International Journal of Current Economics & Business Ventures, 6 (1) 2026, 346-362
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb

JOURNAL

The Effect of *Firm* Size, Leverage, Profitability, and Audit Quality on the Integrity of Financial Statements

Sifa Aenun Luthfiah[1], Hera Khairunnisa[2], Surya Anugrah[3]
Sifa.aenun0702@gmai.com[1]
Faculty of Economics and Business, University Negeri Jakarta.

Abstract:

This study aims to analyze the effects of firm size, leverage, profitability, and audit quality on the integrity of financial statements at energy sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. This study is motivated by the importance of financial statement integrity as a basis for decision-making, as well as the fact that previous research findings regarding the factors influencing it remain inconsistent. The study employs a quantitative approach using secondary data obtained from companies' financial statements. The sampling technique utilized purposive sampling, resulting in a sample of 23 companies with 115 observations. Data analysis was conducted using panel data regression with the aid of EViews 13. The results indicate that firm size has a significant negative effect, leverage has a significant positive effect, and audit quality has a significant positive effect on financial statement integrity, whereas profitability has no effect on financial statement integrity. These findings indicate that oversight by creditors and independent auditors plays a role in enhancing the integrity of financial statements, whereas the size of assets and the ability to generate profits do not fully explain changes in the level of financial statement integrity among companies in the energy sector. This study offers theoretical implications by reinforcing Agency Theory, which posits that oversight mechanisms involving creditors and independent auditors play a role in enhancing the integrity of financial statements. In practical terms, the findings of this study are expected to serve as a basis for companies to strengthen their corporate governance and oversight mechanisms, as well as for investors to evaluate the quality of financial statements as a basis for investment decisions.

Keywords: financial statement integrity, firm size, leverage, profitability, audit quality.

BACKGROUND

The increasingly competitive business environment is driving companies to improve transparency and accountability in the presentation of financial statements. Financial statements are the primary means by which companies convey information about their financial position, performance, and cash flows to investors, creditors, regulators, and other stakeholders as a basis for economic decision-making publik (Astuti et al., 2021). Therefore, financial statements must be prepared honestly, reliably, and in a manner that reflects the company's actual economic condition. However, in practice, the integrity of financial statements still faces various challenges due to economic pressures, conflicts of interest, and weaknesses in corporate governance all of which can increase the likelihood of financial statement fraud.

This phenomenon aligns with findings from the Association of Certified Fraud Examiners (ACFE), which indicate that occupational fraud consists of corruption, asset misappropriation, and financial statement fraud (ACFE et al., 2025). Although financial statement fraud has the lowest incidence rate, this type of fraud results in the largest median loss, amounting to USD766,000 per case

(ACFE et al., 2025). In Indonesia, financial statement fraud also remains a problem that requires attention because it directly impacts the integrity of financial statements and the trust of financial statement users.

The lack of integrity in financial statements remains evident in several cases of financial statement manipulation at companies listed on the Indonesia Stock Exchange. PT Envy Technologies Indonesia Tbk, for example, inflated revenue, concealed liabilities, and recorded fictitious transactions, resulting in financial statements that did not reflect the company's actual condition (Panjaitan et al., 2025). A similar case occurred at PT Timah Tbk, which manipulated its cash flows and revised its 2018 financial statements, changing net income from Rp531,135 billion to Rp132,29 billion a decrease of 73.76% (Christian et al., 2023). In addition, PT Garuda Indonesia (Persero) Tbk was also required to restate its 2018 financial statements after recognizing receivables of US$233,134,000 as revenue that did not meet the criteria for revenue recognition, thereby changing the originally reported profit of US$809 thousand to a loss of approximately US$175 million after restatement (Karen et al., 2022 ; Akil et al., 2025) . These various cases demonstrate that the weak application of the conservatism principle and the presentation of unreliable financial information remain challenges in maintaining the integrity of financial statements.

According to ACFE et al., (2025), the energy sector is among the industries affected by occupational fraud, with a rate of 7%. Although this percentage is lower than that of the government, construction, and banking sectors, this indicates that the energy sector still faces a risk of fraud that could compromise the integrity of financial statements. Furthermore, the energy sector is capital-intensive and highly influenced by fluctuations in commodity prices, exchange rates, government policies, and global geopolitical conditions (IEA, 2023). During the 2020–2024 period, the energy sector experienced significant dynamics, ranging from a decline in demand due to the COVID-19 pandemic to rising energy commodity prices during the economic recovery. These conditions have increased business uncertainty and further underscored the importance of high-quality financial reporting to maintain investor confidence and support corporate stability (Kesuma et al., 2025).

In this context, the integrity of financial statements is a critical aspect, as financial statements provide a structured presentation of a company's financial position, performance, and cash flows, which serve as the basis for economic decision-making (Kamandita & Suwandi, 2025). Therefore, their preparation must comply with Financial Accounting Standards (FAS) to ensure that the resulting information is relevant, reliable, and comparable (Purba et al., 2025). Furthermore, the application of the principle of prudence through accounting conservatism is necessary to reduce the risk of overstating assets or profits and to enhance the reliability of the financial information presented to users of financial statements (Wulandari & Abdillah, 2025). According to Agency Theory, conflicts of interest between principals and agents can lead management to act opportunistically when preparing financial statements. Therefore, oversight mechanisms are needed to reduce information asymmetry and enhance the integrity of financial statements. Factors believed to influence the integrity of financial statements include firm size, leverage, profitability, and audit quality. Previous research has yielded inconsistent results. Fauziah et al., (2023) state that firm size affects the integrity of financial statements. (Pramudya et al., (2024) ; Sulastri & Anna, (2018), explain that leverage can enhance the transparency of financial reporting through creditor oversight. (Priyono & Suhartini, 2022), found that high profitability can affect the level of accounting conservatism, while (Eka & Rani, 2022) showed that audit quality acts as an external oversight mechanism in enhancing the reliability of financial information. Conversely, Alpriyatna & Muhyarsyah, (2023) found that leverage and profitability do not have a significant effect on the integrity of financial statements, indicating that there remains inconsistency in research findings.

Based on the above discussion, there remains a research gap that requires further examination. First, research on financial statement integrity in the energy sector is still relatively limited compared to the manufacturing and consumer goods sectors. Second, the results of previous studies on the effects of firm size, leverage, profitability, and audit quality on financial statement integrity remain mixed.

Therefore, this study aims to analyze the effects of firm size, leverage, profitability, and audit quality on financial statement integrity in energy sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. This study is expected to provide an empirical contribution to the development of the literature on financial statement integrity and to serve as input for regulators, investors, auditors, and company management in improving the quality of financial reporting.

THEORETICAL FRAMEWORK

Agency Theory

This study is based on Agency Theory as proposed by Jensen and Meckling (1976). This theory explains the contractual relationship between the principal (the company's owner) and the agent (management), in which the principal delegates authority to the agent to manage the company and make decisions on the principal's behalf. In this relationship, both parties are assumed to have differing interests, which can potentially lead to agency conflict due to information asymmetry. Management, as the party with more information about the company's condition, may act opportunistically if its interests do not align with those of shareholders (Jensen & Meckling, 1976)

Integritas Laporan Keuangan

The integrity of financial statements refers to the presentation of financial information that is honest, objective, reliable, and in accordance with accounting standards, so that it can be used as a basis for decision-making by stakeholders (Wahyudi & Setiyawati, 2022). Financial statements serve as a form of management accountability to company owners and are the primary source of information for investors and creditors in assessing the company's condition (Christanti & Asmara, 2024). In Indonesia, the preparation of financial statements is based on PSAK No. 1 on the Presentation of Financial Statements, which governs the fair, relevant, and reliable presentation of financial statements (IAI, 2026). Therefore, the integrity of financial statements reflects the company's level of compliance with accounting standards as well as the quality of information provided to users of financial statements.

Company Size

Company size refers to the scale of a company, which is generally measured by total assets, sales, or market capitalization (Liliany & Arisman, 2021). Large companies generally have more complex operational activities, better internal control systems, and are subject to greater scrutiny from investors, regulators, and the public; thus, they are expected to produce higher-quality financial (Arif & Suzan, 2022).

Leverage

Leverage is a financial ratio that indicates the extent to which a company uses debt as a source of funding to finance its operational and investment activities (Astuti et al., 2021). The use of debt is one financing alternative to support business development, such as business expansion and investment in fixed assets; therefore, companies need to determine the optimal funding structure between debt and equity (Hery et al., 2024). The higher the leverage ratio, the greater the company's obligations to meet principal and interest payments on its debt, thereby increasing the financial risks it faces. This situation encourages companies to be more cautious in preparing their financial statements to maintain the trust of creditors and other external parties (Hery et al., 2024).

Profitability

Profitability is a company's ability to generate profits through the utilization of its assets and resources, thereby reflecting the effectiveness of management in carrying out the company's operational activities (Astuti et al., 2021). The level of profitability indicates a company's success in generating profits and serves as a financial performance indicator used to evaluate the effectiveness of asset management, capital management, and operational activities (Sufyati & Anlia, 2021).

Kualitas Audit

Audit quality refers to an auditor's ability to identify and report material misstatements in financial statements objectively and independently in accordance with applicable auditing standards berlaku (Sayekti & Utami, 2019). An audit is conducted through a process of planning, performing audit procedures, and collecting and evaluating audit evidence to provide assurance that the financial statements have been presented fairly and are reliable to users (Hall, 2007). Auditor independence is a critical factor in mitigating conflicts of interest between management and owners, while the resulting audit opinion serves as the basis for investors and stakeholders to assess the credibility of financial information (Eka & Rani, 2022). Audit quality is determined not only by the final results of the examination but also by the auditors' competence, independence, and experience, as well as their adherence to professional standards throughout the audit process (Susanto, 2024).

Hypotheses Development

H1: Firm size has a positive effect on financial statement integrity

H2: Leverage has a positive effect on financial statement integrity

H3: Profitability has a negative effect on financial statement integrity

H4: Audit quality has a positive effect on financial statement integrity

METHOD

This study employs a quantitative approach using an associative method to analyze the effects of firm size, leverage, profitability, and audit quality on the integrity of financial statements among energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The data used are secondary data obtained from companies' annual reports published on the official website of the Indonesia Stock Exchange www.idx.co.id. The units of analysis in this study are energy sector companies that meet the research sample criteria. The sampling technique employed purposive sampling based on specific criteria. Through the sample selection process, 23 energy sector companies were identified, yielding a total of 115 observations over the five-year observation period.

Table 1. Variable Measurements

No	Variabel	Pengukuran	Scale	Sumber
1.	Integritas Laporan Keuangan	$CONACC = \frac{(NIO+DEP-CFO)}{TA}\ x(-1)$	Ratio	(Givoly & Hayn, 2000)
2.	Size	Size = Log Natural (Total Aset)	Ratio	(Dang et al., 2017)

No	Variabel	Pengukuran	Scale	Sumber
3.	Leverage	$DAR = \frac{Total\ Utang}{Total\ Aset}$	Ratio	(Brigham & Houston, 2010)
4.	Profitabilitas	$ROA = \frac{Laba\ Setelah\ Pajak}{Total\ Aset}$	Ratio	(Brigham & Houston, 2010)
5.	Kualitas Audit	a) AQ = 1, jika diaudit oleh KAP Big Four b) AQ = 0, jika bukan KAP Big Four	Dummy	(DeAngelo, 1981)

Data analysis was conducted using panel data regression with the aid of EViews 13 software. The analysis stages included descriptive statistical analysis, selection of the panel data regression model using the Chow, Hausman, and Lagrange Multiplier tests, followed by tests of classical assumptions consisting of tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Hypothesis testing was performed using the coefficient of determination (Adjusted R^2), the F-test, and the t-test to determine the effect of each independent variable on financial statement integrity.

RESULT

Deskriptive Statistics

Table 2. Descriptive Statistic Output

	CONACC	SIZE		LEV	PROF	KA
		LN(TA)	Total Aset Dalam Jutaan (Rp)			
Mean	-0.008817	29.71580		0.423208	0.143375	0.521739
Median	-0.003323	29.80987	Rp 8.836.089,00	0.419305	0.077557	1.000000
Maximum	0.165208	32.76456	Rp169.616.471,00	1.074673	0.616346	1.000000
Minimum	-0.211422	27.15364	Rp620.408,00	0.088040	0.002392	0.000000
Std. Dev.	0.058863	1.305289		0.190186	0.153050	0.501713
Skewness	-0.412934	0.043805		0.620307	1.512759	-0.087039
Kurtosis	4.814808	2.391159		3.488397	4.395009	1.007576
Jarque-Bera	19.04969	1.812989		8.517917	53.18660	19.16694
Probability	0.000073	0.403938		0.014137	0.000000	0.000069
Sum	-1.013901	3417.317		48.66887	16.48811	60.00000
Sum Sq. Dev.	0.394996	194.2308		4.123475	2.670358	28.69565
Observations	115	115		115	115	115

1. Based on the results of the descriptive statistical analysis, the financial statement integrity variable (CONACC) has a mean of -0.0088, a minimum value of -0.2114, a maximum value of 0.1652, and a standard deviation of 0.0589. The negative mean indicates that, on average, energy sector companies during the 2020–2024 period tend to exhibit a relatively low level of accounting conservatism. Meanwhile, the relatively small standard deviation indicates that the distribution of financial statement integrity values is fairly homogeneous across the sample.

2. The firm size variable (SIZE), measured using the natural logarithm of total assets Ln(Total Assets), has a mean of 29.7158, a minimum value of 27.1536, a maximum value of 32.7645, and a standard deviation of 1.3053. Since the standard deviation is considerably lower than the mean, the variation in firm size among the sampled companies is relatively low, indicating that most firms have comparable asset scales.
3. The leverage variable (LEV), measured using the Debt to Asset Ratio (DAR), has a mean of 0.4232, a minimum value of 0.0880, a maximum value of 1.0747, and a standard deviation of 0.1902. These results indicate that, on average, approximately 42.32% of the companies' total assets are financed by debt, while the remaining assets are financed by equity. The relatively low standard deviation suggests that leverage levels do not vary substantially across the sampled companies.
4. The profitability variable (PROF), measured using Return on Assets (ROA), has a mean of 0.1434, a minimum value of 0.0024, a maximum value of 0.6163, and a standard deviation of 0.1531. These findings indicate that, on average, companies generate profits equivalent to 14.34% of their total assets. The standard deviation, which is slightly higher than the mean, suggests that profitability varies considerably among firms in the energy sector.
5. The audit quality variable (KA), measured using a dummy variable (1 = Big Four Public Accounting Firm and 0 = Non-Big Four Public Accounting Firm), has a mean of 0.5217, a minimum value of 0, a maximum value of 1, and a standard deviation of 0.5017. The mean indicates that approximately 52.17% of the observations were audited by Big Four public accounting firms, while the remaining 47.83% were audited by Non-Big Four firms. The relatively balanced distribution indicates that both categories are adequately represented in the sample, making the variable suitable for further regression analysis..

Panel Model Selection

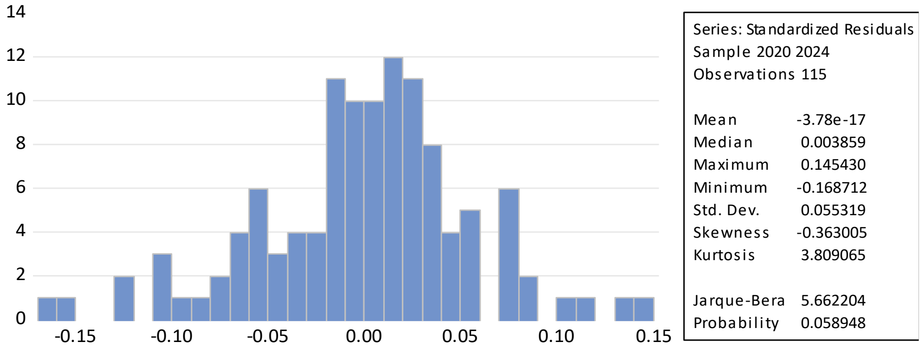
Table 3. Panel Model Selection Tests

Test	**Statictic/Indicator**	**Value**	**Decision**
Chow Test	Cross-section F Probability	0,0965	Common Effecct Model
Lagrange Multiplier	Breusch Pagan cross-section	0,9631	Common Effect Model

Based on the model selection test, the common effect model (CEM) was selected as the most appropriate panel data model for this study. The Chow test yielded a cross-section F probability of 0.0965, indicating that the common effect model is more appropriate than the fixed-effects model. Furthermore. The Lagrange multiplier test yielded a Breusch-Pagan cross-sectional statistic of 0.9631, meaning that the common-effects model is more appropriate than the random-effects model.

Normality Test

Image 1. Normality Test Output



International Journal of Current Economics & Business Ventures, 6 (1) 2026, 346-362
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb

Based on Figure 1, the results of the normality test show a Jarque-Bera value of 5,6622 with a probability of 0.0589 (>0.05). A probability value greater than 0.05 indicates that the model residuals are normally distributed; therefore, the assumption of normality has been met, and the regression model is suitable for further analysis.

Multicollinearity Test

Table 4. Multicolinearity Test Output

Variance Inflation Factors
Date: 07/21/26 Time: 18:13
Sample: 1 115
Included observations: 115

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.017706	642.0330	NA
SIZE	2.17E-05	696.2807	1.329229
LEV	0.001002	7.813394	1.303304
PROF	0.001439	2.284968	1.212013
KA	0.000171	3.231378	1.545442

Based on the table, all independent variables have Centered VIF values below 10: SIZE at 1.3292, LEV at 1.3033, PROF at 1.2120, and KA at 1.5454. These values indicate that the relationships among the independent variables are relatively weak, so there are no signs of multicollinearity in the research model.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Output

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	2.131201	Prob. F(4,110)	0.0817
Obs*R-squared	8.271285	Prob. Chi-Square(4)	0.0821
Scaled explained SS	10.62905	Prob. Chi-Square(4)	0.0311

The results of the heteroscedasticity test in Table 4.9 show that the Chi-square probability value is greater than 0.05, specifically 0.0821. This indicates that, based on the Breusch-Pagan-Godfrey test that was conducted, the data in this study are free from heteroscedasticity.

AutocorrelationTets

Table 6. Autocorrelation Test Output

R-squared	0.116787	Mean dependent var	-0.008817
Adjusted R-squared	0.084670	S.D. dependent var	0.058863
S.E. of regression	0.056316	Akaike info criterion	-2.873167
Sum squared resid	0.348866	Schwarz criterion	-2.753822
Log likelihood	170.2071	Hannan-Quinn criter.	-2.824726
F-statistic	3.636324	Durbin-Watson stat	2.042780
Prob(F-statistic)	0.008020		

Based on the table, the autocorrelation test results show a Durbin–Watson value of 2,0427. This value falls between the upper limit (DU = 1,7683) and 4 − DU (2,2317). Therefore, DU < DW < 4 − DU, or 1,7683<2,0427<2,2317, so it can be concluded that the regression model does not exhibit autocorrelation. Thus, the assumption of no autocorrelation has been met, and the model is suitable for hypothesis testing.

Regression Analysis Test

Table 7. Regression Analysis Test Output

Cross-sections included: 23
Total panel (balanced) observations: 115

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.229791	0.133065	1.726911	0.0870
SIZE	-0.009303	0.004659	-1.996829	0.0483
LEV	0.068529	0.031661	2.164475	0.0326
PROF	-0.065908	0.037940	-1.737143	0.0852
KA	0.035038	0.013069	2.680956	0.0085

$$\mathbf{CONACC_{it}=0{,}2297-0{,}0093SIZE_{it}+0.0685LEV_{it}-0.0659PROF_{it}+0{,}035KA_{it}}$$

The equation shows that firm size (SIZE) and profitability (PROF) have negative regression coefficients, indicating that an increase in these two variables tends to be followed by a decline in financial statement integrity. Conversely, leverage (LEV) and audit quality (KA) have positive regression coefficients, suggesting that an increase in either leverage or audit quality tends to be followed by an increase in financial statement integrity, assuming all other variables remain constant. The constant of 0,2297 represents the value of financial statement integrity when all independent variables are assumed to be zero.

Regression Model Fit (f Test)

Table 8. Regression Model Fit

F-statistic	3,636324
Proba (F-statistic)	0.008020

The test results show an F-statistic value of 0.008020, which is less than 0.05. These results indicate that the independent variables simultaneously influence the integrity of financial statements.

Coefficient of Determination (R^2 Test)

Table 10. R^2 Test Output

R-squared	0.116787
Adjusted R-squared	0.084670

The results of the coefficient of determination test can be seen in the Adjusted R-Square value in the table above. The Adjusted R-Square value is 0.0846 or 8,46%, which means that the independent

International Journal of Current Economics & Business Ventures, 6 (1) 2026, 346-362
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb

variables explain 8,46% of the variation in the dependent variable, while the remaining 91,54% is influenced by other factors not included in the model.

Uji Hipotesis (T-test)

Table 9. T-Test Output

Cross-sections included: 23
Total panel (balanced) observations: 115

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.229791	0.133065	1.726911	0.0870
SIZE	-0.009303	0.004659	-1.996829	0.0483
LEV	0.068529	0.031661	2.164475	0.0326
PROF	-0.065908	0.037940	-1.737143	0.0852
KA	0.035038	0.013069	2.680956	0.0085

Based on the results of the t-test presented in Table 9, the firm size variable (SIZE) has a t-statistic of -1.9968 with a probability value of 0.0483 (<0.05), indicating that H1 is rejected. Although the effect is statistically significant, the regression coefficient is negative, indicating that firm size has a significant negative effect on financial statement integrity. The leverage variable (LEV) has a t-statistic of 2.1644 with a probability value of 0.0326 (<0.05), indicating that H2 is accepted, meaning that leverage has a significant positive effect on financial statement integrity. Meanwhile, the profitability variable (PROF) has a t-statistic of -1.7371 with a probability value of 0.0852 (>0.05), indicating that H3 is rejected, suggesting that profitability does not significantly affect financial statement integrity. The audit quality variable (KA) has a t-statistic of 2.6809 with a probability value of 0.0085 (<0.05), indicating that H4 is accepted, meaning that audit quality has a significant positive effect on financial statement integrity. Thus, firm size has a significant negative effect, leverage and audit quality have significant positive effects, while profitability does not significantly affect financial statement integrity.

DISCUSSION

Effect of Firm Size on Financial Statement Integrity

The regression results indicate that firm size has a significant negative effect on financial statement integrity, indicating that the first hypothesis is rejected. The negative regression coefficient suggests that an increase in firm size, as measured by the natural logarithm of total assets, tends to reduce accounting conservatism as a proxy for financial statement integrity. This finding implies that larger companies do not necessarily produce financial statements with higher integrity because greater asset ownership is generally accompanied by more complex business activities, organizational structures, and accounting judgments that may reduce the application of conservative accounting principles (Sormin, 2021).

From the perspective of Agency Theory, larger firms face more complex agency relationships because they involve more shareholders, creditors, regulators, and other stakeholders, thereby increasing information asymmetry between management and principals (Jensen & Meckling, 1976). In the energy sector, which is characterized as a capital-intensive industry, increases in total assets primarily reflect business expansion and investment in production facilities rather than improvements in financial reporting quality (Kesuma et al., 2025). During the 2020–2024 period, changes in company size were also influenced by external conditions. The COVID-19 pandemic reduced investment activities in 2020 (Rizal et al., 2022), while the surge in coal and energy prices during 2021–2022 substantially increased corporate assets (Azhari & Nugroho, 2022). Consequently, fluctuations in firm size were driven more by industry dynamics and macroeconomic conditions than by improvements in financial reporting quality (Setyadi & Ida, 2024).

These findings are consistent with previous studies by Lubis et al., (2018); Nurbaiti & Elisabet, (2023); Sormin, (2021), which suggest that larger firms do not necessarily exhibit higher financial statement integrity because growth in total assets mainly reflects greater operational complexity rather than improvements in financial reporting quality. Therefore, firm size should not be viewed as the sole indicator of financial statement integrity, particularly in capital-intensive industries such as the energy sector.

Effect of Leverage on Financial Statement Integrity

The test results show that leverage has a positive and significant effect on financial statement integrity. A p-value of 0.0326 (<0.05) indicates that the second hypothesis is accepted. A positive regression coefficient suggests that the higher a company's leverage ratio, the higher its level of accounting conservatism used as a proxy for financial statement integrity. Thus, companies with a higher debt-to-equity ratio tend to prepare their financial statements more carefully and transparently.

These results suggest that in the energy sector, the use of debt serves not only as a source of funding but also as a mechanism for external oversight of management behavior. The greater a company's obligations to creditors, the greater the demand for presenting reliable, relevant, and transparent financial information. This situation encourages management to apply the principle of conservatism in preparing financial statements so that the risk of presenting misleading information can be minimized (Assyifa & Putri, 2026).

From the perspective of Agency Theory, the results of this study support the view of Jensen & Meckling, (1976), who argue that conflicts of interest occur not only between management and shareholders but also between management and creditors. The higher the level of leverage, the greater the intensity of creditors' oversight of the company's financial condition. Through financial statement analysis, monitoring of financial ratios, and compliance with debt covenants, creditors can curb management's opportunistic behavior, thereby reducing information asymmetry (Fatma & Chouaibi, 2025) ; (Purnamasari & Tashya, 2024).

The characteristics of companies in the energy sector further reinforce these findings. The energy industry is capital-intensive, requiring substantial financing for exploration, infrastructure development, and the expansion of production (Ramadan & Sutoyo, 2026). During the study period, the COVID-19 pandemic in 2020 heightened business risks, prompting financial institutions to tighten oversight of companies with high debt levels (Rizal et al., 2022). Furthermore, the rise in energy commodity prices in 2021–2022 prompted many companies to expand their operations, which still required external financing; consequently, relationships with creditors became increasingly important in maintaining the credibility of financial reporting (Sitorus & Tjandrasa, 2023).

These findings are consistent with Khalifa et al., (2022), who state that the greater a company's reliance on debt financing, the greater its incentive to maintain the quality of its financial statements in order to retain creditors' trust. The results of this study are also consistent with Fatimah et al., (2020), who explain that a high debt-to-equity ratio increases the intensity of creditor oversight, thereby encouraging companies to present financial statements that are more reliable and demonstrate integrity.

Effect of Profitability on Financial Statement Integrity

The test results show that profitability does not affect financial statement integrity. A probability value of 0.0852 (>0.05) indicates that the third hypothesis is rejected. Although the regression coefficient is negative, the relationship is not significant; therefore, the level of profitability cannot explain the variation in financial statement integrity among energy sector companies for the 2020–2024 period.

These results indicate that a company's ability to generate profits is not the primary factor determining the quality of financial reporting. From the perspective Jensen & Meckling, (1976), profits are indeed one of the indicators used by principals to evaluate an agent's performance. However, Agency Theory what is more important is not merely the amount of profit generated, but whether those profits are presented honestly, free from manipulation, and reflect the company's actual economic condition. Managers have an incentive to manipulate accounting practices through revenue recognition or the deferral of expenses in order to maintain the company's performance image. Therefore, the application of accounting conservatism is necessary to reduce information asymmetry and limit opportunistic managerial behavior so that profit quality is maintained (Le-Bao et al., 2025).

The characteristics of the energy industry also help explain the findings of this study. Energy sector companies operate in a business environment heavily influenced by changes in global commodity prices, exchange rates, energy policies, and geopolitical conditions; as a result, profit fluctuations are often driven more by external factors than by the effectiveness of corporate management (IEA, 2025). During the study period, the COVID-19 pandemic in 2020 caused a decline in energy demand and weighed on the performance of most companies, whereas in 2021–2022, rising coal and oil prices drove a significant increase in profits (Rizal et al., 2022). These conditions indicate that changes in profitability reflect industry dynamics more than changes in the quality of financial reporting.

The lack of a significant effect of profitability is also influenced by the characteristics of the research data. The research sample covers several energy subsectors—such as coal, oil and gas, energy support services, and energy transportation—which have different cost structures, risk levels, and profit-generation patterns (Desipradani, 2026). These differing characteristics result in considerable variation in profitability among companies; however, this is not accompanied by significant differences in the quality of financial statements because all companies continue to apply the same Financial Accounting Standards. Thus, variations in profit more accurately reflect the business characteristics of each company.

These findings are consistent with those of Safitri et al., (2023), who state that profitability does not affect the integrity of financial statements because companies with high profit levels do not necessarily present their financial statements in a more honest and transparent manner. The results of this study are also consistent with Awara & Fauziati, (2024); Christian et al., (2023), who show that profitability is not the primary factor influencing the integrity of financial statements; rather, effective oversight mechanisms are necessary to ensure that the financial information presented remains reliable and trustworthy to users of financial statements.

Effect of Audit Quality on Financial Statement Integrity

The test results show that audit quality does not affect the integrity of financial statements. A p-value of 0.0085 (<0.05) indicates that the fourth hypothesis is accepted. The positive regression coefficient suggests that companies audited by Big Four public accounting firms tend to exhibit higher financial statement integrity than those audited by non-Big Four firms. These findings imply that higher audit quality strengthens the credibility of financial reporting by encouraging more conservative and transparent financial reporting practices.

The perspective of Agency Theory, external auditing functions as a monitoring mechanism that reduces information asymmetry and agency conflicts between principals and agents by providing independent assurance regarding the fairness of financial statements (Jensen & Meckling, 1976). In the energy sector, where companies operate in highly complex environments involving exploration activities, long-term contracts, environmental obligations, and significant accounting estimates, auditors with stronger expertise and resources are better able to identify material misstatements and ensure compliance with accounting standards. Public accounting firms affiliated with the Big Four generally possess broader industry experience, standardized audit methodologies, and more advanced audit technologies, enabling them to provide higher audit quality. During the COVID-19 pandemic, auditors also faced increased audit risks related to going-concern assessments, asset impairment, and uncertainties in accounting estimates (Khasanah & Suryatimur, 2021; Maharaja et al., 2022). Subsequently, the increase in coal and energy prices during 2021–2022 created additional audit challenges related to revenue recognition, accounting estimates, and business risk disclosures (Puspaningsih & Larasati, 2024)Under these conditions, higher-quality auditors were better positioned to ensure that financial statements were presented fairly and reliably.

These findings are consistent with Damayanti et al., (2023); Mulyani & Sopian, (2025) who found that audit quality positively affects financial statement integrity because reputable auditors encourage management to prepare financial statements more prudently. The results are also supported by Saputro & Jaeni, (2025) who argue that competent and independent auditors are more effective in detecting and preventing financial reporting misstatements, thereby enhancing the credibility of financial statements. Likewise, Wahyuni, (2022) concludes that companies audited by high-quality auditors provide greater assurance regarding the fairness of financial statements, ultimately improving financial statement integrity.

CONCLUSION

This study aims to analyze the effects of firm size, leverage, profitability, and audit quality on financial statement integrity among energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The results show that firm size has a significant negative effect on financial statement integrity, indicating that an increase in firm size is not always accompanied by an increase in financial statement integrity because the company's operational complexity also increases. Leverage has a significant positive effect on financial statement integrity, suggesting that high debt levels encourage companies to present more transparent and conservative financial statements as a form of accountability to creditors. Profitability has no effect on financial statement integrity because changes in profits for companies in the energy sector are more influenced by commodity price dynamics and industry conditions than by the quality of financial reporting. Audit quality has a significant positive effect on financial statement integrity, indicating that the use of higher-quality auditors enhances the effectiveness of oversight, resulting in financial statements that are presented in a more reliable and credible manner. Overall, the results of the study indicate that the integrity of financial statements in the energy sector is influenced by firm characteristics, financing structure, and audit quality, whereas profitability levels do not significantly explain changes in financial statement integrity.

BIBLIOGRAPHY

ACFE, Rahardyan, T. M., Bakri, M. R., Susilo, C. H., & Putri Siti Aubrey Salsabila Tisarani. (2025). *Survei Fraud Indonesia 2025*. Association of Certified Fraud Examiners.

ACFE, & Warren, J. (2024). *Occupational Fraud 2024: A Report To The Nations*. Association of Certified Fraud Examiners.

Akil, A., Zaimar, F. R., Tumanan, M., & Alfarisi, M. N. (2025). Analisis Kasus Manipulasi Laporan Keuangan dan Penyelesaian Audit: Studi Kasus PT Garuda Indonesia. *Didaktik : Jurnal Ilmiah PGSD STKIP Subang*, *11*(04), 222–246. https://doi.org/10.36989/didaktik.v11i04.9675

Alpriyatna, R., & Muhyarsyah, M. (2023). The Effect of Leverage and Profitability on the Integrity of Financial Statements with Moderation of Audit Quality. *Devotion : Journal of Research and Community Service*, *4*(3), 831–838. https://doi.org/10.36418/devotion.v4i3.440

Arif, S. M., & Suzan, L. (2022). Pengaruh Ukuran Perusahaan, Kepemilikan Manajerial, Dan Profitabilitas Terhadap Integritas Laporan Keuangan (Studi Empiris Terhadap Perusahaan Sektor Industri Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia Periode 2017-2020). *e-Proceeding of Management*, *9*(5), 3217.

Assyifa, Z. N., & Putri, I. A. (2026). Pengaruh Leverage Dan Profitabilitas Terhadap Integritas Laporan Keuangan Pada Perusahaan Sektor Perbankan Yang Terdaftar Di Bei Tahun 2022-2024. *Journal of Information System, Applied, Management, Accounting and Research*, *10*(1), 265–276. https://doi.org/10.52362/jisamar.v10i1.2290

Astuti, Sembiring, L. D., Supitriyani, Azwar, K., & Susanti, E. (2021). *Analisis Laporan Keuangan*. CV Media Sains Indonesia.

https://repository.stiesultanagung.ac.id/id/eprint/432/1/Buku%20Digital%20-%20Analisis%20Laporan%20Keuangan.pdf

Awara, T. N., & Fauziati, P. (2024). Pengaruh Fee Audtit, Intellectual Capital, Investment Opportunity Set, dan Profitabilitas terhadap Integritas Laporan Keuangan. *Neraca: Jurnal Ekonomi, Manajemen Dan Akuntansi*, *2*(12), 670–683.

Azhari, R. D., & Nugroho, E. S. (2022). Kondisi Keuangan Perusahaan Batu Bara Yang Terdaftar di Bursa Efek Indonesia. *Journal of Economic, Management, Accounting and Technology*, *5*(1), 34–43. https://doi.org/10.32500/jematech.v5i1.1878

Brigham, E. F., & Houston, J. F. (2010). *Dasar-Dasar Manajemen Keuangan—Essentials Of Financial Manajement* (11th ed.). Selemba Empat.

Christanti, W. A., & Asmara, R. Y. (2024). Pengaruh Ukuran Perusahaan, Kepemilikan Institusional Dan Debt To Asset Ratio Terhadap Integritas Laporan Keuangan. *Jurnal Ekonomi Bisnis, Manajemen dan Akuntansi (Jebma)*, *4*(3), 2217–2228. https://doi.org/doi.org/jebma.v4n3.4696

Christian, F., Upa, V. A., Mannan, A., & Indrijawati, A. (2023). Mampukah Profitabilitas dan Free Audit Mempengaruhi Integritas Laporan Keuangan perusahaan? *Jurnal Akuntansi Dan Pajak*, *24*(1). https://jurnal.stie-aas.ac.id/index.php/jap/article/view/7559

Christian, N., Kelly, Venessa, J., & Stefy. (2023). Analisis Arus Kas Shenanigans Pada PT Timah Indonesia Tbk. *Jurnal Ilmiah Akuntansi dan Humanika*, *13*(3), 324–331. https://doi.org/10.23887/jiah.v13i3.63072

Damayanti, D. N., Suhendar, D., & Martika, L. D. (2023). Komisaris Independen, Kepemilikan Manajerial, Kualitas Audit, Ukuran Perusahaan Dan Leverage Terhadap Integritas Laporan Keuangan. *Jurnal Riset Keuangan Dan Akuntansi*, *9*(1). https://doi.org/10.25134/jrka.v9i1.8261

Dang, C., Li, Z. F., & Yang, C. (2017). *Measuring Firm Size in Empirical Corporate Finance* (SSRN Scholarly Paper No. 2345506). Social Science Research Network. https://doi.org/10.2139/ssrn.2345506

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, *3*(3), 183–199. https://doi.org/10.1016/0165-4101(81)90002-1

Desipradani, G. (2026). *Evaluasi profitabilitas dan kebijakan deviden pada perusahaan sektor energi | Borobudur Accounting Review*. https://journal.unimma.ac.id/bacr/article/view/13830

Eka, A., & Rani, P. (2022). Peran Komisaris Independen, Komite Audit Dan Kualitas Audit Terhadap Integritas Laporan Keuangan Dimoderasi Oleh Whistleblowing System. *AkunNas*, *19*(1), 58–72.

Fatimah, S., Agustinawati, N. P., & Petro, S. (2020). Pengaruh Mekanisme Corporate Governance, Audit Tenure,Ukuran Perusahaan Dan Leverage Terhadap Integritas Laporan Keuangan (Studi Empiris Pada Perusahaan BUMN Yang Terdaftar Di Bursa Efek Indonesia). *Neraca: Jurnal Pendidikan Ekonomi*, *5*(2), 1–13. https://doi.org/10.33084/neraca.v5i2.1418

Fatma, H. B., & Chouaibi, J. (2025). *Corporate governance and accounting conservatism: Evidence from STOXX EUROPE 600 companies | Request PDF*. *22*. https://doi.org/10.1057/s41310-024-00267-y

Fauziah, M. R., Astuti, S., & Sutoyo, S. (2023). Pengaruh Ukuran Perusahaan, Struktur Corporate Governance dan Corporate Social Responsibility (CSR) Terhadap Integritas Laporan Keuangan. *Reviu Akuntansi dan Bisnis Indonesia*, *7*(2), 335–349. https://doi.org/10.18196/rabin.v7i2.17180

Givoly, D., & Hayn, C. (2000). The Changing Time-Series Properties of Earnings, Cash Flows and Accruals. *ResearchGate*. https://doi.org/10.1016/S0165-4101(00)00024-0

Hall, J. A. (2007). *Information Technology Auditing and Assurance* (1st ed.). Penerbit Salemba. https://www.google.co.id/books/edition/Audit_dan_Assurance_Teknologi_Informasi/mGjxzP1McMMC?hl=en&gbpv=1&dq=definisi+audit&pg=PA3&printsec=frontcover

Hery, A., Indrajit, R. E., Malyani, L., Mulyana, A., & Aziz, W. A. (2024). *Finance For Non Finance*. Yrama Widya.

IEA. (2025). *COAL 2025—Analysis and Forecast to 2030*. https://iea.blob.core.windows.net/assets/113a8274-500c-4684-951f-947d25bef3c9/Coal2025.pdf

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Jurnal of Financial Economics*, *3*(4). https://www.sciencedirect.com/science/article/pii/0304405X7690026X?utm_source

Kamandita, A. Z. & Suwandi. (2025). Pengaruh Penerapan Sistem Informasi Akuntansi, dan Sistem Pengendalian Internal terhadap Kualitas Laporan Keuangan dengan Kompetensi Sumber Daya Manusia sebagai Variabel Moderasi. *Jurnal Riset Akuntansi*, *3*(1), 80–106. https://doi.org/10.54066/jura-itb.v3i1.2884

Karen, K., Yenanda, K., & Evelyn, V. (2022). Analisa Pelanggaran Kode Etik Akuntan Publik Pada PT Garuda Indonesia Tbk. *SIBATIK JOURNAL: Jurnal Ilmiah Bidang Sosial, Ekonomi, Budaya, Teknologi, Dan Pendidikan*, *2*(1), 189–198. https://doi.org/10.54443/sibatik.v2i1.519

Kesuma, M. R., S, M. H., & Ariswati, L. D. (2025). The Impact Of Capital Intensity On Financial Stability Of Energy Sector Companies In Indonesia. *Journal of Financial Economics & Investment*, *5*(2), 115–127. https://doi.org/10.22219/jofei.v5i2.40516

Khalifa, M., Trabelsi, S., & Matoussi, H. (2022). *Leverage, R&D expenditures, and accounting conservatism: Evidence from technology firms*. https://www.researchgate.net/publication/377226852_Leverage_RD_expenditures_and_accounting_conservatism_Evidence_from_technology_firms

Khasanah, A., & Suryatimur, K. P. (2021). Dampak Covid-19 terhadap Kualitas Audit Perusahaan (Studi Literatur). *Jurnal Ilmiah Akuntansi Dan Bisnis*, *6*(2), 30–38. https://doi.org/10.38043/jiab.v6i2.3186

Le-Bao, T., Nguyen-The-Hoang, V., Tran-Thanh-Mai, T., & Ho-Thi-My, H. (2025). Accounting Conservatism, CEO Attributes, and Earning Quality: New Insights From Vietnamese Non-financial Listed Firms. *Sage Open*, *15*(3), 21582440251363004. https://doi.org/10.1177/21582440251363004

Liliany, L., & Arisman, A. (2021). Pengaruh Ukuran Perusahaan, Kepemilikan Manajerial, Dan Financial Distress Terhadap Integritas Laporan Keuangan (Studi Empiris Pada Perusahaan Industri Barang Konsumsi Yang Terdaftar Di BEI Tahun 2017-2019). *Publikasi Riset Mahasiswa Akuntansi (PRIMA)*, *2*(2), 121–134. https://doi.org/10.35957/prima.v2i2.926

Lubis, I. P., Fujianti, L., & Amyulianthy, R. (2018). Pengaruh Ukuran KAP, Ukuran Perusahaan dan Manajemen Laba terhadap Integritas Laporan Keuangan. *ResearchGate*, *10*(2). https://doi.org/10.31937/akuntansi.v10i2.993

Maharaja, D. A. S., Yasa, I. B. A., & Subiyanto, P. (2022). Analysis of the Effect of Remote Audit, Professional Scepticism and Going Concern Assessment on Audit Quality During the Covid-19 Pandemic: Case Study at Public Accountant Firm in Bali Province. *Journal of Applied Sciences in Accounting, Finance, and Tax*, *5*(2), 180–188. https://doi.org/10.31940/jasafint.v5i2.180-188

Mulyani, R., & Sopian, D. (2025). Pengaruh Kualitas Audit dan Corporate Governance terhadap Integritas Laporan Keuangan pada perbankan di BEI 2019-2023. *Journal of Information System, Applied, Management, Accounting and Research*, *9*(2), 867–882. https://doi.org/10.52362/jisamar.v9i2.1892

Nurbaiti, A., & Elisabet, C. (2023). The Integrity Of Financial Statements: Firm Size, Independent Commissioners, And Auditor Industry Specializations. *Jurnal Akuntansi*, *27*(1), 1–18. https://doi.org/10.24912/ja.v27i1.1086

Panjaitan, A. A., Simamora, M., Siahaan, S. A., Nasution, P. W., Simbolon, J. A., & Siregar, T. R. S. (2025). Manipulasi Laporan Keuangan Konsolidasi dalam Entitas Konsolidasi: Studi Kasus PT Envy Technologies Indonesia Tbk. *JURNAL AKADEMIK EKONOMI DAN MANAJEMEN*, *2*(1), 605–614. https://doi.org/10.61722/jaem.v2i1.4211

Pramudya, W. H., Herutono, S., & Kapti, A. S. M. K. (2024). Corporate Governance, Konservatisma Akuntansi Dan Leverage Sebagai Variabel Moderasi. *Wahana: Jurnal Ekonomi, Manajemen Dan Akuntansi*, *27*(1), 14–26. https://doi.org/10.35591/wahana.v27i1.914

Priyono, M. Y. V., & Suhartini, D. (2022). Pengaruh Firm Size, Cash Flow, Leverage, Growth Opportunity, Dan Profitability Terhadap Konservatisme Akuntansi. *Jambura : Economic Education Journal*, *4*(1), 51–65. https://doi.org/10.37479/jeej.v4i1.11117

Purba, T., Simbolon, R., Simbolon, A., Sianipar, Y., & Aruan, H. (2025). Standar Akuntansi Keuangan (SAK) di Indonesia. *Economics and Digital Business Review*, *6*, 1322–1330. https://doi.org/10.37531/ecotal.v6i2.2762

Purnamasari, D., & Tashya, A. (2024). Empirical Evidence Of Managerial Ownership, Leverage, Financial Distress, And Profitability On Accounting Conservatism In Mining Companies Listed On The Indonesian Stock Exchange During The Period Of 2018-2021. *Jurnal EQUITY*, *26*. https://doi.org/10.34209/equ.v26i1.5566

Puspaningsih, A., & Larasati, I. S. (2024). Determinants of audit quality during the Covid-19 pandemic. *Jurnal Akuntansi Dan Auditing Indonesia*, 122–130. https://doi.org/10.20885/jaai.vol28.iss2.art3

Ramadan, G. H., & Sutoyo, S. (2026). Pengaruh Risiko Litigasi, Ukuran KAP dan Leverage Terhadap Konservatisme Akuntansi (Studi Kasus Pada Perusahaan Sektor Energi). *Owner : Riset Dan Jurnal Akuntansi*, *10*(1), 101–116. https://doi.org/10.33395/owner.v10i1.2893

Rizal, M. N., Izdihar, M. D., Sampurna, N. W., & Irawan, F. (2022). Kinerja Keuangan Emiten Batubara Di Masa Pandemi Covid-19. *Jurnalku*, *2*(4). https://doi.org/https://doi.org/10.54957/jurnalku.v2i4.288

Safitri, A. Z., Andriani, W., & Herman, L. A. (2023). Financial Statement Integrity: What Are Things That Influence IT? *Jurnal Ilmiah Raflesia Akuntansi*, *9*(1), 22–31. https://doi.org/10.53494/jira.v9i1.198

Saputro, E. N., & Jaeni, J. (2025). Pengaruh Kualitas Audit, Komite Audit Terhadap Kualitas Laporan Keuangan Dengan Tata Kelola Perusahaan Sebagai Variabel Moderasi (Studi Pada Perusahaan Manufaktur Sub Sektor Food And Beverages Yang Terdaftar Di Bursa Efek Indonesia Tahun 2021 – 2024). *Journal of Economic, Bussines and Accounting (COSTING)*, *8*(6), 5333–5342. https://doi.org/10.31539/1mdhsm82

Sayekti, F. N., & Utami, C. K. (2019). *Akuntabilitas dan Independensi Auditor atas Kualitas Audit Pada KAP di Kota BAndung*. *3*(2).

Setyadi, G. C., & Ida, I. (2024). Faktor-faktor penentu kinerja keuangan perusahaan industri batu bara. *Jurnal Manajemen Bisnis dan Kewirausahaan*, *8*(5), 1235–1249. https://doi.org/10.24912/jmbk.v8i5.31089

Sormin, F. (2021). The Effect of Managerial Ownership, Profitability, Company Size on the Integrity of Financial Statements at Plantation Companies. *Saudi Journal of Economics and Finance*, *5*(4), 160–163. https://doi.org/10.36348/sjef.2021.v05i04.004

Sufyati, & Anlia, V. L. B. (2021). *Kinerja Keuangan Perusahaan Jakarta Islamic Index di Masa Pandemi Covid-19*. Penerbit Insania. (Original work published Penerbit Insania)

Sulastri, S., & Anna, Y. D. (2018). Pengaruh Financial Distress Dan Leverage Terhadap Konservatisme Akuntansi. *Akuisisi : Jurnal Akuntansi*, *14*(1), 59–69. https://doi.org/10.24127/akuisisi.v14i1.251

Susanto, D. H. (2024). *Kualitas Audit Investigasi*. Uwais Inspirasi Indonesia.

Wahyudi, F. I., & Setiyawati, H. (2022). Analysis of the Effect of Corporate Governance Mechanism, Company Size and Leverage on the Integrity of Financial Statements. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, *5*(3). https://doi.org/10.33258/birci.v5i3.6769

Wahyuni, P. D. (2022). Pengaruh Good Corporate Governance, Leverage Dan Kualitas Audit Terhadap Integritas Laporan Keuangan Pada Emiten BUMN. *Jurnal Akuntansi Bisnis*, *15*(1). https://doi.org/10.30813/jab.v15i1.2870

Wulandari, Z. S., & Abdillah, P. (2025). Pengaruh Environmental Social Governance (ESG), Intensitas Modal Dan Profitabilitas Terhadap Konservatisme Akuntansi: (Pada Perusahaan Sektor Energi Yang Terdaftar Di Bei Tahun 2020-2024). *Center of Economic Students Journal*, *8*(4), 1337–1351. https://doi.org/10.56750/5mrhvr11