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Factors Influencing Financial Reporting Integrity Moderated by Audit Quality

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ABSTRACT

This research aims to determine the influence of good corporate governance and intellectual capital on the financial reports' integrity. Audit quality is utilized as a moderating variable. The IDX is the secondary data source for the years 2019–2023, and the research sample consists of manufacturing enterprises. WarpPLS, which applies the Partial Least Squares (PLS) data analysis techniques, was used to conduct this research. The influence of good corporate governance and intellectual capital on the financial reports' integrity can be moderated by audit quality. The findings of this study will assist firms in identifying internal and external issues that may affect the integrity of financial reports. Current issues raised in the literature regarding the integrity of financial statements can help in evaluating financial information.

Keywords : Integrity of Financial Reports; Institutional Ownership; Independent Commissioner; Intellectual Capital; Audit Quality

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh tata kelola perusahaan yang baik dan modal intelektual terhadap integritas laporan keuangan. Kualitas audit digunakan sebagai variabel moderasi. BEI adalah sumber data sekunder untuk tahun 2019-2023, dan sampel penelitian terdiri dari perusahaan manufaktur. WarpPLS, yang menerapkan teknik analisis data Partial Least Squares (PLS), digunakan untuk melakukan penelitian ini. Pengaruh tata kelola perusahaan yang baik dan modal intelektual terhadap integritas laporan keuangan dapat dimoderasi oleh kualitas audit. Temuan dari penelitian ini akan membantu perusahaan dalam mengidentifikasi masalah internal dan eksternal yang dapat mempengaruhi integritas laporan keuangan. Isu-isu terkini yang diangkat dalam literatur mengenai integritas laporan keuangan dapat membantu dalam mengevaluasi informasi keuangan.

Kata Kunci : Integritas Laporan Keuangan; Kepemilikan Institusional; Komisaris Independen; Modal Intelektual; Kualitas Audit

INTRODUCTION

Financial reports are considered to have integrity if they meet the requirement of dependability (Wong et al., 2023). Information is reliable if it is free of misleading meanings and material inaccuracies, and users may trust it to be a true representation of what should or is reasonably expected to be given (Makri et al., 2024). There have been various incidences of financial manipulation, one of which occurred in Indonesia, namely the case of PT Garuda Indonesia (Wati & Chandra, 2022). PT Garuda Indonesia was discovered to have falsified financial data in 2018. The corporation was discovered to have altered financial reports by a discrepancy of US$ 180 million, when it should have lost US$ 175 million but made a profit of $5 million. Financial report manipulation occurs when management fails to present the company's financial reports with integrity to meet the expectations of users (Wati et al., 2023). Furthermore, the prevalence of financial report tampering reveals a lack of honesty in giving real financial reports (Zouari & Dhifi, 2022). This raises concerns about oversight of the company's financial reporting (Hamad et al., 2022).

Good corporate governance (institutional ownership and independent commissioners) is typically used to supervise financial reporting to ensure integrity (Cooray et al., 2020; Hadro et al., 2022). Institutional ownership might encourage management to prioritize performance over self-serving behavior (Radin et al., 2023). Institutional ownership also helps to eliminate agency problems between business ownership and management, improving the integrity and reliability of financial data (Abdulfatah et al., 2023). Moreover, the statement emphasizes that institutional ownership has a major positive impact on the integrity of financial reports (Ali et al., 2023; Baraqbah et al., 2024). Independent Commissioners are trusted to effectively monitor management performance (Chouaibi et al., 2022; Radin et al., 2023). Independent commissioners play an important role in the company's attempts to ensure the integrity of its financial reporting because, as independent parties, they can reduce fraudulent acts done by management (Baraqbah et al., 2024; Cooray et al., 2020; Hamad et al., 2022; Makri et al., 2024). However, this reasoning contradicts Meiryani et al. (2023), who showed no link between institutional ownership and the integrity of financial reports. Lawal & Yahaya (2024) and Simamora & Setiyawati (2023) discovered that there was no link between independent commissioners and the integrity of financial reports.

Although numerous studies show this positive relationship, many studies give conflicting results. Several studies have found no substantial association between good corporate governance and the integrity of financial reports (Lawal & Yahaya, 2024; Meiryani et al., 2023; Simamora & Setiyawati, 2023). The strength of the association between good corporate governance and financial report integrity can be influenced by a variety of company variables, including size, industrial sector, and growth rate. Companies in different areas have varying risks, therefore the necessity for strong governance varies. Macroeconomic conditions can have an impact on managerial decision-making and financial reporting quality. Low audit quality has the potential to impair GCG's efficacy in improving the integrity of financial statements. Auditors who are neither impartial nor incompetent may fail to uncover financial statement problems. External pressures, such as those from investors, authorities, and the media, can have an impact on management behavior and financial reporting quality. The relationship between good corporate governance and financial report integrity is complex and influenced by a variety of circumstances. Although good corporate governance is supposed to improve the integrity of financial reports, this relationship is not guaranteed to be beneficial at all times. More research is needed to better understand the elements that influence this association.

Failure to implement good corporate governance practices in a firm might result in the company or management delivering information that is not in line with actual reality (Cooray et al., 2020; Wati et al., 2023). In addition, intellectual capital is an essential component in enhancing firm financial reports with integrity (Kumari & Vincent, 2022). Badia et al. (2019) and Ficco et al. (2023) found that intellectual capital has a beneficial impact on the integrity of financial reporting. Intellectual capital is described as information and knowledge that may be used to produce value within the firm (Aras & Yıldırım, 2022; Dumay et al., 2019). Even though intellectual capital is categorized as an intangible asset, it is an important asset for a firm since ownership of intellectual capital can drive increased company performance to gain a competitive edge (Dameri & Ferrando, 2021; Ficco et al., 2023).

Financial reports that lack integrity will lead to errors in absorbing information and making judgments for their users (Hichri, 2023; Irwandi & Pamungkas, 2020). Audit quality refers to the ability of external auditors to detect material faults and other types of deviations (Mardessi, 2021; Srikandhi & Suryandari, 2020). According to Qawqzeh et al. (2019), audit quality affects financial reporting integrity. Audit quality was chosen as a moderating variable because auditing is a complex procedure requiring a high level of technical competence, and audit quality can affect the accuracy and reliability of financial reports (Mardessi, 2021; Qawqzeh et al., 2019; Srikandhi & Suryandari, 2020). Thus, by using audit quality as a moderating variable, researchers attempt to establish how audit quality affects the relationship between the variables being studied. Bezverkhyi et al. (2023), Demartini & Trucco (2017), and Qawqzeh et al. (2019) found that good corporate governance and intellectual capital have an impact on the integrity of financial reporting, with audit quality acting as a moderating variable. Meanwhile, Hertina et al. (2023) and Afifah et al. (2022) found that audit quality was unable to moderate the association between good corporate governance and financial reporting integrity.

A company's good corporate governance can comprehensively control management performance and obtain accurate information from management, thereby contributing to the generation of accurate and high-quality financial reports (Qawqzeh et al., 2019). This indicates that good corporate governance has an impact on how well auditors conduct audits to provide financial reports with integrity (Mardessi, 2021). Audit quality is highly crucial because it will create solid financial reports as well (Irwandi & Pamungkas, 2020). Audit quality is also strongly tied to agency theory because the auditor serves as an independent third party in identifying potential conflicts of interest and resolving the issue of asymmetric knowledge gained by the principal (business owner) and agent (management) (Qawqzeh et al., 2019; Srikandhi & Suryandari, 2020). If a corporation has an external audit service that is part of a Big Four audit firm, it can identify the integrity of its financial reporting (Mardessi, 2021). Audit quality can moderate (enhance) the impact of good corporate governance on the integrity of financial reports (Mardessi, 2021; Qawqzeh et al., 2019). If management gives insufficient information, it results in losses for shareholders and may present a chance to distort financial reporting (Irwandi & Pamungkas, 2020). One option for firms is for the firm owner to conduct a monitoring function by preparing periodic financial reports and an independent auditing function by determining the fairness of the financial statements (Qawqzeh et al., 2019). It is intended that an audit that examines management performance through reports and actions will yield appropriate results, allowing financial reports to be produced with integrity (Irwandi & Pamungkas, 2020; Mardessi, 2021).

Intellectual capital is used to increase business performance by being honest and sharing information about the company's genuine position, ensuring that individuals are not misled while gathering company information (Demartini & Trucco, 2017). Furthermore, high-quality auditors take a more active part in preventing financial statement fraud since their reputation suffers if they fail to detect financial statement fraud correctly (Anojan, 2019). When an auditor has quality, it will have an impact on the company's financial reports, because it might boost the trust of readers of financial reports (Bezverkhyi et al., 2023). The financial report will be examined for its quality and suitability as a basis for making economic decisions (Hichri, 2023). A quality audit improves the quality of the information supplied (Bezverkhyi et al., 2023). Audit quality also affects intellectual capital since the higher the quality of the audit, the more intellectual capital is generated, which can improve the integrity of the company's financial reporting (Hichri, 2023). This confirms the research of Bezverkhyi et al. (2023), Hichri (2023), Anojan (2019), and Demartini & Trucco (2017), who discovered that intellectual capital has a beneficial impact on the integrity of corporate financial reports with audit quality as a moderator.

An agency relationship exists when the principal issues orders, monitors, evaluates and provides feedback on the tasks to be accomplished by the agent. Meanwhile, the agent refers to the party who accepts and completes tasks assigned by the principal (Hamad et al., 2022; Zouari & Dhifi, 2022). Agency difficulties arise as a result of a separation of management and ownership, which encourages corporate management (agents) to distort financial reports for personal gain while ignoring the principals, in this case, stakeholders (Hadro et al., 2022; Makri et al., 2024). To overcome this difficulty, a system is needed, which is good corporate governance (Cooray et al., 2020). Good corporate governance processes strive to overcome agency issues and conflicts of interest between the agency and the principal (Chouaibi et al., 2022).

Institutional ownership and independent commissioners are two parties present to address agency issues, ensuring that management performs its tasks effectively, particularly in terms of producing financial reports with integrity (Ali et al., 2023; Radin et al., 2023). Signal theory examines the company's encouragement to provide information to external parties (Wati et al., 2023). Signal theory can also help firms (agents), owners (principals), and third-party stakeholders reduce information asymmetry by increasing the quality or integrity of financial report data (Dumay et al., 2019). The integrity of financial report information that reflects the company's worth is a positive signal that can influence the perspectives of investors, creditors, and other interested parties (Aras & Yıldırım, 2022; Ficco et al., 2023).

Because an entire nation's industry adds to revenue advancement and national development, this study uses data from manufacturing companies (Wati & Chandra, 2022). The manufacturing sectors are heavily involved in the Indonesian market for capital, and a lot of investors are exploring financial investments in this sector (Baraqbah et al., 2024; Wati et al., 2023). Based on the previously mentioned phenomenon and the fact that past research results are inconsistent, researchers are interested in employing audit quality as a moderating variable in this study.

The author intends to investigate whether audit quality strengthens or weakens the impact of good corporate governance and intellectual capital on the integrity of financial reports. As a result, researchers are eager to conduct additional research to determine the impact of good corporate governance and intellectual capital on the integrity of financial reports, as well as the role of audit quality in moderating the impact of good corporate governance and intellectual capital on the integrity of financial reports. It is intended that the findings of this study will help auditors determine what factors influence the integrity of financial reports and pay closer attention to these factors by minimizing various influences from within and outside themselves to improve the integrity of financial reports.

RESEARCH METHOD

This research uses moderated regression analysis as a data analysis method, which is handled with WarpPLS 5.0. Formula 1 is the regression model utilized by researchers.

$$\boldsymbol{IGF} = \Upsilon\mathbf{1}\boldsymbol{GDC} + \Upsilon\mathbf{2}\boldsymbol{ITC} + \Upsilon\mathbf{3}\boldsymbol{ADQ} + \Upsilon\mathbf{4}(\boldsymbol{GDC} * \boldsymbol{ADQ}) + \Upsilon\mathbf{5}(\boldsymbol{ITC} * \boldsymbol{ADQ}) + \boldsymbol{\zeta}\mathbf{1} \quad \textbf{(1)}$$

This study was conducted using secondary data sources for the timeframe 2019–2023. Research data was acquired using a non-probability sampling approach with a purposive sample strategy in the form of manufacturing businesses registered on the Indonesian Stock Exchange (IDX). 745 observations are obtained by multiplying five years of data by the 149 manufacturing businesses included in the study. (See Table 1)

Table 1. Company Sample

No	Criteria	Amount
1	Manufacturing firms that were listed between 2019 and 2023 on the IDX	178
2	Manufacturing firms delisted from 2019 to 2023	(6)
3	The company's financial report for 2019-2023 lacks data on the relevant factors	(8)
4	The firm uses dollars (USD) or other international currencies, not Rupiah (IDR)	(11)
5	Manufacturing firms that are not sequentially listed on the IDX during the 2019-2023 period	(4)
	The number of firms achieving the need for study sampling itself	149
	Amount of studies performed years (2019–2023)	5 years
	Amount of yearly reports generated (149 x 5 years)	745

Source: Processed Data, 2024

This study's dependent variable is financial report integrity. Financial report integrity indicates the degree to which a company's financial reporting is accurate and credible (Beaver & Ryan, 2000). Audit quality serves as a moderating component in this investigation. Audit quality assesses the auditor's ability to discover flaws in financial reports (Srikandhi & Suryandari, 2020). The independent factors in this study include good corporate governance (institutional ownership and independent commissioners) and intellectual capital. Institutional ownership refers to the percentage of shares owned by major institutions (Baraqbah et al., 2024). Independent commissioners are members of the board of commissioners who are not affiliated with management. Intellectual capital refers to intangible assets such as corporate expertise and creativity (Pulic, 2000). (See Table 2)

Table 2. Variable Explanation

Variable Explanation	Symbols	Measurements
Dependent Variable: Integrity of financial reports (Beaver & Ryan, 2000; Meiryani et al., 2023)	IGF	Market to Book Value $(MBV)_{it}$ = Stock market price/stock book value
Moderating Variable: Audit quality (Srikandhi & Suryandari, 2020)	ADQ	Dummy variable, 1 indicates Big Four, while 0 indicates non-Big Four
Independent Variable: Good corporate governance (Baraqbah et al., 2024)	GDC	Institutional ownership = Number of shares owned by institutions/total of all shares. Independent commissioner = Number of independent commissioners/the total number of board commissioners.
Independent Variable: Intellectual capital (Pulic, 2000)	ITC	Value Added Intellectual Coefficient (VAIC™) = VACE + VAHC + VASC Value Added (VA) = OUT – IN Value Added Capital Employed (VACE) = VA/CE Value Added Human Capital (VAHC) = VA/HC Value Added Structural Capital (VASC) = SC/VA Value Added (VA) = the distinction between output and input; OUT = total sales and other income; IN = burdens and costs (does not include employee expenditures); Capital employed (CE) = available funds (equity); Human capital (HC) = employee expense; Structural capital (SC) = the distinction between value added (VA) and human capital (HC).

Source: Processed Data, 2024

Table 2 presents the key variables and their corresponding measurement indicators in this study. Good Corporate Governance (GDC) is measured through institutional ownership, the composition of the board of directors, and the presence of independent commissioners. These factors ensure transparency and accountability, impacting the integrity of financial reporting. Intellectual Capital (ITC) includes human, structural, and relational capital. These dimensions reflect an organization's knowledge, systems, and external relationships, which contribute to the quality and trustworthiness of financial reports. Audit Quality (ADQ) is assessed by the size and reputation of the audit firm and auditor independence. High audit quality strengthens the credibility of financial reports, particularly when combined with good governance and intellectual capital. Financial Report Integrity (IGF) is defined by the transparency, accuracy, and compliance of financial statements. This integrity is influenced by strong corporate governance, intellectual capital, and high audit quality.

These variables are interrelated, where good governance and intellectual capital enhance the reliability of financial reports, and audit quality serves to moderate these relationships, ensuring greater financial transparency and trust.

RESULTS AND DISCUSSION

The Goodness of Fit Model result shows the model has a great fit, with P values < 0.001 for APC (Average Path Coefficient), ARS (Average R-squared), and AARS (Average Adjusted R-squared) values of 0.136, 0.125, and 0.101, respectively. The AVIF (Average Block VIF) value is 1.445 and the AFVIF (Average Full Collinearity VIF) value is 1.061, providing a result of < 3.3. This suggests that there is no multicollinearity among indicators or external variables.

The adjusted R-squared coefficient for financial report integrity is 0.846, showing that good corporate governance and intellectual capital explain 84.6% of the variance in financial report integrity, with the rest 15.4% attributed to variables beyond the model. Each dependent or endogenous variable has a Q-squared value larger than zero, which suggests that the model demonstrates predictive relevance. The R^2 values in this study provide insight into the relationships between the variables. The "direct impact" R^2 value of 81.3% indicates that good corporate governance (GDC) and intellectual capital (ITC) directly explain 81.3% of the variance in financial report integrity (IGF). This shows a strong direct relationship.

On the other hand, the "indirect impact" R^2 value of 83.7% reflects the combined effect of good corporate governance and intellectual capital on financial report integrity, with the moderating influence of audit quality (ADQ). The increase in the R^2 value from 81.3% to 83.7% demonstrates that audit quality enhances the direct relationship, further supporting the importance of audit quality in improving financial report integrity.

Table 3 presents evidence in support of hypotheses 1 (H1) and 2 (H2), confirming that the integrity of financial reports is positively impacted by both good corporate governance and intellectual capital. Hypothesis H3 (ADQ*GDC → IGF) shows a strong relationship between good corporate governance and financial report integrity, moderated by audit quality (p-value 0.05). The significance of hypothesis H4 (ADQ*ITC → IGF) at p-value 0.05 suggests that audit quality can moderate the relation between intellectual capital and financial report integrity.

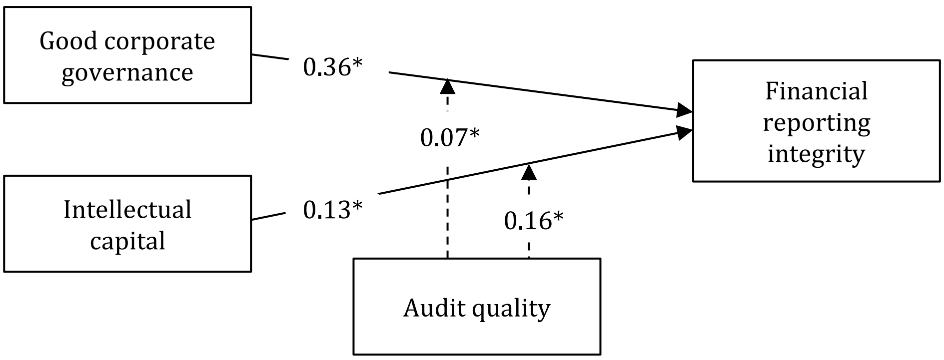
Table 3. Hypothesis Testing

Hypothesis	Variable Relations	Path Coefficient	P-value	Description
Direct Influence				
H1	GDC → IGF	0.363*	0.013	Accepted
H2	ITC → IGF	0.125*	0.042	Accepted
Direct Influence: R^2 = 0.813, Adjusted R^2 = 0.846, Q^2 = 0.850				
Indirect Influence				
H3	ADQ*GDC → IGF	0.074*	0.048	Moderation
H4	ADQ*ITC → IGF	0.158*	0.037	Moderation
Indirect Influence: R^2 = 0.837, Adjusted R^2 = 0.874, Q^2 = 0.878				
*p<0.05				

Source: Processed Data, 2024

Table 3 shows the results of hypothesis testing for the relationships between variables. It shows the path coefficients, p-values, and the level of significance for each hypothesis tested. H1 (GDC → IGF): Good Corporate Governance (GDC) significantly influences Financial Report Integrity (IGF), with a path coefficient of 0.363 and a p-value of 0.013. This indicates that improved governance practices lead to more accurate and trustworthy financial reports. H2 (ITC → IGF): Intellectual Capital (ITC) also positively affects IGF, with a path coefficient of 0.125 and a p-value of 0.042. This suggests that the management and utilization of intellectual capital contribute to the integrity of financial reporting. H3 (ADQ*GDC → IGF): Audit Quality (ADQ) moderates the relationship between Good Corporate Governance (GDC) and Financial Report Integrity (IGF), with a path coefficient of 0.074 and a p-value of 0.048. This finding highlights the important role of audit quality in strengthening the effect of governance on financial report integrity. H4 (ADQ*ITC → IGF): Similarly, Audit Quality (ADQ) moderates the relationship between Intellectual Capital (ITC) and Financial Report Integrity (IGF), with a path coefficient of 0.158 and a p-value of 0.037. This suggests that high-quality audits enhance the influence of intellectual capital on the integrity of financial reports.

In summary, both Good Corporate Governance and Intellectual Capital positively impact Financial Report Integrity, and that Audit Quality plays a crucial moderating role in these relationships. The results provide valuable insights into how governance structures and intellectual resources, supported by audit quality, contribute to ensuring the reliability of financial reporting. (See Figure 1)



Source: Data Processed, 2024

Figure 1. Research Model

Good Corporate Governance Impact on Financial Reporting Integrity

Good corporate governance has a positive impact on the integrity of financial reports. The first hypothesis presented in this research is approved. This is corroborated by the studies undertaken by Abdulfatah et al. (2023), Ali et al. (2023), Baraqbah et al. (2024), Chouaibi et al. (2022), Cooray et al. (2020), Hadro et al. (2022), Hamad et al. (2022), Makri et al. (2024), Radin et al. (2023), Wong et al. (2023), and Zouari & Dhifi (2022). Institutional ownership also aligns with agency theory because it is assumed to be an effective supervisor for corporate management in delivering fair and error-free financial reports. Agency theory explains the potential conflict of interest between company owners (principals) and managers (agents). Managers, who are given the authority to manage the company, may prioritize personal interests over the interests of the company as a whole.

An independent commissioner is present as a supervisor to resolve this conflict. Independent commissioner who represents shareholders and ensures that management acts in the interests of the company. In this way, independent commissioners can increase the transparency and accuracy of financial reports, as well as increase investor confidence. Aside from that, institutional ownership can reduce agency concerns by acting as a supervisor to ensure that everything follows predefined principles. Independent commissioners can help managers reduce agency issues by acting as mediators when disputes arise. This indicates that if several independent commissioners do not perform their duties effectively, the financial reports' integrity will suffer.

Intellectual Capital Impact on Financial Reporting Integrity

Intellectual capital has a positive impact on the integrity of financial reports. The second hypothesis presented in this research is approved. This is proven by the studies undertaken by Aras & Yıldırım (2022), Badia et al. (2019), Dameri & Ferrando (2021), Dumay et al. (2019), Ficco et al. (2023), and Kumari & Vincent (2022). The disclosure of intellectual capital in financial reports is seen as an innovative approach to improving financial reporting integrity. Aside from that, intellectual capital disclosure aligns with signaling theory by reducing the chance of asymmetry in financial report data. The more substantial the company's intellectual capital, the more trustworthy its financial reports will be.

Audit Quality moderates the Impact of Good Corporate Governance on Financial Reporting Integrity

The moderating influence of audit quality can increase the association between good corporate governance and the integrity of financial reports. The third hypothesis presented in this study is approved. This is corroborated by the studies undertaken by Irwandi & Pamungkas (2020), Mardessi (2021), Qawqzeh et al. (2019), and Srikandhi & Suryandari (2020). The corporation believes that by committing to and regularly executing good corporate governance and high audit quality, it can prevent fraudulent practices and improve the integrity of financial reporting. Investors will be more inclined toward accounting resulting from high-quality audits.

This, increased audit quality and larger public accounting firm size correlate with enhanced integrity of issued financial reports. In line with the agency theory, an increase in the size of public accounting firms and the strength of corporate governance is associated with enhanced reliability of published financial reports. Although this study found that audit quality significantly moderates the relationship between good corporate governance and financial reporting integrity, it is important to note that this moderating effect does not always hold across manufacturing companies listed on the Indonesia Stock Exchange. Variations in the moderation effect are due to changes in firm, industry, and auditor variables. More research is needed to find characteristics that can explain this difference and to create models that are more reliable at predicting financial reporting integrity.

Audit Quality moderates the Impact of Intellectual Capital on Financial Reporting Integrity

The moderating influence of audit quality can increase the relationship between intellectual capital and the integrity of the financial reports. The fourth hypothesis presented in this study is approved. This is proven by the studies undertaken by Anojan (2019), Bezverkhyi et al. (2023), Demartini & Trucco (2017), and Hichri (2023). Intellectual capital refers to an organization's competence, inventiveness, and innovative ideas that help it deal with a crisis. In line with the agency theory, high audit quality strengthens intellectual capital, enabling enterprises to avoid opportunistic management behavior that distorts financial reporting and improves the integrity of financial reports.

Corporations with more intellectual capital strive to achieve a favorable position, and corporations will hire higher-quality auditors to increase their value and standing in society, as well as to ensure the quality of annual financial reports. Audit quality is critical for guaranteeing the integrity of financial reporting, particularly when proving intellectual capital. Although this study found that audit quality considerably moderates the association between intellectual capital and financial report integrity, it also provided a better understanding of the audit's critical role in guaranteeing corporate accountability. However, the moderating influence of audit quality varies between industrial companies listed on the Indonesia Stock Exchange based on their distinct characteristics. More research is needed to find characteristics that can explain this difference and to create models that are more reliable at predicting financial reporting integrity.

CONCLUSION

According to the study's findings and testing, good corporate governance and intellectual capital have a beneficial influence on the integrity of financial reporting. Audit quality can moderate the relationship between good corporate governance, intellectual capital, and the integrity of financial reports. The findings emphasize that good corporate governance practices and intellectual capital both significantly enhance the accuracy and transparency of financial reports. Additionally, audit quality plays a crucial moderating role in strengthening these relationships, ensuring that financial reports reflect a true and fair view, and mitigating potential discrepancies between management and shareholders.

The explanations of good corporate governance and intellectual capital are not necessary here as they are not new findings in this conclusion. The auditing process is used to prevent inconsistencies in information between management and shareholders by relying on third-party confirmation of financial reports. Users of financial reports, especially shareholders, will make decisions based on reports that have been audited by external auditors. Audit quality is also influenced by the auditor's performance throughout auditing procedures. Engaging a third-party or external auditor can help manage the business and avoid agency conflicts. This is done to maintain the financial reporting requirements established by corporate management.

RECOMMENDATION

This study has limitations because it solely investigates good corporate governance based on institutional ownership and independent commissioners. The next study will employ audit committees and management ownership to investigate good corporate governance. Future research should use more than the amount of samples in this study to increase the probability of obtaining actual conditions. It is intended that by observing factors over a longer period, it will be possible to expand the period for assessing their influence.

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