the moderating variable that interacts between audit committee expertise and audit quality has a significance level of 0.188. With a significance level > 0.10, it can be concluded that the interaction between audit committee expertise and audit quality has no significant effect on the integrity of financial statements where audit quality acts as a moderating variable. Thus the results of the study do not support the fifth hypothesis (H5), namely audit quality strengthens the positive relationship between audit committee expertise and the quality of company financial statements.

2) **The effect of audit quality as a moderator of the relationship between the size of the audit committee on the integrity of financial statements**

a. Coefficient of Determination (Adjusted R-Square)

**Tabel 7. Determination Coefficient Test Results**

| Model Summary[b] | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the |
| 1 | .257[a] | .066 | .044 | .0796728 |

a. Predictors: (Constant), UKA*KAT, UKA, KAT

b. Dependent Variable: ILK

Adjusted $R^2$ value of 0.066 indicate that 6.6% of the financial statement integrity variable (Y) can be explaine by the audit committee size variable (X2), audit quality (X5) and the interaction of audit committee size and audit quality variables (X2X5) (Moderating 2) . While the remaining 93.4% (100% -6.6%) is explaine by other variable outside this research model.

b. Simultaneous Significance Test (F Statistical Test)

**Tabel 8. Count F Test Results**

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | .056 | 3 | .019 | 2.952 | .035[b] |
| | Residual | .793 | 125 | .006 | | |
| | Total | .850 | 128 | | | |

a. Dependent Variable: ILK

b. Predictors: (Constant), UKA*KAT, UKA, KAT

The ANOVA test results show a calculated F value of 2.952 with a significance probability of 0.035. Thus the significance value is <0.10, so the regression model used can predict the relationship between audit committee size and the integrity of financial statements and audit quality as a moderating variable.

c. Partial Significance Test (Statistical Test t)

**Tabel 9. Test Results t**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | .242 | .169 | | 1.429 | .156 |
| | UKA | -.084 | .053 | .520 | -1.583 | 116 |
| | KAT | -.116 | .135 | -.711 | -.863 | .390 |
| | UKA*KAT | .036 | .044 | .597 | .811 | .419 |

a. Dependent Variable: ILK

The table above explains that the moderating variable that interacts between audit committee size and audit quality has a significance level of 0.419. With a significance level > 0.10, it can be concluded that the interaction between audit committee size and audit quality has no significant effect on the integrity of financial statements where audit quality acts as a moderating variable. Thus the results of the study do not support the sixth hypothesis (H6), namely audit quality strengthens the positive relationship between audit committee size and the quality of company financial statements.

**3) The effect of audit quality as a moderator of the relationship between the number of audit committee meetings on the integrity of financial statements**

a. Coefficient of Determination (Adjusted R-Square)

**Tabel 10. Determination Coefficient Test Results**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 261[a] | .068 | .046 | .0795940 |

a. Predictors: (Constant), RKA*KAT, KAT, RKA

b. Dependent Variable: ILK

Adjusted $R^2$ value of 0.068 indicates that 6.8% of the financial statement integrity variable (Y) can be explained by the variable number of audit committee meetings (X3), audit quality (X5) and the interaction of the variable number of audit committee meetings and audit quality (X3X5) (Moderating 3). While the remaining 93.2% (100% -6.8%) is explained by other variables outside this research model.

b. Simultaneous Significance Test (F Statistical Test)

**Tabel 11. Count F Test Results**

ANOVA[a]

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .058 | 3 | .019 | 3.040 | .032[b] |
| | Residual | .792 | 125 | .006 | | |
| | Total | .850 | 128 | | | |

a. Dependent Variable: ILK

b. Predictors: (Constant), RKA*KAT, KAT, RKA

The ANOVA test results show a calculated F value of 3.040 with a significance probability of 0.032. Thus the significance value is <0.10, so the regression model used can predict the relationship between the number of audit committee meetings and the integrity of financial statements and audit quality as a moderating variable.

c. Partial Significance Test (Statistical Test t)

**Tabel 12. Test Results t**

Coefficients[a]

| Model | | Unstandardized Coefficients B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | T | Sig. |
|---|---|---|---|---|---|---|
| 1 | (Constant) | .011 | .035 | | .312 | .755 |
| | RKA | -.007 | .003 | -.639 | -2.203 | .029 |
| | KAT | -.015 | .021 | -.094 | -.738 | .462 |
| | RKA*KAT | .003 | .002 | .454 | 1.539 | .126 |

a. Dependent Variable: ILK

The table above explains that the moderating variable that interacts between the number of audit committee meetings and audit quality has a significance level of 0.126. With a significance level > 0.10, it can be concluded that the interaction between the number of audit committee meetings and audit quality has no significant effect on the integrity of financial statements where audit quality acts as a moderating variable. Thus the results of the study do not support the sixth hypothesis (H7), namely audit quality strengthens the positive relationship between the number of audit committee meetings and the quality of the company's financial statements.

**4) The effect of audit quality as a moderator of the relationship between firm size and the integrity of financial statements**

a. Coefficient of Determination (Adjusted R-Square)

**Tabel 13. Determination Coefficient Test Results**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .089a | .008 | -.016 | .0821221 |

a. Predictors: (Constant), UKP*KAT,

UKP, KAT

Adjusted $R^2$ value of 0.008 indicates that 0.8% of the financial statement integrity variable (Y) can be explained by the variable firm size (X4), audit quality (X5) and the interaction of firm size and audit quality variables (X4X5) (Moderating 4). While the remaining 99.2% (100% - 0.8%) is explained by other variables outside this research model.

b. Simultaneous Significance Test (F Statistical Test)

**Tabel 14. Count F Test Results**

**ANOVA^a**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.943 | 3 | .981 | 15.973 | .000^b |
| | Residual | 7.553 | 125 | 061 | | |
| | Total | 10.496 | 128 | | | |

a. Dependent Variable: ILK

b. Predictors: (Constant), UKP*KAT, UKP, KAT

The computed F value for the ANOVA test, with a significance probability of 0.000, is 15.973. The regression model can forecast the association between business size, the accuracy of the financial statements, and audit quality as a moderating variable since the significance value is 0.05.

c. Partial Significance Test (Statistical Test t)

**Tabel 15. Test Results t**

**Coefficients^a**

| Model | | Unstandardized Coefficients B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | T | Sig. |
|---|---|---|---|---|---|---|
| 1 | (Constant) | -.172 | .459 | | -.375 | .708 |
| | UKP | .004 | .016 | .092 | .277 | .782 |
| | KAT | .129 | .292 | .792 | .444 | .658 |
| | UKP*KAT | -.004 | .010 | -.677 | -.415 | .679 |

a. Dependent Variable: ILK

The table above explains that the moderating variable that interacts between audit committee expertise and audit quality has a significance level of 0.679. With a significance level > 0.10, it can be concluded that the interaction between firm size and audit quality has no significant effect on the integrity of financial statements where audit quality acts as a moderating variable. Thus the research results do not support the sixth hypothesis (H8), namely audit quality strengthens the positive relationship between company size and the quality of company financial statements.

This study examines the effect of audit committee quality on the audit committee expertise sub-variables, audit committee size and the number of audit committee meetings and company size on the integrity of financial statements. This study also examines the moderation of audit quality with auditor type sub-variables to strengthen the relationship between each independent variable, namely audit committee expertise, audit committee size, number of audit committee meetings, and firm size with financial report integrity.

**1. The influence of audit committee expertise on the integrity of financial statements**

Based on the results of the t statistical test, it is known that the audit committee expertise variable has a significance value of 0.053 (> 0.10). Thus the results of the study support the first hypothesis (H1) which has been formulated, meaning that the audit committee's expertise affects the integrity of financial statements. The results of this study are consistent with research conducted by Nurul and Ratna (2013) which shows that audit committee expertise has a significant effect on the integrity of financial statements. Based on two of the three metrics they used—earnings persistence and earnings predictability—they came to the conclusion that the knowledge of the audit committee is demonstrated to enhance the quality of financial statements. The higher quality of financial reports in banking firms will be impacted by the number of audit committee members who have experience in accounting and finance. The study's findings are also in line with studies done by Andrian (2014) and Kusnadi (2015), which found that the presence of individuals with training in accounting and economics can lower the amount of fraud in financial reports. This demonstrates the significance of the audit committee members' backgrounds in preserving the caliber or integrity of financial reports.

However, this study did not conduct further research regarding the existence of various kinds of experts in certain fields in certain audit committees. In a study conducted by Felo, et al. (2013) and Kusnadi (2015) discussed several experts as members showing that the presence of members other than in the accounting field has a major influence on the quality of financial reports. In both studies it was stated that the existence of members with experts in the field of accounting was not enough, but in fields such as finance or supervisors (supervisors) had an influence on the quality of financial reports. And Umar (2016) in his research shows that experts in the industrial sector also have an influence on the quality of financial reports.

2. **The effect of audit committee size on the integrity of financial statements**

Based on the results of the t statistical test, it is known that the audit committee size variable has a significance value of 0.047 (<0.10). The second hypothesis (H2), which states that the size of the audit committee impacts the integrity of financial accounts, is therefore supported by the study's findings. According to studies by Felo, et al. (2013) and Kusnadi, et al. (2015), the size of the audit committee significantly affects the caliber of financial reports. The findings of this study are consistent with those findings. More individuals work on the audit committee's performance in overseeing the company's financial statements the larger the audit committee is. Because more individuals are involved in the job, teams may spend their time more efficiently and make fewer mistakes. The greater the quality of financial reports will be as a result of this condition

Research conducted by Nurul and Ratna (2013) shows that things are more varied because they use different measurements of the integrity of financial statements. The more the number of audit committee members of a company will have a positive impact on earnings persistence and a negative impact on earnings predictability and conservatism. These results indicate that the effect of the number of audit committee members on the quality of financial reports depends on the dimensions of the quality of financial reports used. On the one hand, the number of audit committee members can have a positive effect on the quality of financial reports, on the other hand, it's the other way around.

3. **The effect of the number of audit committee meetings on the integrity of financial statements**

Based on the results of the t statistical test, it is known that the variable number of audit committee meetings has a significance value of 0.166 (> 0.10). The third hypothesis (H3), which states that the number of audit committee meetings has no influence on the integrity of financial statements, is thus not supported by the research findings. The findings of this study contradict those of Nurul and Ratna's (2013) study, which found that the company's financial statements were of higher quality the more audit committee meetings were held over a given year. The quality of the oversight performed to improve the quality of financial reports is better the more frequently the audit committee has meetings. The endeavor to reduce inaccuracies or bias in the financial accounts is more effectively made when there are more meetings.

The study's findings are in line with those of Andrian's (2014) study, which found that the frequency of false financial reporting is not greatly impacted by the number of audit committee meetings. Because the results of audit committee meetings are presented to the board of commissioners, it is up to them to decide whether or not to act on the audit committee's recommendations, so increasing the number of meetings does not result in a reduction in fraudulent financial reporting. The audit committee meeting will ultimately be ineffective in eliminating false financial reporting in the firm if there are several sessions but no follow-up from the board of commissioners.

**4. The effect of company size on the integrity of financial statements**

Based on the results of the t statistical test, it is known that the firm size variable has a significance value of 0.747 (> 0.10). Thus the research results do not support the fourth hypothesis (H4) that has been formulated, meaning that company size does not affect the integrity of financial statements. The results of this study are inconsistent with research conducted by Wahyudi et al. (2014) and Endi Verya (2017) which state that company size has a significant effect on the integrity of financial statements in manufacturing companies. This research is also inconsistent with the research of Muliyanto et al. (2014) on banking companies and Atik Fajaryani (2015) on mining companies. Previous studies regarding the effect of company size on the integrity of financial statements showed the same results, namely that company size improves the quality of financial reports.

Different results were obtained in Kadek and Dewa's research (2016) where company size did not affect the quality of financial reports. This means that company size does not guarantee conservative accounting practices, companies tend to practice optimistic accounting so that they can display better performance by showing high profits even though there are unrealized profits in them. So regardless of company size, companies may or may not apply conservative accounting practices.

**5. The moderating effect of audit quality on the relationship between audit committee expertise and the integrity of financial statements.**

Based on the tests that have been carried out, the results of this study indicate that the interaction between audit quality variables and audit committee expertise has a significance level of 0.188 (> 0.10). Thus, the fifth hypothesis (H5) is rejected, meaning that the interaction between audit quality and audit committee expertise has no effect on the quality of financial statements.

The findings of this study are in line with those of Amin et al.'s (2018) study, which found that audit quality cannot act as a moderator in the association between audit committee expertise and earnings quality. This is in accordance with research conducted by Nurbayani (2017) that financial reports that have good quality, one of which is having good quality earnings (earnings quality). This shows that audit quality does not strengthen the oversight function of the quality of financial reports.

The findings of this study are at

odds with research by Nurul and Ratna (2013), which found that audit committee members' knowledge of accounting and finance has a favorable impact on the quality of financial reports. This effect has been shown to be significant in models using KAP size and specialization as a measure of quality. Audits. These findings suggest that by making financial reports more predictable, the audit committee's knowledge of accounting and finance may raise the element of relevance in financial reports.

**6. The moderating effect of audit quality on the relationship between audit committee size and the integrity of financial statements.**

The findings of this study suggest that the interaction between audit quality characteristics and audit committee size has a significance level of 0.419 (> 0.10) based on the tests that were run. The interplay between audit quality and audit committee size has no impact on the quality of financial statements, hence the sixth hypothesis (H6) is rejected. The study's findings are at odds with those of Amin et al. (2018), who found that audit quality can attenuate the association between audit committee size and financial report integrity. This implies that the supervisory role of the accuracy of financial reporting will be strengthened by audit quality.

In contrast to research conducted by Nurul and Ratna (2013) which showed mixed results, audit quality only strengthens the relationship between audit committee size and financial report integrity in one of three measurements, namely earnings persistence. However, audit quality does not strengthen the relationship in two other measurements, namely earnings predictability and conservatism.

**7. The moderating effect of audit quality on the relationship between the number of audit committee meetings and the integrity of financial reports.**

The findings of this study suggest that the interaction between audit quality characteristics and the frequency of audit committee meetings has a significance level of 0.126 (> 0.10) based on the tests that were run. The relationship between audit quality and the frequency of audit committee meetings does not affect the quality of financial reports, hence the seventh hypothesis (H7) is rejected.

The results of the study contradict the results of research conducted by Nurul and Ratna (2013), namely the moderating effect of audit quality on the relationship between audit quality and the number of meetings has an effect on conservatism as a measure of the integrity of financial statements. This is also consistent with study by Amin et al. (2018), which found that the link between the frequency of audit committee meetings and the accuracy of financial reporting can be moderated by audit quality.

**8. The moderating effect of audit quality on the relationship between firm size and the integrity of financial statements.**

Based on the tests that have been carried out, the results of this study indicate that the interaction between audit quality variables and company size has a significance level of 0.679 (> 0.10). Thus, hypothesis eight (H8) is rejected, meaning that the interaction between audit quality and firm size has no effect on the quality of financial statements.

Similar studies that used audit quality as a mediator of the association between business size and the accuracy of financial statements were not found, according to researchers. The study's findings demonstrate that the association between business size and the accuracy of financial statements cannot be moderated by audit quality.

## CONCLUSION

With audit quality acting as a moderating variable, this study intends to investigate the impact of audit committee expertise, audit committee size, audit committee number, and company size on the accuracy of financial statements. 129 samples were utilized as the sample in this study. The following conclusions may be drawn from the study's findings: The size of the audit committee, the number of audit committee meetings, the size of the company, and audit quality cannot moderate the relationship between audit committee expertise and the integrity of financial reports. Audit committee expertise and the integrity of financial reports are all influenced by the expertise of the audit committee.

In the future, this research is expected to provide better research with input regarding a number of matters, including this study using the variables of audit committee accounting expertise, audit committee size, and the number of audit committee meetings. For further research, it is hoped that the research can be deepened by using other variables such as audit committee independence and industry expertise.

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